



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 2018-2019, 22nd edition, Derek French, Oxford University Press, 2018.**
- 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

Crispin, Goswell, Lington and Tinker

Sebastian Crispin informs you that he has managed to establish more about the wine order that Amanda placed, and that subsequently relations with Amanda have deteriorated further. The order Amanda placed with a new supplier was for £25,000. This was outside her current responsibilities and the other partners had not agreed to widen their catalogue to include English wines. This order could impact adversely on the partnership's reputation and financial position.

Advise Sebastian:

- (a) whether the partners will be bound by the order placed by Amanda;

(15 marks)

- (b) whether, and if so how, he and the other partners may terminate the partnership with Amanda and carry on the business without her.

(12 marks)

(Total: 27 marks)

Question 2

Amanda has now left the partnership.

The remaining partners have now decided to convert the partnership business into a private limited company. For this purpose, Kempston Shelf Co 0233567 Limited is to be used and will change its name to CGT Imports Limited (CGT). All three remaining partners will be shareholders and directors.

Advise Sebastian with regard to:

- (a) the documents and formalities required to comply with the Companies Act 2006 in respect of his appointment as a director of CGT;

(11 marks)

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

(11 marks)

(Total: 22 marks)

Question 3

Assume now that Sebastian Crispin, Thomas Goswell and Sabrina Tinker have been appointed directors of CGT, and that both Sebastian and Sabrina have each had transferred to them one of the subscriber shares in CGT.

The directors will now transfer their respective interests in the partnership assets to CGT. The consideration will be £2,100,000 for the assets of the partnership, payable by CGT in £1 ordinary shares, to be issued as fully paid. Sebastian, Thomas and Sabrina will each receive an equal number of shares.

Advise Sebastian with regard to:

- (a) the steps that need to be taken for CGT to approve the acquisition of the partnership assets;

[NOTE TO CANDIDATES: You are not required to address the procedural steps necessary for the allotment of shares]

(17 marks)

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

(10 marks)

(Total: 27 marks)

Turn over

Question 4

Sebastian Crispin has received confirmation from Bedford Bank plc ('the Bank') that it will offer two loans as part of the expansion plans for the new company – one to Sebastian and one to Thomas – once CGT is established. These loans will be as follows:

- **Loan A:** £25,000 to Sebastian to establish a temporary residence in South Africa that he can use when working to develop that aspect of the business;
- **Loan B:** £3,500 to Thomas, to attend a forthcoming wine conference in France in order to develop contacts for the new company's business.

The Bank will seek guarantees from CGT for the amount of each of Loan A and B.

(a) Advise CGT of any legal restrictions on it providing the guarantees in respect of both Loan A and Loan B, and on any procedures, it is required to follow to ensure that such guarantees are valid.

(12 marks)

(b) Advise the Bank on the steps it should take to ensure that the guarantees in respect of both the loans can be entered into by CGT.

(12 marks)

(Total: 24 marks)

End of Examination Paper