



CHIEF EXAMINER REPORT

JUNE 2025

LEVEL 6 UNIT 16 – COMPANY AND PARTNERSHIP LAW (PRACTICE)

The purpose of the report is to provide candidates and training providers with guidance as to the key points candidates should have included in their answers to the June 2025 examinations.

The 'suggested points for responses' set out points that a good (merit/distinction) candidate would have made.

Candidates will have received credit, where applicable, for other points not addressed.

Chief Examiner Overview

What candidates did well:

- Higher-scoring candidates provided concise answers to the questions being asked, demonstrating sound application of the law to the facts provided. Analysis of the facts was clearly demonstrated by these candidates.
- Higher-scoring candidates demonstrated a thorough understanding of the law and how it impacted the specific client's facts and circumstances by providing in-depth but specific advice rather than merely repeating legal provisions.
- Candidates answered the questions regarding partnerships well and were generally able to apply the facts to the law, using information and documentation provided in the case study materials.

What candidates did less well:

- Company procedure – candidates were asked to provide advice on the procedure for allotting new shares, appointing a new director and entering into a long term service contract. Candidates should ensure that when answering a company procedure question, they provide a logical procedure plan setting out each step required to implement the company action. They should apply the facts given to ensure they have identified the correct step for that company, and they should provide the relevant authority. Candidates should also ensure that they include all matters that must be attended to after the relevant meetings e.g. register forms/documents with the company registrar or update their internal records.
- Allotment of shares – candidates should ensure they understand the full procedure required to allot new shares including authorising the directors to allot the shares/dealing with pre-emption rights (and being able to identify when they are applicable) as well as the general procedure for calling a general meeting and a board meeting and what should take place at each meeting, depending on the facts.

Feedback on exam technique and guidance:

- Candidates should ensure they have an in-depth knowledge of all areas of the Unit Specification. A thorough revision process as well as practising previous exam papers will equip candidates with a good ability to spot the relevant issues.
- Candidates should provide an answer in respect of all the issues arising within a question and not cover issues or points that are not relevant to the question being asked.
- Candidates should ensure that they read the question carefully and that their answer methodically addresses every single element/issue set out in the question.
- Candidates should seek to provide in-depth and specific advice to the specific set of facts and circumstances provided.

Candidate Performance and Suggested Points for Responses

It is noted that the low numbers of candidates taking the Level 6 exams limits the scope for constructive feedback to be given and for firm conclusions to be reached. Therefore, feedback on candidate performance may be limited.

Section A

Question 1(a)	11 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> • The partnership agreement is legally binding on the Partners, where the agreement does not deal with an issue the PA 1890 will apply. • The partnership agreement states both Partners will work 5 days per week but the email indicates Mohammed is not doing so. He appears to be in breach of contract and so Elize could potentially sue for breach of contract, may be able to sue for damages. • Elize cannot expel Mohammed under PA (s25 PA) and there is nothing in the partnership agreement about expulsion or termination. • The partnership can be terminated/dissolved by notice in writing to Mohammed because this appears to be a partnership for an undefined term: ss 26 and 32 PA. • In this situation neither Elize nor Mohammed would be continuing the partnership business, but each would be free to set up their own digital marketing business. • If Elize wanted to continue a partnership, but without Mohammed, she could try to find another person to buy Mohammed out then the partnership can continue. • Elize could possibly seek a dissolution of the partnership by court, under s35(c) or (d) PA. 	

Question 1(b)	5 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> • Breach of s29 PA (partner must account for any profits made by use of partnership property) and 30PA (partner must not compete with the partnership business, if they do, they must account to the firm for all profits made). Evidence is needed to prove each of these things. • If Mohammed does not account for the profits Elize could bring a claim against him. 	

Question 1(c)	7 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> • The partnership agreement forbids partners from buying anything which costs more than £10,000 without the other partner's agreement in advance. • But the firm will likely still be bound (s5 PA) by the contract because each partner is an agent of the firm and of their fellow partners. Mohammed has actual (ostensible) authority, the purchase is in the ordinary course of their business and the seller is unlikely to know that Mohammed does not have actual authority. • The partners will therefore be liable to pay the £15,000 but Elize should consider an action against Mohammed for breach of contract. 	

Question 2(a)	19 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> • A Board meeting (BM) to call general meeting (GM) to pass the shareholder resolutions identified below, the board votes by majority, BM will then adjourn. • GM requires 14 clear days' notice s307(1)/360 Companies Act 2006 (CA) or short notice s307(4)-(6)CA, a majority in number of shareholders holding 90% must agree. • Short notice will not be appropriate for service contract approval (will only save one day). • The Directors could appoint Oliver as a director using Model Article (MA) 17(1)(b) in a BM, alternatively he could be appointed at the GM by shareholder ordinary resolution (OR), MA 17(1)(a). • The directors must be given authority to allot shares (s549-551CA). S550CA applies because EPS has, and will continue to have, only one class of share. So, the directors have automatic authority to allot. • However, pre-emption rights under s561 will apply, because the shares being issued appear to be equity securities. Since all new shares are being offered to Oliver, the pre-emption rights will need to be either disapplied by special resolution (SR), or renounced by the existing shareholders (Sarah and David). • An OR is required to approve Oliver's service contract because it guarantees his term of employment for more than two years (s188CA). Two-year fixed term plus notice period = guaranteed term of more than 2 years. • A memorandum setting out the proposed contract must be available at the registered office for not less than 15 days before the GM and at the GM itself (s188(5)CA). • The BM will reconvene, and the Board will resolve to allot shares, enter into the service contract and complete the documentation. 	

