

Fundamentals Level – Skills Module

# Corporate and Business Law (Vietnam)

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 Ministry of Finance of the Socialist Republic of Vietnam

# Paper F4 (VNM)

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 Vietnamese legal system, explain the roles of:**
- (a) The legislature. (4 marks)
  - (b) The executive. (2 marks)
  - (c) The judiciary. (4 marks)
- (10 marks)**
- 2 In relation to the civil obligations:**
- (a) Explain the general provisions of the Civil Code in respect of breaches of civil obligations. (6 marks)
  - (b) Explain the provisions of the Civil Code in respect of the liability to compensate for damage arising from breaches of civil obligations. (4 marks)
- (10 marks)**
- 3 In relation to the formation of companies:**
- (a) Explain the provisions of law relating to the lines of business and business conditions applicable to companies, including any limitations that apply. (5 marks)
  - (b) State and explain the individuals and entities that are prohibited from forming new companies. (5 marks)
- (10 marks)**
- 4 In relation to limited partnerships:**
- (a) Describe the rights of a limited liability partner. (7 marks)
  - (b) Describe the obligations of a limited liability partner. (3 marks)
- (10 marks)**
- 5 In relation to the management and administration of a shareholding company:**
- (a) Explain the rights and duties of the board of management. (7 marks)
  - (b) Explain the statutory conditions that must be satisfied in order for an individual to serve on the board of management. (3 marks)
- (10 marks)**

**6 In relation to capital and financing:**

- (a) Explain the legal provisions that govern the redemption of shares on the demand of a shareholder of a shareholding company. (4 marks)
- (b) Explain the legal provisions that govern the redemption of shares of a shareholding company following a resolution of the company. (6 marks)

**(10 marks)**

**7 In relation to the Law on Bankruptcy, describe the bankruptcy procedures applied to enterprises that have become insolvent.**

**(10 marks)**

- 8** Chien, Linh and Trang formed a new limited liability company in January 2011. They decided that the company would specialise in selling high quality food products. Before the company was formed, Chien, Linh and Trang decided to enter into several transactions so that the company could commence trading as soon as the legal formalities relating to formation had been finalised.

Chien was responsible for sourcing and selling seafood. In October 2010 he ordered 500 boxes of crab meat with the intention of selling it to the customers of the new company. He wrote to 50 prospective customers of the new company informing them that a maximum of three boxes of crab meat would be available for purchase by each customer at a price of 20 million dong per box. The remainder would be advertised for general sale.

Linh was responsible for sourcing and selling herbs. She secured an agreement with a supplier of saffron, an expensive herb, and has already been told informally by five of her restaurant contacts that they would be prepared to pay 30 million dong per box for this product. She sent a box of saffron to each customer with an invoice for 30 million dong in November 2010.

Trang agreed to take responsibility for sales of luxury chocolates. He had little knowledge of the products, but in December 2010 entered into an agreement with a Vietnamese trader to purchase 1,000 kilos of chocolates specially imported from Switzerland.

**Required:**

- (a) Explain whether legal binding contracts have been formed on behalf of the company by the actions of Chien, Linh and Trang, and the rights and obligations created by their actions. (7 marks)
- (b) Having ordered the chocolates, Trang discovered that they were an inferior brand and informed the supplier that he would only pay 60% of the agreed price.

**Explain the potential consequences of this decision.**

(3 marks)

**(10 marks)**

**9** XYZ Company is a manufacturing business. It employs 200 workers. In recent times there has been a reduction in demand for the company's products. In order for the company to survive the board has considered it necessary to reduce the scale of operations. This will result in the loss of 50 jobs.

Hai is the production manager. He has suggested to the board of directors that the company should be selective when considering the individuals to be released from their contracts. His statistics demonstrate that the male turnover of staff is 12% annually while the turnover of female staff is 25% annually. He therefore suggests that most of the job losses should be female workers. In particular, he believes that those with young families are the least reliable, as they have the highest level of absenteeism from work.

Hai further believes that the job losses should fall primarily to those who are serving under probationary contracts, as they have yet to prove themselves.

Lastly, Hai feels that some of the older workers who are close to retirement should be released, as they are least likely to give the maximum effort for the company.

**Required:**

**Discuss the legal implications of Hai's proposals.**

**(10 marks)**

**10** In her capacity as general director of JKL Company, a shareholding company, Lan attended a meeting with PQR Company, a client organisation, to discuss future business. During the meeting, Lan was informed of a business opportunity that would arise in the near future. Despite knowing that her company would benefit from this opportunity, Lan informed the client that JKL Company would be unable to deal with the contract due to lack of production capacity.

Subsequent to the meeting, Lan informed the board of management of JKL Company of her intention to resign. Once she had left the company, she formed a new company and made a successful bid to secure the contract with PQR Company that she had earlier rejected on behalf of her former employer.

**Required:**

**Advise the board of management of JKL Company on the action it could take against Lan.**

**(10 marks)**

**End of Question Paper**