

Fundamentals Level – Skills Module

# Corporate and Business Law (Zimbabwe)

Tuesday 7 June 2011

**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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

**ALL TEN questions are compulsory and MUST be attempted**

- 1 In relation to the legal system in Zimbabwe, explain and distinguish between:**
- (a) criminal law and civil law;** (4 marks)
  - (b) an appeal and a review.** (3 marks)
  - (c) the civil and criminal jurisdiction of the High Court.** (3 marks)
- (10 marks)**
- 2 In breach of contract cases Zimbabwean courts draw a line between material or patrimonial loss on the one hand and sentimental or emotional loss on the other hand.**
- Required:**
- In relation to the law of contract, explain the general approach of the courts to the award of damages for breach of contract.**
- (10 marks)**
- 3 In relation to the law of partnership, explain and distinguish between a limited and an unlimited partnership.**
- (10 marks)**
- 4 In relation to company law, explain:**
- (a) the statutory and common law duties of auditors;** (6 marks)
  - (b) the law relating to the removal of an auditor.** (4 marks)
- (10 marks)**
- 5 In relation to employment law, explain and distinguish between an independent contractor and an employee, who is a servant.**
- (10 marks)**
- 6 In relation to company law, explain and distinguish between the roles of executive and non-executive directors.**
- (10 marks)**
- 7 In relation to company law, explain:**
- (a) voluntary winding up and its effects;** (4 marks)
  - (b) the reasons for compulsory winding up.** (6 marks)
- (10 marks)**

- 8 On 20 April 2009, Dennis Dube and his friend James Moyo decided to travel by coach from Harare to Bulawayo to attend the Annual International Trade Fair. At the beginning of the journey the driver of the bus, Fambai, made an announcement for all passengers to fasten their seat belts and during the course of the journey the bus's electronic board kept flashing messages reminding passengers to fasten their seat belts. Dennis Dube complied with the instructions and fastened his seat belt whilst James Moyo did not.

With 100km to reach their destination, it started to rain very heavily. The road became slippery and visibility was very poor. Whilst the majority of motorists travelling in either direction decided to park their vehicles, the driver of the coach proceeded with the journey and in spite of the unfavourable weather conditions, he drove very fast. Shortly afterwards, the driver lost control and the coach crashed into a big tree; both Dennis Dube and James Moyo, along with other passengers, sustained injuries. As James was not wearing his seat belt he sustained more serious injuries than Dennis. Lawyers representing the two men have quantified the damages due to Dennis Dube at \$4,000·00 and the damages due to James Moyo at \$10,000·00.

**Required:**

**In relation to the law of delict, explain whether the defendant bus company has any defence (whether full or partial) to the damages claims filed by Dennis Dube and James Moyo.**

**(10 marks)**

- 9 John Brown and four other associates decided to register a public company on 1 March 2009. After the company, Sunshine Mines Limited, was issued with a certificate of incorporation it went on further to secure a certificate to commence business in accordance with the laws of Zimbabwe.

A prospectus was issued shortly after incorporation inviting members of the public to subscribe for shares in the company. The prospectus which listed John Brown and his four associates as the directors of the company stated that the company had discovered vast deposits of platinum in the Bikita district. As a result of these claims shares in the company started trading at \$10 a share and Innocent Mupfumi bought 10,000 shares through a stockbroking firm.

It now transpires that the company discovered deposits of iron ore and not platinum. The shares have now dropped in value from \$10 to \$2 a share. Mr Mupfumi and other investors feel a deep sense of grievance.

It also turns out that John Brown was removed in 2008 by the High Court from the position of liquidator of Direstraits Limited, a company which was financially in distress and was undergoing liquidation proceedings. The allegations against him were that he failed to account fully for money that he received from the company's debtors.

**Required:**

**In relation to company law, explain**

**(a) John Brown and his associates' liability for misstatements in the prospectus.** (7 marks)

**(b) Whether John Brown is eligible to be a promoter and/or a director of Sunshine Mines Limited.** (3 marks)

**(10 marks)**

**10** Marange Steelmakers Ltd is a public company which is duly registered and is operating in terms of the laws of Zimbabwe. It is a construction company whose registered address is in Harare. It started as a private limited liability company, which converted into a public company in 2005. It was registered on the Zimbabwe Stock Exchange in February 2006 after launching a very successful Initial Public Offer (IPO) to the investing public.

Between 2006 and 2009 the company only made modest profits and did not declare a dividend. However, for the 2010 financial year the company made a massive profit after tax of \$100 million and the directors decided to put aside \$70 million to boost reserves and \$30 million for dividends.

The majority of the shareholders were extremely unhappy over this development and at the Annual General Meeting which was held in April 2010, they decided to reallocate half of the profits after tax (\$50 million) towards dividends and the other half (\$50 million) towards the company's reserves.

**Required:**

**In relation to company law, advise the board of directors as to whether or not the shareholders' resolution to increase the dividend amount is legal.**

**(10 marks)**

**End of Question Paper**