



**CILEX Level 6 Single Subject Certificate/CILEX Level 6 Professional Higher Diploma in Law and Practice/CILEX Level 6 Graduate Fast-Track Diploma**

**Unit 16 – The Practice of Company and Partnership Law**

**Question paper**

**January 2025**

**Time allowed: 3 hours and 15 minutes (includes 15 minutes reading time)**

**Instructions and information**

- It is recommended that you take **fifteen** minutes to read through this question paper before you start answering the questions. However, if you wish to, you may start answering the questions immediately.
- You must answer **all** questions.
- This question paper is out of 100 marks.
- The marks for each question are shown — use this as a guide as to how much time to spend on each question.
- Write in full sentences — a yes or no answer will earn no marks.
- Full reasoning must be shown in your answers.
- Statutory authorities, decided cases and examples should be used where appropriate.
- You are allowed to use your own printed copy of the pre-release case study materials, as long as the materials are not annotated in any way. Alternatively, you can access the electronic version of the pre-release case study materials available in the examination.
- You are allowed to make notes on your scrap paper during the examination.
- A basic calculator is provided should you require the use of one.
- You can use your own unmarked copy of the following designated statute book – ***Blackstone’s Statutes on Company Law, 28<sup>th</sup> edition, Derek French, Oxford University Press, 2024.***
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

**Turn over**

**Answer ALL questions.**

**Question 1**

Reference: Question relates to **Document 1 and 2** of the case study materials.

As a result of the loss of several clients and the reputational damage caused by Gary's conduct, Squeaky Clean (the 'Business') is currently struggling financially and is unable to pay some of its debts. Darcy and Harriet need some legal advice.

Darcy and Harriet are considering closing down the Business but are particularly concerned about any personal liability they might then face for debts incurred by the Business.

Alternatively, they are thinking about continuing the Business but replacing Gary with a new investor and bringing proceedings against Gary for the harm that his conduct has caused to the Business.

Advise Darcy and Harriet:

- (a) on the procedure for closing down the Business and the effect of such closure, including in relation to Darcy and Harriet's potential personal liability.

**(14 marks)**

- (b) whether Darcy and Harriet can continue the Business but replace Gary with a new investor, and whether Gary would be liable for the harm that his conduct has caused to the Business.

**(8 marks)**

**(Total: 22 marks)**

## Question 2

Reference: Question relates to **Document 1 and 3** of the case study materials.

Advise on the following:

- (a) the advantages and disadvantages for S&J of issuing shares to Dipesh and also the advantages and disadvantages of obtaining a loan and granting security to Westshire Bank plc. **(7 marks)**
- (b) the procedures required to implement each of these forms of finance. **(12 marks)**
- (c) the types of charges required by Westshire Bank plc, why such security is required and over which of S&J's assets such charges are likely to be granted. **(7 marks)**

**(Total:26 marks)**

## Question 3

Reference: Question relates to **Document 1 and 4** of the case study materials.

Temitayo wishes to formalise her business but is unaware of the options available to her.

Advise Temitayo on:

- (a) the **current** structure of her business, together with the advantages and disadvantages of using this structure. **(5 marks)**
- (b) any **alternative** business structures that would be relevant to her circumstances, setting out the following in relation to each alternative business structure identified:
- the relevant advantages and disadvantages of each structure identified; and
  - any formalities and documents required to set up each structure identified. **(17 marks)**
- (c) the tax implications of each type of business structure identified in **Question 3(b)**. **(5 marks)**

**(Total: 27 marks)**

**Turn over**

#### Question 4

Reference: Question relates to **Document 1 and 5** of the case study materials.

Motorbike Spares Ltd has contacted Golden Oldies Ltd (the 'Company') to explain that if its invoice is not paid immediately, it will be forcing the Company into insolvent liquidation.

Last month, the board of the Company reviewed the current financial situation and realised it had repaid only £10,000 of the loan provided by Henry Stanley. To protect Henry, the Company has granted him a floating charge over the motorbikes and cars owned by the Company.

To raise money quickly for its outstanding heating and lighting bill, the Company sold a car with a market value of £7,500 to Francesca's brother for £3,000.

The Company's board is concerned about the financial position and the future of the Company and would like some advice.

Advise the Company's board:

- (a) whether Motorbike Spares Ltd can force the Company into liquidation and if so how.  
**(5 marks)**
- (b) whether a liquidator of the Company could avoid either of the transactions recently entered into by the Company and, if so, on what basis.  
**(13 marks)**
- (c) to whom a liquidator of the Company would distribute the assets of the Company and in what order. Your answer should explain where Motorbike Spares Ltd's debt will rank and the implications of this for Motorbike Spares Ltd.  
**(7 marks)**

**(Total: 25 marks)**

**End of the examination**

© 2025 The Chartered Institute of Legal Executives