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**PRESCRIPTION: 610 THE LAW OF BUSINESS ENTITIES**

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This prescription replaces *210 The Law of Legal Entities*.

**ELECTIVE PRESCRIPTION**

**LEVEL** 6

**CREDIT** 20

**VERSION** 1

**INTRODUCED** 2006

**AIM** Students will demonstrate an understanding of the legal requirements for establishment, operation and the cessation as applied to various forms of business entity.

**PREREQUISITES** Recommended *510 Introduction to Commercial Law* or equivalent knowledge and skills.

**ASSESSMENT WEIGHTINGS**

Learning outcomes	Assessment weighting %
1. Students will research and analyse the presence of companies in the New Zealand economic environment.	5
2. Students will understand the legal characteristics of entities and apply key elements to typical situations.	20
3. Students will understand documentation and registration requirements for formation of companies, and one of partnership or trading trusts.	18
4. Students will understand the legal requirements relating to capital.	10
5. Students will demonstrate an understanding of the nature of the rights, powers and duties of directors, shareholders and partners by application to typical situations.	22
6. Students will understand the nature and significance of the different categories of company meetings.	5
7. Students will understand and apply options available to business entities and creditors to deal with failure and/or the cessation of business.	14
8. Students will understand one aspect of other laws that impact on listed companies.	6
<b>TOTAL</b>	<b>100</b>

All learning outcomes must be evidenced; a 10% aggregate variance is allowed.

## ASSESSMENT NOTES

1. Assessment materials should reflect relevant and current legislation, standards, regulations and acknowledged good industry/business practices.
2. Learning outcomes one and two relate to a broad range of entities whereas learning outcomes three, four, five and seven relate to two entities. Learning outcomes six and eight relate to companies only.
3. Learning outcome one requires students to conduct research; the assessment designer could require that the statistics be compared to different years each time for different analysis eg Stock market crash 1987.
4. Learning outcome five, key element a) includes shareholder remedies within the item shareholder rights.

## LEARNING OUTCOME ONE

Students will research and analyse the presence of companies in the New Zealand business environment.

### *Key elements*

- a) Breakdown of statistics:
  - size - SMEs and Large
  - composition
  - survival rates
  - industry demographics.

## LEARNING OUTCOME TWO

Students will understand the legal characteristics of entities and apply key elements to typical situations.

### *Key elements*

- a) Liability, including tortious liability and agency:
  - companies
  - partnerships
  - sole traders
  - trading trusts.
- b) Legal personality:
  - companies
  - partnerships
  - sole traders
  - trading trusts.

### **LEARNING OUTCOME THREE**

Students will understand documentation and registration requirements for formation.

#### *Key elements*

- a) Companies:
  - name
  - incorporation documents
  - constitution
  - pre-incorporation contracts
  - shareholder agreement.
  
- b) Partnership or Trading Trust:
  - name
  - deed of Partnership or Trust.
  
- c) Implications of not having a constitution, and one of:
  - deed of partnership
  - deed of trust.

### **LEARNING OUTCOME FOUR**

Students will understand the legal requirements relating to capital.

#### *Key elements*

- a) Companies:
  - share classes
  - distributions
  - solvency test
  - share buy back
  - borrowing powers.
  
- b) Partnership or trading trusts:
  - share of profit/drawings
  - borrowing powers.

### **LEARNING OUTCOME FIVE**

Students will demonstrate an understanding of the nature of the rights, powers and duties of directors, shareholders and partners by application to typical situations.

#### *Key elements*

- a) Companies:
  - appointment of directors
  - directors' powers, duties and liabilities
  - shareholder rights, including minority rights
  - deemed directorship.

- b) Partnership or trading trusts:
  - rights and duties of partners or trustees.

## **LEARNING OUTCOME SIX**

Students will understand the nature and significance of the different categories of company meetings.

### *Key elements*

- a) Shareholder meetings including:
  - shareholder resolutions
  - resolution in lieu of a meeting
  - circumstances in which resolutions are required.
  
- b) Board of directors meetings including:
  - director resolutions
  - resolution in lieu of a meeting.

## **LEARNING OUTCOME SEVEN**

Students will understand and apply options available to business entities and creditors to deal with failure and/or the cessation of business.

### *Key elements*

- a) Companies:
  - two options available to directors and shareholders when a company is insolvent
  - remedies available to secured, unsecured and preferential creditors, including receivership and liquidation.
  
- b) Partnership or trading trusts:
  - processes for ceasing to trade.

## **LEARNING OUTCOME EIGHT**

Students will understand one aspect of other laws that impact on listed companies.

### *Key elements*

- a) One of:
- current Securities Act
  - current Takeovers Act
  - current Resource Management Act
  - *NZX Listing Rules.*