



The Governance
Institute

Subject no. 52B

Level 4 Award in International Finance and Administration

Level 4 Subsidiary Certificate in International Finance, Accounting and Administration

Level 4 Subsidiary Certificate in International Finance, Investment and Administration

Level 4 Certificate in International Finance and Administration

Paper 1

International Finance and Administration

Sample mark scheme

January 2015

Section A

Question number	Answer	Mark
1	D – Estate tax	(1)

Question number	Answer	Mark
2	A <i>de facto</i> director is a person who fulfils the role of a director even though they have not been formally appointed as one.	(1)

Question number	Answer	Mark
3	28 days	(1)

Question number	Answer	Mark
4	<i>Obiter dicta</i>	(1)

Question number	Answer	Mark
5	False – the trustee has discretion to distribute the capital and income of the trust fund.	(1)

Question number	Answer	Mark
6	A Limited Liability Partnership (LLP) is a partnership in which some or all partners (depending on the jurisdiction) have limited liabilities (1), meaning that one partner is not responsible or liable for another partner's misconduct or negligence (1). Reward other valid responses.	(2)

Question number	Answer	Mark
7	B – A trust may be created <i>inter vivos</i> by the settlor during their lifetime.	(1)

Question number	Answer	Mark
8	125 years	(1)

Question number	Answer	Mark
9	False	(1)

Question number	Answer	Mark
10	The relationship between the trustees and beneficiaries is a fiduciary one, i.e. one that is founded on trust (1). The trustee has a fiduciary duty to act in the best interests of the beneficiaries and not their own self-interest (1). Accept 1 mark for stating fiduciary relationship and 1 further mark for explaining what the fiduciary relationship involves.	(2)

Question number	Answer	Mark
11	Any four from the following list: <ul style="list-style-type: none"> • wasting assets such as a car • an individual's main residence • special investments, e.g. a New Individual Savings Account (NISA) • UK government bonds (gilts) • personal belongings worth £6,000 or less when they are sold • money which forms a part of an individual's income for income tax purposes. Reward other valid responses.	(4)

Question number	Answer	Mark
12	The price that is agreed between two connected parties for the sale of goods or services.	(1)

Question number	Answer	Mark
13	A – An individual with price-sensitive information uses this information in relation to price-affected securities in order to make a profit or avoid a loss.	(1)

Question number	Answer	Mark
14	<i>Abdel Rahman v Chase Bank (C.I.) Trust Company Limited and five others</i> Accept <i>Abdel Rahman v Chase Bank</i> or <i>Rahman v Chase</i>.	(1)

Question number	Answer	Mark
15	The Organisation for Economic Co-operation and Development or OECD.	(1)

Section B

Question number	Answer	Mark
16	<p>Unit trusts are operated by pooling investors' funds, enabling them to achieve exposure to a wider range of investments than they could achieve on their own (1), therefore spreading the investment risk (1).</p> <p>The trust deed divides the beneficial ownership into units (1), each of which represents a proportion of the trust property (1).</p> <p>Do not award marks for a definition of what a unit trust is, only how it is operated.</p> <p>Reward other valid responses.</p>	(4)

Question number	Answer	Mark
17	<p>Any four of the following.</p> <ul style="list-style-type: none"> • Acting as a company, a partnership or a foundation formation agent (1). • Acting as, or arranging for another person to act as, a director or an alternate director of the company (1). • Acting as, or arranging for another person to act as, a secretary (1). • Acting as, or arranging for another person to act as, a shareholder or unit holder as nominee for another person (1). • Acting as, or arranging for another person to act as, a trustee (1). • Acting as, or arranging for another person to act as, a partner of a partnership (1). • Acting as, or arranging for another person to act as, a member of a council of a foundation (1). • Providing accommodation, a correspondence or an administrative address for a company, a partnership, a foundation or any other person (1). • Providing a registered office or business address for a company, a partnership or a foundation (1). <p>Reward other valid responses.</p>	(4)

Question number	Answer	Mark
18	<p>Under the arising basis of taxation, a person will pay UK taxation on all of their income as it arises (1) and gains as they accrue (1), wherever that income and those gains are in the world (1).</p> <p>Under the remittance basis of taxation, however, a person will pay UK taxation on UK income as it arises (1) and UK gains as they accrue (1), as well as on foreign income and gains that are remitted to the UK (1).</p>	
Total		(6)

