



**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 & Partnership Law**

**Question paper**

**June 2024**

**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, 27th edition, Derek French, Oxford University Press, 2023.***
- 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 the **Advance Instructions** and **Document 1** of the case study materials.

Ajay and Sangeeta are considering incorporating Ajay's Tree Surgery before they buy more equipment and employ more people.

Ajay and Sangeeta would like your advice on the following before they decide what to do.

(a) Advise Ajay and Sangeeta on:

- the advantages and disadvantages of operating their business as a private limited company;
- the tax that will be payable by such a company.

**(7 marks)**

Ajay and Sangeeta have now decided to incorporate Ajay's Tree Surgery. They will each be appointed a director of the new company, Ajay's Tree Surgery Limited. Each will be issued with 50 ordinary shares of £1 each in the new company.

Ajay's Tree Surgery Limited will be incorporated with unamended Model Articles.

(b) Advise Ajay and Sangeeta on the procedure and formalities required to transfer to Ajay's Tree Surgery Limited the assets currently owned by Ajay and Sangeeta and used in their partnership business.

**(17 marks)**

**(Total: 24 marks)**

## Question 2

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

Tinkers has agreed to issue 10,000 new ordinary shares to Riya Solanky and Blessing has agreed to sell 5,000 of her existing ordinary shares to her nephew, Adebayo.

Jon is happy with these proposals but he wants to make sure that Adebayo and Riya cannot transfer their shares without first offering those shares to him; he does not want to be left with shareholders he does not know or of whom he does not approve.

Advise Tinkers on the following:

- (a) the procedure to be followed for the transfer of shares to Adebayo and for the registration of that transfer;  

**(5 marks)**
  - (b) the legal and procedural requirements for the allotment of the new ordinary shares to Riya;  

**(13 marks)**
  - (c) an appropriate type of restriction on the transfer of shares, where such a restriction would be created, and what formalities would need to be complied with to create it.  

**(8 marks)**
- (Total: 26 marks)**

## Question 3

**Reference:** Question relates to the **Advance Instructions** and **Documents 3 and 4** of the case study materials.

Advise Shirley and Frankie on:

- (a) how they can remove George as a director, what court petition he could make as a result of his removal and what order the court may make if that petition were successful;  

**(12 marks)**
  - (b) the liability of the directors to contribute to the assets of AVS if AVS were to become unable to pay its trade creditors whilst continuing to trade.  

**(10 marks)**
- (Total: 22 marks)**

#### Question 4

**Reference:** Question relates to the **Advance Instructions**.

Nikolai and Lesley have bought the initial equipment required for their new childminding business, 'Little People Play', and have completed their Ofsted registration and met the insurance requirements. They are now ready to begin trading in September.

In addition to the childminding business, Nikolai also wants to set up another business on his own. This business, which Nikolai will call 'Little Lanes Parties' will run children's parties. Nikolai plans to use some of the equipment that he and Lesley have bought for their childminding business.

Lesley has some concerns about Nikolai's plans for his Little Lanes Parties business. She is worried that those dealing with this business may mistakenly believe they are dealing with the Little People Play business. She is also unhappy that Nikolai's Little Lanes Parties business will be profiting from the equipment and reputation of the Little People Play business.

Advise Nikolai and Lesley:

(a) on the form of business structure and any documents and formalities they should consider in respect of:

- the childminding business, Little People Play; and
- the children's parties business, Little Lanes Parties.

**(10 marks)**

(b) on the advantages and disadvantages of each business structure identified in (a) above.

**(10 marks)**

(c) whether:

- the Little People Play business could be held liable for contracts entered into by Nikolai in relation to his Little Lanes Parties business, and
- Nikolai might have to account to the Little People Play business for any profits he earns in his Little Lanes Parties business.

**(8 marks)**

**(Total: 28 marks)**

**End of the examination**

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