

**ACCA FINAL ASSESSMENT**

# **Corporate and Business Law**

**December 2014**

**Time allowed**                      2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and **MUST** be answered.

Section B – ALL 5 questions are compulsory and **MUST** be answered.

**Do NOT open this paper until instructed by the supervisor.**

**This question paper must not be removed from the examination hall.**

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**Paper F4 (ENG)**

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**SECTION A****ALL 45 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED**

- 1 Which of the following is not needed for a legally binding contract to be in force?**
- A Intention to create legal relations
  - B Written contract
  - C Consideration **(1 mark)**
- 2 Which of these statements most accurately describes the English Legal System?**
- A It is a common law system
  - B It is a civil law system
  - C It is neither a common law nor a civil law system
- 3 What are the maximum penalties under the Bribery Act 2010?**
- A 10 years for an individual and an unlimited fine for a commercial organisation
  - B 7 years for an individual and an unlimited fine for a commercial organisation
  - C 5 years for an individual and a public reprimand for a commercial organisation
  - D 10 years for an individual and 10 years for a director in a commercial organisation **(2 marks)**
- 4 Which document is an employee entitled to receive within two months of the start of employment?**
- A A copy of the employer's liability insurance details
  - B The staff handbook
  - C The contract of employment
  - D The written statement of particulars **(2 marks)**
- 5 Which of the following statements is incorrect in relation to directors?**
- A Private companies are required to have at least one director
  - B Public companies are required to have at least two directors
  - C All directors must be over the age of 21 **(1 mark)**
- 6 Statute law refers to:**
- A Law created by Parliament in the form of legislation
  - B Law deriving from cases
  - C Law created by judges **(1 mark)**

- 7 What is the 'neighbour' principle in negligence?**
- A The principle which states that a claimant is to be judged according to whether they have acted in the same way as a 'reasonable person'
  - B The principle which allows neighbours to resolve disputes
  - C The principle which establishes whether a duty of care is owed to a claimant
  - D The principle relating to good citizenship **(2 marks)**
- 8 Which of the following is not a type of resolution?**
- A Written resolution
  - B Selective resolution
  - C Ordinary resolution **(1 mark)**
- 9 Who brings a criminal case to court?**
- A The State in the name of the Crown
  - B The State in the name of the Government
  - C The victim of the crime **(1 mark)**
- 10 Which of the following is not a type of partnership structure?**
- A A general partnership
  - B An extraordinary partnership
  - C A limited partnership **(1 mark)**
- 11 Which of the following statements is incorrect?**
- A A public limited company's name must end in the words 'public limited company' or 'plc'
  - B Both private and public limited companies must hold an annual general meeting each calendar year
  - C A private company is prohibited from offering its shares to the public
  - D There is no minimum share capital required for private limited companies **(2 marks)**
- 12 What is executory consideration?**
- A Consideration which is from the past
  - B An exchange of promises for future acts
  - C Consideration which is inadequate **(1 mark)**

- 13 Which of the following is not a feature of a limited company?**
- A The company's separate legal personality
  - B The perpetual succession of the company
  - C The limited liability of the members
  - D The directors' immunity from any criminal sanctions **(2 marks)**
- 14 Which document establishes the constitution of the company and how it may run its affairs?**
- A The directors' contract of employment
  - B The certificate of incorporation
  - C The memorandum
  - D The articles of association **(2 marks)**
- 15 Which Act of Parliament incorporated the European Convention on Human Rights and Fundamental Freedoms into English law?**
- A The European Communities Act 1972
  - B The Human Rights Act 1998
  - C The European Union Amendment Act 2008 **(1 mark)**
- 16 What is the quorum for a general meeting of a registered company?**
- A Two persons being members or proxies for members
  - B Three persons being members or proxies for members
  - C Two persons being members **(1 mark)**
- 17 Which of the following statements is correct?**
- A The person appointed as liquidator need not have any formal qualifications
  - B The person appointed as liquidator must be a qualified accountant
  - C The person appointed as liquidator must be a qualified insolvency practitioner
  - D The person appointed as liquidator must be a solicitor **(2 marks)**
- 18 The Memorandum of Association of a company must be signed by:**
- A The subscribers and all the directors
  - B The subscribers and at least one of the directors
  - C The subscribers and the company secretary
  - D The subscribers only **(2 marks)**

- 19 What is the minimum number of directors that a plc must have?**
- A One
  - B Two
  - C Three
- (1 mark)**
- 20 What is a representation?**
- A A statement which sets out the obligations of the parties
  - B A statement of fact made before a contract is made which may induce the contract
  - C A boast or hype used to sell a product
  - D A statement of fact which turns out to be wrong
- (2 marks)**
- 21 What is meant by statutory interpretation?**
- A The interpretation of a statute by Parliament
  - B The interpretation of a statute by the House of Commons
  - C The interpretation of a statute by the courts
  - D The interpretation of a statute by the House of Lords
- (2 marks)**
- 22 What is it necessary to establish to convict someone of fraudulent trading?**
- A That the directors had dishonest intent
  - B That the directors were not shadow directors
  - C That the directors were not shareholders
- (1 mark)**
- 23 How long does a company have to file amended articles of association with the Registrar if they have been altered?**
- A 14 days
  - B 15 days
  - C 21 days
- (1 mark)**
- 24 Persons who take procedural steps to set up a company and who make business preparations for the company are known as:**
- A Directors
  - B Shareholders
  - C Registrars
  - D Promoters
- (1 mark)**

