



**CILEX Level 6 Single Subject Certificate/CILEX Level 6 Professional Higher
Diploma in Law and Practice/CILEX Level 6 Graduate Fast-Track Diploma**

Unit 16 – The Practice of Company and Partnership Law

Question paper

January 2024

Time allowed: 3 hours and 15 minutes (includes 15 minutes reading time)

Instructions and information

- It is recommended that you take **fifteen** minutes to read through this question paper before you start answering the questions. However, if you wish to, you may start answering the questions immediately.
- You must answer **all** questions.
- This question paper is out of 100 marks.
- The marks for each question are shown — use this as a guide as to how much time to spend on each question.
- Write in full sentences — a yes or no answer will earn no marks.
- Full reasoning must be shown in your answers.
- Statutory authorities, decided cases and examples should be used where appropriate.
- You are allowed to use your own printed copy of the pre-release case study materials, as long as the materials are not annotated in any way. Alternatively, you can access the electronic version of the pre-release case study materials available in the examination.
- You are allowed to make notes on your scrap paper during the examination.
- You can use your own unmarked copy of the following designated statute book – ***Blackstone’s Statutes on Company Law 27th edition, Derek French, Oxford University Press, 2023.***
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

Turn over

Answer ALL questions.

Question 1

Reference: Question relates to **Document 1** of the case study materials.

Yesterday, Vivek received an invoice, addressed to Let's Go! This was for an order of new balls, portable goals and bibs to the sum of £500. The invoice states that the equipment is due to be delivered to an address on the south coast within five working days and that it must be paid by Let's Go! immediately.

Vivek believes that Michael is clearly now providing football coaching on the south coast and is presumably profiting personally by doing so.

Vivek is wondering if he can remove Michael from the business he currently runs with Michael and run that business by himself.

(a) Advise Vivek:

- on the nature of the business he currently runs with Michael;
- who might be liable for the £500 invoice; and
- Michael's potential liability to the business for providing football coaching on the south coast.

(10 marks)

(b) Advise Vivek:

- As to how the business may be dissolved;
- the subsequent steps that must be taken on dissolution; and
- how the debts of the business would be settled on dissolution, including how Vivek could be protected from further liability to third parties.

(15 marks)

(Total: 25 marks)

Question 2

Reference: Question relates to **Document 2** of the case study materials.

Penny and Ishaan are keen to progress the proposed expansion of the OSO business, which will be funded by further borrowings. Before they approach lenders with their business plan, they would like to know whether they should incorporate as a limited company.

If they decide to incorporate, Penny and Ishaan have decided that the limited company should be called OSO Limited and that they will each be a director and a shareholder. There will be no other directors or shareholders.

Advise Penny and Ishaan on:

- (a) the tax implications of any salary and dividends Penny and Ishaan might receive from a limited company, compared to how they are taxed as partners of the partnership;
(6 marks)
- (b) the advantages and disadvantages of using a limited company as a vehicle for their business;
(8 marks)
- (c) the steps that would need to be taken and the documents required to incorporate using Shelf Company 50026897 and to transfer the OSO business to that company.
(15 marks)

(Total: 29 marks)

Turn over

Question 3

Reference: Question relates to **Document 3** of the case study materials.

Gina has agreed to become responsible for FPGR's clients based in the north of Bedford as she has family just outside Sheffield, whereas most of Francesca's family live in London. Therefore, Francesca will be responsible for clients in the south.

FPGR has agreed to lend £55,000 to Gina to assist with her moving costs ('the Loan'). The Loan will be unsecured, and it will be repaid over two years.

FPGR has also agreed to enter into a new service contract with Gina for a term of three years (the 'Service Contract').

In respect of both the Loan and of the Service Contract, explain the following to FPGR:

- (a) what resolutions are required to approve the Loan and the Service Contract;
(7 marks)
 - (b) any additional statutory requirements; and
(7 marks)
 - (c) any consequences if either the Loan, or the Service Contract, is entered into without any requisite resolutions being passed first.
(7 marks)
- (Total: 21 marks)**

Question 4

Reference: Question relates to **Document 4** of the case study materials.

Joshua and Karen have now discussed their expansion plans with Elegant Bank Plc ('the Bank'). Their business plan has been approved and the Bank is willing to lend £550,000 to WAM to enable it to buy the Freehold and to cover the cost of the related fees. The Bank will require adequate security for this loan.

However, WAM will also need to buy new equipment for the gym and to fit out the new area. To fund these additional costs, Magda has agreed to invest £20,000 of her inheritance into WAM in exchange for 20,000 ordinary shares (the 'Shares') and WAM has also agreed to appoint her as a director.

- (a) Advise WAM on the procedures and formalities for allotting the Shares to Magda and appointing her as a director.

(15 marks)

- (b) Explain to WAM:

- the steps that WAM must take to accept the proposed loan from the Bank and to give the Bank security;
- the documents that the Bank will require WAM to enter into and the procedures that must be followed; and
- the implications if WAM fails to make repayments due to the Bank.

(10 marks)

(Total: 25 marks)

End of the examination

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