

Fundamentals Level – Skills Module

# Corporate and Business Law (Lesotho)

Tuesday 2 June 2009

**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 Lesotho Institute of Accountants

**ACCA**



# Paper F4 (LSO)

**ALL TEN questions are compulsory and MUST be attempted**

- 1 In relation to the Lesotho legal system and the interpretation of statutes, explain the literal rule and provide one example of its application.**

**(10 marks)**
  
- 2 In relation to the law of contract, explain what is meant by the 'postal rule' and the circumstances when it does NOT apply.**

**(10 marks)**
  
- 3 In relation to the law of contract, explain and distinguish between express terms and implied terms.**

**(10 marks)**
  
- 4 In relation to contracts of employment, discuss the main duties of an employer towards his employees under the Labour Code, 1992.**

**(10 marks)**
  
- 5 In relation to partnership law, explain the fiduciary duties of partners.**

**(10 marks)**
  
- 6 In relation to the memorandum of association in company law, explain the objects clause and provide one example of its application.**

**(10 marks)**
  
- 7 In relation to company law, discuss the duties of an auditor.**

**(10 marks)**

- 8** Joseph is a self-employed accountant who works from his home. Since he has to deal with sensitive accounts, he decided to install a security alarm system. He entered into a contract with Security Ltd to install the alarm system in his house. Joseph was asked to read, fill in and sign a form to confirm the order. The form contained a statement that 'Security Ltd accepts no liability whatsoever for any injury or loss sustained as a consequence of the wrongful installation or operation of any equipment supplied or fitted by it.' Joseph did not read that notice but filled in and signed the form to confirm his order.

The installation of Joseph's security system was carried out incorrectly. During the first night, it short-circuited and caused a fire which destroyed Joseph's house. Security Ltd admits negligence but is refusing to compensate Joseph for the losses sustained, relying on the exclusion clause.

**Required:**

**Advise Joseph whether the exemption clause exempts Security Ltd from losses suffered by Joseph.**

**(10 marks)**

- 9** Sam was employed by Insurance Company as a financial advisor and was given business cards which clearly stated so. However, in reality, the company had employed him to sell life insurance policies and nothing else. Peter approached Sam and told him that he had just sold his house for R800,000 and wanted some financial advice on where he should invest that money for a profitable return. He told Sam he would be willing to invest the entire sum for a period of three years for capital growth.

Sam advised Peter that he should lend this amount to Joe, who is a building contractor of some repute, and that he would most likely double this amount in three years time. He also promised Peter he would make sure Joe provided adequate security for the loan. Peter followed Sam's advice.

Joe's business collapsed soon thereafter. It became insolvent and the most that Peter can get out of the security that Joe provided is R100,000.

**Required:**

**Advise Peter if he has a case against Insurance Company in the law of agency.**

**(10 marks)**

- 10** Maseru (Pty) Ltd is a private company with an annual turnover of about R80 million. Its articles are in the form of Table A. It has three directors, who are also its only shareholders. The day-to-day running of the business is left to John, one of the directors. John keeps the board of directors informed on a regular basis of whatever transactions he makes. The other directors are happy with this arrangement and have never overturned any of the transactions that John made. John, to the knowledge of his fellow directors, refers to himself as the managing director and the chief executive of Maseru (Pty) Ltd, although he has never been officially appointed as such.

In February 2009, John entered into a contract on Maseru (Pty) Ltd's behalf with Sandeep to refurbish the offices of Maseru (Pty) Ltd at a cost of R1 million. Sandeep did so and presented his invoice for payment. However, when John presented the bill to the board of directors for approval, they refused to authorise payment claiming that John did not have the authority to enter into the contract with Sandeep.

**Required:**

**Advise whether Maseru (Pty) Ltd is liable to pay Sandeep.**

**(10 marks)**

**End of Question Paper**