

Fundamentals Level – Skills Module

Corporate and Business Law (South Africa)

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

Paper F4 (ZAF)

ACCA

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system, explain the importance of the Constitution as a source of law in South Africa.**

(10 marks)
- 2 In relation to the law of contract, explain what remedies are available for breach of contract.**

(10 marks)
- 3 In relation to the law of agency, define and explain the authority of an agent.**

(10 marks)
- 4 In relation to employment law, explain what is meant by:**

 - (a) the 'no work, no pay' rule;**

(4 marks)
 - (b) dismissal based on incapacity.**

(6 marks)

(10 marks)
- 5 In relation to close corporation law, explain the personal liability of members of a close corporation.**

(10 marks)
- 6 In relation to company law and corporate finance, explain and distinguish between shares and debentures.**

(10 marks)
- 7 In the context of governance and ethical issues relating to business, explain the regulation of corporate governance in South Africa.**

(10 marks)
- 8 ABC & Co acts as the statutory auditors of Bulk Buy Ltd, a company that provides various products in bulk to smaller companies at a reasonable price. The directors of Bulk Buy Ltd appointed Ben as the company's financial manager. It subsequently came to light that Ben forged the signature of one of the company's directors on several of the company's cheques and managed to steal a substantial amount of the company's money. Although ABC & Co conducted its usual audit of Bulk Buy Ltd's financial statements, it failed to discover the theft and forgery. The directors of Bulk Buy Ltd maintain that ABC & Co did not conduct the audit with reasonable care.**

Required:

Advise Bulk Buy Ltd on the feasibility of a claim against the company's auditors, ABC & Co.

(10 marks)

- 9 Irene and Jan are having an informal lunch at a small coffee shop on Main Street. After a cup of espresso, Irene tells Jan about her financial difficulties and that she is considering selling one of her horses. Jan offers to buy the horse from Irene and indicates that they can determine the price at a later stage.

Required:

Explain whether a valid contract was concluded between Irene and Jan.

(10 marks)

- 10 Fred, Grant and Hanna are members of Ideal Electrical Devices CC, which was formed on 4 June 2009. Ideal Electrical Devices CC buys and sells electrical devices to large companies. Fred's uncle is a lawyer and informs him that the new Companies Act 2008 might have an effect on the status of the close corporation of which he is a member. Fred is worried that the existence of Ideal Electrical Devices CC will be terminated and wishes to know whether they should convert the close corporation to a company.

Required:

Advise Fred whether or not Ideal Electrical Devices CC may continue to exist as a close corporation, and what the legal position is regarding the conversion of a close corporation to a company.

(10 marks)

End of Question Paper