

# Corporate and Business Law (ZAF) (F4)

## December 2015 to June 2016

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

### THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

#### Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

#### Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

#### Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

#### Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

#### Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

#### Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

#### Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

#### Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (\*see intellectual levels below).

#### Learning Materials

ACCA's Content Provider Directory lists details of Additional Reading suggested by the examining teams. These materials have not been quality assured by ACCA but may be helpful for variant exams where no approved content is available.

ACCA's Content Provider Directory can be found here –

<http://www.accaglobal.com/uk/en/student/acca-qual-student-journey/study-revision/learning-providers/alp-content.html>

Relevant articles are also published in Student Accountant and available on the ACCA website.

## INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension

Level 2: Application and analysis

Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

## LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning

patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

## GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations F5-F9 are all paper based three-hour papers containing a mix of objective and longer type questions. The *Corporate and Business Law* (F4) paper is a two-hour paper based examination from the December 2014 examination session.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

## GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the financial accounting, audit and assurance, law and tax papers except where indicated otherwise, ACCA will publish *examinable documents* once a year to indicate exactly what regulations and legislation could potentially be assessed within identified examination sessions..

For paper based examinations regulation *issued* or legislation *passed* on or before 31<sup>st</sup> August annually, will be examinable from 1<sup>st</sup> September of the following year to 31<sup>st</sup> August of the year after that. Please refer to the examinable documents for the paper (where relevant) for further information.

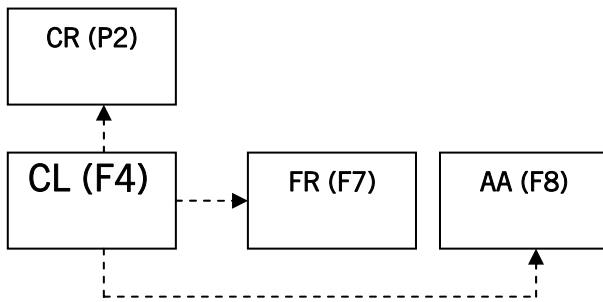
Regulation issued or legislation passed in accordance with the above dates may be examinable even if the *effective* date is in the future.

The term issued or passed relates to when regulation or legislation has been formally approved.

The term effective relates to when regulation or legislation must be applied to an entity transactions and business practices.

The study guide offers more detailed guidance on the depth and level at which the examinable documents will be examined. The study guide should therefore be read in conjunction with the examinable documents list.

# Syllabus



## AIM

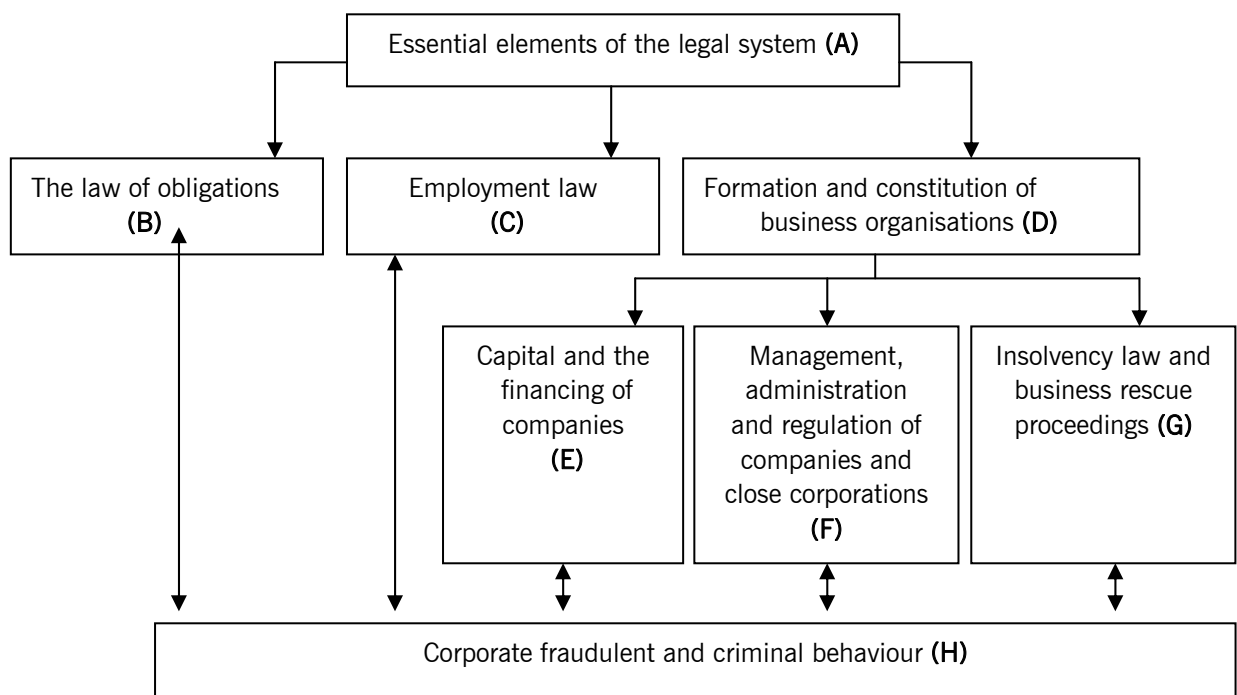
To develop knowledge and skills in the understanding of the general legal framework, and of specific legal areas relating to business, recognising the need to seek further specialist legal advice where necessary

