

Fundamentals Level – Skills Module

Corporate and Business Law (Scots)

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

Paper F4 (SCT)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the Scottish legal system:**
- (a) explain and distinguish between:
 - (i) primary legislation; and
 - (ii) secondary/delegated legislation. (6 marks)
 - (b) explain the powers of the courts in relation to challenging the validity of primary and secondary/delegated legislation. (4 marks)
- (10 marks)**
- 2 State and explain the remedies available for breach of contract.**
- (10 marks)**
- 3 In relation to the law of delict explain:**
- (a) the neighbour principle; (4 marks)
 - (b) remoteness of damage; (4 marks)
 - (c) liability for economic/financial loss. (2 marks)
- (10 marks)**
- 4 In relation to the issuing of company shares explain:**
- (a) pre-emption rights; (3 marks)
 - (b) rights issues; (3 marks)
 - (c) bonus issues. (4 marks)
- (10 marks)**
- 5 In relation to the Companies Act 2006:**
- (a) state, and explain the purpose of, the various registers that have to be kept by a company; (4 marks)
 - (b) describe what accounting records will have to be produced and maintained by a company. (6 marks)
- (10 marks)**
- 6 In relation to company law, explain the duties owed by directors to their companies.**
- (10 marks)**

7 In relation to employment law explain:

(a) the meaning of unfair dismissal; and (6 marks)

(b) the remedies available for unfair dismissal. (4 marks)

(10 marks)

8 In January 2009, Amy started a business as an independent website designer.

To give her a start in her career, her brother Ben, who ran a retail business, said he would give her £1,000 if she updated his business website. At the same time, her friend Che asked her to do work for his business, also for a set fee of £1,000.

However, by the time Amy had completed the two projects her design business had become a huge success and she had lots of other business. When Ben and Che discovered how successful Amy's business had become they both felt that they should not be asked to pay for the work they had commissioned.

Ben said he would not pay anything as he had only offered the work to help his sister out. Che said he would not pay anything either, on the basis that he had only given her work to do on the basis of their friendship.

Required:

Advise Amy as to whether she can insist on Ben and Che paying the full amounts of their initial promises.

(10 marks)

9 Dee and Eff are major shareholders in and the directors of the public company Fan plc. For the year ended 30 April 2009 Fan plc's financial statements showed a loss of £2,000 for the year.

For the year ended 30 April 2010 Fan plc made a profit of £3,000 and, due to a revaluation, the value of its land and buildings increased by £5,000.

As a consequence, Dee and Eff recommended, and the shareholders approved, the payment of £4,000 in dividends.

Required:

Advise Dee and Eff as to:

(a) the legality of the dividend payment; and (6 marks)

(b) any potential legal liability in regard to the dividend payment. (4 marks)

(10 marks)

10 Geo, Ho and Io formed a partnership three years ago to run a hairdressing business. They each provided capital to establish the business as follows:

Geo £20,000;
Ho £12,000; and
Io £8,000.

The partnership agreement stated that all profits and losses were to be divided in proportion to the capital contribution.

After 18 months Geo provided the partnership with a loan of £3,000 in order to finance the purchase of more stock. The loan was to be paid back from the profits of the business.

Unfortunately the business was not successful and the partners decided to dissolve the partnership rather than risk running up any more losses. At the time of the dissolution of the partnership its assets were worth £20,000. Its external debts were £7,000 and none of the debt to Geo has ever been paid.

Required:

Advise the partners as to how the financial aspects of the dissolution will be conducted and how the assets will be distributed.

(10 marks)

End of Question Paper