

Level 4 The Legal Environment



International
Qualifications from EDI

Syllabus

Effective from October 2001

INTRODUCTION

EDI is a leading international awarding body that was formed through the merger of the London Chamber of Commerce and Industry Examinations Board (LCCI) and GOAL, a leading online assessment provider. EDI now delivers LCCI International qualifications (LCCI IQ) through a network of over 5000 registered centres in more than 120 countries worldwide. Our range of business-related qualifications is trusted and valued by employers worldwide and recognised by universities and professional bodies.

Level 4 The Legal Environment

Aims

The aims of this syllabus are to enable candidates to develop:

- a broad understanding of the legal implications of problems and situations commonly faced in business
- the ability to apply legal principles to the solution
- an understanding of the law regulating professional practice.

Target Audience and Candidate Progression

This qualification is intended for those people who plan to follow executive careers in business fields and who need an understanding of the legal framework.

Successful candidates at Level 4 The Legal Environment, can progress to achieve the Level 4 Executive Secretary's Diploma.

Level of English Required

Candidates should have a standard of business English equivalent to LCCI IQ English for Business Level 3.

Structure of the Qualification

The Level 4 Certificate in the Legal Environment is a single unit qualification that consists of the range of topics detailed below.

Syllabus Topics

1. Outline of the English Legal System
2. Contract
3. Tort of Negligence
4. Agency
5. Partnership
6. Company Law

Guided Learning Hours

EDI recommends that 140 - 160 Guided Learning Hours (GLHs) provide a suitable course duration for an 'average' candidate at this level. This figure includes direct contact hours as well as other time when candidates' work is being supervised by teachers. Ultimately, however, it is the responsibility of training centres to determine the appropriate course duration based on their candidates' ability and level of existing knowledge. EDI experience indicates that the number of GLHs can vary significantly from one training centre to another.

ASSESSMENT

Assessment Objectives

After successfully completing this examination candidates will be able to:

- demonstrate a broad knowledge and understanding of the nature of law and the English legal system
- apply legal principles relating to contract, tort, agency and negligence to business type problems
- demonstrate an understanding of the law of companies and partnership.

Coverage of Syllabus Topics in Examinations

- There will be 9 questions on each examination paper covering all areas of the syllabus.

Examination Format

- The time allowance for the examination is 3 hours.
- The paper will be split into 2 sections.
- Section A will contain **3** questions on company law.
- Section B will contain **6** questions covering the remainder of the syllabus.
- Candidates will be required to answer **4** questions in total.
- They must answer at least **1** question from Section A, and at least **2** from Section B.
- All questions carry equal marks unless otherwise stated.

Answer Formats

Unless otherwise stated, candidates should use a concise essay style. Candidates will be expected to refer to case law as indicated in the syllabus.

Two-part questions will normally test knowledge and understanding of syllabus content in the first part and the ability to apply or evaluate in the second part.

At Level 4 examiners will expect candidates to demonstrate fully their understanding of the subject and to be able to analyse business situations and apply their understanding to produce recommendations and solutions.

Mark Allocation

In each examination marks will be allocated for stating relevant legal principles and citing cases/sections in support of statements of legal principle. Where appropriate, marks will be allocated to the application of legal principles to the facts of the question.

Although no marks will be deducted for spelling or grammatical errors, marks will not be awarded where the quality of the candidates' expression is such that the examiner is unable to determine whether the candidate has a proper understanding of the item in question.

Certification

Successful candidates will be awarded the Level 4 The legal Environment on the achievement of the percentages and grades below:

Pass	50%
Merit	60%
Distinction	75%

Recommended Reading List and Support Material

Reading List

Title	Author(s)	Publisher	ISBN Code
Law for Business Students	Adams, A	Pitman	0 273 60707 3
Smith and Keenan's Advanced Business Law	Keenan, D	Pitman	0 273 62705 8
Learning the Law	Williams, G	Stevens	0 420 46300 3

Support Material

Model Answers and past question papers are available through the LCCI website, www.lcci.org.uk

How To Offer This Qualification

To offer this qualification you must be an LCCI IQ registered examination centre. To gain centre approval please contact Customer Support on 08700 818008 between the hours of 0830 and 1700 (GMT) Monday to Friday or by email on centresupport@ediplc.com.