## MAIN CAPABILITIES

After completing this paper candidates should be able to:

- A** Identify the essential elements of the legal system, including the main sources of law
- B** Recognise and apply the appropriate legal rules relating to the law of obligations
- C** Explain and apply the law relating to employment relationships
- D** Distinguish between alternative forms and constitutions of business organisations
- E** Recognise and compare types of capital and the financing of companies
- F** Describe and explain how companies and close corporations are managed, administered and regulated
- G** Recognise the legal implications relating to insolvency and business rescue proceedings
- H** Demonstrate an understanding of corporate fraudulent and criminal behaviour

## RELATIONAL DIAGRAM OF MAIN CAPABILITIES



## **RATIONALE**

*Corporate and Business Law* is divided into eight areas. The syllabus starts with an introduction to the overall South African legal system such as the court system and sources of law, including human rights legislation. It then leads into the area of the law of obligations including contract and delict, which underpin business transactions generally.

The syllabus then covers a range of specific legal areas relating to various aspects of business of most concern to finance professionals. These are the law relating to employment and the law relating to companies and close corporations. These laws include the formation and constitution of companies and close corporations, the financing of companies and types of capital, and the day- to- day management, the administration and regulation of companies and legal aspects of insolvency and business rescue proceedings.

The final section links back to all the previous areas. This section deals with corporate fraudulent and criminal behaviour

## **DETAILED SYLLABUS:**

### **A Essential elements of the legal system**

1. Law and the legal system
2. Sources of law
3. Human rights and the Constitution

### **B The law of obligations**

1. Formation of contract
2. Content of contracts
3. Breach of contract and remedies
4. The law of delict and professional negligence

### **C Employment law**

1. Contract of employment
2. Dismissal, unfair labour practices and redundancy

### **D Formation and constitution of business organisations**

1. Agency law
2. Partnerships
3. Corporations and legal personality
4. The formation and constitution of a company

### **E Capital and the financing of companies**

1. Share capital
2. Loan capital
3. Corporate finance

### **F Management, administration and regulation of companies and close corporations**

1. Company directors
2. Other company officers
3. Company meetings and resolutions
4. Internal and external relations of close corporations

### **G Insolvency law and business rescue proceedings**

1. Insolvency and business rescue proceedings

### **H Corporate fraudulent and criminal behaviour**

1. Fraudulent and criminal behaviour

## APPROACH TO EXAMINING THE SYLLABUS

The syllabus is assessed by a two-hour paper-based examination.

The examination consists of:

### Section A

- 25 x 2 mark objective test questions 50%
- 20 x 1 mark objective test
- questions 20%

### Section B

- 5 x 6 mark multi-task questions 30%
- 100%.

All questions are compulsory.

## NOTE ON CASE LAW

Candidates should support their answers with analysis referring to cases or examples. There is no need to detail the facts of the case. Remember, it is the point of law that the case establishes that is important, although knowing the facts of cases can be helpful as sometimes questions include scenarios based on well-known cases. Further it is not necessary to quote section numbers of Acts.