Question 2(b)	5 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> • File the following at Companies House – SR to disapply pre-emption rights, statement of capital (SH19), return of allotment (SH01), form AP01 (s167). • Update company books – register of members, directors and minute books, issue share certificates to Oliver. • Board minutes, notice of GM and GM minutes/WR. • Keep service contract at registered office. 	

Question 3(a)	10 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> The possible options would be Limited liability partnership (LLP) or private limited company (Co.) [note: sole trader is not relevant because there are two people involved in the business and unlimited liability partnership is not relevant because they want limited liability]. Advantages of LLP / Co. include: <ul style="list-style-type: none"> Limited liability (which is what the client wants). LLP / Co. Can provide more security options (e.g. floating charges) and Companies can also raise equity finance – these would be advantageous here because the client is looking to raise extra finance. Disadvantages of LLP / Co. include: <ul style="list-style-type: none"> More filing/disclosure burden at e.g. Companies House. This means less privacy and more cost than an unlimited partnership. There are more formalities to incorporate an LLP / Co. e.g. forms to be filed at Companies House (IN01 / LL IN01). 	

Question 3(b)	7 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<ul style="list-style-type: none"> LLP – need at least two members (have that here), recommend an LLP agreement, register at Companies House and complete relevant Companies House forms (LL IN01). Co – need to register at Companies House and complete relevant Companies House forms (IN01), need to have at least one director and one share must be issued, identify registered office, accounting reference date, chose company name and register articles of association. 	

Question 3(c)	12 marks
Data too limited for valid feedback.	
Suggested Points for Response:	
<p>Board resolutions required to implement the following changes:</p> <ul style="list-style-type: none"> appoint Flora and Shivani as new directors (MA 17) change name to Pink Wrench Heating & Plumbing Solutions Limited and registered office call a general meeting for change of name notice of GM - could be on short notice or circulation of WR transfer of shares from subscribers to F & S <p>Shareholder approval will be needed for:</p> <ul style="list-style-type: none"> change of name by special resolution (SR) could be OR to appoint directors (instead of BR, not as well as) <p>Update company registers (members and directors) and write board minutes and general meeting minutes (if WR not used).</p> <p>Submission of following to Companies House.</p> <ul style="list-style-type: none"> AP01, TM01, NM01, SR or WR (if used). 	

Question 4(a)	14 marks
Data too limited for valid feedback.	
Suggested Points for Response	
<ul style="list-style-type: none"> • Potential liability for wrongful trading, claim can be brought against any director, s214(1) Insolvency Act 1986 (IA) by a liquidator, s214 (2)(a) if the Company goes into insolvent liquidation. • The Liquidator would have to show that at some point prior to winding up a director knew or ought to have concluded that there was no reasonable prospect that Taylor Construction would avoid going into insolvent liquidation, s214(3). • By April 2025, the directors were fully aware that the Company was unable to meet its liabilities as they fell due. They had access to financial reports and cash flow forecasts showing that the company was insolvent. • Despite this knowledge the directors continued to trade, accruing more debts. By continuing to trade the directors increased the Company's liabilities, leading to greater losses for creditors. Several suppliers and subcontractors extended credit or continued working for the Company under the assumption that the company was still solvent. • Court will apply two tests: objective - the reasonably diligent person test, s214(2)(b) and s214(3), s214(4); and subjective, knowledge skill and experience of the director e.g. Vinesh. • Vinesh is the finance director so assuming he is an accountant and has experience a higher test will apply to Vinesh's expected conduct, we don't know what the other directors previous experience is. • If the Liquidator is successful the claim may lead to the directors having to contribute to the assets and could lead to disqualification, s6/10 CDDA. • To protect themselves the directors should do regular financial checks, call regular BMs and continue to raise concerns as well as take independent advice from an insolvency practitioner and other professional advisors. 	

Question 4(b)	10 marks
Data too limited for valid feedback.	
Suggested Points for Response	
<ul style="list-style-type: none"> • The Liquidator's costs of preserving and realising assets subject to a fixed charge, fixed charge creditors of which Eastern Bank will be, Bank will get money from sale of fixed charge assets. • Expenses of the winding up, preferential debts e.g. unpaid wages up to £800 per employee, ring fenced fund, floating charge creditors, the bank has a floating charge over other assets, unsecured creditors, interest on unsecured debts, shareholders rank last. • Bank will be an unsecured creditor if not fully paid. The building merchants are unsecured creditors and are very unlikely to recover all sums owed to it - all unsecured creditors will benefit from ring-fenced fund. 	