Question number	Answer	Mark
19	<p>Once the company is incorporated (1), the law considers it to be a legal person (1) and therefore it is separate and distinct from its owners and members (1). This means that the company itself may be sued (1) and may sue others in its own right (1).</p> <p>1 extra mark for either of the following:</p> <p>The company can, in the same way that a natural person can, hold assets and incur liabilities (1).</p> <p>The concept of separate legal personality was established in the case of <i>Salomon v Salomon & Co Limited (1897)</i> (1).</p> <p>Reward up to 5 marks for explaining what a separate legal personality is and 1 extra mark for a further feature.</p> <p>Reward other valid responses.</p>	
Total		(6)

Question number	Answer	Mark
20	<p>The cheque will show in the depositor's account on the same day that the bank receives it (1).</p> <p>From the second working day after it is received, the bank will start paying interest on the cheque (1).</p> <p>From the fourth working day after it is received by the bank, the funds are available for the depositor to use (1) but the cheque may still need to be returned unpaid up until the sixth working day after it has been received (1).</p> <p>From the end of the sixth working day after it is received, the depositor can consider the money to be theirs (1). If the cheque is returned unpaid by the paying bank, the depositor's bank cannot take the money from the depositor's account without their consent unless they have acted fraudulently (1).</p> <p>Reward other valid responses.</p>	
Total		(6)

Question number	Answer	Mark
21	<p>The directors of a private trust company (PTC) may be chosen by the settlor of the underlying trusts (1). Family members may be appointed to the board alongside trust company business professionals and other advisers (1). This allows the family members to be far more involved with the administration of the trust fund than would otherwise be possible if a professional trustee were appointed (1), and may allow the trust to hold investments that a professional trustee may otherwise not allow (1).</p> <p>PTCs may enter into an agreement with a professional trust company to ensure that administrative matters such as the record keeping requirements are adhered to (1), and that other important matters such as the preparation of financial statements are undertaken (1).</p> <p>Reward other valid responses.</p>	
Total		(6)

Question number	Answer	Mark
22	<p>Regulation sets out rules of what organisations can and can't do when providing financial services (1). This helps to maintain the integrity of financial markets, ensuring that they are efficient, orderly and fair (1). Only experienced professionals who are fit and proper can become involved in providing a financial services business (1). Through regulation, those who do not meet the requirement standard can be sanctioned or prevented from operating where appropriate (1). Consumers are also protected from abusive practices (1) and financial crime (1).</p> <p>Award a maximum of only 5 marks if the answer consists of a list. Reward other valid responses.</p>	
Total		(6)

Question number	Answer	Mark
23	<p>Up to 6 marks from the following answers.</p> <p>A new trust can be expensive to establish and maintain (1), including the legal fees and trust service provider fees and ongoing charges for the provision of the trustee (1).</p> <p>The structure can be too complex (1) and problems can be encountered when borrowing due to additional complexities of loan structures (1).</p> <p>The settlor no longer owns the trust property (1) and therefore cannot do exactly as they choose with it (1).</p> <p>Trustees may be unwilling to take the same investment risks as the settlor would like them to take when investing the trust property (1), and the trustees' attitude to risk and transactions may not accord with the settlor's (1).</p> <p>If the settlor's circumstances change, the trust instrument may not automatically adapt (1), leaving the trustees unable to assist (1).</p> <p>Reward other valid responses.</p>	
Total		(6)

Question number	Answer	Mark
24	<p>A risk-based approach to customer due diligence (CDD) involves the organisation having a thorough understanding of the current risks in the financial services sector (1). Providers should carry out risk assessments on clients (1) and, on the basis of that assessment, decide:</p> <ul style="list-style-type: none"> • whether the client presents a high risk of money laundering (1) • the most appropriate CDD information to collect (1) and suitably verify (1) • the appropriate level of monitoring and reviewing to apply to the customer relationship (1). <p>Award a maximum of only 4 marks if the answer consists of a list without explaining what a risk-based approach is. Reward other valid responses.</p>	
Total		(6)