- 25 Which of the following persons or bodies cannot petition the court for compulsory winding up of a company?**
- A The Official Receiver
  - B The company itself
  - C Any creditor
  - D Any director
- (2 marks)**
- 26 What is a shadow director?**
- A A director who has management responsibilities in the company
  - B A person whose directions or instructions the directors of a company follow
  - C A person appointed to attend Board meetings and vote in place of a director
- (1 mark)**
- 27 Where a contract does not stipulate an expiry date, it will remain open:**
- A forever, until accepted by the offeree
  - B until expressly revoked by the offeror
  - C until a counter offer is made
  - D for a reasonable time, after which it will automatically expire
- (2 marks)**
- 28 Companies Act 2006 requires directors to have regard to the interests of the company employees. If directors fail to satisfy this requirement action may be taken against them by:**
- (i) the company
  - (ii) the employees
- Which of the above is/are correct?
- A (i) only
  - B (ii) only
  - C Both (i) and (ii)
  - D Neither (i) nor (ii)
- (2 marks)**
- 29 What are implied terms of a contract?**
- A Terms which have been discussed between the parties
  - B The contract would make little sense without them
  - C Terms which have been laid down by an Act of Parliament
  - D Terms which have been written down
- (2 marks)**

**30 A floating charge is a charge:**

- A On a class of current assets which can be identified
  - B On the undertaking of a company
  - C On a class of assets which will not change in the ordinary course of business
  - D On a class of assets, present or future, which may change in the ordinary course of business
- (2 marks)**

**31 What does privity of contract mean?**

- A Everyone has the right to enter into a contract
  - B A contract is made between the two contracting parties and cannot protect a third party
  - C A contract is between one party and the whole world
  - D Nobody should know what a contract contains
- (2 marks)**

**32 Which court hears an appeal from the High Court?**

- A The Court of Appeal (Civil Division)
  - B The Court of Appeal (Criminal Division)
  - C The Magistrates' court
- (1 mark)**

**33 Which of the following statements is/are correct?**

- (i) The partners in an ordinary partnership jointly own the firm's assets
  - (ii) The shareholders in a company jointly own the company's assets
- A (i) only
  - B (ii) only
  - C Both (i) and (ii)
  - D Neither (i) nor (ii)
- (2 marks)**

**34 Which of the following is not an example of how an agency relationship can come into existence?**

- A By express appointment
  - B By ratification
  - C Through an act of necessity
  - D Through an act of a third party
- (2 marks)**

- 35 Which of the following is not a legitimate use of the share premium account?**
- A Writing off a discount of the issue of shares
  - B Writing of underwriting commission
  - C Writing off preliminary expenses
  - D Issuing bonus shares **(2 marks)**
- 36 What is constructive dismissal?**
- A An employer sacks an employee because they caused trouble
  - B An employee resigns because they dislike their line manager
  - C An employer sacks an employee after a number of disciplinary offences
  - D An employee resigns due to an employer breaching their contract **(2 marks)**
- 37 If a company makes an unlawful dividend, who may be involved in making good the distribution?**
- A The company only
  - B The directors only
  - C The shareholders only
  - D The company, the directors and the shareholders **(2 marks)**
- 38 The High Court comprises which of these divisions?**
- A Queen's Bench, Chancery and Family Divisions
  - B Queen's Bench, Property and Divorce Divisions
  - C Admiralty and Family Divisions
- 39 Which of the following statements relating to class rights is incorrect?**
- A Class rights are rights that are attached to different classes of shares
  - B Class rights can be altered by the passing of a special resolution
  - C Class rights can include voting rights, dividends and return of capital
  - D Class rights can never be altered **(2 marks)**
- 40 Arnold contracts with Nita to paint the interior of her flat for £200. Halfway through the work he asks for an additional £100.**
- He would be entitled to the extra payment if:
- A He runs out of paint and needs more
  - B Nita asked him to also paint the exterior of the flat
  - C He realised he had undervalued the work **(1 mark)**

