Fundamentals Level – Skills Module

Corporate and Business Law (Lesotho)

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

The Lesotho Institute of Accountants

Paper F4 (LSO)

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 Company A and Company B both want to reduce their share capital. Company A has an authorised share capital of M1 million which is made up of 1 million shares of M1 each. It decides to consolidate its shares such that it will have 500,000 shares of M2 each.

Company B has an authorised share capital of M300,000 made up of 300,000 shares of M1 each. 80,000 shares have been issued and paid up and Ms. Green has agreed to take up 30,000 additional shares. The company decides to cancel the 220,000 unissued shares and remain with a share capital of M100,000.

Required:

(a) Describe the procedure for the alteration of capital. (2 marks)

(b) Assuming that the correct procedure is followed, explain whether the strategies employed by Company A and Company B are legal. (4 marks)

(6 marks)

2 Joshua, Madison and Casey run a stationery shop in partnership. Their partnership was registered under the partnership law of Lesotho. They purchased M10,000 worth of pens on credit from Sidney and have failed to pay for them. Sidney wishes to sue the partnership as well as Joshua, Madison and Casey individually.

Required:

(a) Explain whether a partnership can be sued under the laws of Lesotho. (2 marks)

(b) Assume that Joshua and Madison disappear and only Casey can be found by Sidney.

Required:

Explain whether Sidney can sue Casey alone for the partnership debt, and for what reason. (2 marks)

(c) If Sidney were to sue Casey, explain whether, and on what basis, Casey would have any remedy against the other partners, Joshua and Madison. (2 marks)

(6 marks)

3 Modern Pty (Ltd) is an IT company. Sam has been the managing director since 2010. The other directors are not happy with Sam's conduct.

In 2011, Sam influenced the hiring of his sister as a company secretary even though she had no relevant qualifications. In 2013, he did not disclose that his wife was the owner of a counter-party to a contract that the company entered into. Further, Sam has several convictions for traffic offences.

During a board meeting the other directors confront Sam about his conduct and take a vote to remove him from office.

Required:

(a) Explain the function of a managing director. (2 marks)

(b) Explain which of Sam's actions would be grounds for his removal from directorship. (2 marks)

(c) Explain whether the correct procedure has been followed for the removal of Sam from his directorship position. (2 marks)

(6 marks)

4 Kyle checks into Star Hotel. He is given a form to fill in and to sign, which he does without reading the small print at the bottom of the form. He pays for the room charges. On the third day of his occupancy, his laptop is stolen from his room. He alleges that the hotel is liable. The hotel manager refers him to the statements on the form which he filled in at reception, which say that 'Star Hotel accepts no liability for theft, damage or loss to property.'

Required:

(a) Explain the purpose of an exclusion clause. (2 marks)

(b) Explain whether it would be a defence for Kyle to say that he did not read the clause. (2 marks)

(c) Suppose the exclusion was not written on the form, but on a notice on the inside of Kyle's hotel room.

Required:

Explain whether the hotel would be liable for the loss. (2 marks)

(6 marks)

5 Patrick is the procurement officer of a government ministry. Larry has submitted a tender to the ministry for the supply of office furniture. Larry gives Patrick money to withdraw a more competitive bid submitted by a rival supplier.

Required:

(a) List the elements of the crime of corruption. (2 marks)

(b) Both Patrick and Larry have committed crimes under the Prevention of Corruption and Economic Offences Act (1999).

Required:

Explain the crime committed by Patrick and differentiate it from the crime committed by Larry. (2 marks)

(c) Explain whether it would still be a crime if Larry had merely promised Patrick money but had not made an actual payment. (2 marks)

(6 marks)

End of Question Paper