Section C

Question number	Indicative content – module content that may be covered by candidates in their answer
25	<p>Answers need to discuss why certain features of offshore financial centres (OFCs) make them more vulnerable to risk of abuse by those wishing to launder the proceeds of crime.</p> <p>Features/aspects of OFCs that make them more vulnerable to risk</p> <ul style="list-style-type: none"> • The secrecy laws and confidentiality provisions. • Difficult to achieve cross-border exchange of information for the purposes of preventing or detecting money laundering. • Asset protection legislation requires an order from a local court. • Products such as legal persons and legal arrangements are used extensively in offshore centres. • The features of both legal persons and legal arrangements present significant opportunities for money laundering. • Legal persons contract and transact business in their own name, thus negating the need for a person wishing to launder funds to be a party to any transaction. • Offshore services providers or the use of corporate directors means that transactions are undertaken on behalf of the company by these directors. • Information on beneficial ownership may be limited, meaning that the authorities do not know who the beneficial owners of companies are. • Difficulty identifying the 'human face' behind a company (e.g. multi-jurisdictional). • The identity of the shareholders is not useful in establishing beneficial ownership due to use of nominee shareholders. • Registered office address may be that of an offshore services provider who represents the company and the company's physical presence (if it has one) is not necessarily located there. • Bearer shares render CDD undertaken useless on transfer. • Existence of a trust is not a matter of public record. • Information in any trust deed can be minimal. • A trust is recognised without any written documentation. • Dummy settlors. • Declarations of trust do not contain the name of the settlor. • Information on trust deed; only the first provider of funds is recorded on the documentation. • Beneficiaries can be hidden. • Blind trusts. • Beneficiaries can be included in a 'class' of beneficiaries. • Beneficiaries can be appointed at a later date.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key points relating to features that make an OFC vulnerable are described, or one type of feature is discussed in some detail. The answer is likely to be in the form of a list. Points made are superficial/generic (statements about features that are known to make OFCs more vulnerable) but are not be applied/directly linked to the requirements of the question, i.e. why the feature makes an OFC more vulnerable to risk of abuse.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>
Level 2	6–10	<p>Some features are discussed or a few key points relating to the features mentioned are discussed in some detail. The answer is unbalanced, with more emphasis on some features over others. Most points made are relevant to the requirements of the question (discussion on what features make an OFC more vulnerable to risk of abuse) but the link is not always clear (why these features make an OFC more vulnerable).</p>
Level 3	11–15	<p>A range of features are discussed or a few of the features mentioned are discussed in depth. The answer is well-balanced, with equal weight given to each feature discussed. The majority of points made are relevant and there is a clear link to the requirements of the question, i.e. why the features discussed make an OFC more vulnerable to risk of abuse.</p>

Question number	Indicative content – module content that may be covered by candidates in their answer	
26	<p>Answers must discuss differences between common and civil law jurisdictions and explore how the issues raised may impact on clients wishing to set up a trust in those jurisdictions.</p> <p>Common law jurisdictions</p> <p>Countries of the Commonwealth of Nations usually have common law systems. Examples of a common law jurisdiction would be the Bahamas or Bermuda.</p> <p>Trusts are recognised and there is certainty with the way that they are treated in law. Common law jurisdictions have increased their offerings of products such as foundations as an alternative to trusts.</p> <p>Civil law jurisdictions</p> <p>Civil law jurisdictions have a system of law which has been developed from Roman law. Civil law principles are found in countries such as those in continental Europe, e.g. Liechtenstein, Luxembourg and Switzerland.</p> <p>The civil law system is a codified system and laws are comprehensively set out in detail in a statutory code. Judges in the courts that implement the law regard the code only – the doctrine of judicial precedent does not form a part of the system.</p> <p>The laws of civil law jurisdictions do not generally recognise the division between legal and equitable ownership, therefore it is usually not possible to create a trust in such jurisdictions. This means that trusts do not always appeal to civil law clients.</p> <p>Some civil law jurisdictions have endeavoured to make it more attractive to administer trusts from within their jurisdiction, e.g. Switzerland and Hague Convention signatory countries.</p> <p>Combining common and civil law into one system</p> <p>Some jurisdictions have hybrid systems of law in that they follow a mixed law tradition, e.g. Liechtenstein and Panama.</p>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key points regarding both systems of law are described or one system is discussed in some detail. The answer is likely to be in the form of a list. Only one system is considered (common or civil law). Points made are superficial/generic and are not applied/directly linked to the requirements of the question, i.e. how the different systems of law affect potential clients wishing to set up a trust.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>
Level 2	6–10	<p>Some points are discussed or a few key points relating to each system of law are discussed in some detail. Both systems (common or civil law) are considered but there will be more emphasis on one of them. The answer is unbalanced. Most points made are relevant to the requirements of the question but the link is not always clear to how the systems of law affect potential clients wishing to set up a trust.</p>
Level 3	11–15	<p>A range of points are discussed or a few key points relating to each system of law are discussed in depth. The answer is well-balanced, with equal weight given to both system of law (common and civil). The majority of points made are relevant and there is a clear link to the requirements of the question, i.e. how both systems of law impact on potential clients wishing to set up a trust.</p>

