

Fundamentals Level – Skills Module

Corporate and Business Law (Zimbabwe)

Monday 9 June 2014



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 (ZWE)

ACCA

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the Zimbabwe legal system:**
- (a) Identify the concept of human rights in the Constitution. (5 marks)
 - (b) Explain the duties and responsibilities of the Zimbabwe Human Rights Commission. (5 marks)
- (10 marks)**
- 2 In relation to the law of contract:**
- (a) Explain and distinguish between terms and mere representations. (5 marks)
 - (b) Explain the implied terms of a contract. (5 marks)
- (10 marks)**
- 3 In relation to professional negligence, explain and analyse the duty of care of accountants and auditors.**
- (10 marks)**
- 4 In relation to company law, explain the duties of a promoter, and the remedies available to the company where such duties have been breached.**
- (10 marks)**
- 5 In relation to company law:**
- (a) Define a company's borrowing powers. (3 marks)
 - (b) Explain and distinguish between loan capital and share capital. (7 marks)
- (10 marks)**
- 6 (a) In relation to the conduct of company meetings, explain the following:**
- (i) Quorum; (1 mark)
 - (ii) Minutes; (1 mark)
 - (iii) Chairman's casting vote. (2 marks)
- (b) In relation to company law, explain any **THREE** types of resolutions. (6 marks)
- (10 marks)**

7 In relation to insolvency law, explain the following:

- (a) the appointment of a liquidator;** (3 marks)
- (b) the removal of a liquidator;** (3 marks)
- (c) the duties of a liquidator.** (4 marks)

(10 marks)

- 8 (a)** Lillian has been employed as a secretary by a company called Norton Paper Products (Pvt) Ltd for the last two years. She is also a keen member of a trade union which regulates the paper industry. In January 2014, she went on maternity leave for three months up to the end of March 2014 and, upon her return, she discovered that another employee, Loice, had been transferred from a different department to replace her. Upon Lillian's return to work she was informed that her membership of a trade union was contrary to company policy. In addition, she was told that since her position had been filled whilst she was away on maternity leave, she would now be required to work in another department.

Required:

In relation to employment law, explain how Lillian's rights have been violated. (5 marks)

- (b)** One of Lillian's colleagues in the trade union, Nelly, was employed as a plant operator at the same company. He went away in December 2013 for a month on his annual vacation. Upon his return from leave he was not given work to do by his employers. He, however, continued to draw his salary and other benefits such as transport and housing allowance. He is now feeling very frustrated and he suspects that the company does not approve of his membership of a trade union and hence their decision not to give him work to do.

Required:

In relation to employment law, explain whether the company is obliged to provide work to Nelly. (5 marks)

(10 marks)

- 9 (a) Rufaro, a merchandising expert, is engaged by Ratidzo to act as her agent in negotiating with car dealers for a car which she wants to buy. The specific instructions in relation to the luxury car which she is looking for are as follows:

Type of car	–	Mercedes Benz (ML)
Year of manufacture	–	3 years or less
Mileage	–	50,000 kilometres or less
Price	–	up to \$20,000

Rufaro approached Trendy Car Sales (Pvt) Ltd, an agency with which he had a long standing business association. He bought a Mercedes Benz 'E' class and not ML which was four years old for \$22,000. Although the mileage was 60,000 kilometres, the car was in a very good condition. Ratidzo was very unhappy with Rufaro's decision to buy the Mercedes Benz 'E' class.

Required:

In relation to the law of agency, advise Ratidzo of the possible legal remedies she may have against Rufaro.
(5 marks)

- (b) Nelson's next door neighbour, Morgan, went overseas on holiday. One day during his absence, his house caught fire due to an electrical fault. Nelson contacted the fire brigade to assist in extinguishing the fire. He also hired the services of a guard to secure the property until Morgan (who was not contactable) came back from his vacation. Nelson wishes to recover from Morgan an amount of \$3,000 representing the expenses he incurred as a result of the fire incident at Morgan's house.

Required:

In relation to the law of agency, explain whether Morgan is liable to pay \$3,000 to Nelson and on what basis.
(5 marks)

(10 marks)

- 10 Wiseman's Finances (Pvt) Ltd is a financial institution registered in terms of the Companies Act [Chapter 24:03]. The objects clause permits the company to lend money to small businesses and individuals without the necessity of stringent security guarantees. The company also underwrites both short-term and medium-term insurance policies, including funeral assurance. In order to survive the harsh economic times facing the country, the company devised in 2013 'survival strategies' which included illegal dealings on the parallel foreign exchange markets, moving monies around the various business units and using the proceeds of the lucrative illicit foreign exchange business to fund the operations of the micro-finance unit at excessive interest rates.

The money is then channelled through the formal banking system and recycled in the institution's other business operations. John, a minority shareholder, wants to put a stop to the company's illegal activities.

Required:

Advise John as to the legal position in relation to some of the company's illegal financial dealings.

(10 marks)

End of Question Paper