Alternatively you may contact your Regional LCCI Office or Co-ordinating Authority

Syllabus Topic	Items Covered
1 Outline of the English Legal System	Candidates must be able to:
1.1 The Court System	1.1.1 Explain the hierarchy of courts 1.1.2 Understand why the system of courts is hierarchical 1.1.3 Explain the jurisdiction of the courts within the hierarchical structure 1.1.4 Identify the types of legal personnel and explain their roles
1.2 Sources of Law Legislation	1.2.1 Explain the legislative process and sources of legislation 1.2.2 Understand the reasons behind and the effect of delegated legislation 1.2.3 Explain the different types of delegated legislation and how they are passed 1.2.4 Explain the role and functions of the courts with regard to statutory interpretation
	Reference to case law is required.
1.3 European Union	1.3.1 Understand the role of the various EU Institutions in the law making process 1.3.2 Explain the processes by which EU law is made 1.3.3 Distinguish between different types of EU law, e.g. regulations and directives 1.3.4 Explain the effect of EU law upon member states
1.4 Precedent	1.4.1 Explain the doctrine of precedent – <i>stare decisis</i> . Distinguish between binding and persuasive precedents 1.4.2 Understand the extent to which courts in the hierarchical structure are able to set precedents 1.4.3 Explain the different situations in which a precedent can be set e.g. overruling/reversing

	1.4.4	Distinguish between the advantages and disadvantages of precedent as a system/method of law making
1.5 Common Law and Equity	1.5.1	Understand the basic principles of common law and equity
	1.5.2	Explain the distinctions between common law and equity
		Reference to case law is required.
1.6 Civil and Criminal Law	1.6.1	Understand the distinction between civil and criminal law
2 Contract		Candidates must be able to:
2.1 Offer	2.1.1	Explain and apply legal rules concerning offer (e.g. an offer must be distinguished from an invitation to treat)
	2.1.2	Understand the various ways in which an offer may be terminated e.g. by revocation or counter offer
		Reference to case law is required.
2.2 Acceptance	2.2.1	Explain and apply legal rules concerning acceptance (e.g. generally acceptance of an offer must be communicated)
		Reference to case law is required.
2.3 Consideration	2.3.1	Define consideration and distinguish between executory, executed and past consideration
	2.3.2	Explain and apply legal rules concerning consideration e.g. performance of an existing contractual duty; part payment of debts; third party relationships
	2.3.3	Demonstrate an understanding of and ability to apply the defence of promissory estoppel
		Reference to case law is required.
2.4 Intention to Create Legal Relations	2.4.1	Explain the 2 presumptions concerning intention to create legal relations i.e., social/domestic agreements, compare and contrast with commercial agreements

- 2.4.2 Understand when the law might be willing to rebut either of the 2 presumptions mentioned under 2.4.1 above

Reference to case law is required.

2.5 Contents of a Contract

- 2.5.1 Distinguish between express and implied terms and conditions and warranties

Reference to case law and statute required.

- 2.5.2 Explain and apply legal rules concerning contract terms mentioned in 2.5.1 above. Reference to case law and statute required e.g. Sections 12-15 of the Sale of Goods Act 1979

- 2.5.3 Understand the relevant legal rules relating to exclusion clauses. Reference to case law and statute required ie the common law rules concerning incorporation of an exclusion clause into a contract, and the Unfair Contract Terms Act 1977

2.6 Defects in an Agreement

- 2.6.1 Understand the possible effects upon an agreement of certain vitiating factors i.e. Misrepresentation/mistake. Voidable versus void

- 2.6.2 Define a misrepresentation.

Reference to case law is required.

- 2.6.3 Distinguish between fraudulent, negligent and innocent misrepresentations. Compare the effects of a negligent misrepresentation with those of a negligent mis-statement

- 2.6.4 Compare and contrast the remedies available for fraudulent, negligent and innocent misrepresentations. Reference to statute law required i.e. Misrepresentation Act 1967

- 2.6.5 Explain that the general rule is that mistakes do not affect the legal validity of agreements. Only fundamental or operative mistakes can have this effect, i.e. common/mutual/unilateral mistakes. Also, documents signed by mistake

- 2.6.6 Compare and contrast the 4 categories of operative mistake mentioned in 2.6.5 above

Reference to case law is required.

- 2.6.7 Understand that if an agreement is affected by an operative mistake there is no contract i.e. that the agreement is void. Compare and contrast with the position re-misrepresentation

2.7 Discharge of Contracts

- 2.7.1 Distinguish between the various methods by which a contract can be discharged i.e. by agreement, by performance, by frustration, by breach

- 2.7.2 Explain and apply the legal rules concerning the 4 methods of discharge mentioned above under 2.7.1

Reference to case law is required.

