

COMPANY LAW MODEL EXAM



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IRAC method of completing exams

- Issues** - Outline the issues that you are going to discuss.
- Rules** - Define the legal rules that are relevant to the question.
- Application** - Apply the legal rules to the facts of the question (this is the important part).
- Conclusion** - Tie things up by suggesting the most likely outcome, usually in the form of an advice to your hypothetical client.

Always use your reading time wisely to **PLAN YOUR ANSWER** before writing. This is of utmost importance as it will help you clarify your thoughts. Planning will help to avoid following desperate exam strategies that unprepared students commonly resort to, such as:

- i) 'the kitchen sink' i.e. spilling all of your knowledge that is vaguely related to the topic onto the exam paper and hoping for the best: or
- ii) 'the garden path' i.e. going off on an irrelevant tangent.

Remember that the **APPLICATION IS THE MOST IMPORTANT SECTION** of your answer and should take up the bulk of your time. The marker will be most interested in *how you arrived* at your conclusion.

Question One

Matilda and Bianca are executive directors of Getting Hitched Ltd, a Wellington based business that performs makeovers on young singles and matches them up with eligible mates who, in most cases, they end up marrying. Matilda and Bianca began the business in 2002, initially as a small dating service. Due to rapid success, Matilda and Bianca wish to expand their operations and eventually nationally and hope to provide wedding planning services. Combined, Matilda and Bianca hold 70 per cent of the issued share capital in Getting Hitched Ltd. The chairperson of Getting Hitched Ltd, Bridget, owns 5 per cent, and the remaining 25 per cent of issued shares are held by private individual shareholders, the majority of whom are success stories of Matilda and Bianca's enterprise.

Bianca and Matilda are currently heavily involved in and responsible for the daily operations of Getting Hitched Ltd. They manage and organise all the company's advertising, employees and subcontractors who administer the company's extensive computer systems, and the daily financial and operating costs of the business including the lease of their premises in Surrey Hills. Bridget became involved as Chairperson when Matilda and Bianca, long-time friends of Bridget, fixed Bridget up with her current wealthy husband as their first client. Bridget has little involvement in the company other than purely ceremonial roles of chairing the board meetings and signing off on monthly accounts. Bridget's time is filled by her full time role as a lady of leisure and sophisticated socialite.....

Question Two

Fabian Fabuleaux is a long time client of yours and you are currently assisting him in his liquidation of Barking Dog Ltd which was wound up by the court for insolvency on 1 June 2011. Fabian's instructions to you are that members of Ordinary Brothers Ltd hold 80 per cent of the shares in Barking Dog. Specifically, Grapevine Ltd, Rosewine Ltd, Merlots R Us Ltd and Verdelho Hill Ltd each own 20 per cent of Barking Dog. Grapevine, Rosewine, Merlot and Verdelho Hill are all fully owned subsidiaries of Ordinary Brothers Wine Ltd. InsuredaGrape Ltd is an insurance company which owns a further 15 per cent of the shares in Barking Dog. The remaining shares are divided amongst mums and dads shareholders.

InsuredaGrape Ltd wanted to provide additional security it lent to Barking Dog in 2009. To do this it took a general security agreement over the assets of Barking Dog in September 2010 which was duly attached and perfected. InsuredaGrape is concerned that the previous value of the security had decreased over the period from September to present and so strongly encouraged Barking Dog to take out additional security. Fabian is aware that that one of the directors of Barking Dog, Kiki Chardonnay, holds a large shareholding in InsuredaGrape Ltd which she has disclosed to Barking Dog and the other directors.....

Question Three

Mark, Dave and Philippe have together been running Grand Master Dragon Landscapes for a number of years. The business is a small scale landscaping business which is unincorporated. They recently decided to incorporate a company which will run the landscaping business. The three had a conversation before incorporating the company to decide whether the company should expand to include a retail and wholesale nursery to supply plants propagated at the nursery for the landscaping part of the business. Mark was keen to set up such an expansion but Dave and Philippe were concerned that the project would be too much of a financial risk but did not think the idea was wholly bad. The conversation did not yield a decision on whether to expand into the nursery business.....

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