

## Unit 37: Company Law

Unit code: M/601/1069

QCF level: 5

Credit value: 15 credits

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- Aim

The aim of this unit is to provide learners with a knowledge and understanding of the law on companies and the skill to apply the rules particularly in business situations.

- Unit abstract

In this unit learners develop an understanding of the different types of company, company formation and the required documentation. The unit then considers capital, the creation of shares and the rights of shareholders. It also looks at directors and their powers and duties. Finally, the unit examines the winding up a company.

- Learning outcomes

**On successful completion of this unit a learner will:**

- 1 Understand the nature of a company
- 2 Be able to draw up the constitution of a company
- 3 Understand share capital and capital maintenance
- 4 Understand about shareholders, directors, charges and insolvency.

## Unit content

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### 1 Understand the nature of a company

*Classification:* corporations and of registered companies; separate legal personality – advantages and disadvantages; lifting the veil; civil/criminal responsibility; promoters and pre-incorporation contracts; registration and re-registration; commencement of trading

### 2 Be able to draw up the constitution of a company

*Constitution:* the memorandum of association; the articles of association; alteration; doctrine of *ultra vires* and its effect; prospectus and listing particulars

### 3 Understand share capital and capital maintenance

*Capital:* types of capital; issue of shares; membership; class rights; transfer and disclosure requirements; dividends; capital maintenance; insider dealing

### 4 Understand about shareholders, directors, charges and insolvency

*Shareholders and directors:* types of meetings and resolutions; powers of directors; management of the company; duties of directors; statutory regulation; minority protection; rights of shareholders and debenture holders; fixed and floating charges and their registration; compulsory liquidation; voluntary winding up; assets and liabilities in liquidation

**It is important that learners use the most up-to-date textbooks and legislation – currently The Companies Acts 1985 and 2006.**

## Learning outcomes and assessment criteria

<b>Learning outcomes</b> <b>On successful completion of this unit a learner will:</b>	<b>Assessment criteria for pass</b> <b>The learner can:</b>
LO1 Understand the nature of a company	1.1 explain the concept of corporate personality and lifting the veil 1.2 analyse the advantages and disadvantages of incorporation 1.3 describe the law on promoters and pre-incorporation contracts 1.4 explain the requirements for registration and commencement of trading
LO2 Be able to draw up the constitution of a company	2.1 apply the requirements for the memorandum to a given scenario 2.2 draw up the articles of association in a given scenario 2.3 evaluate the doctrine of <i>ultra vires</i> and its effect 2.4 explain the contents of a prospectus and listing particulars
LO3 Understand share capital and capital maintenance	3.1 explain the different types of capital 3.2 assess the law on issue of shares, class rights and dividends 3.3 discuss the law applicable to capital maintenance and insider dealing
LO4 Understand about shareholders, directors, charges and insolvency	4.1 describe the duties and powers of directors 4.2 explain the rules on the different types of meetings 4.3 discuss the law on minority protection 4.4 evaluate the rights of shareholders and debenture holders 4.5 discuss rights on liquidation.

## Guidance

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### Links

This unit has links with the other law units within this specification.

### Essential requirements

Learners will require access to a library which contains key texts and materials relating to company law.

### Employer engagement and vocational contexts

Centres should develop links with local businesses. Many businesses and chambers of commerce want to promote local business and are often willing to provide visit opportunities, guest speakers or information about their business and the local business context.

