

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

Monday 9 December 2013



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F4 (SGP)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the sources of law in Singapore, explain how the following are made:**
- (a) a statute; and (5 marks)
 - (b) case law. (5 marks)
- (10 marks)**
- 2 In relation to the terms of a contract, define and explain the legal effect of:**
- (a) a condition; (3 marks)
 - (b) a warranty; and (3 marks)
 - (c) an innominate term. (4 marks)
- (10 marks)**
- 3 In relation to company law, explain:**
- (a) the legal effect of the memorandum and articles of association on the company and its members; and (5 marks)
 - (b) the procedure to amend the memorandum and articles of association. (5 marks)
- (10 marks)**
- 4 In relation to company law, explain:**
- (a) a debenture; (3 marks)
 - (b) a company charge; and (3 marks)
 - (c) the obligation of a company to register company charges, and the consequences of non-registration. (4 marks)
- (10 marks)**
- 5 In relation to the law on company meetings, explain and distinguish between:**
- (a) an annual and an extraordinary general meeting, and how each may be convened; and (6 marks)
 - (b) an ordinary and a special resolution. (4 marks)
- (10 marks)**

- 6 In relation to company law, state the nature, and then explain the advantages and disadvantages of:**
- (a) judicial management; and** (5 marks)
 - (b) a scheme of arrangement.** (5 marks)
- (10 marks)**

- 7 In relation to fraudulent behaviour, explain the elements of insider dealing.**
- (10 marks)**

- 8** On 1 July, Alex faxed a letter, addressed to his regular car dealer, Bill, offering to sell him his car for \$200,000. The same day, Bill telephoned him, saying, 'I know how well you have maintained your car. I am fairly interested, but does your car come with the latest fibre-optic headliner?' 'No', said Alex and Bill responded, 'Let me think about it.' The telephone call ended with Alex saying his offer would lapse on 5 July and that since his daughter, Ann, was meeting up with Bill's daughter on 5 July, she would be at Bill's home on 5 July to personally receive Bill's reply.
- On 2 July, Alex received a letter from Clive. Clive was a car dealer who was about to resign from Bill's firm and venture out on his own. Clive claimed that he had heard of Alex's offer and wanted to accept it urgently. Clive's letter added, 'I hope to hear from you by 3 July, failing which I will assume that the deal is sealed.' Alex replied by email that he was not selling his car, but Clive's computer was not working and so he never read Alex's email.
- As Bill was not going to be home on 5 July to give his reply to Ann, he decided to post his letter of acceptance on 3 July. However, due to a long weekend holiday, the letter of acceptance was received by Alex on 6 July. Alex had by then changed his mind about selling his car.

Required:

Advise Alex on whether he is bound by any contract to sell his car.

(10 marks)

9 John Chew invested his life savings to set up Asia Tours Pte Ltd (AT), which operate tours in Asia. He was the sole shareholder and director of AT. John then hired Charles to be a manager of AT. Charles was capable and AT did very well partly due to Charles' business acumen and diligence. After a few years, Charles married John's daughter, Jane. When Charles became John's son-in-law, John trusted him even more as he was then a member of the Chew family. As John was getting older, he decided to transfer 60% of his shares to Charles for a nominal sum of money and appoint Charles as a director of AT. As a result, Charles and John held 60% and 40% of the shares in AT respectively and both men were directors of AT, with Charles also being the managing director. The oral understanding between them was that although John would not play an active role in the business as previously, he would continue to receive directors' fees and dividends from AT, which would constitute John's retirement income. Charles was also chairman of AT's board and AT's articles of association gave the chairman a casting vote at board meetings. As such, he would be able to pass board resolutions even if John voted against them.

Subsequently, the marriage of Charles and Jane deteriorated. Charles' relationship with John also soured as a result. Charles reduced John's directors' fees to \$5,000 per annum on the ground that he was doing little in the company. AT, which continued to make profits and which had been paying good dividends over the years, suddenly stopped paying dividends. All the profits of AT went towards Charles' huge salary, benefits, travel expenses and entertainment allowances. Charles refused to entertain any queries from John about the company's financial situation.

Required:

Advise John on the options available to him under the Companies Act Cap 50, which will allow him to remedy the wrongs done to him personally.

(10 marks)

10 Chan has been in the construction business for over 30 years. He is extremely experienced and his expertise is widely recognised in the industry. Due to his expertise and connections, Chan was recently engaged as the managing director of Ace Pte Ltd ('Ace'). Chan also sits on the board of several other construction companies, one of which is Land Mark Pte Ltd ('LM'). Chan receives a commission from LM if he manages to secure contracts for it.

Ace has recently been successful in a tender to develop a piece of land ('the project'). Ace needs to engage a main contractor to supervise and manage the project. Although it is usual practice for Ace to obtain tenders from several parties before awarding the contract to anyone as main contractor, Chan intends to do away with the usual practice this time as he believes he has good reasons to award the contract to LM on behalf of Ace. He is familiar with LM's operations and believes that LM has what it takes to do the job. He thinks that his good working relationship with the rest of LM's board and its management would make it easier to ensure that LM does a good job for Ace.

Required:

Advise Chan on whether he will be in breach of his duties as a director to Ace should he proceed to appoint LM as the main contractor for the project and the consequences of such breaches.

(10 marks)

End of Question Paper