- 41 Who should suspicion of money laundering activity be reported to?**
- A The National Crime Agency
  - B The Money Laundering Detection Officer
  - C The Suspensions of Crime Authority **(1 mark)**
- 42 Which of the following is not a remedy available for a successful finding of unfair dismissal?**
- A Fining the employer
  - B Compensation
  - C Reinstatement
  - D Re-engagement **(2 marks)**
- 43 Which of the following is not a type of authority?**
- A Actual authority
  - B Apparent authority
  - C Implied authority
  - D Unauthorised authority **(1 mark)**
- 44 Which of the following ways describes how a company can remove a director?**
- A By the passing of a special resolution of the general meeting
  - B By the passing of an ordinary resolution of the general meeting
  - C By the passing of a special resolution of the board of directors **(1 mark)**
- 45 An intention to create legal relations will be presumed in which of the following situations?**
- A Between friends and social acquaintances
  - B Between husband and wife
  - C Between parties in a commercial relationship **(1 mark)**

**SECTION B****ALL 5 QUESTIONS ARE COMPULSORY AND MUST BE ANSWERED**

- 1** Info Ltd is a small company that specialises in selling computer hardware and software to accountancy firms. It advertised in a specialist accounting journal as follows:

'Clearance sale: Limited number of Super 6686 Computers for only £1,000 each! Will be sold to the first 20 customers to send an order and cheque for the full amount.'

Alan, an accountant, reads the advertisement on Wednesday, the day of publication of the journal. He immediately posts an order including his cheque to Info Ltd. By 8 am on Thursday morning he has changed his mind and he sends a fax to Info Ltd cancelling his order and requesting the return of his cheque. His posted letter arrives one hour later.

Info Ltd subsequently cashes Alan's cheque, claiming that it has a binding contract with him, and refuses to return the money.

**Required:**

**State:**

- (a) **the legal effect of the advert placed by Info Ltd** (2 marks)  
(b) **the legal effect of the order posted by Alan** (2 marks)  
(c) **whether there is a binding contract between Alan and Info Ltd.** (2 marks)

**(Total: 6 marks)**

- 2** Raymond is a director of Atkinson Ltd, a soft drink company. In January, Raymond paid a visit to Charles who is the chief executive of 'Carbon Cans Ltd', a company that manufactures drinks cans and bottles aimed at the beer market. During their meeting, Charles informs Raymond that he has patented an ingenious design for a beer can which can keep beer at the correct temperature. Charles asks Raymond whether his company would be interested in licensing the product.

In March, the board of directors of Atkinson decides that the company will enter into the beer market. In April, Raymond resigns as director and assumes the position of director of a rival company, and one of his first actions as director is to adopt the Carbon Cans licence as proposed by Charles. Raymond's new company is making a roaring trade selling quality beer which remains fresh and cooler far longer than its competitors.

**Required:**

**Identify whether Raymond has breached his duties as a director.** (4 marks)

**State what action can be taken against Raymond.** (2 marks)

**(Total: 6 marks)**

- 3** Alvin, Simon and Theodore have been in partnership for many years running a vets practice. The partnership agreement states that all drugs are only to be purchased from Dave. Theodore has been suffering from ill health for a number of years and has now retired. Simon has entered into a contract to buy drugs from Brittany. The drugs have been delivered but now Alvin is refusing to pay for them. Dave is also due payment for drugs purchased by the partnership.

**Required:**

- (a) State whether Simon has acted within his authority. (3 marks)
- (b) Identify Alvin, Simon and Theodore's liabilities in respect of the contracts made with Brittany and Dave. (3 marks)

**(Total: 6 marks)**

- 4** On 30 November Atta Limited went into liquidation. At this date the following debts were outstanding:

- (i) trade creditors of £150,000
- (ii) a mortgage of £200,000 on the company's premises secured by a fixed charge created on 1 May 2013 and registered on 5 May 2013
- (iii) a loan of £50,000 from Peter, a shareholder, secured by a floating charge created on 5 June 2013 and registered on 14 June 2013
- (iv) a loan of £40,000 from Sandra, another shareholder, secured by a floating charge created on 7 June 2013 and registered on 12 June 2013
- (v) wages and salaries of the previous month of £20,000

The liquidator will charge a fee of £7,000 to undertake the liquidation process.

**Required:**

**State the order of repayment of the above debts. (6 marks)**

- 5** Samson is a partner in a firm of solicitors and is representing his client Timothy in the purchase of an apartment for £250,000. Timothy is financing this purchase with a £180,000 mortgage loan from a building society and the remaining sum from his own savings. However, he only has a total of £20,000 in his savings account and does not own any other assets such as shares. On a recent visit to see Samson, Timothy seemed very anxious and was very concerned that he had absolutely no money left to cover the outstanding balance. Two days later Timothy returned to Samson's office with £50,000 in cash and told Samson, 'this should settle it'.

Samson is concerned about how quickly Timothy has been able to obtain the money to cover the transaction and he is uncertain about how to proceed.

**Required:**

- (a) State the money laundering offences under the Proceeds of Crime Act 2002. (3 marks)
- (b) State what Samson must and must not do to avoid liability for Money Laundering under the Proceeds of Crime Act 2002. (3 marks)

**(Total: 6 marks)**