

Fundamentals Level – Skills Module

Corporate and Business Law (South Africa)

Monday 9 June 2014



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 (ZAF)

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 legal system, discuss the rules and presumptions used by the courts in South Africa in interpreting statutes. (10 marks)**
- 2 In relation to the different classes of shares, briefly explain:**
- (a) preference shares; (5 marks)**
 - (b) ordinary shares; and (3 marks)**
 - (c) deferred shares. (2 marks)**
- (10 marks)**
- 3 In the context of the law of delict, explain:**
- (a) the meaning of causality; and (4 marks)**
 - (b) remoteness of damages. (6 marks)**
- (10 marks)**
- 4 In relation to contract law, explain what is meant by:**
- (a) offer; and (5 marks)**
 - (b) acceptance. (5 marks)**
- (10 marks)**
- 5 In relation to companies in crisis, explain business rescue proceedings as an alternative to winding up. (10 marks)**
- 6 In relation to governance, explain the 'stakeholder inclusive' approach and how this is dealt with in the King III Report on Corporate Governance (2009). (10 marks)**
- 7 In relation to company law, explain and distinguish between ordinary resolutions and special resolutions. (10 marks)**

- 8 Ann, Ben and Chris decide to form a business enterprise, which will design and sell baby products. They enter into an oral agreement under which Ann will contribute R15,000 on the understanding that at the end of the year she will be repaid R10,000. Ben will design the products. Chris will use his skills as a salesperson to advertise and sell the products. All three will share in the profits and losses equally.

Required:

Discuss whether Ann, Ben and Chris have entered into a valid partnership agreement.

(10 marks)

- 9 Dennis, Jack and Lucy are three friends who wish to start their own publishing company. They will approach potential authors with the view to publishing their books. They want to publish books in hard cover format as well as online. They will need an office where they can meet with potential clients, but it must also be big enough for the publishing and computer equipment. Ideally, they want a building close to the city centre. Whilst driving one Sunday afternoon, Dennis came across the perfect office building. It is new, modern, the right size and in the middle of the city centre. He wishes to lease this building on behalf of the proposed company. Dennis is unsure how he will be able to conclude a lease agreement for the office buildings as the publishing company is not yet incorporated.

Required:

Advise Dennis accordingly.

(10 marks)

- 10 Mandy is the owner of an optometrist practice in Pretoria. She agreed to purchase an eye testing machine from Noah and signed the contract without reading its terms. The contract contained an exclusion clause excluding liability for all kinds of defects in the machine. The machine proved to be totally defective. Mandy attempted to terminate the contract and also maintained that the contract is in conflict with what she and Noah had agreed on orally.

Required:

Advise Mandy as to whether or not she would succeed.

(10 marks)

End of Question Paper