

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

Tuesday 7 December 2010

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 Institute of Certified Public Accountants of Singapore

ACCA



Paper F4 (SGP)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the sources of law, explain how each of the following types of law is made:**
- (a) statutes (or Acts of Parliament); (3 marks)
 - (b) subsidiary legislation; (3 marks)
 - (c) case law (or common law). (4 marks)
- (10 marks)**
- 2 In relation to the law of contract, explain, and illustrate, each of the following:**
- (a) an 'offer'; (3 marks)
 - (b) 'consideration'; (4 marks)
 - (c) 'intention to create legal relations'. (3 marks)
- (10 marks)**
- 3 In relation to breach of contract, explain two situations in which the innocent party can choose to terminate the contract, in addition to suing for damages.**
- (10 marks)**
- 4 In the context of company law, explain each of the following types of meetings and state how each of them is convened:**
- (a) an annual general meeting; (4 marks)
 - (b) an extraordinary general meeting; (4 marks)
 - (c) a class meeting. (2 marks)
- (10 marks)**
- 5 In relation to protecting creditors under company law:**
- (a) explain the doctrine of capital maintenance; (2 marks)
 - (b) explain THREE methods in which share capital of a company may be reduced; and (3 marks)
 - (c) explain how and when a company may declare dividends. (5 marks)
- (10 marks)**

- 6 In relation to winding up of a company under company law:
- (a) state how winding up by the court is initiated and how voluntary winding up is initiated; (4 marks)
 - (b) distinguish between a members' voluntary winding up and a creditors' voluntary winding up; (4 marks)
 - (c) state two grounds on which a court may wind up a company. (2 marks)

(10 marks)

- 7 A company may issue shares or borrow to raise capital for its business. In relation to company law, explain FIVE differences between share capital and loan capital.

(10 marks)

- 8 Andy was the managing director of Alpha Pte Ltd ('Alpha'), a computer technology company. Andy was tasked by Alpha to actively pursue and negotiate a contract with Beta Pte Ltd ('Beta') to develop a revolutionary internal audit software. However, Beta was not keen to enter into the joint venture with Alpha and preferred to work with Andy instead. Andy resigned from his post with Alpha and personally entered into the contract with Beta. When the internal audit software was developed and became a huge commercial success, Andy made a large profit.

Required:

Discuss whether Andy has breached any duty as a director of Alpha when he entered into the contract with Beta, and the consequences of such a breach.

(10 marks)

- 9 Tom often travels to Malaysia using the bus service offered by Comfy Tours Pte Ltd ('Comfy'). The following is the sequence of events *preceding* the issuing of the bus ticket to Tom at Comfy's office:

- (1) Tom informs Comfy's ticketing officer, Jane, of his intended destination;
- (2) Jane quotes Tom the fare;
- (3) Tom pays cash;
- (4) Jane issues Tom a machine printed ticket.

There are notices, containing identical terms of carriage, posted at Comfy's office and on the back of the printed ticket. Amongst the terms, there was an exclusion clause in red font and bold print which reads:

'You agree that Comfy shall not be liable to you for any injury suffered by you as a passenger, arising from any acts or omissions of Comfy or their employees, whether those acts or omissions were negligent or otherwise.'

It turned out that Tom suffered a broken arm when the bus crashed. The accident was caused by the bus driver's negligence.

Required:

Advise Tom whether the exclusion clause is effective to exclude Comfy's liability should Tom sue Comfy for his injury.

(10 marks)

- 10** Ann started baking cakes in her kitchen as a hobby after she was made redundant two years ago. Her hobby soon became a business when friends and relatives started ordering cakes from her. Over that period, the orders per month have been increasing steadily. The demand is so high that she is seriously considering registering her business and several supermarkets have suggested they will place large orders with her if she could guarantee delivery every day. Ann's friend, Cindy, wants to join her in running the business but has told her they must form a registered company if they are to expand their operations. Ann is worried about her potential personal liability if she were to be part of this business.

Required:

Advise Ann on whether a partnership, limited liability partnership, or company is a suitable form of business, specifically in relation to her concerns about personal liability.

(10 marks)

End of Question Paper