

Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

Monday 9 June 2014



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and MUST be attempted.

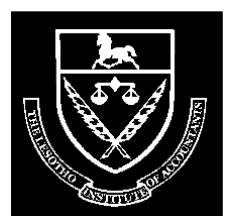
Do NOT open this paper until instructed by the supervisor.

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

The Lesotho Institute of Accountants



Paper F4 (LSO)

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the legal system of Lesotho, explain the significance of the Southern African Customs Union for businesses in Lesotho.**

(10 marks)
- 2 In relation to the law of contract, explain and distinguish between an offer and an invitation to treat.**

(10 marks)
- 3 In relation to remedies for breach of contract, explain the duty to mitigate losses.**

(10 marks)
- 4 In relation to the law of delict, explain the notion of 'fault'.**

(10 marks)
- 5 Explain under what circumstances a partnership may be dissolved by the operation of law.**

(10 marks)
- 6 (a) Explain the significance of a name for a company limited by shares.** **(2 marks)**

(b) Explain the meaning and consequences of the following terms when found at the end of the names of companies limited by shares:

 - (i) (Pty) Ltd;** **(4 marks)**
 - (ii) Ltd.** **(4 marks)**

(10 marks)
- 7 In the context of companies in financial difficulty, explain judicial management as an alternative to winding up under the Companies Act 2011.**

(10 marks)

- 8** Sanderson Foods Ltd was incorporated in Lesotho in November 2011, with an authorised share capital of R10 million divided into 10 million ordinary shares of R1 each. All the shares have been issued and are fully paid up. Articles of incorporation of the company authorise the directors to issue ordinary shares.

The directors of Sanderson are negotiating to purchase a chain of fast food outlets from Peter, a shareholder, for R3 million. Payment is to be made by issuing Peter R1·5 million ordinary shares at a premium of R1 for each R1 share.

The outlets would need to be refurbished at a cost of R2 million and for this the directors propose to issue a further 1 million shares of R1 each as rights to the existing shareholders.

Required:

In the context of company law:

(a) Advise the directors how to implement their proposals. (7 marks)

(b) Advise the existing shareholders about the rights issue. (3 marks)

(10 marks)

- 9** Surepass Teaching Ltd owns and runs the Surepass Accounting Coaching Institute providing accountancy related tuition to students in Southern Africa. It engaged Joanthan on a fixed term of contract for two years at a salary of R8,000 per month to prepare teaching materials for a course on South African taxation which is offered by a Technikon in Bloemfontein in South Africa.

After 17 months, the Technikon suddenly closed and the contract with Joanthan was terminated. When Joanthan inquired, he was told by the Institute that his dismissal was on the ground of redundancy.

Required:

Joanthan seeks your advice on the following:

(a) Explain what is meant by 'dismissal on the ground of redundancy'. (5 marks)

(b) Explain whether he can successfully claim compensation from the Institute for terminating his services before the expiry of two years. (5 marks)

(10 marks)

- 10 (a)** Thabo made an offer to Susan, his cousin, that he would pay her R2,000 per month if she would give up her job as a typist in the Lesotho Breweries and study to be a Registered Accountant. Susan agreed to accept Thabo's offer and, in February 2007, resigned from her job and enrolled as a Registered Accountant student at the Centre for Accounting Studies. By March 2013, Susan had still not passed her final examinations. Thabo was frustrated by this and told Susan he would no longer support her, in view of her poor performance as a student.

Required:

In the context of the law of contract, discuss the following:

- (i) Thabo's offer and Susan's acceptance of that offer;** (3 marks)
 - (ii) Susan's legal position as regards the promise of payment of R2,000 per month while a student at the Centre.** (3 marks)
- (b)** Thabo had also promised R5,000 as a bonus to Susan if she passed the Registered Accountant's examination by the end of December 2013, but in March 2013 he informed her that he would not pay the bonus. Susan, however, continued to work hard, passed the examination in December 2013 and claimed a R5,000 bonus.

Required:

Discuss Susan's legal position with regard to the R5,000.

(4 marks)

(10 marks)

End of Question Paper