

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

Tuesday 7 June 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 the context of human rights and freedoms in the Constitution of Lesotho, discuss the doctrine of judicial review as it operates in Lesotho.** (10 marks)
- 2 In relation to the law of contract:**
- (a) explain the postal rule; and (4 marks)
 - (b) explain the circumstances when the postal rule does not apply. (6 marks)
- (10 marks)**
- 3 In relation to the law of contract, explain the law that applies when a party inserts into a contract a 'condition' about an uncertain future.** (10 marks)
- (10 marks)**
- 4 In relation to the law of delict, explain the meaning of wrongfulness.** (10 marks)
- (10 marks)**
- 5 In relation to the law of agency, explain the meaning of:**
- (a) actual authority; and (5 marks)
 - (b) ostensible authority. (5 marks)
- (10 marks)**
- 6 In relation to company law explain:**
- (a) how a director of a company may be appointed; and (3 marks)
 - (b) how a director may be removed from his position. (7 marks)
- (10 marks)**
- 7 In the context of corporate governance, explain the role of the company auditors, paying particular regard to their powers and their duties.** (10 marks)
- (10 marks)**

8 Sam is the sole selling agent for Toyota motor cars in Lesotho. He runs his business under the name of Sam Toyota (Pvt) Ltd (Sam Toyota). On 4 October 2009, Sam placed a large label on the windscreen of one Toyota Corolla indicating its sale price to be R11,000 by mistake, when its real price was R110,000.

Thabo noticed the sign on 5 October and recognising what a bargain it was immediately told Sam that he accepted the offer and would take the Toyota for R11,000 then and there. However, Sam refused to sell the car to Thabo saying the labelled price was a mistake and the correct price was R110,000. Thabo told Sam that he could not do this and that he was entitled to buy the car for R11,000 and he would sue him if he still refused. After Thabo left, Sam changed the price on the car to R110,000.

A bit later, Edward came to the showroom. He liked the car and was willing to pay R110,000 but told Sam he needed a week's time to arrange bank finance.

On 6 October, David came to the showroom. He liked the car and paid with a bank guaranteed cheque for R110,000, and drove the car away.

Required:

Analyse the scenario from the perspective of the law of contract, and

(a) Advise Thabo, (5 marks)

(b) Advise Edward. (5 marks)

(10 marks)

9 Shaka Ltd was in financial difficulty. In order to raise capital, it approached Milton to purchase 100,000 ordinary shares of R1 each at R0.75 per share. Milton was told that the company would never ask him to pay the balance of R0.25 per share. Milton agreed to buy the shares. However, two years later, the company went into liquidation. The liquidator has asked Milton to pay the balance of R0.25 on 100,000 ordinary shares.

Required:

Advise Milton whether he would be required to pay the balance of the partly-paid shares.

(10 marks)

10 Sharp was dismissed from employment for taking time off work without permission. He appealed to the internal disciplinary body, which reinstated him but, at the same time, suspended him for five days without pay. Sharp accepted the suspension and resumed work. One day later, he asked his employer for an advance of R200 against his salary for the month as he was short of money. This was refused. Sharp then asked for a loan of R200 and told the employer he would be willing to pay the usual interest. That was also refused. Sharp decided to resign in order to get access to his terminal benefits, which were duly paid. Sharp would like to institute a claim for constructive dismissal on the basis that he had been forced to resign because of his employer's unreasonable conduct.

Required:

Advise Sharp.

(10 marks)

End of Question Paper