

QUESTION 1

50 marks

Guidance document

- 1.1 This question deals with the issuing of shares, and consideration for shares. You have to structure your answer in terms of the following headings:
- (i) **Issuing of shares**
You have to identify that the number of authorised shares available for issue and compare this to the planned share issue. This will lead you to a discussion of and increase in the authorised shares. You have to include a discussion of the authority to issue shares, as well as the authority to increase the authorised shares, in your answer.
 - (ii) **Consideration for shares**
Consideration of shares refers to the amount paid for the shares. You have to, inter alia, identify who has the authority to determine the price.
- 1.2 This question deals with a director (Mr Craig) having a personal financial interest in a matter. You are required to discuss the legality of Mr Craig's actions in this regard. If you have studied topic 5, study unit 5.3 of your study guide, which deals with section 75 of the Companies Act, you will have no trouble in answering this question.
- 1.3 This question is a straight forward theoretical question, and you merely have to list the Companies Act requirements regarding the sale of the greater part of a company's assets. Note that the question specifically excludes any quorum and voting requirements. Topic 7 of your study guide deals with the sale of the greater part of a company's assets.
- 1.4 Linked to question 1.3, this question requires the application of the theory which you have listed in the previous question.
- 1.5 This question deals with the solvency and liquidity requirements of the Company. These requirements are dealt with in topic 2 of your study guide and are always very important.
- 1.6 Part (i) of this question requires you to list the theory regarding dividend declarations (distributions) as per section 46 of the Companies Act. Part (ii) of this question deals with the application of this theory which you have listed, to the given scenario. You also have to conclude on the legality of the transaction as part of your application to the scenario.