

8. Forms of Business Enterprise
Chapter 21
Unisa Assignment Questions

Question 1

Which of following may be registered as *essentialia* of a partnership?

- 1 Each partner must contribute something to the partnership.
- 2 The nett profit must be divided equally amongst the partners.
- 3 Each partner must have a mutual mandate.
- 4 1 and 2

Question 2

Which of the following may be regarded as *naturalia* of a partnership contract?

- 1 The partnership should be formed in the common interest of the partners.
- 2 The main object of the partnership must be to make a nett profit.
- 3 In the absence of a provision to the contrary, nett loses are shared in the same proportions as nett profits
- 4 1 and 3

Question 3

Which of the following is correct?

The company offers investors the following advantage:

- 1 Its continued existence depends on the number of people who remain members of the company.
- 2 The liability of members is limited to a maximum of R10 000
- 3 Investments in the company are transferable.
- 4 2 and 3

Question 4

Indicate the **correct** statement:

The following company has share capital :

- 1 close corporation
- 2 incorporated association not for gain
- 3 private company
- 4 1 and 3

Question 5

Which statement is **correct**?

A close corporation

- 1 is created by the registration of its memorandum of associates
- 2 is created by the registration of a founding statement
- 3 may have a maximum of 20 members
- 4 none of the above

Question 6

Which of the following statements regarding a contract of partnership is **correct**?

- 1 The partnership contract must be concluded in writing
- 2 Section 30 (1) of the Companies Act 61 of 1973 limits the membership of partnership to fifty members
- 3 Partners may agree that only one or some of them will bear a nett loss
- 4 Under no circumstances may partners also be creditors of the partnership

Question 7

Sam and Joseph are partners in sheep farming. Their partnership agreement does not contain any provision regarding the capacity of the partners to bind co-partners in contract concluded with outsiders. While Joseph is overseas, Tom offers Sam a good price for 3 sheep.

Which one of the following is **correct**?

- 1 Sam has the authority to sell the sheep to Tom.
- 2 Sam does not have the authority to sell the sheep without the co-operation of his partner
- 3 Sam may sell the sheep to Tom, provide Joseph is informed of the transaction
- 4 Sam may only sell the sheep if he makes a profit in which Joseph will also share.

Question 8

Which ONE of the following statements regarding a co-operative society is **CORRECT**?

1. **A co-operative society promotes the business of its members and acts as their agent in the marketing of their products**
2. Membership of a co-operative society is limited to twenty
3. Shares issued by a co-operative society are freely transferable
4. A co-operative society is a voluntary association which developed from the law of companies

Question 9

Which one of the following statements is **incorrect**?

- 1 A close corporation's members are limited to 10
- 2 In principle, a close corporation may have only one natural persons as members
- 3 The internal relations amongst members of a close corporation can be regulated in association agreement
- 4 The shares in a close corporation are freely transferable

Question 10

Act of 2008 is:

- 1 The Companies Act
- 2 The Matrimonial Property Act
- 3 The Close Corp Act
- 4 None of the above

Question 11

Which ONE of the following statements regarding the dissolution of a partnership is CORRECT?

- 1. Upon dissolution of the partnership any surplus money after payment of creditors is divided amongst the partners**
2. Admitting a new member to an existing partnership does not create a new partnership.
3. The dissolution of the partnership terminates the fiduciary duties partners owe to one another.
4. Upon dissolution of the partnership the partners are individually liable for the partnership's obligations

Question 12

Which of the following business enterprises does not have separate legal personality?

- 1 cooperative society
- 2 business trust**
- 3 close corporation
- 4 public company

Question 13

Indicate the **correct** statement:

- 1 The object of a business trust is the protection and preservation of the trust assets
- 2 The duration of a business trust is determined by the lifetime of the founder of the trust
- 3 There is no restriction on the number of persons who may be beneficiaries of a business trust**
- 4 The business trust was created by statute

Question 14

Which of the following statements is true?

- A Each partner must make a monetary contribution to the partnership.
- B A contribution to a partnership may have conditions attached.
- C A partnership is not a legal entity.**

Question 15

Which of the following business enterprises does have separate legal personality?

- A a partnership
- B a private company
- C a Close corporation
- D a business trust

1. A
2. A & D
- 3. B & C**
4. C

Question 16

Dr A, decides to start a medical practice with Dr B who just graduated from medical school. They decide to form a partnership.

Which one of the following circumstances will prevent a partnership from being formed between Dr A & Dr B?

