

Fundamentals Level – Skills Module

# Corporate and Business Law (Zimbabwe)

Monday 8 June 2015



**Time allowed:** 2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and MUST be attempted

Section B – ALL FIVE questions are compulsory and MUST be attempted

**Do NOT open this paper until instructed by the supervisor.**

**You must NOT write in your answer booklet until instructed by the supervisor.**

**Do NOT record any of your answers on the exam paper.**

**This question paper must not be removed from the examination hall.**

**The Association of Chartered Certified Accountants**

# Paper F4 (ZWE)

# ACCA

**Section B – ALL FIVE questions are compulsory and MUST be attempted**

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1** John, a learner driver, was taking his first driving lessons under the supervision of Andrew, a driving instructor with Quick Licence Driving School. Andrew fell asleep whilst supervising John, who then failed to stop at a stop sign and collided with Dennis who was driving from the other direction. Dennis's car was badly damaged and the cost of the repairs will be about \$5,000.

**Required:**

- (a) In relation to the law of delict, explain the liability of John, Andrew and the driving school respectively.** (4 marks)
- (b) Explain whether there can be a complete or partial defence to Dennis's claim if it can be proved that the damage to his car was considerably greater because he was knowingly driving with faulty brakes.** (2 marks)

**(6 marks)**

- 2** Mavedzenge Ltd is a public company and the company wishes to amend its articles of association to add a clause which states that any director of the company may be removed from office if all other directors give notice in writing of their desire that the named director(s) be so removed.

**Required:**

- (a) Explain the legal nature of the articles of association.** (2 marks)
- (b) Explain the procedure Mavedzenge Limited must follow to alter its articles of association.** (2 marks)
- (c) Explain the legal position where the articles are amended and they exceed the memorandum or introduce an illegality.** (2 marks)

**(6 marks)**

- 3** Mukaka Bottles (Pvt) Ltd is a profitable small company whose principal activity is the retail distribution of milk. The two directors, Thabani and Lloyd, appoint Kevin to the board. The articles of association require each director to hold 5,000 \$2 qualification shares and allow a director two months from the date of their appointment to acquire his qualification shares.

Kevin does not have the money to enable him to buy the shares and the company is willing to lend him the necessary finance.

At the same time, the company recently bought a farm from Mutasa for \$300,000 in exchange for shares worth \$200,000.

**Required:**

- (a) Explain what needs to be done by the company to enable Kevin to buy the qualification shares.** (4 marks)
- (b) Explain the procedure Mukaka Bottles (Pvt) Ltd must take in relation to the shares which were sold by the company at a profit of \$100,000.**

(2 marks)

**(6 marks)**

- 4** Alice is a non-executive director of Human Capital (Pvt) Ltd, a human resources consultancy firm, and she runs her own management firm, Sharp Skills (Pvt) Ltd.

Sharp Skills (Pvt) Ltd is engaged to provide consultancy services to Human Capital (Pvt) Ltd for a fee of \$150,000. Alice sat on the committee, which awarded the tender to Sharp Skills (Pvt) Ltd and she did not disclose her personal interest in the company. Two minority shareholders, Sly and Spook, of Human Capital (Pvt) Ltd have discovered Alice's situation and they wish to know if the company has any claims against Alice.

**Required:**

**(a) Explain which of the general duties of a director Alice has breached.** (3 marks)

**(b) Explain TWO remedies which are available to Human Capital (Pvt) Ltd.** (3 marks)

**(6 marks)**

- 5** Christine and Emma are employees of a listed financial services group called First Allied Financial Services Limited. Christine comes across information that the bank has made heavy losses and the share price is likely to drop substantially when the financial results are announced in three weeks' time. Christine immediately disposes of her shares. Emma, who is not aware of this information, decided to sell her shares at the same time.

**Required:**

**(a) Explain the offence of insider dealing.** (2 marks)

**(b) Explain whether Emma and Christine are guilty of insider dealing.** (4 marks)

**(6 marks)**

**End of Question Paper**