

Fundamentals Level – Skills Module

Corporate and Business Law (Cyprus)

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.

Paper F4 (CYP)

The Association of Chartered Certified Accountants

The Institute of Certified Public Accountants of Cyprus

ACCA

ZEAK

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 Ben was a novice driver who had just obtained his driver's licence. When driving on a rainy day, he narrowly failed to stop at a pedestrian crossing and so hit Amy, a pedestrian who was crossing the road. Although the impact was slight it still knocked Amy to the ground. Amy suffered from a medical condition meaning that her bones were very fragile, so she sustained several fractures as a result of the accident.

Required:

(a) Explain whether Ben is in breach of duty of care in relation to Amy. (3 marks)

(b) Explain whether Amy's pre-existing medical condition affects any liability on Ben's part. (3 marks)

(6 marks)

2 Maria, Niovi and Omiros entered into a limited partnership for the purpose of trading in consumables. Omiros is a general partner while Maria and Niovi are limited partners. The management of the partnership is conducted by Niovi and Omiros, with Maria having no involvement in management affairs. The partnership was never registered with the Registrar of Companies.

Required:

(a) Explain the liability of Omiros, Maria and Niovi for the partnership's debts. (4 marks)

(b) Explain what the liability of Maria and Niovi for the partnership's debts would have been, if the partnership had been duly registered. (2 marks)

(6 marks)

3 ABC Ltd is a private company limited by shares, which has adopted Table A as its articles of association. The authorised share capital of ABC Ltd is €100,000, divided into 100,000 shares of €1 each. The issued share capital of ABC Ltd is €70,000, divided into 70,000 shares of €1 each, whilst €20,000 is unrepresented by available assets.

Required:

(a) Explain whether, and how, ABC Ltd may decrease its authorised share capital to €70,000. (3 marks)

(b) Explain whether, and how, ABC Ltd may reduce its issued share capital to €50,000. (3 marks)

(6 marks)

4 Chloe, Dina and Evan are the only members of the board of directors of DEC Ltd, a private limited liability company which has adopted Table A as its articles of association. Chloe is the managing director of DEC Ltd. At a meeting of the board, Chloe proposed that DEC Ltd entered into a contract with Fay for the provision of services. Dina and Evan disagreed. Despite the decision of the board, Chloe entered into a contract with Fay on behalf of DEC Ltd.

Required:

(a) Explain whether the contract with Fay is binding upon DEC Ltd. (4 marks)

(b) State whether Chloe has any liability towards DEC Ltd. (2 marks)

(6 marks)

5 George is one of the directors of Bohema plc, which is listed in the main market of the Cyprus Stock Exchange. One of the matters being addressed at the recent board meeting of Bohema plc relates to a potential huge acquisition of business which is expected to significantly enhance its share price. George discusses the issue with his wife, Helena, who seizes the opportunity to buy shares in Bohema plc immediately prior to the publication of the relevant acquisition.

Required:

(a) **Explain the potential liability of George for insider dealing.** (4 marks)

(b) **State ONE defence which could be available to George.** (2 marks)

(6 marks)

End of Question Paper