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Student Name: ………………………………………………

(Block letters)

Student Number: ……………………………………………

**HA3021 Company Law**

Assessment 2

Assessment Value: 20%

Due: Week 10 in Class

**Assignment Topic:**

Andrew, Brian, Colin, Diana and Elizabeth were the directors of Gemsales Pty Ltd, a company engaged in the business of importing and supplying jewellery as wholesalers to the local market.

The company decided that as the market was becoming more competitive it needed to expand its business as it felt with increased volumes of sales it would be able to lower its prices and be more competitive. In order to do so it obtained a $4 million dollar loan from the Friendly Bank Ltd. $3 million was used to buy more stock and $1 million was used to buy a large new warehouse and showrooms from Traders Pty Ltd.

Colin was not at the meeting that had made these decisions as he was in hospital recovering from a serious accident. Elizabeth, as was 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 has established contact with Victor, who was setting up a new business as a retailer of jewellery. Victor was looking for reliable suppliers, but said he would not deal with Gemsales 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. 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 Traders 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 Gemsales Pty Ltd and had secured orders for his own business.

**Advise as to the liability of ALL the parties both under common law and the Corporations Law. In your answer you should address all the issues relating to each of the directors and their duties to the corporation.**

**PLEASE NOTE THE FOLLOWING INSTRUCTIONS:**

**References must be cited in Harvard referencing style (eg Smith 1992) .The assignment must include a bibliography (list of references used in the assignment). The Internet may be used for authoritative reference material provided the source, author, date of access, and site address is clearly shown in footnote format.**

**In addition to sources from the Internet, at least three hard-copy sources must also be used. These can be either books or articles or both. Materials from any common law jurisdiction may be used.**