**Assignment - Corporations Law (40 marks)**

Pandora Diamonds and Gems Pty Ltd is a company engaged in the business of importing, wholesaling and retailing jewellery nationally all across Australia.

Andrew, Brian, Colin, Diana and Elizabeth are the directors of Pandora Diamonds.

The company decided that as the market is becoming more competitive it needs to expand its business and it feels with the increased volumes of sales it would be able to lower its prices and become more competitive. In order to do so it obtains a $4 million dollar loan from Bonza Bank Ltd. $3 million is used to buy more stock and $1 million is used to buy a large new warehouse and showrooms from Space Solutions Pty Ltd.

Colin was not present at the meeting when these decisions were made, as he was in hospital recovering from a serious accident. Elizabeth, as her usual custom, had not attended the meeting but signed the requisite documentation agreeing to the expansion of the business and the getting of the loan. Diana who attended, said she did not know if she agreed and abstained from voting. Andrew and Brian both voted to go ahead with the expansion and the getting of the loan.

At about this time Brian had established contact with Victor, who was setting up a new business as a jewellery retailer. Victor was looking for reliable suppliers, but said he would not deal with Pandora Diamonds and Gems Pty Ltd as he did not like Andrew, the Managing Director. Not wishing to miss out on such a lucrative business opportunity, Brian arranged to set up his own business as a jewellery wholesaler and a contract was entered into between Victor and Brian for the supply of jewellery.

Six months later, Brian resigned as a director of Pandora Diamonds and Gems Pty Ltd. At the same time it was clear the company had over-extended itself and was insolvent and could not pay the interest on its loans.

It also became clear that Brian was a major shareholder in Space Solutions Pty Ltd and the other directors were unaware of this at the time of the purchase of the warehouse and showrooms. Furthermore, Brian had been approaching other established customers of Pandora Diamonds and Gems Pty Ltd and had secured orders for his own business.

**Required: Advise whether the directors have breached their directors duties under both the Corporations Act 2001 (Cth) and under the general law.**

**The assignment should be based on Australian Corporation laws and Australian case laws supporting the arguments.**

**INSTRUCTIONS FOR ASSIGNMENT**

1. Start your answer to each question on a fresh page.
2. When answering each question, ensure that you:

* identify the issue(s) raised by the facts
* identify the relevant legal principles
* apply the relevant legal principles to the facts
* reach a conclusion

1. You may, and are encouraged to, hand in an introduction or outline of how you propose to answer the questions so that feedback will be provided to you from the communication and study skills staff before you complete the assignment.

**Guide to Formal Presentation of the Assignment**

**General**

1. The assignment should be typed on A4 paper, on one side of the paper only, and with a margin of at least 5 cm.
2. Formal language should be used so avoid jargon, slang and colloquial abbreviations such as “don’t”. Ensure that you use correct spelling.
3. Headings and subheadings may be used if you think that this would assist the presentation of your material.

**Referencing sources of information**

1. Avoid plagiarism by referencing your sources. Sources must be referenced where:

* You are using someone else’s ideas
* You are quoting directly from a source
* You are paraphrasing someone else’s views

(See Crosling G.M. and Murphy H.M *How* *to Study Business Law- Reading, Writing and Exams*, 3rd ed, 2000, p 122).

1. Footnotes should be used to reference your sources and should appear at the bottom of each page. Do not include substantive material in the footnotes. All substantive material should appear in the body of the assignment.

**Citation of cases**

1. When you first refer to a case, you should cite the case in full, either in the text or in a footnote eg *Mabo v Queensland (No 2)* (1992) 175 CLR 1. The case name should be italicised or highlighted in some other way eg underlined or placed in bold letters.
2. When subsequently referring to the case, it is acceptable to use a common name for the case, such as “*Mabo’s* case” or “*Mabo*”.
3. Where a particular page or paragraph in the case is referred to, then the page number or paragraph number must be given eg “Mabo’s case at 9” indicates that the information came from page 9 of Mabo’s case. There is no need to write “page” or an abbreviation of the word page.

**Citation of statutes**

1. When citing a statute, the name of the statute should be italicised and the jurisdiction should appear in brackets after the name eg *Commonwealth of Australia Constitution Act 1900* (UK).
2. When a particular section in the statute is being relied on, then the section should be specified eg section 1. It is acceptable to use the abbreviation “s” for “section” or “ss” where more than one section is being referred to eg s 1 or ss 5, 6 and 7. However, when a sentence begins with a reference to a section, the word should always be written in full eg “Section 1 of the *Commonwealth of Australia Constitution Act 1900* (UK) provides that ...”

**Secondary sources**

1. When initially referring to secondary sources such as books, the author’s name and initials, full title of the book, edition (if relevant), publication date and page number should be given eg Crosling G.M. and Murphy H.M *How to Study Business Law- Reading, Writing and Exams*, 3rd ed, 2000, p 122.

**Bibliography**

1. A bibliography listing all books and articles (not cases or statutes) used in the preparation of the assignment should appear at the end of the assignment.

**Guidance from textbooks**

1. Use your prescribed textbook and recommended texts as a guide to the way in which cases, statutes and secondary sources are cited and the manner in which legal arguments are structured.