# Study Guide

## A ESSENTIAL ELEMENTS OF THE LEGAL SYSTEM

### 1. Law and the legal system

- a) Define law and distinguish types of law.<sup>[1]</sup>
- b) Explain the structure and operation of the courts.<sup>[1]</sup>

### 2. Sources of law

- a) Explain the various sources of law.<sup>[1]</sup>
- b) Explain what is meant by case law and precedent within the context of the hierarchy of the courts.<sup>[1]</sup>
- c) Explain legislation and evaluate delegated legislation.<sup>[1]</sup>
- d) Illustrate the rules and presumptions used by the courts in interpreting statutes.<sup>[1]</sup>
- e) Discuss how to interpret a court judgement.<sup>[1]</sup>

### 3. Human rights and the Constitution

- a) Identify the concept of human rights as expressed in the Constitution of South Africa.<sup>[2]</sup>
- b) Explain the impact of human rights law on statutory interpretation.<sup>[2]</sup>
- c) Explain the impact of human rights law on the common law.<sup>[2]</sup>

## B THE LAW OF OBLIGATIONS

### 1. Formation of contract

- a) Analyse the nature of a contract.<sup>[2]</sup>
- b) Explain the requirements of a valid contract.<sup>[2]</sup>
- c) Explain the meaning of offer and acceptance and an invitation to do business.<sup>[2]</sup>
- d) Explain the meaning and consequence of acceptance.<sup>[2]</sup>

- e) Explain the concept of the intention to be bound by a contract.<sup>[2]</sup>

- f) Analyse the concept of sanctity of contract.<sup>[2]</sup>

- g) Analyse capacity to perform juristic acts.<sup>[1]</sup>

- h) Explain possibility and certainty of performance.<sup>[1]</sup>

### 2. Content of contracts

- a) Distinguish terms from mere representations.<sup>[1]</sup>
- b) Define the various contractual terms.<sup>[1]</sup>
- c) Explain the effect of exclusion clauses and their control.<sup>[2]</sup>
- d) Explain the various conditions that can be attached to a contract.<sup>[1]</sup>

### 3. Breach of contract and remedies

- a) Explain the meaning and effect of breach of contract.<sup>[2]</sup>
- b) Explain the rules relating to the award of damages.<sup>[2]</sup>
- c) Analyse the remedies for breach of contract.<sup>[2]</sup>
- d) Demonstrate an understanding of consumer protection in general terms.<sup>[1]</sup>

### 4. The law of delict and professional negligence

- a) Explain the meaning of delict<sup>[1]</sup>
- b) Identify instances of delict including 'passing off', negligence and professional negligence.<sup>[2]</sup>
- c) Explain the wrongfulness concept and its breach.<sup>[2]</sup>
- d) Explain the meaning of causality and remoteness of damage.<sup>[2]</sup>
- e) Discuss defences to actions in negligence.<sup>[2]</sup>
- f) Explain and analyse the duty of care of accountants and auditors.<sup>[2]</sup>

## **C EMPLOYMENT LAW**

### **1. Contract of employment**

- a) Distinguish between employees and the self-employed.<sup>[2]</sup>
- b) Explain the nature of the contract of employment and give examples of the main duties placed on the parties to such a contract.<sup>[2]</sup>

### **2. Dismissal, unfair labour practices and redundancy**

- a) Distinguish between wrongful and unfair dismissal including constructive dismissal.<sup>[2]</sup>
- b) Explain the meaning of redundancy.<sup>[2]</sup>
- c) Discuss the remedies available to those who have been subject to unfair dismissal, unfair labour practice or redundancy.<sup>[2]</sup>

## **D FORMATION AND CONSTITUTION OF BUSINESS ORGANISATIONS**

### **1. Agency law**

- a) Define the role of the agent and give examples of such relationships, paying particular regard to partners and company directors.<sup>[2]</sup>
- b) Explain the formation of agency relationship.<sup>[2]</sup>
- c) Define the authority of the agent.<sup>[2]</sup>
- d) Explain the potential liability of both principal and agent.<sup>[2]</sup>

### **2. Partnerships**

- a) Demonstrate a knowledge of the law governing the partnership.<sup>[1]</sup>
- b) Discuss the formation of a partnerships.<sup>[2]</sup>
- c) Explain the authority of partners in relation to partnership activity.<sup>[2]</sup>
- d) Analyse the liability of various partners for partnership debts.<sup>[2]</sup>

- e) Explain the termination of a partnership and partners' subsequent rights and duties.<sup>[2]</sup>

### **3. Corporations and legal personality**

- a) Distinguish between sole traders, partnerships, close corporations and companies.<sup>[1]</sup>
- b) Explain the meaning and effect of limited liability.<sup>[2]</sup>
- c) Analyse different types of companies, including profit and non-profit companies.<sup>[1]</sup>
- d) Illustrate the effect of separate personality.<sup>[2]</sup>
- e) Recognise instances where separate personality will be ignored.<sup>[2]</sup>
- f) Explain the personal liability of members of a close corporation.<sup>[2]</sup>
- g) Explain the effect of legislation on the existence of close corporations.<sup>[1]</sup>

