

Fundamentals Level – Skills Module

# Corporate and Business Law (Zimbabwe)

Monday 9 December 2013



**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 legal system of Zimbabwe, explain the following sources of law:**
- (a) customary law; (6 marks)
  - (b) common law. (4 marks)
- (10 marks)**
- 2 In relation to the law of contract:**
- (a) explain the rules relating to the award of damages; (5 marks)
  - (b) discuss specific performance as a remedy for breach of contract. (5 marks)
- (10 marks)**
- 3 In relation to employment law, specify the main duties placed on the parties to an employment contract.**
- (10 marks)**
- 4 In relationship to partnership law:**
- (a) explain the authority of partners over partnership activities; (5 marks)
  - (b) explain the liability of partners for partnership debts. (5 marks)
- (10 marks)**
- 5 (a) In relation to company law, define the following:**
- (i) a rights issue; (2 marks)
  - (ii) an issue of shares at a premium. (2 marks)
- (b) In relation to company law, explain the rules governing the distribution of dividends.** (6 marks)
- (10 marks)**
- 6 In relation to company formations, explain:**
- (a) the objects clause; (4 marks)
  - (b) how articles of association can be changed. (6 marks)
- (10 marks)**
- 7 In relation to company law, explain the duties of directors.**
- (10 marks)**

- 8 (a) Joe and his wife, Ketty, decided to celebrate Valentine's Day (14 February 2013) at a very popular upmarket hotel, the Five Seasons, in Harare. Joe made a booking on 10 February 2013 and a table for two people was reserved for 7.00 pm on 14 February. Around 6.30 pm on 14 February, Joe and Ketty decided instead to have a quiet evening at home with their family. They did not communicate this to the hotel and on 15 February 2013 they were contacted by the hotel demanding payment of \$200 (\$100 each) being the cost of the special Valentine 'five course' standard meal which all the other guests were paying.

**Required:**

**In relation to the law of obligations, discuss whether Joe and Ketty are liable to pay \$200 to the Five Seasons Hotel.** (5 marks)

- (b) Gamu is a resident in the capital city of St Thomasburg. The City Council is responsible for all road maintenance works and street lighting. The city is notorious for its poor road infrastructure and non-functional street lighting. One dark evening in December 2012 after a heavy downpour, Gamu's car was badly damaged after hitting a very big pothole in the middle of a very busy road on her way home. To compound the situation there was no street lighting at all. The total repair costs to Gamu's car is about \$1,000.

**Required:**

**In relation to the law of obligations, explain whether the City Council of St Thomasburg is liable to Gamu for the cost of repairs to her car.** (5 marks)

**(10 marks)**

- 9 Machira Investments (Pvt) Ltd operates two clothing factories in Harare and Kadoma. The company is the most well known clothing manufacturer in Zimbabwe. It exports some of its products to neighbouring countries like Zambia, South Africa and Botswana. Since 2012 the company has been struggling to pay its creditors, especially suppliers of raw materials like cotton lint. It has in recent days struggled to pay its utility bills such as electricity, water and telephone and the debts now run into thousands of dollars. In addition, workers have not been paid on time during the last six months.

It has now come to light that the demand for the company's products (both domestic and export markets) is still very high. However, the company's four executive directors have been awarding themselves large salaries and benefits such as extravagant holidays abroad. It is also alleged that the corporate governance structures, internal checks and balances of the company are very weak and ineffective.

Two of the company's suppliers of cotton lint, Limukani and Joyce, who are jointly owed \$500,000, have decided to approach the High Court seeking the placing of the company under provisional judicial management.

**Required:**

**In relation to insolvency proceedings, discuss the two creditors' prospects of success in having Machira Investments (Pvt) Ltd placed under provisional judicial management.**

**(10 marks)**

**10** James is employed as an executive director by Blue Tooth Investments (Pvt) Ltd. The company has just won a tender to construct the largest shopping mall in Harare. The project developer is a company called High Rise Properties. The project, which is anticipated to take two years to complete, is worth millions of dollars. To show his company's appreciation James arranges for Ripai, the manager responsible for evaluating and ultimately recommending to the board of directors the award of tenders at High Rise Properties, an all expenses paid holiday for two people.

**Required:**

**In relation to governance and ethical issues relating to business, explain the law of bribery in Zimbabwe and the offences which have been committed by both James and Ripai.**

**(10 marks)**

**End of Question Paper**