

Fundamentals Level – Skills Module

Corporate and Business Law (Global)

Monday 12 December 2011

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 Explain the process of arbitration as set out in the UNCITRAL Model Law on International Commercial Arbitration, and assess its relative advantages and disadvantages as an alternative to court proceedings.**
- (10 marks)**
- 2 In relation to the United Nations Convention on Contracts for the International Sale of Goods, explain how the following can bring an offer to an end:**
- (a) withdrawal; (3 marks)
- (b) revocation; (4 marks)
- (c) rejection. (3 marks)
- (10 marks)**
- 3 Within the context of the UN Convention on Contracts for the International Sale of Goods, explain the obligations placed on the contractual parties to preserve goods, in their possession, belonging to the other contractual party.**
- (10 marks)**
- 4 Explain the meaning of the following terms with regard to the law of agency, providing specific examples within the context of company law:**
- (a) express authority; (3 marks)
- (b) implied authority; (3 marks)
- (c) ostensible/apparent authority. (4 marks)
- (10 marks)**
- 5 In relation to a company's shares:**
- (a) explain the following:
- (i) the statement of capital and initial shareholdings; and (4 marks)
- (ii) the authorised minimum issued capital in a public company. (1 mark)
- (b) explain and distinguish between ordinary shares and preference shares. (5 marks)
- (10 marks)**

- 6 In the context of corporate governance, explain and distinguish between:**
- (a) (i) the chairman of a company's board of directors; and (3 marks)
(ii) a company's managing director/chief executive. (2 marks)
- (b) (i) non-executive directors; and (2 marks)
(ii) shadow directors. (3 marks)
- (10 marks)**

- 7 In the context of the UN Convention on International Bills of Exchange and International Promissory Notes, explain the meaning of, and procedure involved in, endorsing an international bill of exchange.**
- (10 marks)**

8 Aldo is a manufacturer of specialist bottles with his factory in Italy. Bod is a Greek olive grower. Aldo entered into a contract with Bod to supply him with 10,000 bottles for his upcoming olive pressing. The bottles were specially made and packed by Aldo and as they were sold 'ex works' Bod arranged for a carrier to deliver the bottles to his warehouse in Greece. When the bottles arrived with Bod it was immediately apparent that they could not be used. They had been inadequately packed and many of them had been broken and the others had become contaminated during the journey from Italy to Greece and so could not be used as olive oil bottles.

Bod immediately contacted Aldo to inform him that he would not pay for the bottles and that he would be getting replacements from a local supplier, although at a higher price. Aldo replied that he was not responsible for the damage, as it had occurred during the transportation of the bottles and he insists on full payment from Bod.

Required:

Advise Aldo and Bod as to their rights and liabilities under the UN Convention on Contracts for the International Sale of Goods, which may be assumed to apply to the transaction.

(10 marks)

- 9** Doc, a supplier of building materials, entered into the following transactions:
- (a) An agreement to sell some goods to a longstanding friend, Ed. The contractual document, however, actually stated that the contract was made with Ed's company, Ed Ltd. Although the materials were delivered, they have not been paid for and Doc has learned that Ed Ltd has just gone into insolvent liquidation. (4 marks)
- (b) Doc had employed a salesman, Fitt, whose contract of employment contained a clause preventing him, Fitt, from approaching any of Doc's clients for a period of two years after he had left Doc's employment. Doc has found out that, on stopping working for him, Fitt has started working for a company, Gen Ltd, wholly owned by Fitt and his wife, and is approaching contacts he had made while working for Doc. (6 marks)

Required:

In the context of company law advise Doc as to the legality and likely outcome of the above situations.

Notes:

- in (b) the legality of the restraint of trade clause in Fitt's contract of employment may be assumed; and
- the mark allocation is shown against each of the transactions above.

(10 marks)

- 10** Ian is an accountant and one of his clients is Jet, who runs an illegal operation as well as some other legitimate businesses. Jet approached Ian for advice as to how he should deal with the gains he makes from the illegal operation. Ian suggested that, rather than try to use his existing legitimate businesses to disguise the source of the money, Jet should use his legally made money to buy the local football club, Kickers, with the intention of passing his gains from the illegal operation through its accounts.
- Ian's reasoning was that as there was a lot of cash going through the football club on a weekly basis, and as there appeared to be very little control exercised over the finances of football clubs, it would be easy to mingle the illegal money with the football club's legitimate receipts.
- Jet accepted the proposal, bought the club, appointed Ian as its finance director and together they passed the illegal money through the football club. Lol, the long-term team manager of Kickers, has noticed the increase in the club's income, but is concerned that the extra money is going to Jet as the owner, and not being used to finance the club.

Required:

Analyse the scenario from the perspective of the law relating to money laundering, advising Lol as to the legality of the above situation and what action can be taken against Ian and/or Jet.

(10 marks)

End of Question Paper