



ICM

JUNE 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. Last year Waitburys plc lent £1,000,000 to Macers Ltd. Waitburys secured the loan by way of a charge, which they described as fixed, over book debts. As Macers Ltd made money it was paid into a special account. Macers Ltd was able to draw on this special account unless and until Waitburys told it to stop, but Macers was not able to assign its book debts to a third party.
With reference to relevant case law, advise Waitburys about the nature of the loan to Macers, and the position of Waitburys should Macers become insolvent. [20]
 2. To what extent do the courts endorse the practice of shareholders seeking to limit the liability of the company to creditors? Use case law and statute law. [20]
 3.
 - a) What is meant by **Corporate Governance**?
 - b) Why has it been so examined recently?
 - c) With what issues will it be concerned? [20]
 4. Evaluate the rules relating to the issue and allotment of shares. [20]
 5. When a contract is entered into by a company, how is this contract enforced and how are the members protected? [20]
 6. Evaluate the regulatory framework and the role of directors in takeovers and mergers. [20]
 7. Ben and Jerry are directors of Dizzleworld Limited. They are negotiating a sale of the shares in Dizzleworld to another company. They persuade the shareholders of Dizzleworld to give them the rights (options) for the purchase of securities in the company to strengthen their negotiating position. Ben and Jerry then use the options to purchase the shares themselves. They then re-sell the shares to the other company at a profit. Comment on the position of the directors.
 - a) What are the statutory duties of directors? [10]
 - b) What is the position of Ben and Jerry? [10]
 8.
 - a) What are **shares** in a company?
 - b) What rights does a shareholder have?
 - c) What are the different classes of shares? [20]