

**CORPORATE SECRETARYSHIP  
PILOT PAPER**

**The examination paper is divided into TWO Sections. Section A is compulsory and carries 40 marks. Candidates should attempt THREE questions from Section B, all of which carry 20 marks each.**

*You should allow yourself approximately 70 minutes in total to answer the questions in Section A, and 35 minutes for each of the questions attempted in Section B.*

Important Notice

Candidates answering this examination in accordance with UK law and procedures should assume the 1985 Table A applies throughout. Candidates answering this examination in accordance with Irish law and procedures should assume the 1963 Table A applies throughout.

The Pound Sterling has been adopted as the unit of currency.

*Time allowed: 3 hours*

**SECTION A**

*(Compulsory – answer all parts of this question)*

1. (a) What are the exceptions to the general rule under the Companies Act 1985 (UK) or the Companies Act 1990 (Ireland) prohibiting companies from making loans to Directors? *(4 marks)*
- (b) Explain briefly what is meant by a Scheme of Arrangement under the Companies Act(s) and describe briefly the common uses of a Scheme of Arrangement. *(4 marks)*
- (c) What are the filing requirements with which a company must comply in respect of notifying the Registrar of Companies of the appointment of a Director? *(4 marks)*
- (d) Briefly explain what is a "Section 212 Investigation" under the Companies Act 1985 (UK) or a "Section 81 Investigation" under the Companies Act 1990 (Ireland) and describe what a company should do with responses received to such an investigation. *(4 marks)*
- (e) Explain what is meant by a Substantial Property Transaction pursuant to Section 320 of the Companies Act 1985 or Section 29 Companies Act 1990 (Ireland). *(4 marks)*

- (f) Briefly compare the rights of a proxy in a general meeting of a public limited company to that of a proxy at a general meeting of a private limited company. (4 marks)
  - (g) Explain what is meant by the phrase "Rolling Settlement" on the Stock Exchange. (4 marks)
  - (h) What is the difference between an ex-dividend date and a record date? (4 marks)
  - (i) What is meant by the term "underwriting" in respect of the issue of shares? Briefly indicate its functions. (4 marks)
  - (j) Explain what is meant by the term shareholder pre-emption rights and briefly explain how pre-emption rights may be disapplied. (4 marks)
- (Total: 40 marks)*

### **SECTION B**

*(Answer THREE questions from this Section)*

2. You work as a Chartered Secretary in private practice and are approached by your client Mr Heel, who is the sole shareholder of a chain of shoe repair shops called Quick Fix Shoes Limited.

Mr Heel has decided to retire as Managing Director of the business but will stay on as a Non-Executive Director. Miss Sole, who is one of Mr Heel's store managers, will succeed as Managing Director. As Mr Heel intends to go on long holidays, he would like to appoint Mr Lace, a good friend, as an alternate Director. Mr Heel has also decided to sell all of his shares in Quick Fix Shoes to Mr Lace for £100,000.

Write a letter to Mr Heel which explains the procedural steps, entries to company records, and statutory documentation that will need to be dealt with in respect of:

- (a) the change of Managing Director. (5 marks)
  - (b) the appointment of an alternate director, including the rights and responsibilities of an alternate director. (6 marks)
  - (c) the transfer of shares. (9 marks)
- (Total: 20 marks)*

3. You are the Company Secretary of Tasty Sandwiches Ltd, a private company which has its Board meeting today. Mr Smith, the Marketing Director is feeling unwell and cannot attend the meeting. Mr Jones, the Chairman, proposes that the Directors agree to appoint Mrs Young as their new Finance Director, as Mr Old (who is attending) announces that he will be retiring on 9 January 2003. Mr Man, the Personnel Director, expresses his misgivings regarding Mrs Young's appointment and informs the Board that he does not support her nomination but the other Directors insist that she is the right person for the job and

resolve to appoint her. As all Directors are required to hold shares, the Board and Mr Old have agreed that Mrs Young may purchase Mr Old's shares for £100,000 on the day following Mrs Young's appointment. The meeting also reviews the company's financial performance for the half year and the directors resolve to pay an interim dividend of 4 pence per Ordinary share to members on the Register on 7 July 2002, however, Mr Boss (the Chief Executive) was absent for this item as he needed to deal with an urgent phone call. The meeting also approves a contract to supply Big Bakers Limited with sandwiches and it is known that Mr Ham, the Production Director is also a major shareholder and a Non-Executive Director of Big Bakers Limited.

