

## **WARNING**

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Family Name	
Given Names	
Student Number	
Teaching Period	Semester 1, 2018

<b>FINAL EXAMINATION</b>	<b>DURATION</b>
<b>LAW205 – Commercial and Corporate Law for Accountants</b>	Reading Time: <b>20</b> minutes
	Writing Time: <b>120</b> minutes

**INSTRUCTIONS TO CANDIDATES**

**Total marks for this exam: 50 marks.**

**Section A** contains 10 multiple choice questions worth 1 mark each (**total of 10 marks**). Give only one answer to each question.

**Section B** contains three problem solving questions. The first two are worth 10 marks each and the third is worth 20 marks (**total of 40 marks**).

In Section B you must answer all questions. Identify and discuss all relevant issues and refer to legislation and case law to justify your answers.

**EXAM CONDITIONS**

**You may begin writing from the commencement of the examination session.** The reading time indicated above is provided as a guide only.

This is an OPEN BOOK examination

Any calculator is permitted

Any handwritten material is permitted

Any hard copy, English dictionary is permitted (annotated allowed)

<b>ADDITIONAL AUTHORISED MATERIALS</b>	<b>EXAMINATION MATERIALS TO BE SUPPLIED</b>
Any printed material with the exception of CDU Library books	1 x 16 Page Book 1 x 4-Multiple Choice Answer Sheet

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DOUBLE-SIDED.**

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## Section A

### Multiple Choice Questions

## Section B

### Short and Long Answer Questions

**Total Marks for this section: 40 marks**

This section should be answered in the Answer Booklet provided. Questions one and two are worth 10 marks and question 3 - which has two components - is worth 20 marks. You should aim to write approximately 2 pages for questions one and two and approximately 4 pages for Q.3.

Suggested Time allocation for Section B: approximately 110 mins

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#### Question 1 [10 marks]

You have been appointed as the accountant for a small proprietary limited company 'Midnight Soil Pty Ltd' (The Soils). The 'Soils' conducts tests to see if soil is contaminated and whether (or not) that land can be used for approved purposes (or not). The Soils has five directors. They have all agreed that at their next board meeting they would discuss paying a dividend of 22 cents per share. However, you have identified there is a potential cash flow issue due to the company's recent loss of a major contract. You have assessed that the company is able to cover this revenue loss in the short term because it has a positive net asset position carried over from the previous financial year. Your further opinion is that cash flow problems will arise during the next quarter and you have put this in writing to the Soils Board. Based on your advice, two directors call you before the next board meeting to ask if there is anything that can stop the proposed dividend if three of the five directors vote in favour of paying the dividend now.

**Advise the two directors. Use relevant cases and legislation to support your answer.**

#### Question 2 (Total 10 Marks)

Dilpreet is managing director of a profitable company 'Mohan's Pty Ltd' (Mohan's) which specializes in buying and selling anti-aging cosmetics and shampoos for women. Dilpreet chats to her friend, Amander, who is not connected to the company. Amander asks Dilpreet whether Mohan's would be interested in helping to market a new product that she says prevents male hair loss.

Dilpreet tells Amander that her company would not be interested in this product because it sells women's products only. However, she offers to help Amander and the two of them set up a separate company (AMANDER Pty Ltd). They become its only two directors and shareholders. (Dilpreet holds the majority of shares). This new company is virtually an overnight success. At a board meeting of Mohan's six months later, Dilpreet proposes that Mohan's enters into a long-term contract with AMANDER - to buy supplies of its product for re-sale. The board agrees and, as part of the contract, Dilpreet negotiates that she be paid a small commission on each sale because she drew the board's attention to this new product opportunity. Mohan's makes good profit from selling this new product line.

Mohan's directors' now learns that Dilpreet is the majority member in AMANDER and they are annoyed they Dilpreet never told them about her connection to AMANDER.

**Has Dilpreet breached any director's duties to Mohan's? What defence arguments could she use? Use relevant cases and legislation to support your answer.**

**Question 3 [20 marks]**

Rajiv is director of a company which has had two years of poor trading and is now unable to pay its debts when they fall due. Rajiv seeks your advice on the options available in the circumstances. He is concerned the company may be insolvent but is hopeful that '*the business could be profitable again if creditors allow a little time to make some changes*'.

- A. Explain the options available to Rajiv's company if the directors are concerned the company may be at risk of insolvent trading.**
  - B. What sort of risk could Rajiv face if he borrows more money to help the company but then can't pay it back?**
- Your answers must refer the relevant sections of the *Corporations Act 2001* (Cth) and case law.**