2.8 Remedies for Breach of Contract

- 2.8.1 Understand and be able to distinguish between the remedies available to a successful plaintiff in an action for breach of contract ie specific performance, injunction, rescission, damages

- 2.8.2 Explain and apply the legal rules concerning remedies for breach of contract

Reference to case law is required.

- 2.8.3 Understand, in the context of a claim for damages, the concepts of remoteness of damage and measure of damages

Reference to case law is required.

3 Tort of Negligence

Candidates must be able to:

3.1 Nature and Form

- 3.1.1 Understand the nature and forms of liability in the law of tort

3.2 Contract versus Tort

- 3.2.1 Distinguish between the law of contract and the tort of negligence

- 3.2.2 Explain that in order to establish negligence the plaintiff must satisfy 3 criteria i.e.:

- (a) duty of care
- (b) breach of duty
- (c) damage

3.3 Duty of Care

3.3.1 Explain and apply the legal rules concerning duty of care. Of particular importance are the various legal tests for a duty of care. Close attention should be paid to areas such as:

- (a) pure economic loss
- (b) nervous shock
- (c) negligent mis-statement

Reference to case law is required.

3.4 Breach of Duty

3.4.1 Explain and apply the legal rules concerning breach of duty e.g. standard of care is that required of the reasonable man

Reference to case law is required.

3.4.2 Understand the factors which can be taken into account by a court in order to ascertain whether or not the defendant reached the standard of care expected of the reasonable man i.e. magnitude of foreseeable risk; practicability of precautions to eliminate the risk

Reference to case law is required.

3.5 Damage

3.5.1 Explain and apply the legal rules concerning damage, i.e.

- (a) causation in fact
- (b) remoteness of damage

Reference to case law is required.

3.6 Defences

3.6.1 Distinguish between the defences to a claim in the tort of negligence ie.

- (a) contributory negligence
- (b) volenti non fit injuria (consent)

3.6.2 Explain and apply the rules of law concerning the defences mentioned in 3.6.1 above

Reference to case law is required.

3.7 Vicarious Liability

3.7.1 Understand the meaning and scope of vicarious liability and its relevance to the tort of negligence

Reference to case law is required.

4 Agency

Candidates must be able to:

4.1 Creation

4.1.1 Explain the nature of the agency relationship and how the relationship may be created i.e. through agreement, express or implied, by ratification, by virtue of necessity

4.2 Authority of an Agent

4.2.1 Explain and apply the principles relating to the authority that may be conferred on an agent namely:

- 4.2.2 express authority
- 4.2.3 implied authority
- 4.2.4 ostensible authority
- 4.2.5 authority by way of ratification
- 4.2.6 authority by virtue of necessity

Reference to some case law required.

4.3 Relationship of Agent and Third Party

4.3.1 Explain the general rule that an agent is neither liable nor able to sue on the contract

4.3.2 Understand the exceptions to the rule namely:

- (a) contracts made under deed
- (b) where the agent acts on behalf of a non-existent principal (NB Section 36c Companies Act 1985)
- (c) where the agent acts on behalf of an undisclosed principal
- (d) where an agent assumes liability under the contract
- (e) where the terms of the contract are inconsistent with the existence of an agency
- (f) liability of an agent in tort for breach of warranty of authority

Reference to some case law necessary.

4.4 Relationship of Principal and Third Party

4.4.1 Explain that if the agent has acted with authority that the relationship is a contractual one

4.4.2 Understand the position of an undisclosed principal in terms of how he might be prevented from suing on the contract

4.5 Relationship of Principal and Agent

4.5.1 Explain and apply the principles relating to the duties owed by an agent to his principal by virtue of both the contractual and fiduciary relationship namely:

- (a) duty to obey instructions
- (b) duty to exercise care and skill
- (c) duty to act
- (d) duty not to delegate
- (e) fiduciary duty - duty not to place himself in a position where his duty and personal interest conflict
- (f) duty not to make a secret profit or take a bribe

Reference to case law required.

4.5.2 Explain the duties owed by principal to his agent namely:

- (a) duty to pay remuneration
- (b) duty to indemnify agent in respect of expenses incurred

5 Partnership

Candidates must be able to:

5.1 Creation of a Partnership

5.1.1 Explain the nature of a partnership and the requirements that flow from the definition of a partnership including the provisions of Section 2 Partnership Act 1890

Reference to case law is required.

