



**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

June 2023

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 26th edition, Derek French, Oxford University Press, 2022**
- 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.

Anna and Carla wish to formalise their business but they are unaware of the options available to them.

Advise Anna and Carla on:

- (a) the current structure of their business, together with the advantages and disadvantages of using this structure and whether anything could be done to improve it;

(7 marks)

- (b) any alternative business structures that would be relevant to their circumstances, setting out the following in relation to each alternative business structure identified:

- the relevant advantages and disadvantages of each structure; and
- any formalities and documents required to set up each structure;

(14 marks)

- (c) the tax implications of each type of relevant business structure identified in part 1(b).

(5 marks)

(Total: 26 marks)

Question 2

Reference: Question relates to **Documents 2 and 3** of the case study materials.

Emma is willing to invest £20,000 in exchange for 20,000 Ordinary Shares in Maximum Limited. Emma will also be appointed a director of Maximum Limited, for which she will work full time as a photographer. Maximum has agreed to enter into a service contract with Emma for a fixed term of three years.

Advise Maximum Limited's board on:

- (a) the procedures that need to be implemented to allot the Ordinary Shares to Emma and to appoint her as a director;

(15 marks)
 - (b) the documents that need to be completed in respect of these transactions;

(5 marks)
 - (c) the general duties that apply to company directors under the Companies Act 2006, to whom the duties are owed and the consequences of a breach of these duties.

(8 marks)
- (Total: 28 marks)**

Turn over

Question 3

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

Rosa is working 1.5 days per week and is also carrying on her dog-walking and dog-sitting activities outside of the partnership business.

Tiwa has just received an invoice from Kute Dogs Limited for the sum of £500 in respect of several dog beds, which Rosa ordered for resale. Rosa ordered the dog beds one week ago from Kute Dogs Limited without Tiwa's consent. Kute Dogs Limited is now pressing for payment.

Advise Tiwa:

- (a) whether she can do anything to ensure that Rosa works the full three days in the business and, if not, whether Tiwa can terminate the partnership and carry on the business on her own;

(10 marks)

- (b) what, if anything, she can do about the money Rosa has made by walking dogs and dog sitting (outside of the partnership business) using the partnership name and partnership equipment;

(5 marks)

- (c) whether the partnership is liable to pay £500 to Kute Dogs Limited.

(7 marks)

(Total: 22 marks)

Question 4

Reference: Question relates to **Documents 5 and 6** of the case study materials.

Yasmine has contacted Opus' auditors to ask their opinion on Opus' current financial status. The auditors have said that Opus' financial problems might be temporary but they are not prepared to provide a written statement that Opus is solvent without completing their full audit of the year-end accounts.

Yasmine has also been advised that Opus' customer, Extreme, is now in insolvent liquidation.

The board of Opus is concerned about the ability of Opus to pay its creditors if its financial position does not improve, especially if the debt owed by Extreme is not paid.

Despite her experience, Yasmine has not dealt with a situation like this before and is not sure how best to proceed or what personal liabilities the directors could face.

Advise Opus Limited's board:

- (a) on the likelihood that the directors of Opus will face proceedings under s.214 of the Insolvency Act 1986, what the consequences of such proceedings could be and what the directors should do to protect their position;

(13 marks)

- (b) to whom the liquidator of Extreme would distribute the assets of Extreme and in what order. Your answer should explain where Opus' debt will rank and the implications of this for Opus.

(11 marks)

(Total: 24 marks)

End of the examination