

Fundamentals Level – Skills Module

Corporate and Business Law (Vietnam)

Monday 10 December 2012



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

The Ministry of Finance of the Socialist Republic of Vietnam

Paper F4 (VNM)

ACCA

ALL TEN questions are compulsory and MUST be attempted

1 In relation to the Vietnamese legal system:

(a) Explain the duties and powers of the Standing Committee of the National Assembly. (8 marks)

(b) Explain the factors that limit the powers of the National Assembly. (2 marks)

(10 marks)

2 In relation to the law of obligations:

(a) Explain the essential elements of a legally binding contract. (4 marks)

(b) Define the meaning of the following:

(i) Bilateral contract;

(ii) Unilateral contract;

(iii) Ancillary contract.

The total marks will be split equally between each part. (6 marks)

(10 marks)

3 In relation to employment law, explain the provisions of the Labour Code in relation to redundancy (retrenchment).

(10 marks)

4 In relation to company law:

(a) Describe the procedures that must be followed in order to form a limited liability company. (5 marks)

(b) Explain the requirements of the Law on Enterprises in respect of choosing a name for a new limited liability company. (5 marks)

(10 marks)

5 In relation to the capital and financing of shareholding companies, explain the classes of shares that may be issued, and the rights attached to these shares.

(10 marks)

6 In relation to company insolvency:

(a) Describe the composition of the committee for management and liquidation of assets. (4 marks)

(b) Explain the duties, powers and responsibilities of the committee for management and liquidation of assets. (6 marks)

(10 marks)

7 In relation to corporate governance:

- (a) Define the meaning of 'corporate governance'.** (2 marks)
- (b) Discuss the scope of corporate governance.** (4 marks)
- (c) Explain why corporate governance is especially relevant to companies whose securities are traded on recognised capital markets.** (4 marks)

(10 marks)

8 Bao is the general director of Tradeco, a limited liability company. One busy morning, Bao was late for an important business meeting and had to drive his company car to attend a meeting with a client.

Anxious to arrive on time, Bao was driving too fast for the wet road conditions and lost control of the car, which left the road and collided with a fruit and vegetable stall by the side of the road, destroying nearly all the goods on display. Khanh, the stall owner, estimated that the goods destroyed were worth 30 million dong. She also claimed that she would lose three days revenue while awaiting new goods to be sold on the stall.

Bao decided to write a brief statement of liability taking responsibility for the damage, which stated that Tradeco would pay Khanh 60 million dong by way of compensation.

On his return to the office, Bao was informed that Khanh had already visited the company to claim the money. Bao replied that the statement of liability was written while he was in a state of shock, and although he was responsible for the damage, the company should offer a lesser sum.

Required:

Analyse the potential liabilities of both Tradeco and Bao arising from the road traffic accident.

(10 marks)

9 Lan is a film producer and has enjoyed considerable success in recent years, with several productions generating impressive revenues in cinemas. Her reputation secure, Lan has decided to depart from her usual approach to film making and has decided to make a film that is radically different to her previous productions. As a result, those who have provided Lan with financial assistance in the past have been unwilling to commit themselves to her new project.

Lan has held a meeting with Nhu, who is a cinema enthusiast and has the financial means to help to bring Lan's project to final production. Nhu is a busy entrepreneur and does not want to get involved in the production of Lan's new film. She is prepared to make a substantial but not an open-ended commitment to investing in the project, and would like, if possible, to limit her exposure to risk. She has indicated that if the film is successful she may provide support again on an occasional but not regular basis.

Lan and Nhu agreed that they should form a domestic legal entity to formalise their collaboration, but are unsure of which corporate form would be most suitable. Ideally, they wish to agree on a form that is simple and not time consuming.

Required:

Discuss the advantages and disadvantages of the alternative corporate forms that Lan and Nhu could adopt, paying particular attention to the needs of the two individuals.

(10 marks)

- 10** Drink Company was formed in 2006 as a shareholding company, and quickly established itself as a successful retail operator in the coffee shop market. The company sells high quality, highly priced coffees, teas, fruit juices and snacks from several locations in Hanoi, and has plans to expand to several other towns and cities in the future.

The board of management has identified a new opportunity to diversify the business, and intends to open three fitness centres equipped with gymnasia, swimming pools and relaxation areas. Each fitness centre will also have its own coffee shop.

Three buildings suitable for conversion into fitness centres were found and the board of management has decided to acquire these and purchase the fittings and equipment necessary for the fitness centres. The board of management has also sanctioned a high profile marketing campaign with a view to giving the new centres extensive publicity before the opening dates.

The fitness centres initiative has not been universally welcomed by the shareholders of the company. Despite announcing increased profits, the board of management has not increased the dividend this year, citing the need for reinvestment as a justification for this. Several shareholders have pointed out that the Charter of the company refers to its lines of business as a food and drink retailer, with no mention of fitness centres. These shareholders believe that the board of management has acted outside its authority, and that the new venture is highly risky, as most premium grade hotels already have well-established fitness centres that are open to the public.

Required:

- (a) **Discuss the actions that can be taken by the shareholders who oppose the diversification plan of the board of management.** (7 marks)
- (b) **Examine the potential consequences to the members of the board of management of the actions that have been taken in diversifying the business.** (3 marks)

(10 marks)

End of Question Paper