

Fundamentals Level – Skills Module

# Corporate and Business Law (Lesotho)

Tuesday 8 June 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 Lesotho's legal system, explain what is meant by the phrase 'common law of Lesotho' and the extent to which it is a source of corporate and business law.**

**(10 marks)**

**2 In relation to the law of contract, explain whether an advertisement would constitute an offer.**

**(10 marks)**

**3 In relation to the law of delict, explain the meaning of the expression 'contributory fault'.**

**(10 marks)**

**4 In relation to Lesotho's employment law,**

**(a) Discuss if an employee can be dismissed by an employer on the ground that they are closing down their business.**

**(5 marks)**

**(b) Explain whether the dismissed employee has any rights against the employer regarding the dismissal.**

**(5 marks)**

**(10 marks)**

**5 In relation to Lesotho's company law, explain the process by which an auditor is appointed and the qualifications necessary to be an auditor.**

**(10 marks)**

**6 In relation to company law, discuss the doctrine of *ultra vires* as it applies in Lesotho.**

**(10 marks)**

**7 Discuss when a company limited by shares can be ordered to be wound up compulsorily by a court.**

**(10 marks)**

**8** Suzy bought groceries including some tinned food from Evergreen Supermarket for R800 on credit. On opening a tin of sardines a few days later she found them unfit for human consumption and threw them away. When Evergreen Supermarket sent her an invoice of R800, she deducted R30, being the cost of the tin of sardines and sent in a cheque for R770 'in full settlement of their invoice'. She explained in the covering letter why she had deducted R30.

Evergreen Supermarket banked her cheque and claimed the balance of R30 from Suzy, saying that they did not believe her story.

**Required:**

**Advise Suzy.**

**(10 marks)**

- 9 Molefi is one of the three directors of Modern Cars Ltd, a specialist car manufacturer. The company's articles are in the form of Table A of the Companies Act, 1967. All the directors own 100 shares each in the company. The paid-up capital of the company is R100,000 divided into 100,000 shares of R1 each.

Modern Cars Ltd are offered a profitable opportunity by Suzuki to build a car that would use solar batteries instead of petrol. Molefi recommends to the board that the company should accept the challenge. Molefi knows that as an expert in tapping solar power, this project could enhance his reputation world-wide. Modern Cars Ltd inform Suzuki that they would build the car, but that it would take a minimum of three years. Molefi is overruled by other directors that the car could be built in less than three years. Suzuki is not willing to wait that long.

Suzuki then approaches Molefi personally and invites him to build the car. Molefi accepts the contract, builds the car in 18 months and reaps a large profit from the contract.

The board of Modern Cars Ltd decide to take legal action against Molefi. At the annual general meeting, Molefi resigns after explaining how he was overruled by his other directors. Molefi then pleads with the shareholders not to authorise any legal action against him. The shareholders by a large majority resolve: 'Modern Cars Ltd shall take no legal action against Molefi arising out of any events connected directly or indirectly to the solar battery car contract with Suzuki.'

**Required:**

**Advise the directors of Modern Cars Ltd if they could authorise legal action against Molefi.**

**(10 marks)**

- 10 Sim and Sam formed a partnership whose sole business was to purchase well-bred horses that ran in various races in South Africa. They both met as usual at 10 in the morning and decided to purchase a horse named 'Beauty' for R50,000. After Sim left, Sam decided to purchase another well-bred horse called 'Champion' for R50,000.

In the weekly auction, Champion was sold for a net profit of R1,000,000 while Beauty did not attract any buyer. Sim came to know of it and claimed that half of R1,000,000 that Sam made belonged to him. Alternatively, all the profits that Sam made belonged to the partnership.

**Required:**

**Advise Sim.**

**(10 marks)**

**End of Question Paper**