Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

Each answer shows the steps, then the **result**.

2.1

(a) and (b) unlimited

(c) and (d) limited

2.2

equity £**200**,**000**

the investor can lose at most $8{,}000 \times 2.50 =$ £**20**,**000**

2.3

probably yes: Nimbus made her look able to sign, so she has apparent authority

the sponsor relied on that, so the company is bound even though she had no actual authority

publish a signing list (who may sign what, up to how much) and use job titles that match it

2.4

e.g. s.172 promote the success of the company

s.174 reasonable care, skill and diligence; or s.175 avoid conflicts of interest

3.1

(a) each partner is liable for the whole debt; the supplier can claim it all from one, who then claims a share back from the other

(b) all £**30**,**000**

(c) only the £10,000 of shares

(d) e.g. public filing of accounts; directors' duties, and possibly an audit when the firm grows

(e) a personal guarantee to the bank or supplier; or wrongful trading

3.2

(a) s.175 avoid conflicts of interest; s.177 declare an interest in a proposed deal

(b) declare her interest to the board before the vote; leave the discussion and the vote; the other directors approve the contract only if it is good for the company, and the minutes record it

3.3

7–8: as a sole trader, a large claim could take the founder's house (K); a company is a separate person, so claims stop at the company's assets (App); with 2,000 meals a day, the risk of a claim is real (App); but banks often ask for personal guarantees, so some risk returns (An); a company has costs: filings, public accounts and directors' duties (An); insurance also protects against claims, whatever the form (Ev); recommendation with a condition, e.g. incorporate and keep product liability insurance, and avoid personal guarantees where possible (Ev). **4–6**: sound analysis with limited use of the case or a weak judgement. **1–3**: relevant points, mostly descriptive.

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