You are required to produce the minutes of the above Board meeting in a format suitable for signature by the Chairman of the meeting. *(20 marks)*

4. You work in private practice as a qualified Chartered Secretary.

(a) You are approached by Mrs Flower who runs a not-for-profit information centre for young adults called Youth Help. Mrs Flower is considering incorporating Youth Help and has heard that it is possible to have a company limited by guarantee, rather than limited by shares.

Write a suitable letter to Mrs Flower which explains in detail how a company limited by guarantee operates and briefly compare this to a company limited by shares. Your letter should conclude with a recommendation to Mrs Flower as to whether a company limited by guarantee would be appropriate for her needs. *(12 marks)*

(b) The Chief Executive of one of your longstanding clients, Thermal Windows Limited, has informed you that as a result of continued growth, the Directors are considering re-registering the company as a public limited company.

Write a suitable letter to the Chief Executive briefly outlining the procedure for a private company wishing to re-register as a public company. *(8 marks)*  
*(Total: 20 marks)*

5. You are the Company Secretary of Super Widgets Limited (a private company) which is having an Extraordinary General Meeting to discuss the acquisition of Little Gadgets Limited.

Provide the Chairman with suitable advice in relation to the scenarios in (a) to (d) below:

(a) Mr Jones is attending the meeting and you are aware that he owns 4% of the issued share capital. He says that he did not receive notice of the meeting or a form of consent to short notice. Mr Jones therefore considers that insufficient notice has been served and the meeting is therefore invalid. *(5 marks)*

(b) Mrs Tardy complains that the company had no right to reject her appointment of Mr Via as her proxy as she submitted the proxy card at the stipulated address 24 hours before the start of the meeting. The Chairman of the company has lost his

voice and so is unable to speak so the Chief Executive has assumed the role of Chairman of the meeting. However, Mrs Tardy is annoyed as she claims that shareholders were not given the opportunity to select a Chairman for the meeting.

*(5 marks)*

(c) Mr Talk, a proxy, speaks against one of the special resolutions and also argues that the previous resolution was invalid as it was not seconded. Mr Talk proposes material amendments to the special resolution about to be put to the vote and he would like the resolution in its amended form to be considered instead of the original version. A fellow shareholder raises a point of order to object to Mr Talk speaking, arguing that Mr Talk has no right as a proxy to speak at a general meeting.

*(5 marks)*

(d) Before the vote was taken on the final resolution, the number of shareholders in attendance reduces from three to two, and then from two to one.

*(5 marks)*

*(Total: 20 marks)*

6. You work for Accurate Registrars, who provide registrar and share scheme administration services for a number of clients, including Bell Appliances plc.

Write letters for each of the following (a) and (b) below.

(a) You receive a letter from the executors of Mr Smith (deceased) who was a senior executive of Bell Appliances. Mr Smith died six months ago. One year ago Mr Smith was awarded executive share options under the company's Inland Revenue (UK) or Revenue (Ireland) approved Company Share Option Plan. The executors do not understand what an option is or what the phrases "exercise" or "vesting period" mean. They have asked you whether there is anything that they can do with the options now or if there are any other time constraints which need to be considered. You have already received all the necessary documentation confirming the right of the executors to deal with the estate of the late Mr Smith. *(10 marks)*

(b) You receive a letter from Mr Jones which states that his mother, a shareholder in Bell Appliances, has recently died. Mr Jones states that he has been appointed executor under a will which provides for all of the shares to be transferred to his daughter and asks what action he now needs to take. Mr Jones also mentions that he has found a number of uncashed dividend warrants, some of which are several years old. Mr Jones has not provided you with any other documentation.

*(10 marks)*

*(Total: 20 marks)*