



ICM

DECEMBER 2016

COMPANY LAW

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - b) Answer any FIVE questions
 - c) All questions carry equal marks. Marks for each question are shown in []
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1. In the context of corporate personality, set out and evaluate the facts and the decision in *Salomon v Salomon 1897*. How was the decision justified and what has been the impact of the decision? Was it a commercially good decision? [20]
 2. Why was it considered necessary to create NEDs? What is their role? [20]
 3. Evaluate the process and effect of an order for compulsory liquidation. [20]
 4. Why is the distinction between fixed and floating charges significant? [20]
 5. 'The statutory rules relating to pre-incorporation contracts are much more effective than their common law predecessors.' Discuss. [20]
 6. How effective are general meetings as a forum for shareholder democracy? Assess the extent to which the dice are loaded in favour of the views of the Directors. [20]
 7. Donald and David are directors of D and D inc Ltd. They wish to negotiate a sale of the shares to another company. They persuade the shareholders of D and D inc Ltd to let them have the rights (options) for the purchase of securities in the company to strengthen their negotiating position. Donald and David then used the options to purchase the shares themselves. They then re-sold the shares to the other company at a profit. Comment on the position of the directors, Donald and David.
 - a) Set out the statutory duties of directors. [10]
 - b) What is the position of Donald and David here? [10]
 8. Alfred has decided to invest some money in shares.
 - a) He subscribes for 20,000 partly paid up shares in Brompton Ltd. He only had to pay 50 pence per £1 share when he took the shares and has made no further payment on them to the company. Brompton Ltd has now gone into insolvent liquidation owing a substantial sum of money to its creditors. Advise on Alfred's liability in respect of the debts of Brompton Ltd. [10]
 - b) Alfred subscribes for 10,000 shares in Charlton plc. Although they were nominally £1 shares, he was required to pay a premium of £1 for each share he subscribed for. The shares are currently trading at £2 per share. Advise whether Alfred will be able to recover his premium payment from Charlton plc. [10]