îcsa

The Chartered **Governance** Institute

Please complete this bo	X:
-------------------------	----

Make (company name):								Model number:
If you are using a calcul	If you are using a calculator, please enter the make and model number:							
Number of continuation si	neets	s atta	ache	ed:				
Desk number:								
Candidate number:								as indicated on your admission slip

ICSA Qualifying Programme

Company Law

Sample assessment material 2019

Time allowed: 3 hours (plus 15 minutes reading time)

Do not open this examination paper until the presiding officer or an invigilator tells you to.

You must not take this paper out of the examination room.

The examination paper contains 12 questions of which you must attempt 11. You must attempt all 8 questions in Section A and 3questions in Section B.

Section A contains 25 marks and Section B contains 75 marks. There are **100 marks** available in total for the paper.

You may continue your answers on the continuation sheets at the back of the booklet if necessary. Separate answer sheets are available from the invigilator.

Note: Unless otherwise specified, you should assume that an Act or an organisation referred to in the questions is a UK Act or organisation.

Where questions refer to the Articles of Association, you should assume the relevant Model Articles apply, as prescribed under the Companies Act 2006.

© ICSA 2019 Page 1 of 9

© ICSA 2019 Page 2 of 9

Section A

Answer all the questions in this section.

1.	Which of the following actions doesnot generally require the approval of a company's men	nbers?
	(Tick one box only)	
	A. A change to the articles of association	
	B. □Creation of a floating charge	
	C. ☐A three-year service contract	
	D. ☐A loan to a director of £100,000	
		(1 mark)
2.	Can the directors of a private limited company refuse to register a transfer of shares? Expanswer.	lain your
		(2 marks)
3.	Define when a person has information as an insider under s.57 of the Criminal Justice Act	1993.
		(2 marks)
4.	All public companies are required to prepare a directors' remuneration report.	
	Is this true or false?	
	(Tick one box only)	
	□True	
	□False	(1 mark)

© ICSA 2019 Page 3 of 9

i	
·	
ii	
iii	
	(0.
	ι ε)
	who may inspect the register of members, and explain the procedure which must be d when an inspection request is made.

(5 marks)

© ICSA 2019 Page 4 of 9

Exp Act	lain what a dis 1986 is, and it	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis 1986 is, and it	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act ——	lain what a dis 1986 is, and it	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Di	(5 m
Exp Act ——	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Dis	
Exp Act ——	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ur	nder s.1(1) of the	Compar	ny Direc	tors Dis	
Exp Act	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ur	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ur	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ur	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis 1986 is, and its	qualifications potential	on order I effects.	made ur	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Di	
Exp Act	lain what a dis	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Dis	
Exp Act	lain what a dis	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Dis	
Exp Act	lain what a dis	qualifications potential	on order I effects.	made ui	nder s.1(1) of the	Compar	ny Direc	tors Dis	

TOTAL FOR SECTION A = 25 MARKS

© ICSA 2019 Page 5 of 9

Section B

Answer three questions only.

[This has been produced for sample purposes, adequate spacing for answers will be included in the examinations.]

9. Swan Limited (Swan) was incorporated in 2013. The company manufactures and sells environmentally friendly cleaning products. Since its incorporation, Swan has struggled financially and has never made a profit.

Swan has issued 1,000 ordinary shares with a nominal value of £1 each. Alina and Mary, the company's two directors, each hold 200 shares. Shaun, a businessman, owns 100 shares. The remaining 500 shares are held by Alina and Mary's friends and family members.

Shaun believes that Alina and Mary have done a poor job of managing the company. He also believes that with a new board, the company could become profitable. He therefore starts buying shares from the other shareholders with a view to amassing enough shares to vote Alina and Mary out of office. When Alina and Mary discover his plan, they issue 400 new ordinary shares and sell them to Timothy. The effects of the issue are to dilute the holdings of the existing shareholders and also to raise much needed capital.

In order to convince shareholders the directors can manage the company successfully, Alina suggests that a dividend is paid at a rate of 5p per share. Mary has some doubts about this idea, but she goes along with it. Timothy agrees it is a good idea, and the dividend is declared and paid.

Evaluate the appropriateness of Alina and Mary's actions, including any further implications they may have.

[Total for Question 9 = 25 marks

© ICSA 2019 Page 6 of 9

10.	(a)	Discuss the significance of corporate personality and the circumstances in which the C has historically 'piercedthe veil of corporate personality'. Refer to case law in your answer	ourt ver.
		(10	marks)
	(b)	The Supreme Court considered the question of 'piercing the veil' in <i>Prest v Petrodel</i> [20 UKSC 34. Evaluate the Supreme Court's decision and its implications.	013]
			marks)
		[Total for Question 10 = 25	marks]

© ICSA 2019 Page 7 of 9

James and Michael are the only directors of Food for Thought Ltd (FFT), a catering company incorporated in 2010. James and Michael hold 60% and 30% of the company's shares respectively. Their friend Mercy is the only other member with 10% of the company's shares. James is the company's Finance Director. In 2018, and without informing Michael and Mercy, James transferred £20,000 from FFT's bank account to Avocado Ltd (Avocado), which specialises in providing catering for weddings and parties. James also knowingly passed on some of FFT's confidential information including its client list to Avocado. Mercy has since discovered that the shares in Avocado are wholly owned by James's daughter, Rose, who is also its only director. Mercy now wishes to bring a derivative claim to recover FFT's loss. James tells Mercy that he plans to ratify his actions at FFT's next general meeting. Discuss: Whether Mercy has grounds to bring a successful derivative claim and how likely such a (a) claim would be to succeed. (17 marks) Whether ratification of James' actions is possible and what effect it might have. (b) (8 marks) [Total for Question 11 = 25 marks]

11.

© ICSA 2019 Page 8 of 9

12. Desi and Ethan run a software development business together. In 2015 they incorporated DE Software Limited (DE). Desi and Ethan were the only shareholders with 500 £1 ordinary shares each. They were also the company's only directors.

DE has been experiencing financial difficulties for the past two years. In January 2018, the company's auditor informed Desi and Ethan that it was inevitable the company would go into insolvent liquidation. Desi and Ethan decided to continue trading in the hope that their situation would improve. Unfortunately, the company continued to lose money and in April 2019, DE was wound up.

Fenella has been appointed as the company's liquidator. Fenella has learned that:

- (i) in September 2018, the company repaid an unsecured loan of £10,000 to Ethan, which he had made to the company earlier in the year;
- (ii) the company has an unpaid tax bill of £25,000; and
- (iii) the company's staff have not been paid for several months, resulting in around £50,000 in unpaid wages.

Fenella has also learned that the company's remaining assets total £70,000. Her expenses for acting as liquidator will be £5,000.

Discuss the course of action that Fenella needs to undertake. In your answer, include an explanation of how assets might be distributed. Use the figures provided above.

[Total for Question 12 = 25 marks]
_
TOTAL FOR SECTION B = 75 MARKS

END

TOTAL FOR PAPER = 100 MARKS

The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.

© ICSA 2019 Page 9 of 9