

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

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

Paper F4 (GLO)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

ALL TEN questions are compulsory and MUST be attempted

- 1 (a) With reference to a national constitution explain the principle of the separation of powers. (7 marks)
- (b) In relation specifically to the United Kingdom constitution explain the principle of parliamentary sovereignty. (3 marks)
- (10 marks)**
- 2 With specific regard to Article 34 of the UNCITRAL Model Law on International Commercial Arbitration explain the grounds and procedure for setting aside a decision of an arbitration panel.
- (10 marks)**
- 3 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain the remedies available to the buyer for a breach of contract by the seller.
- (10 marks)**
- 4 In relation to the issuing of company shares explain:
- (a) pre-emption rights; (3 marks)
- (b) rights issues; (3 marks)
- (c) bonus issues. (4 marks)
- (10 marks)**
- 5 In relation to company law:
- (a) state, and explain the purpose of, the various registers that have to be kept by a company. (4 marks)
- (b) describe what accounting records will have to be produced and maintained by a company. (6 marks)
- (10 marks)**
- 6 In relation to company law, explain the duties owed by directors to their companies.
- (10 marks)**
- 7 In the context of the UNCITRAL model law on international credit transfers:
- (a) define the meaning of sender, originator and payment order. (3 marks)
- (b) explain how the model law addresses the issue of unauthorised payment orders. (7 marks)
- (10 marks)**

- 8** Ab Co is a designer and manufacturer of highly specialist pressure transmitting systems. It required pressure sensors of a more than usual sensitivity for a particular contract. In search of the necessary components it approached Ba Co, a manufacturer of such equipment. In order to convince Ab Co of the suitability of their product Ba Co arranged for a technological evaluation of their sensors and were delighted when they more than matched the standard and announced the fact in their trade association journal. Ab Co was also delighted at the results of the tests and ordered the sensors from Ba Co.

When Cy read the journal he was also sure that the sensors would be sensitive enough to function on a specialist project he was working on, so he also ordered a batch of the sensors from Ba Co.

Unfortunately when Ab Co incorporated the sensors into its pressure transmitting systems they proved to be not as sensitive as it had been led to believe and caused the failure of the whole system. In fact the sensors were no more sensitive than normal sensors, available at a much lower price.

Cy's specialist project also failed because of the lack of sensitivity of the component sensors and he lost a valuable contract as a result.

Required:

Assuming that the UN Convention on Contracts for the International Sale of Goods applies, advise AB Co and Cy as to any rights and recourse they may have against Ba Co.

(10 marks)

- 9** Dee and Eff are major shareholders in, and the directors of, the public company, Fan plc. For the year ended 30 April 2009 Fan plc's financial statements showed a loss of \$2,000 for the year.

For the year ended 30 April 2010 Fan plc made a trading profit of \$3,000 and, due to a revaluation, the value of its land and buildings increased by \$5,000.

As a consequence, Dee and Eff recommended, and the shareholders approved, the payment of \$4,000 in dividends.

Required:

Advise Dee and Eff as to:

(a) the legality of the dividend payment; and (6 marks)

(b) any potential liability in regard to the dividend payment. (4 marks)

(10 marks)

10 Geo, Ho and Io formed a partnership three years ago to run a business. They each provided capital to establish the business as follows:

Geo \$20,000;
Ho \$12,000; and
Io \$8,000.

The partnership agreement stated that all profits and losses were to be divided in proportion to the capital contribution.

After 18 months Geo provided the partnership with a loan of \$3,000 in order to finance the purchase of more inventory. The loan was to be paid back from the profits of the business.

Unfortunately the business was not successful and the partners decided to dissolve the partnership rather than risk running up any more losses. At the time of the dissolution of the partnership its assets were worth \$20,000. Its external debts were \$7,000 and none of the debt to Geo has ever been paid.

Required:

Advise the partners as to how the financial aspects of the dissolution will be conducted and how the assets will be distributed.

(10 marks)

End of Question Paper