

Fundamentals Level – Skills Module

# Corporate and Business Law (Zimbabwe)

Monday 18 June 2012



**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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

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

- 1 In relation to the Zimbabwe legal system, explain:
- (a) the rules; and (5 marks)
  - (b) the presumptions (5 marks)  
used by the courts in interpreting statutes.
- (10 marks)**
- 2 In relation to the law of contract, explain the meaning of an offer and distinguish it from an invitation to treat.
- (10 marks)**
- 3 In relation to the law of delict explain the following:
- (a) negligence in determining liability; (5 marks)
  - (b) the defence based on *volenti non fit injuria* (voluntary assumption of risk). (5 marks)
- (10 marks)**
- 4 In relation to partnership law, explain the various ways through which a partnership may come to an end.
- (10 marks)**
- 5 In relation to employment law, describe the main duties of an employee.
- (10 marks)**
- 6 In relation to the memorandum and articles of association of a company:
- (a) explain the objects clause and how the *ultra vires* doctrine operates; (5 marks)
  - (b) explain the law relating to the alteration of a company's articles of association. (5 marks)
- (10 marks)**
- 7 In relation to company law:
- (a) distinguish between shares and debentures; (5 marks)
  - (b) explain the law that governs the issuing of shares at a premium. (5 marks)
- (10 marks)**

**8** Kudzi is engaged by Ngoni to act as his representative in order to negotiate with prospective sellers for a stand which he wishes to buy in Borrowdale Brooke, an exclusive area in the northern suburbs of Harare.

Ngoni informs Kudzi that under no circumstances must he actually purchase any stand without his express approval, and Ngoni informs Kudzi that the maximum price he is prepared to pay is \$50,000.

Kudzi proceeds to conclude a contract with Keith for the purchase of a stand for \$60,000 in Marlborough, a much less prestigious area.

Ngoni is extremely dissatisfied with both the location of the property and the purchase price.

**Required:**

**In relation to the law of agency, advise Ngoni of possible legal remedies against Kudzi, his agent.**

**(10 marks)**

**9** Moyo, Shoko and Tembo are small scale master farmers based at Nyika Irrigation Centre in the Masvingo Province of Zimbabwe. They are involved in a partnership, which grows a variety of horticultural products for export. Recently Mr and Mrs Jones held discussions with the three small scale farmers concerning the expansion of their farming project, including the establishment of a small revolving fund to help them profitably and professionally market their produce.

The two donors are, however, concerned about the absence of a corporate legal body through which the objectives of the farmers can be realised and have urged the farmers to consider forming an incorporated association.

**Required:**

**In relation to company law, advise the three farmers on the type of incorporated association best suited to their needs, highlighting the advantages and disadvantages of an incorporation as compared to a partnership.**

**(10 marks)**

**10** James, Judas and Noah are directors of Hombarume Mines Limited. The company was initially incorporated as a private limited liability company in 2001. Its objects clause authorises the company to prospect for and mine precious minerals such as gold, platinum and diamonds.

In 2006 the company became a public limited liability company and shortly afterwards it was listed on the Zimbabwe Stock Exchange. Presently the company operates two gold mines along the Great Dyke mineral belt of Zimbabwe. Recently the company's prospecting teams and geologists discovered large deposits of diamond ore in Marange communal lands.

Before this became public knowledge, the three directors bought an additional one million of the company's shares that were available through the Stock Exchange. At the time of the purchase of the shares the directors paid \$10 for each share and within two months of the diamond discoveries becoming public knowledge the company's share price had increased to a record \$50 per share. Through their privileged position in the company the three directors have made a huge profit for themselves in a very short space of time.

**Required:**

**In terms of governance and ethical issues relating to business transactions, explain the offences the three directors have committed and discuss any criminal liability they may face.**

**(10 marks)**

**End of Question Paper**