

Fundamentals Level – Skills Module

Corporate and Business Law (Singapore)

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 Institute of Certified Public Accountants of Singapore

ACCA



Institute of
Certified Public Accountants
of Singapore

Paper F4 (SGP)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system of Singapore, explain how the Application of English Law Act (Cap 7A) has clarified the extent to which English statutes and English case law apply in Singapore.**
- (10 marks)**
- 2 In relation to the law of contract, explain and illustrate with an example:**
- (a) an offer; and (5 marks)
- (b) an invitation to treat. (5 marks)
- (10 marks)**
- 3 In relation to fraudulent behaviour, explain what is insider dealing and explain the legal control over it.**
- (10 marks)**
- 4 In relation to the law of negligence, explain:**
- (a) the two-stage test to determine when a duty of care arises; (5 marks)
- (b) the requirement that the loss that is caused by the breach of duty of care must not be too remote. (5 marks)
- (10 marks)**
- 5 In relation to company law, explain and illustrate with an example:**
- (a) separate legal personality; and (5 marks)
- (b) limited liability. (5 marks)
- (10 marks)**
- 6 In relation to company loan capital, describe and distinguish between:**
- (a) a fixed charge; and (4 marks)
- (b) a floating charge. (6 marks)
- (10 marks)**

- 7 In relation to company law, explain a director's duty:**
- (a) to act *bona fide* in the interests of the company;** (3 marks)
 - (b) to avoid a conflict of interest; and** (4 marks)
 - (c) to act for a proper purpose.** (3 marks)
- (10 marks)**

- 8** Lim provides printing services under the business name of AC Printing Services (AC). Lim had rented a unit from JTC Corporation (JTC) a year ago. The tenancy agreement included clause 21, which required the landlord 'in every way to keep the building in good repair'.

On 23 March 2011, large chunks of concrete broke off from the ceiling in the unit occupied by AC. Although no-one from AC was hurt in the incident, the chunks of concrete landed on two of AC's printing machines and severely damaged the machines. Also, as the entire building had to be shut down for inspection by structural engineers, AC had to close for two weeks, resulting in numerous cancellations of their existing services as well as a loss of new deals. To make matters worse, AC was very close to signing a lucrative contract worth \$30,000 with a well-known advertising agency which it then lost to a rival firm. Lim is extremely upset and wants to sue JTC.

Required:

Assuming JTC has breached the tenancy agreement, advise Lim as to:

- (a) whether he can terminate the tenancy agreement, having regard to the nature of the term set out in clause 21 of the tenancy agreement; and** (6 marks)
- (b) the losses that he may recover from JTC.** (4 marks)

(10 marks)

- 9** The articles of association of Pelican Pte Ltd (Pelican) provide as follows:

Article 5: The holders of Class A shares shall be entitled to receive 5% per annum cumulative dividend.

Article 6: The rights attached to Class A shares may be varied with the consent in writing of the holders of 80% of Class A shares.

Joe, the Chief Executive Officer of Pelican, wishes to reduce the dividend payable to Class A shareholders from 5% to 4%. He is afraid the company will not be able to obtain the written consent of 80% of Class A shareholders as required by article 6.

As such, Joe wishes to get Pelican to amend article 6 such that the level of consent required from Class A shareholders is reduced from 80% to 75%. After article 6 has been amended, the company will then proceed to amend article 5 to reduce the dividend from 5% to 4%.

Required:

Advise Pelican on the procedure to first amend article 6 and to then amend article 5.

(10 marks)

10 Mega Pte Ltd (Mega) was engaged in the business of real property investment. Alan and Bob incorporated Mega in 1980, with Alan holding 60% of the shares and Bob holding 40% of the shares in Mega. Alan and Bob were directors of the company. Prior to Mega's incorporation, Alan and Bob were operating the same business as a partnership. Although Alan held more shares than Bob in Mega, Alan always consulted with Bob and decisions of the company were always made by consensus of both directors.

Some years later, Alan and Bob died, within months of each other. After Alan and Bob died, their shares were passed on to their children. Alan's two sons, Don and Elliot, each held 30% of the shares in Mega and both became directors of Mega. Bob's son, Charles, held 40% of the shares in Mega and was a director of Mega. The board of Mega was split into two rival camps, with Don and Elliot on one side, and Charles on the other side. Charles has told you the following:

1. Don and Elliot had diverted investment opportunities to another company they controlled;
2. Don and Elliot had removed Charles as director of Mega when he asked questions about the diversion of investment opportunities to the company controlled by Don and Elliot;
3. Although Mega was making substantial profits, no dividend was declared. Instead, Mega's profits were used to pay generous remuneration to Don and Elliot.

Charles does not wish to remain as a shareholder of Mega.

Required:

In relation to the law on minority protection, discuss, with reference to statutory provisions under the Companies Act (Cap 50), the actions that Charles may take, and the remedies he may obtain.

(10 marks)

End of Question Paper