5.2 Liability of Partners to Third Parties

5.2.1 Explain the liability of partners and former partners to third parties in terms of the provisions of the Partnership Act and agency principles.

Reference to case law is required.

5.3 Rights and Duties of Partners

5.3.1 Explain that the rights and duties flow from both the contractual relationship and the fiduciary relationship

5.3.2 In terms of the contractual relationship, explain the desirability of having a written agreement and the role of the statutory implied terms contained in Sections 24 and 25

5.3.3 In terms of the fiduciary relationship understand the general equitable principles and the provisions of Sections 28, 29 and 30

Reference to case law is required.

5.4 Dissolution and Termination of a Partnership

5.4.1 Explain how a partnership may be dissolved and how it may be terminated by the partners

6 Company Law

Candidates must be able to:

6.1 Legal Personality and its Consequences

6.1.1 Understand the principle of separate legal personality and its consequences, and the circumstances in which statute and the judiciary will ignore the separate legal personality of a company

Reference to case law is required.

6.1.2 Compare the company, the partnership and the sole tradership as mediums through which to conduct a business

6.2 Formation of Companies

6.2.1 Explain the methods of incorporation and the procedure for registration and re-registration

6.2.2 Explain the legal effect of the certificate of incorporation

6.2.3 Explain the types of company that may be formed

6.2.4 Explain the commencement of trading requirements for Public Limited Companies

6.3 Promoters and pre-incorporation Contracts

6.3.1 Understand the fiduciary position of a promoter and the associated duty

6.3.2 Understand the consequences of the entry into a pre-incorporation contract; novation

Reference to case law is required.

6.4 The Memorandum and Articles of Association

6.4.1 Explain the clauses required to be contained in the Memorandum and procedures involved in their alteration

6.4.2 Explain the restrictions on the company's choice of name

6.4.3 Explain how the contractual capacity of a company is determined by its objects clause

6.4.4 Understand the doctrine of *ultra vires* and its consequences

- 6.4.5 Understand the contractual effect of the Memorandum and Articles and the associated case law
- 6.4.6 Explain the procedure for alteration of the Articles of Association and understand the restrictions placed on the ability to alter the articles by statute and case law
- 6.5 Shares - Types, Issue and Transfer**
 - 6.5.1 Explain the nature of a share, the classes of share, the rights attaching, preference shares and the procedures and constraints involved in their variation
 - 6.5.2 Explain and apply the statutory requirements in relation to an issue of shares and the fiduciary duty of the directors in this respect
 - 6.5.3 Explain the procedure for the transfer of shares in a private limited company including certification
- 6.6 The Doctrine of of Capital**
 - 6.6.1 Understand the doctrine of **Maintenance** maintenance of capital and its purpose
 - 6.6.2 Understand how the purchase or redemption by a company of its own shares under the terms of Sections 159-170 Companies Act 1985 does not breach this doctrine, and explain the requisite procedures
 - 6.6.3 Understand the rules governing the profits available for distribution by a private limited company; declaration of dividends
- 6.7 Loan Capital and Charges**
 - 6.7.1 Understand the nature of a debenture
 - 6.7.2 Understand the characteristics of fixed and floating charges
 - 6.7.3 Explain the disadvantages of floating charges as far as lenders are concerned
 - 6.7.4 Explain the provisions relating to the registration of charges
- 6.8 Directors**
 - 6.8.1 Explain the procedures and requirements for the appointment and removal of directors
 - 6.8.2 Understand the requirements regarding directors' service contracts

- 6.8.3 Understand the delegation of power to manage the company to the directors and the consequences to the company where the directors exceed their powers
- 6.8.4 Understand the duties owed by directors to the company at common law, equity and under statute
- 6.9 Minority Protection**
 - 6.9.1 Understand the rule in Foss v Harbottle and the exceptions to the rule together with the associated case law
 - 6.9.2 Explain the provisions of Section 459 Companies Act 1985 and Section 122(i)(g) Insolvency Act 1986
- 6.10 Meetings**
 - 6.10.1 Explain the types of meeting and the types of resolution that may be passed, including elective and written resolutions
- 6.11 Insolvency Procedures**
 - 6.11.1 Explain and distinguish the purposes of:
 - 6.11.2 receivership/administration
 - 6.11.3 receivership
 - 6.11.4 administration
 - 6.11.5 liquidation

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and performance

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