

Fundamentals Level – Skills Module

Corporate and Business Law (Malta)

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 Malta Institute of Accountants



Paper F4 (MLA)

ALL TEN questions are compulsory and MUST be attempted

- 1 Explain how the adoption of the European Convention Act, 1987 strengthened the protection of human rights and fundamental freedoms in Malta.**

(10 marks)

- 2 In terms of Maltese contract law, explain the nature and scope of 'causa' and 'subject matter' as internal requisites for a valid contract.**

(10 marks)

- 3 In terms of the Employment and Industrial Relations Act, 2002 a distinction is made between whole-time employment and part-time employment.**

Required:

Explain the rights of part-time employees.

(10 marks)

- 4 In terms of the provisions of the Companies Act, 1995, explain and distinguish between the main characteristics of a partnership and a company.**

(10 marks)

- 5 In terms of the Companies Act, 1995 explain the meaning and effect of the limited liability of shareholders of a private company.**

(10 marks)

- 6 In terms of the provisions of the Companies Act, 1995, explain the procedure to be followed for a company to reduce its share capital.**

(10 marks)

- 7 In terms of company law, explain the role and duties of a company promoter.**

(10 marks)

- 8** Last year Andrew decided to leave his job and fulfil his life-long dream: to set up a company, of which he is the sole shareholder and director, to run and manage a boutique hotel. In spite of the fact that he had no experience in the hotel industry, he went ahead with his plans. Since the hotel opened, Andrew's business has not been doing well and has incurred substantial losses. Creditors are starting to worry that they will not get paid, but Andrew has continued to request further credit and assures them that they will get paid.

Required:

- (a) Explain what action the creditors can take against Andrew's company. (2 marks)
- (b) Explain what action can be taken against Andrew personally. (6 marks)
- (c) If the creditors are successful in their claim, explain what will be the consequences for Andrew. (2 marks)

(10 marks)

- 9** John inherited various pieces of antique furniture from his grandfather. He valued them and decided to hold a sale. He priced all items, but placed the wrong price tags on two items. He placed the price of a library unit on a desk. The library unit was marked at €6,500 instead of €9,500. Mrs Smith was at the sale and saw the price of the unit. Seeing the bargain price, she informed John that she wanted to buy the library unit. At that moment, John realised his mistake and informed Mrs Smith. However, Mrs Smith insisted that she had the right to buy the unit at the displayed price.

Required:

- (a) Discuss whether John made a valid offer or an invitation to treat when pricing the antiques. (5 marks)
- (b) Discuss whether Mrs Smith's acceptance to buy the unit at the marked price constitutes a valid acceptance. (5 marks)

(10 marks)

- 10** Simon is employed as a sales and marketing manager. His contract of employment prohibits him from entering into any competing business transactions. Seeing an opportunity to enter into a business deal with a competing business, he set up ABC Limited, with his friend Matthew as the sole shareholder and director. ABC Limited then entered into the deal with Simon's employer. Other transactions were entered into and, at all times, Matthew acted on the instructions of Simon.

The financial position of ABC Limited started to fail and Matthew was sued by the creditors. Matthew's defence is that he acted on Simon's instructions, but Simon denies this and states that he never had a role in ABC Limited.

Required:

- (a) Explain whether action can be taken against Simon as a shadow director. (4 marks)
- (b) Explain against whom a disqualification order may be issued. (4 marks)
- (c) Explain whether Simon's employer would be justified in terminating his employment. (2 marks)

(10 marks)

End of Question Paper