

Fundamentals Level – Skills Module

Corporate and Business Law (South Africa)

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

Paper F4 (ZAF)

ACCA

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system, explain customary law as a source of law.**

(10 marks)
- 2 In relation to the law of contract, explain the meaning of an offer and distinguish it from an invitation to do business.**

(10 marks)
- 3 In relation to the law of agency, explain the role of the agent and provide examples of agency relationships.**

(10 marks)
- 4 In relation to partnership law, explain how partnerships are established.**

(10 marks)
- 5 In relation to the law of professional negligence, analyse the duty of care of company auditors.**

(10 marks)
- 6 In the context of close corporation law, explain how a close corporation can be bound in a contract.**

(10 marks)
- 7 In relation to employment law, state how the courts decide whether someone is self-employed or is an employee.**

(10 marks)
- 8 Andrew is a farmer, who has had his tractor repaired by Ben. He had explained to Ben that he needed the engine in perfect working order to harvest his seasonal crops. As a result of Ben's poor workmanship, the tractor broke down a month later. Although Andrew returned the tractor immediately to Ben for repairs, Ben only repaired the tractor a month later. By that time, a portion of Andrew's crops to the value of R80,000 (which was still on the fields) was lost.**

Required:

Discuss whether Andrew will be entitled to claim damages from Ben for breach of contract.

(10 marks)

- 9 Cindy entered into a contract with Dennis to sell 5,000 hand-made wooden carvings to Dennis. However, the contractual documentation stated that the contract was made with Dennis's company 'Dennis-the-Menace (Pty) Ltd'. Dennis was the only shareholder in this company. Although the carvings have been delivered, they have not been paid for. Dennis-the-Menace (Pty) Ltd has now been liquidated as insolvent. Cindy, however, suspects that Dennis knew that his company would not have the money to pay for the carvings.

Required:

Advise Cindy on the possibility of holding Dennis personally liable for the payment of the wooden carvings.

(10 marks)

- 10 Edwin was the managing director of a company that ran a chain of fast food restaurants. In one of the board meetings, one of the directors informed the board that a certain building on President Street was available at a reasonable price. This building was near a large, fairly new shopping mall, and in all probability would attract a lot of potential customers. The board, however, decided that because of the economic climate it was not a good time to make such an investment. Three months later Edwin resigned from the board, bought the building and opened his own fast food restaurant.

Required:

Advise the company whether it would be entitled to acquire the building from Edwin, and also to claim the profits the restaurant may make.

(10 marks)

End of Question Paper