

Fundamentals Level – Skills Module

Corporate and Business Law (Hong Kong)

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 (HKG)

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 In relation to the sources of law in the Hong Kong Special Administrative Region ('the HKSAR'), discuss the following:**
'While statutory law is made by the Legislative Council, it is case law that gives meaning to the words of statutory law.'
- (10 marks)**
- 2 In relation to contract law, explain the following:**
- (a) The postal rule. (5 marks)
- (b) The doctrine of privity. (5 marks)
- (10 marks)**
- 3 In relation to the law of obligations:**
- (a) Explain the nature of contractual liabilities. (3 marks)
- (b) Explain and distinguish the meaning of tort and tortious liabilities from criminal liabilities. (7 marks)
- (10 marks)**
- 4 In relation to agency law, explain:**
- (a) The usual authority of an agent. (5 marks)
- (b) The creation of agency relationship by ratification. (5 marks)
- (10 marks)**
- 5 In relation to Companies Ordinance (Cap 32), explain the scope of duties of care that a company's auditor needed to attain in order to discharge the duties to the company properly.**
- (10 marks)**
- 6 In relation to the prospectus of a company:**
- (a) State the statutory definition of a prospectus. (3 marks)
- (b) Describe the content of a prospectus. (7 marks)
- (10 marks)**

7 In relation to fraudulent behaviour:

(a) Explain the nature of money laundering. (4 marks)

(b) Explain the legal control of money laundering under the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap 405). (6 marks)

(10 marks)

8 David and Eddy had been friends working together for a long time. Both of them are construction workers. As regard the practice between them, it was David who entered into contracts with the construction companies. Afterwards, the contracts were performed by both of them.

All the tools for performing the contracts were supplied and arranged by David. David would pay Eddy his part of remuneration for the performance of each of the contracts before David received the whole contract sum from the construction company.

Last month, Eddy suffered injury when he worked on a contracted job on a construction site. Under the law, an employer has to pay his employee compensation if the employee suffers personal injury in the course of performing the employment contracts. David has refused to pay Eddy employee compensation on the ground that they were working together as partners.

Required:

In relation to employment law, advise Eddy as to his entitlement for employee compensation from David.

(10 marks)

9 Aaron, Bill and Carol were partners in a partnership named Aaron, Bill, Carol & Co. Carol retired from the partnership in May this year.

One month after Carol's retirement, under the name of the partnership and without informing or consulting Carol, Bill and Aaron entered into a loan agreement ('the Loan Agreement') with a bank ('the Bank'), which was the first time the partnership had done business with the Bank. Pursuant to the Loan Agreement, the Bank lent to the partnership the sum of HKG \$3 million ('the Loan').

The partnership has been unable to repay the Loan, and the Bank has decided to commence legal action against Carol for the repayment.

Required:

In relationship to partnership law:

Advise Carol as to whether she would be liable for the repayment of the Loan.

Note: You may assume that the partners had authority to enter into the Loan Agreement.

(10 marks)

10 John had been a director of Computer Service Ltd ('CS Ltd') before he resigned from the company a year ago. During John's office, Software Ltd had been an important client of CS Ltd and John had been the person responsible for liaising with Software Ltd.

About two years ago, there was a dispute between the chairman of the board of directors of CS Ltd and the majority shareholders of Software Ltd. Ever since then, Software Ltd has stopped using the services of CS Ltd.

One month ago, Software Ltd learned that John has set up his own company as a sole proprietor, which provides services similar to those of CS Ltd. Software Ltd has just entered into a service contract with John under which John agreed to provide the services. John has earned profit from the contract.

Required:

In relation to company law, advise John as to whether he needs to account for the profit he earned from the contract with Software Ltd to CS Ltd.

(10 marks)

End Of Question Paper