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| Candidate number: |  |  |  |  |  |  |  |  |  | as indicated on your admission slip |
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Desk number:

Subject ref. CLG

**Level 4 Certificate in Charity Law and Governance**

# Charity Law and Governance

**June 2016**

Wednesday morning, 8 June 2016

**Time allowed:** 3 hours (plus 15 minutes reading time)

**Do not open this examination paper until the presiding officer or an invigilator tells you to.**

**You must not take this paper out of the examination room.**

The examination paper contains **19** questions and is divided into **three** sections. You must attempt **all the questions** in this paper.

Section A contains 20 marks, Section B contains 35 marks and Section C contains 45 marks. There are **100 marks** available in total for the paper.

You should allow yourself **approximately** 15 minutes in total to answer the questions in Section A, 60 minutes in total to answer the questions in Section B and 35 minutes for each of the questions in Sections C.

You may continue your answers on a separate sheet of paper if necessary. Separate answer sheets are available from the invigilator.

**Note:** Unless otherwise specified, you should assume that an Act or an organisation referred to in the questions is a UK Act or organisation.

# Do not write on this page – examiner use only

## Section A

Question

|              |  |
|--------------|--|
| 1            |  |
| 2            |  |
| 3            |  |
| 4            |  |
| 5            |  |
| 6            |  |
| 7            |  |
| 8            |  |
| 9            |  |
| 10           |  |
| <b>Total</b> |  |

## Section B

Question

|              |  |
|--------------|--|
| 11           |  |
| 12           |  |
| 13           |  |
| 14           |  |
| 15           |  |
| 16           |  |
| <b>Total</b> |  |

## Section C

Question

|              |  |
|--------------|--|
| 17           |  |
| 18           |  |
| 19           |  |
| <b>Total</b> |  |

**Total marks for paper:**

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Marker (full name):

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Reviewer (full name):

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Clerical check (full name):

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Examiner review:

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# Section A

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

1. Describe **one** benefit of a charity becoming a Charitable Incorporated Organisation (CIO).

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(2 marks)

2. Name the part of English law which is derived from custom and judicial precedent.

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(1 mark)

3. Charity law restricts disposals and mortgages of charity land

Is this **true** or **false**?

(Tick **one** box only)

True

False

(1 mark)

4. List **four** matters where it is best practice for the decision making to be reserved by the board.

i \_\_\_\_\_

ii \_\_\_\_\_

iii \_\_\_\_\_

iv \_\_\_\_\_

(4 marks)

5. State **two** legal elements which must be present in order for a contract to exist.

i \_\_\_\_\_

ii \_\_\_\_\_

(2 marks)

6. An exempt charity is exempt from:

(Tick **one** box only)

A.  Supervision by a regulator

B.  The requirement to keep accounting records for six years

C.  The Charities Act 2011

D.  Registration with the Charity Commission

(1 mark)

7. The theory which suggests that managers, left on their own, will act as responsible stewards of the assets they control is 'agency theory'.

Is this **true** or **false**?

(Tick **one** box only)

True

False

(1 mark)

8. When trustees are making investment decisions, there are certain circumstances in which they are allowed to take ethical and moral factors into consideration. Describe two such circumstances.

i \_\_\_\_\_

ii \_\_\_\_\_

(2 marks)

9. The Charities Act allows trustees to be remunerated for services other than trustee services. State the conditions which must be met in order for a charity to do this.

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(4 marks)

10. State the difference between how an unincorporated charity and an incorporated charity hold assets.

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(2 marks)

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**TOTAL FOR SECTION A = 20 MARKS**

## Section B

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

11. Explain why a new charity would choose to be a charitable trust.

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(6 marks)

12. Explain, using examples, how a board can ensure that it is accountable to the charity's beneficiaries and other stakeholders.

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(6 marks)

13. Outline key issues charity trustees should consider in trading matters.

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(6 marks)

14. Explain the benefits for members and trustees when a charity is incorporated.

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(6 marks)

15. Using an example for each, explain the differences between 'professional fundraisers' and 'commercial participators'.

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(6 marks)

16. Explain how charities can make the documentation and information they produce more effective in preparing trustees for meetings.

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(5 marks)

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**TOTAL FOR SECTION B = 35 MARKS**



## Section C

Answer **all** the questions in this section.

Continue your answers on a separate sheet of paper if necessary.

17. Play Outside ('Play') is a charity which organises outdoor activities for young people. A parent of an attendee has observed activities at one of Play's centres and has noticed that the equipment the young people are using is not up to the charity's required safety standards (as published by Play). After doing some investigation, the parent raised concerns with the charity. She also informed Play that a manager at this centre was sourcing cheaper materials than were used by other centres and was using the excess funds for personal gain. Play took no action on this matter and so the parent has now complained in writing to the Charity Commission.

Discuss how the Charity Commission deals with complaints and the potential action the Charity Commission could take in the case of Play.

(15 marks)

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18. You are the Secretary of Gifts for Good ('Gifts'), a charitable company limited by guarantee, which has 95 members. You have a new Chair, who was previously the Chair of an unincorporated members association, and he wants to improve engagement with the members of Gifts. There is an event for members in 10 days' time and the Chair wants to hold the AGM at the same time. He wants members to have the opportunity to put matters on the AGM agenda, raise new issues at the meeting itself, and vote on these issues at the meeting.

As the secretary of Gifts, you need to let the Chair know that his proposal for the AGM is not feasible, but it has been suggested that you should also brief him on how the charity can work to be more accountable to its members and other stakeholders.

Draft a briefing note for the Chair explaining why his proposals for the AGM are not possible and suggesting alternative ways in which Gifts can improve accountability to its stakeholders.

(15 marks)

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19. Pam is the Chief Executive of Big Canvas ('Canvas'), an unincorporated charity which promotes the use of art classes for therapy and treatment. Pam's brother, Gordon, is an artist and has supported many Big Canvas events and campaigns over the years.

Gordon is aware that his sister has not had an easy time at work recently. Pam has told him that Canvas has been through financial difficulty and that the board has discussed the risk of insolvency. One trustee has recently resigned and, desperate for support at a difficult time, Pam has asked Gordon if he would consider joining Canvas as a trustee.

Gordon wants to help his sister but knows very little about the role of charity trustee and says he has "never had much of a head for figures".

Analyse the personal liability risks a trustee faces and how the personal liability risks for Gordon as a trustee could be managed.

(15 marks)

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**TOTAL FOR SECTION C = 45 MARKS**

**TOTAL FOR PAPER = 100 MARKS**

*The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.*

**END**