### **4. The formation and constitution of a company**

- a) Explain the role and duties of company promoters, and breach of those duties and remedies available to the company.<sup>[2]</sup>
- b) Explain what a pre-incorporation contract entails.<sup>[2]</sup>
- c) Describe the procedure for registration and incorporation of companies.<sup>[1]</sup>
- d) Describe the criteria, registration and changing of company names.<sup>[1]</sup>
- e) Describe the statutory books, records and returns that companies must keep or make.<sup>[1]</sup>
- f) Explain the content and effect of the memorandum of incorporation and the rules of a company.<sup>[2]</sup>
- g) Analyse the legal status of the memorandum of incorporation and the rules of a company.<sup>[2]</sup>
- h) Explain how the memorandum of incorporation can be amended.<sup>[2]</sup>



## **E CAPITAL AND THE FINANCING OF COMPANIES**

### **1. Share capital**

- a) Examine the different meanings of capital.<sup>[1]</sup>
- b) Illustrate the difference between various classes of shares.<sup>[2]</sup>
- c) Explain the procedure for the authorisation of shares.<sup>[2]</sup>

### **2. Loan capital**

- a) Define companies' borrowing powers.<sup>[1]</sup>
- b) Explain when financial assistance for subscription of shares can be granted and what will qualify as financial assistance.<sup>[2]</sup>
- c) Explain the meaning of debentures.<sup>[2]</sup>
- d) Distinguish loan capital from share capital.<sup>[1]</sup>

### **3. Corporate finance**

- a) Explain the meaning of dividends as distributions.<sup>[2]</sup>

## **F MANAGEMENT, ADMINISTRATION AND REGULATION OF COMPANIES AND CLOSE CORPORATIONS**

### **1. Company directors**

- a) Explain the role of directors in the operation of a company.<sup>[2]</sup>
- b) Explain the different types of directors, such as executive/non-executive.<sup>[1]</sup>
- c) Discuss the ways in which directors are appointed and can lose their office, and the disqualification of directors.<sup>[2]</sup>
- d) Distinguish between the powers of the board of directors, the managing director and individual directors to bind their company.<sup>[2]</sup>
- e) Explain the duties that directors owe to their companies.<sup>[2]</sup>

### **2. Other company officers**

- a) Discuss the appointment procedure relating to, and the duties and powers of, a company secretary.<sup>[2]</sup>
- b) Discuss the appointment procedure relating to, and the duties of a company auditor, and their subsequent removal.<sup>[1]</sup>

### **3. Company meetings and resolutions**

- a) Distinguish between types of meetings: general meetings and annual general meetings.<sup>[1]</sup>
- b) Explain the procedure for calling and conducting shareholder meetings.<sup>[2]</sup>
- c) Distinguish between types of resolutions: ordinary and special resolutions.<sup>[1]</sup>

### **4. Internal and external relations of close corporations**

- a) Explain the requirements for membership in a close corporation.<sup>[1]</sup>
- b) Explain the membership and membership interests.<sup>[2]</sup>
- c) Analyse internal and external relationships.<sup>[2]</sup>

## **G INSOLVENCY LAW AND BUSINESS RESCUE PROCEEDINGS**

### **1. Insolvency and business rescue proceedings**

- a) Explain the meaning of and procedure involved in voluntary liquidation.<sup>[2]</sup>
- b) Explain the meaning of and procedure involved in compulsory liquidation.<sup>[2]</sup>
- c) Explain business rescue proceedings as an alternative to winding up.<sup>[2]</sup>

## **H CORPORATE FRAUDULENT AND CRIMINAL BEHAVIOUR**

### **1. Fraudulent and criminal behaviour**

- a) Recognise the nature and legal control over insider dealing.<sup>[2]</sup>
- b) Recognise the nature and legal control over market abuse.<sup>[1]</sup>
- c) Recognise the nature and legal control over potential money laundering.<sup>[2]</sup>
- d) Recognise the nature and legal control over bribery and corruption.<sup>[2]</sup>
- e) Discuss potential criminal activity in the operation, management and winding up of companies.<sup>[2]</sup>
- f) Recognise the nature and legal control over reckless and fraudulent trading.<sup>[2]</sup>

## **SUMMARY OF CHANGES TO F4 (ZAF)**

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

There have been no additions or deletions to the syllabus.