

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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

The Lesotho Institute of Accountants



Paper F4 (LSO)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the courts' powers to interpret legislation, explain and distinguish between the literal rule, the golden rule and the mischief rule. (10 marks)**
- 2 In relation to the law of contract:**
- (a) explain what a gratuitous promise is and how it is treated under Lesotho law. (5 marks)**
 - (b) distinguish between a counter-offer and an inquiry. (5 marks)**
- (10 marks)**
- 3 In relation to the law of employment, distinguish between a contract of service and a contract for services. (10 marks)**
- 4 In relation to company law, explain:**
- (a) the limitations on the use of company names; (6 marks)**
 - (b) the remedy of 'passing off'. (4 marks)**
- (10 marks)**
- 5 In relation to company law, explain and distinguish between:**
- (a) Companies limited by shares and companies limited by guarantee. (5 marks)**
 - (b) Public and private companies. (5 marks)**
- (10 marks)**
- 6 In relation to company law, explain:**
- (a) the nature of a share. (5 marks)**
 - (b) the various types of preference shares that a company may issue. (5 marks)**
- (10 marks)**
- 7 In the context of corporate governance, explain the rules relating to the appointment, duties and powers of a company secretary in a public limited company. (10 marks)**

- 8 Berger owed debts to several persons including Salomon. Thabos & Co bought Berger's business, and called a meeting of Berger's creditors. At the meeting, Thabos & Co promised to pay all the creditors, including Salomon, whatever amount Berger owed them in full. Berger owed Salomon R5,000 but Thabos & Co thought it was only R3,500 and, in their own mind, were agreeing to pay only that amount. Salomon submitted a claim for R5,000 but Thabos & Co refused to pay more than R3,500.

Required:

Advise Salomon.

(10 marks)

- 9 Viru, Nana and Timothy formed an ordinary partnership under the Partnership Act 1957 to sell sports goods. The partnership was duly registered as required by law. The partnership deed clearly stipulated that the sole purpose of the partnership is selling only sports goods and nothing else. The partnership set up an attractive shop and began selling sports goods. Each of the partners paid R100,000 into the business.

Nana told the other two partners that he did not have more money and it was agreed between them that Nana's maximum liability for any partnership debt would be fixed at his original contribution of R100,000 only. In January 2010, Viru drew R10,000 from the partnership's bank, drawn on its overdraft facility, by misrepresenting that the money was urgently needed to finance a short-term partnership debt, and then used the money to pay for a holiday in South Africa.

In February 2010, Timothy entered into a R25,000 contract on behalf of the partnership to buy hair relaxers, which he hoped to sell in the partnership's sports goods shop.

Required:

Advise Viru, Nana and Timothy as to their various rights and liabilities in relation to the operation of the partnership business.

(10 marks)

10 Karibo Ltd is a small company with an issued share capital of R100,000 divided into 100,000 shares of R1 each. It has 50 shareholders. Samuel is the managing director of Karibo Ltd.

Graphics Ltd, another small company, found out that Karibo Ltd is about to award a five-year contract for the maintenance of its office premises. Graphics Ltd approached Samuel, and offered him what they describe as a facilitation fee of R5,000, to ensure that the contract is awarded to Graphics Ltd.

At the next board meeting, Samuel convinces the other directors that awarding the maintenance contract to Graphics Ltd is in the long-term interest of Karibo Ltd and the contract is awarded to Graphics Ltd.

At the same board meeting, Samuel also informs the board that Marico Ltd, a competitor, is contemplating taking over Karibo Ltd and that a majority of the existing shareholders might be willing to sell their shares to Marico Ltd if they are offered a good price.

In order to prevent it, the board decides to issue additional shares to the directors and make each of the new shares carry ten votes each. The existing shares carry one vote per share.

Thomas, an ordinary shareholder in Karibo Ltd, has found out about the facilitation fee to Samuel and the decision to allot weighted shares to the directors.

Required:

Advise Thomas, whether any action can be taken against Samuel in respect of the facilitation fee, and on the legality of the weighted share allotment.

(10 marks)

End of Question Paper