

UNIVERSITY OF GREATER MANCHESTER
OFF CAMPUS DIVISION
WESTERN INTERNATIONAL COLLEGE
BA (HONS) ACCOUNTANCY
SEMESTER 2 EXAMINATION 2024/2025
PROFESSIONAL ACCOUNTANT IN PRACTICE
MODULE NO: ACC5005

Date: Wednesday, 14 May 2025

Time: 1:00 pm – 4:00 pm

INSTRUCTIONS TO CANDIDATES:

There are **FOUR (4)** questions on this paper.

Answer **ALL** questions.

All questions carry equal marks.

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QUESTION 1

Part A

A sole trader is considering converting their business into a partnership to expand operations and share responsibilities.

Required:

Evaluate the different types of partners that can exist within a partnership and evaluate the advantages and potential challenges of transitioning from a sole trader to a partnership. Support your discussion with relevant legal and business considerations.

(15 marks)

Part B

Required:

Analyse the statement "The company is a separate legal entity" by discussing relevant case examples relating to it and the consequences of incorporation.

(10 marks)

[TOTAL 25 MARKS]

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QUESTION 2

John and Sarah currently own a successful **private limited company (Ltd)** but are considering converting it into a **public limited company (Plc)** to expand their business and raise additional capital. They are uncertain about the legal and financial implications of this transition.

Required:

- a) Compare and contrast private limited companies (Ltd) and public limited companies (Plc) based on key factors such as capital requirements, ability to raise funds, management structure, regulatory obligations, and shareholder rights. Discuss the advantages and disadvantages of converting their private company into a public company, using relevant legal principles.

(20 marks)

- b) Evaluate the concept of **lifting the corporate veil** and illustrate **two statutory examples** where the courts or legislation allow this to happen.

(5 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Part A

XYZ Plc is a rapidly growing public limited company. The board of directors is responsible for making strategic decisions and ensuring compliance with corporate governance principles. Recently, concerns have been raised by shareholders about potential conflicts of interest, lack of transparency in decision-making, and whether the directors are fulfilling their legal duties effectively.

Required:

Assess the powers and duties of directors in a public limited company (Plc), concerning relevant legal provisions. Evaluate the effectiveness of a board of directors in ensuring compliance with corporate governance principles, considering issues such as accountability, transparency, and shareholder protection. Support your answer with examples.

(15 marks)

Part B

ABC Ltd is looking to raise funds for expansion and is considering two options: issuing new shares or obtaining a loan. The directors are debating whether **loan capital or share capital** would be more suitable for the company's long-term financial health and control.

Required:

Demonstrate the key differences between loan capital and share capital, discussing their advantages and disadvantages from the perspectives of both the company and investors. Evaluate which option may be more appropriate for ABC Ltd, considering factors such as control, repayment obligations, cost, and risk.

(10 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

XYZ Ltd, a private company, is considering appointing an auditor but is unsure about the **qualifications required for an auditor** and whether the company qualifies for an **audit exemption**.

Required:

Advise XYZ Ltd on:

- a) The qualifications required for an auditor to be appointed in a private company.
- b) The conditions under which a private company may be exempt from an audit.

(13 marks)

Part B

Based on your suggestions, the company has recently appointed an auditor to review its financial statements. The directors want to understand the **duties of the auditor** and the **extent of their liability under the Companies Act** concerning the auditor's report and audited accounts.

Required:

Outline the key duties of an auditor under company law and analyse the legal liability of auditors in relation to their audit report and audited accounts, with reference to the Companies Act and relevant case law.

(12 marks)

[TOTAL 25 MARKS]

END OF QUESTIONS