

THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

UNIT 16 – THE PRACTICE OF COMPANY & 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 2017-18, 21st edition, Derek French, Oxford University Press, 2017.**
- 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

Spick 'N' Span Car Cleaning Services (Spick 'N' Span).

Reuben Iyamu has now confirmed that he no longer wishes to remain in business with Laura Thwaites, as their relationship has deteriorated. Reuben has also established that Laura has not been devoting any time to Spick 'N' Span's business, but has instead been focusing solely on her baking enterprise, and has been using Spick 'N' Span's office equipment and stationary to do so. Accordingly, he is looking to dissolve Spick 'N' Span as quickly as possible.

Advise Reuben with regard to the following issues:

- (a) the nature of the business enterprise he has entered into with Laura, and Reuben's potential liability for any debts and/or obligations incurred by Laura prior to the dissolution of the enterprise;
- (13 marks)**
- (b) any claims that he could bring against Laura in respect of:
- (i) her use of equipment owned by Spick 'N' Span;
- (ii) the fact that she has not devoted time to Spick 'N' Span, focusing instead on her own enterprise.

(11 marks)
(Total: 24 marks)

Kempston Garage Services (The Grange) Limited ('the Company')

Question 2

Reference: Question relates to **Kempston Garage Services (The Grange) Limited** (the 'Company').

Reuben has confirmed his involvement in KGS following discussions with David Whiskin. Reuben is to be appointed a director, with a service contract that will include a fixed term of three years.

Advise the Company with regard to:

- (a) the documents and formalities that will be required in order to comply with the Companies Act 2006 and the Company's articles in respect of Reuben's appointment as a director and the award of his proposed service contract;
- (13 marks)**
- (b) how Reuben could be removed as a director and how Reuben may seek to protect himself from removal as a director.

(10 marks)
(Total: 23 marks)

Question 3

Kempston Garage Services (The Grange) Limited (the 'Company').

Reuben will transfer his business assets and mobile valeting equipment to KGS in exchange for 45,000 fully paid ordinary shares of £1 each in the Company. This has the support of all the Company's directors and existing shareholders.

Advise Reuben:

- (a) what documents and formalities 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 him;

(12 marks)

- (b) of his tax implications:

- (i) in respect of any salary and any dividends received by him from KGS;
- (ii) if he were to gift his shares in KGS to his girlfriend, Annabel.

(16 marks)

(Total: 28 marks)

Question 4

Kempston Garage Services (The Grange) Limited (the 'Company').

Once Reuben has joined the Company, it plans to develop The Grange. To facilitate this, David Whiskin has agreed to lend KGS £45,000 for refurbishment works, to be secured against the freehold property of The Grange.

Additionally, the Company will act as guarantor for Reuben on a loan he is taking out with Bedfordshire Bank for £10,000, in order that he may pursue a business management course, which the Company board views as being generally for the benefit of the Company.

Advise the Company with regard to the following issues:

- (a) the steps that the Company should take to accept the proposed loan from David Whiskin and to provide the agreed security in respect of it;

(14 marks)

- (b) its acting as guarantor for Reuben.

(11 marks)

(Total: 25 marks)

End of Examination Paper

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