

Fundamentals Level – Skills Module

# Corporate and Business Law (South Africa)

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**

Paper F4 (ZAF)

**ACCA**

**ALL TEN questions are compulsory and MUST be attempted**

- 1 Explain the impact of human rights law on South African law.**

**(10 marks)**
- 2 In relation to the law of agency, distinguish agency from a contract for the benefit of a third party.**

**(10 marks)**
- 3 In relation to the law of contract, explain the meaning and consequence of an acceptance.**

**(10 marks)**
- 4 In relation to employment law, discuss dismissal of an employee for misconduct.**

**(10 marks)**
- 5 In relation to the law of delict, explain the meaning of a delict.**

**(10 marks)**
- 6 In the context of company law, discuss the common law fiduciary duties owed to a company by a director.**

**(10 marks)**
- 7 In relation to company law, explain and distinguish between:**

  - (a) shares; and** **(5 marks)**
  - (b) debentures.** **(5 marks)**

**(10 marks)**
- 8 Andrew is the owner of a bakery. There have been a number of burglaries in the vicinity of the bakery and he decided to install a security alarm system. He entered into a contract with Betta Security CC for the installation of the alarm. Andrew was requested to read and fill in a form confirming the order. The form contained a clause that 'Betta Security CC accepts no liability whatsoever for any injury or loss sustained as a consequence of the wrongful installation or operation of any equipment supplied or fitted by it'.**

The installation of the alarm was carried out incorrectly. During the night the wiring short-circuited, which caused a fire that destroyed the bakery. Betta Security CC admits negligence but refuses to compensate Andrew for the losses sustained, relying on the exclusion clause.

**Required:**

**Advise Andrew on the validity and consequences of the exclusion clause.**

**(10 marks)**

- 9** Cathy and Dube are estate agents, who decide to conduct business jointly. They came to the following oral agreement:
- (a) Cathy will provide R10,000 that is needed to carry on the business. Half of this amount will be refunded to Cathy, together with interest, after a period of two years.
  - (b) Dube will be responsible for all the administrative work, and he will not have the authority to enter into any contract without Cathy's consent.
  - (c) Cathy will be entitled to the first R25,000 of the annual profit, and all profits thereafter will be divided equally between Cathy and Dube.

**Required:**

**Advise Cathy and Dube whether the agreement constitutes a partnership.**

**(10 marks)**

- 10** Errol is the only member of Frankfurter CC. Due to the unfavourable economic climate Frankfurter CC has incurred substantial debts. The corporation owes its bank a substantial sum on overdraft. Some of the creditors are now complaining that Errol failed to disclose the corporation's terrible situation when Errol placed further orders with them. The creditors also allege that Frankfurter CC's business has been carried on recklessly.

**Required:**

**Discuss whether Errol can be held personally liable for Frankfurter CC's debts.**

**(10 marks)**

**End of Question Paper**