



## THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

### UNIT 16 – THE PRACTICE OF COMPANY AND PARTNERSHIP LAW\*

**Time allowed: 3 hours plus 15 minutes' reading time**

#### Instructions to Candidates

- You have been provided with a clean copy of the case study materials for you to use in this examination.
- You have **FIFTEEN** minutes to read through this question paper and the case study materials before the start of the examination.
- **It is strongly recommended that you use the reading time to read this question paper fully.** However, you may make notes on this question paper or in your answer booklet during this time, if you wish.
- **All questions are compulsory. You must answer ALL the questions.**
- Write in full sentences – a yes or no answer will earn no marks.
- **Candidates may use in the examination their own unmarked copy of the designated statute book: Blackstone's Statutes on Company Law 2020-2021, 24th edition, Derek French, Oxford University Press, 2020.**
- Candidates must comply with the CILEx Examination Regulations.
- Full reasoning must be shown in answers. Statutory authorities decided cases and examples should be used where appropriate.

#### Information for Candidates

- The mark allocation for each question and part-question is given and you are advised to take this into account in planning your work.
- Write in blue or black ink or ballpoint pen.
- Attention should be paid to clear, neat handwriting and tidy alterations.
- Complete all rough work in your answer booklet. Cross through any work you do not want marked.

**Do not turn over this page until instructed by the Invigilator.**

\* This unit is a component of the following CILEx qualifications: **LEVEL 6 CERTIFICATE IN LAW, LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE** and the **LEVEL 6 DIPLOMA IN LEGAL PRACTICE**

## Question 1

### Percival Street Artisans

Francesca Cozens has now confirmed that the order she placed with Escobar Imports plc ('Escobar') was placed on Percival Street Artisans ('PSA') headed notepaper, which included the names of all four original partners.

- (a) Advise Escobar whether PSA is bound by this order and against which partners Escobar could commence action for the outstanding debt.

**(16 marks)**

- (b) Advise Francesca in relation to claims that could be brought against her by the other partners in respect of:

- her use of equipment owned by PSA;
- the fact that she has spent less time working on PSA's business than the other partners, as a result of her involvement in Centenary Coffee.

**(11 marks)**

**(Total: 27 marks)**

## Question 2

### Centenary Coffee Limited

Following your meeting with Francesca Cozens, the decision has been taken that the Centenary Coffee business will be incorporated as a private limited company, to be called Centenary Coffee Limited (the 'Company'). The shelf company, Kempston Shelf CO 0233567 Limited will be the entity used for this purpose.

Both Francesca Cozens and Richard Fairlie will be appointed directors of the Company. Francesca will also be awarded a fixed-term service contract of three years.

Advise Francesca with regard to:

- (a) the documents and formalities required to comply with the Companies Act 2006 in respect of her appointment as a director and the award of her proposed service contract;

**(15 marks)**

- (b) how Francesca could be removed as a director and how she might be protected from removal as a director.

**(8 marks)**

**(Total: 23 marks)**

### Question 3

Advise Francesca with regard to:

(a) the tax implications:

- of any salary and any dividends received by her from the Company;
- if she were to gift her shares in the Company to her nephew, Henry.

**(15 marks)**

(b) the liability of the directors to contribute to the assets of the Company in the event that the Company were to become unable to pay its trade creditors while continuing to trade.

**(11 marks)**

**(Total: 26 marks)**

### Question 4

Once Richard Fairlie and Francesca Cozens have been appointed directors of the Company, Richard will transfer his outbuilding, The Stables, to the Company in exchange for 95,000 fully paid ordinary shares of £1 each in the Company. This proposal is supported by Francesca.

Additional finance will come from Francesca's godfather, Andrew Smith. Andrew will loan the business £75,000 to be secured against the freehold of The Stables.

Advise the Company with regard to the following issues:

(a) the documents and formalities that will be required to comply with the Companies Act 2006 and the Company's articles in respect of the allotment of the ordinary shares to Richard;

**(12 marks)**

(b) the steps that the Company should take to accept the proposed loan from Andrew Smith and to provide the agreed security in respect of it.

**(12 marks)**

**(Total: 24 marks)**

**End of Examination Paper**