

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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 Lesotho Institute of Accountants

Paper F4 (LSO)



ALL TEN questions are compulsory and MUST be attempted

1 In relation to the doctrine of precedent in Lesotho's legal system, explain and distinguish between *ratio decidendi* and *obiter dicta*.

(10 marks)

2 In relation to the law of contract, explain the remedy of specific performance.

(10 marks)

3 In relation to the law of contract, explain how a general offer may be revoked.

(10 marks)

4 In relation to the law of delict, explain the wrong of 'passing' off and discuss one remedy available to the plaintiff in a passing off action.

(10 marks)

5 In relation to employment law, explain the meaning of constructive dismissal.

(10 marks)

6 In relation to company law, explain the doctrine of separate personality and its consequences as it applies for limited liability companies in Lesotho.

(10 marks)

7 In the context of company law, explain and distinguish between preference shares and debentures.

(10 marks)

8 (a) Nick offers to sell certain goods to Sam stating that the offer would be deemed to have been accepted, should there be no notification to the contrary in the next week. There was no such notification.

Required:

Advise Nick.

(5 marks)

(b) Thieves broke into Glitter Jewellers' premises and stole jewellery worth R50,000. Glitter Jewellers offered to pay a reward of R5,000 to anyone who gave information to the police which would lead to the arrest of the thieves and the recovery of the stolen jewellery. Edward provided the necessary information but at the time of supplying the information, he was not aware of the offer of a reward.

Required:

Advise Edward.

(5 marks)

(10 marks)

- 9 Salomon & Co (Lesotho) Ltd is a small company consisting of Salomon, his sons and his brother. Salomon is the managing director and a principal shareholder. Their sole business is to manufacture shoes and boots. Their principal customer takes about 60% of their sales. Due to economic recession, their principal customer decided to switch their order to a cheaper supplier. As a result, Salomon & Co (Lesotho) Ltd are now teetering on the brink of insolvency. The creditors are threatening to put the company into liquidation.

Required:

Advise Salomon.

(10 marks)

- 10 Thabo, Monty and Simon formed a partnership six years ago and registered it in terms of Partnership Proclamation, 1957. The sole business of the partnership is to sell all kinds of furniture. Since Thabo was forever travelling because of his job, all the partners agreed that Thabo would be a sleeping partner. Thabo never participated in the running of the partnership business and was content with his share of profits.

In 2008, Monty entered into two contracts on behalf of the partnership. The first one was with Kramer, a long-standing supplier, to supply several kinds of oriental furniture. Kramer was paid R150,000 in advance.

The second contract was with a new customer, Tsiu Hu, who ordered oriental furniture of the type Kramer had earlier agreed to supply. Kramer's business went bankrupt and there are no prospects of either getting the advance back, or the promised furniture. Tsiu Hu had made it clear that if the furniture was not supplied on time, he would sue for breach of contract and claim compensation, which is likely to be over R50,000. Unfortunately the total business assets of the partnership are only R5,000.

Required:

Explain the potential liabilities of Thabo, Monty and Simon for the partnership debts.

(10 marks)

End of Question Paper