



# Examiners' report

## F4 Corporate and Business Law (ZAF)

June 2008

### General Comments

The examination consisted of ten compulsory questions each carrying 10 marks. It was the second examination on the revised syllabus. Candidates are expected to be acquainted with the whole of the syllabus.

The unsatisfactory performance of many candidates was once again exacerbated by a clear failure to carefully read the content and requirements of questions. Although the examination technique appeared in some instances to be up to standard, it is obvious that insufficient time was allocated to the answering of some of the questions. It was also apparent that one or two of the candidates were very ill prepared for the exam and they tried to answer it on general knowledge.

Although this paper was in a new format, it was sufficiently testing to reveal that some of the candidates had simply not done sufficient preparation for the exam.

### Specific Comments

#### Question 1

This question required the candidates to discuss the importance of the Constitution of South Africa. This is a topic that is now covered by the new syllabus and it is obviously very important in the new dispensation applicable to the South African law. The majority of the candidates managed to do fairly well in this question. It is expected that this area of law will feature prominently in future exams.

#### Question 2

This question required candidates to explain the rules relating to the award of damages in the law of contract. The new syllabus covers quite a few very important aspects of contract law and candidates are advised to pay special attention to the section. On the whole this was well answered demonstrating that it is a matter of being well prepared for the exam.

#### Question 3

This was also a rather basic question requiring candidates to explain the authority of partners in relation to partnership business. Although there were some fair answers the majority of the candidates were not properly prepared to answer a question on this area of the law.

#### Question 4

This question required candidates to analyse the internal relationship between members of a close corporation. This was in fact an uncomplicated question aimed at testing the candidates' knowledge of close corporation law. Close corporation law is an important part of the syllabus and candidates can expect questions on this area of the law. Some of the candidates answered adequately.

#### Question 5

In this question candidates were required to explain the meaning and effect of limited liability in company law. This is indeed one of the fundamental aspects of company law and one would have expected candidates to deal with this topic with ease. Unfortunately this was not the case and the majority of the candidates performed inadequately. It is simply a matter of being ill prepared for the exam.

#### Question 6

This question dealt with one of the new topics in the syllabus, namely corporate governance. There were some answers that demonstrated insight. Again, unfortunately, there were too many candidates who were ill prepared. Students should take note that this is a very important part of the new syllabus.

**Question 7**

This question deals with labour law and candidates were required to explain what is meant by automatically unfair dismissals for the purposes of employment law. Employment law is also an important part of the new syllabus. Very few candidates did well in this question and it is perhaps due to the fact that not so much emphasis was placed on this area of law in the past. Candidates should perhaps pay more attention to this area of law in the future.

**Question 8**

This question provided a problem scenario dealing mainly with the law of contract. Stripped to its essentials it deals with the question of the formalities that are required when entering into a contract. The general rule in the South African law is that no formalities are required for the formation of contracts. In most cases an informal contract is binding and contracts are validly concluded without the observation of any formalities. Most of the candidates were able to identify the problem area and few managed to do quite well.

**Question 9**

This problem question dealt with company law and candidates were required to discuss the rules relating to the declaration of dividends by a company. This is a very fundamental aspect of company law. Very few students did well in this question. Perhaps candidates should pay more attention to the basic principles of company law.

**Question 10**

This question was perhaps the most challenging in the whole exam paper because it tested not only the candidates' knowledge and comprehension but also the application of their knowledge. The problem scenario deals with the potential delictual liability of company auditors and is one of the new additions to the syllabus. Some of the answers were inadequate. Most of the candidates managed to pick up points.