

**ACCA REVISION MOCK**

# **Corporate and Business Law**

**March 2017**

**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 (GLO)**



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

- 1 An offer cannot be terminated by:**
- A withdrawal
  - B revocation
  - C rejection
  - D request for further information **(2 marks)**
- 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 **(1 mark)**
- 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 A contract will be not normally be specifically enforceable if it is for:**
- A The sale of land or other real property
  - B The sale of goods which are readily available
  - C The sale of shares in a private limited company **(1 mark)**
- 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 An offer must be:**
- A Insufficiently definite
  - B Sufficiently definite
  - C Sufficiently indefinite
- (1 mark)**
- 8 Which of the following is not a type of resolution?**
- A Written resolution
  - B Selective resolution
  - C Ordinary resolution
  - D Special resolution
- (2 marks)**
- 9 In the English legal system 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
  - D A limited liability partnership
- (2 marks)**
- 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 James and Janet have agreed the terms of their contract. Janet is due to start work on the contract on 30 September. On 31 August, Janet informs James that she will not be able to commence work on the contract.**
- Janet has committed**
- A Anticipatory breach
  - B Avoidance of contract
  - C Delay
- (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 A party who relies on breach of contract must take reasonable measures to limit the loss he incurs that arise from the breach.**
- This is known as:**
- A Remoteness of damage
  - B Mitigation
  - C Exclusion
  - D Alleviation **(2 marks)**
- 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 **(1 mark)**
- 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 If a party fails to pay an outstanding balance the other party is entitled to:**
- A Interest on the whole amount of the contract
  - B Interest on the half the amount of the contract
  - C Interest on the outstanding balance
- (1 mark)**
- 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
  - D 28 days
- (2 marks)**
- 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
- (2 marks)**

- 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
  - D Anyone who acts as a director, although not validly appointed as one
- (2 marks)**
- 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 With regards to a bill of exchange a drawer is:**
- A The person to whom the bill is payable
  - B The person who holds the bill
  - C The person who becomes a beneficiary of the bill
  - D The person who makes the order and draws up the bill
- (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 Which of the following is incorrect?**

- A A person is generally not liable on a bill of exchange unless he signs it
  - B If someone signs a bill with a different name he is still liable
  - C If a person's signature is forged that person will still be liable
- (1 mark)**

**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 a type of letter of credit?**

- A Redeemable
  - B Revocable
  - C Confirmed
- (1 mark)**

**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 A letter of comfort:**
- A Constitutes a binding agreement
  - B Indicates a legal intention
  - C Can be relied upon
  - D Does not constitute a binding contractual agreement **(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 **(1 mark)**
- 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 Which Incoterm stipulates that the buyer bears all the cost and risks of delivery, unless otherwise agreed between the parties?**
- A Ex works
  - B Free on Board
  - C Free Carrier **(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 An invitation to treat:**

- A Is a contractual offer
  - B Has the same legal effect as an offer
  - C Does not constitute an offer
  - D Can be accepted to constitute a binding agreement
- (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
- (2 marks)**

**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 Which of the following indicates that an offer has been made?**

- A It is addressed to a specific person
  - B There is no clear indication of goods
  - C There is no clear indication of quantity of goods
- (1 mark)**

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

- 1 Brian, who had decided to transfer his existing wholesale food business to a private limited company called Brian Foods Ltd, delivered the necessary documents to the Registrar of Companies and received the Certificate of Incorporation (dated 1 April) on 6 April 2014.

On 15 March 2014, Brian agreed to purchase a quantity of coffee from Benco Ltd in a letter which he signed 'For and on behalf of Brian Foods Ltd, B Brian, Director'.

At the first meeting of the board of directors of Brian Foods Ltd, the contract with Benco Ltd was approved and the company took delivery of the first consignment. The board later found that the Benco brand of coffee was more difficult to sell than had been anticipated and decided to cancel any subsequent consignments.

**Required:**

- (a) State what is Brian's position with regards to Brian Foods Ltd. (2 marks)
- (b) Explain the position with regards to liability for the contract made with Benco Ltd. (4 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:**

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