1. The 2 Dr's conclude an oral contract of partnership after agreeing to all the essential elements.
- 2. Dr A undertakes not to share in the profits of the partnership as he is already a wealthy man.**
3. Dr A undertakes to contribute R 160 000 in cash, while Dr B contributes his services and skill to the partnership.

Question 17

Which ONE of the following statements is CORRECT?

1. The doctrine of constructive notice applies to close corporations
2. Interest in a close corporation is expressed in shares
3. A close corporation may have more than ten members
- 4. Every member of a close corporation may represent the corporation in carrying out its business**

Question 18

Which one of the following is an example of a company limited by guarantee?

- 1 close corporation
- 2 incorporated association not for gain**
- 3 private company
- 4 Public Company

Question 19

Which ONE of the following statements is CORRECT?

1. The only responsibility of a company secretary in a public company is to keep company records
2. A public company may have only one director and he or she will form the board of directors.
- 3. The essence of a director's fiduciary duty is that he or she should act bona fide and in the interest of the company**
4. The extent of the director's duty of care and skill depends only on the nature of the company's business

Question 20

Three friends Hannes, Nico and Arno enter into a partnership. They each contribute R20 000 towards the business. There is nothing in writing and in terms of their agreement they will buy horses, sell them at auctions and share the profits. One day Arno buys a boat in order to sell it in the hope of increasing their profit. After hearing what Arno had done, Hannes decides he does not want to be part of the partnership.

Nevertheless Nico and Arno agree that they will continue with the partnership.

Which ONE of the following statements is CORRECT?

- 1 Hannes's decision to leave does not terminate the partnership as the remaining partners have decided to continue with the business.
- 2 Arno's action does not bind the partnership because the activity does not fall within the sphere of the partnership business.
- 3 **The agreement entered into by the three parties is not a partnership agreement because it is not in writing.**

Question 21

Sello, Mandia and Alice want to start a business. They agree that Sello and Mandia will each contribute R50 000, while Alice will contribute R80 000. They want to operate their business in the form of a partnership, but are not sure about their duties and rights as partners.

Which ONE of the following statements regarding the rights and duties of partners is CORRECT?

- 1 **If one of the partners fails to deliver his or her contribution to the partnership the other partners may use the actio pro socio to force him or her to deliver such contribution.**
- 2 Each partner is entitled to share equally in the profits of the partnership.
- 3 Each partner is entitled to participate in the management of the partnership in proportion to the contribution he or she made to the partnership.
- 4 The partners may use the assets of the partnership to achieve their personal aims.

QUESTION 22

Alfred runs a cash loan business He is married to Zandile who is an attorney She assists him with the collection of debts He employs ten people in his business

Which ONE of the following statements is CORRECT?

- 1 **Alfred runs his business as a sole proprietorship**
- 2 Alfred and Zandile are partners running a business as a sole proprietorship
- 3 Alfred is not personally liable for the debts and liabilities of the business

QUESTION 23

The articles of association of a company provide that the directors shall be jointly and severally liable for the debts of the company which are or were contracted during their periods of office

Which ONE of the following will be the last word(s) in the name of this company.

- 1 **Incorporated**
- 2 Limited
- 3 (Proprietary) Limited
- 4 CC

QUESTION 24

Tsepo and three of his friends decide to start a company. The business will be to buy antiques and sell them In the articles of association they incorporate a clause which requires a director to approval from the board of directors before concluding a contract which exceeds R75 000 without prior approval, but tells Eesa that because of time constraints he could not wait for approval from the board. A contract of sale is concluded.

Which ONE of the following statements is CORRECT?

- 1 The transaction concluded by Tsepo is invalid since it is beyond the scope of the company's business
- 2 **The company will be liable for Tsepo's act**
- 3 Eesa may not rely on the Turquand rule since he knew that authorisation had not been given for the transaction.

QUESTION 25

Which ONE of the following statements is CORRECT?

- 1 A close corporation issues Shares which are known as members' interest
- 2 A founding statement and an association agreement are required to incorporate a close Corporation
- 3 Persons who deal with a CC are deemed to know the contents of the founding statement
- 4 **A CC may purchase the interest of a member provided certain solvency and liquidity requirements are satisfied.**

QUESTION 26

Heidi a very clever Prof. decides to start a business which will help students to pass law modules. She wants to start the business with Leon, an inspiring academic. They decide to form a CC.

Which one of the following will be a characteristic of their CC?

- 1 H & L will sell shares in the CC to the public
- 2 The CC 's name may be Dummies (Pty) Ltd
- 3 **H & L will both be agents of the CC in relation to 3rd parties**
- 4 The CC is not a legal person which exists separately from its member.

QUESTION 27 (Co-op)