Question number	Indicative content – module content that may be covered by candidates in their answer	
27	<p>Answers need to explore the advantages and disadvantages of organisations setting up a captive insurance company in comparison to seeking cover from a conventional insurer.</p> <p>Advantages of setting up a captive insurance company</p> <ul style="list-style-type: none"> • Captive insurance companies are widely available from offshore centres. Offshore centres can therefore offer a high level of expertise in dealing with captive insurance. • Offshore centres can offer a less bureaucratic supervisory insurance regime from which captive insurance companies can operate. • Premiums charged by commercial insurers include amounts that cover their profit margin and overheads – a captive insurance company can therefore be more cost-effective. • Captive insurance companies offer flexibility. • Captive insurance companies can take advantage of low rates by reinsuring a relatively large proportion of its risks. The cost of low reinsurance allows a captive insurance company to build its reserve base. • Captive insurance companies can retain a larger proportion of their risks, maintaining cover for their parent even when commercial insurance is too costly. • Captive insurance companies can make the process of claiming less bureaucratic and faster than the process would be if a third-party insurer was involved. When lower claims than expected are experienced, the excess of net premiums over claims is retained by the group. The timing of premium payments can be arranged to ensure a best fit with the group’s cash flow plans. • Captive insurance companies may be able to provide cover that is not otherwise available. <p>Disadvantages of setting up a captive insurance company</p> <ul style="list-style-type: none"> • Setting up a captive insurance company involves a capital commitment of funds at the outset. • The captive is exposed to claims arising and may make substantial losses. • Risks should only be placed in a captive if a tolerable claims record is contemplated. • An offshore captive insurance company involves the delegation by the parent company to the directors of the offshore insurance company. They will therefore need to satisfy themselves that the offshore company has qualified staff with sufficient expertise and recognition of exposure to risk. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key advantages and disadvantages are described or just either advantages or disadvantages are described in some detail. The answer is likely to be in the form of a list. Points made are superficial/generic and are not applied/directly linked to the requirements of the question, i.e. general advantages/disadvantages of captive insurance companies described rather than advantages/disadvantages of setting them up.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>

Level	Mark	Descriptor
Level 2	6–10	Some advantages and disadvantages are discussed or a few key points relating to advantages and disadvantages are discussed in some detail. There is consideration of both advantages and disadvantages but there is more emphasis on one of them. The answer is unbalanced. Most points made are relevant to the requirements of the question (advantages/disadvantages of setting captive insurance companies up) but the link is not always clear and the advantages/disadvantages discussed may just be general to captive insurance companies rather than specific to setting them up.
Level 3	11–15	A range of advantages and disadvantages are discussed or a few key points relating to both advantages and disadvantages are discussed in depth. The answer is well-balanced, with equal weight given to both advantages and disadvantages. The majority of points made are relevant and there is a clear link to the requirements of the question (advantages/disadvantages of setting captive insurance companies up).

Section D

Question number	Indicative content – module content that may be covered by candidates in their answer	
28	<p>The answer requires discussion on why a protector is needed and the protectors' check-and-balance power on the trustee, concluding with a recommendation on whether it is a good idea for Sasha to consider.</p> <p>Points for Sasha to consider when setting up a trust</p> <p>If Sasha sets up the trust in the form of a discretionary trust, the trustees are usually afforded a wide range of discretionary powers. Therefore Sasha may wish to appoint a protector (of her choosing), who may be a family friend or a trusted professional such as a lawyer, who the trustees must liaise with or seek consent from when exercising some of their powers.</p> <p>Sasha may appoint herself as the protector of the trust. However, if she needs to demonstrate independence from the trust for taxation or asset protection reasons, it may be more appropriate to appoint an independent third party.</p> <p>Reasons for appointing a protector</p> <ul style="list-style-type: none"> • To offer comfort to the settlor that there is someone protecting the trust to some extent (the protector's consent is required before certain powers are exercised). • The protector may be in a position to pass valuable information to the trustees regarding the beneficiaries and their personal circumstances. • The protector can ensure that the settlor's wishes are adhered to, which means that they are an indirect way of the settlor retaining some control without appearing to interfere too much with the running of the trust. • The protector may be granted the power to remove the trustee, appoint a new trustee, obtain information about the trust fund and consent to the remuneration of the trustee. <p>Issues for Sasha to consider when deciding if it is convenient for her to use a protector</p> <p>The protector's consent (usually in writing) may be required before the trustee exercises their dispositive powers, for example to make a distribution of capital to a beneficiary or to approve the addition or removal of a beneficiary.</p> <p>The protector's powers usually only involve the protector consenting to an action (such as a capital distribution) proposed by the trustee, and they may not usually instruct the trustee to make distributions, nor do they otherwise become involved in the day-to-day running of the trust.</p> <p>Protectors can be a valuable source of information for the trustees and can offer guidance due to their knowledge of the beneficiaries' circumstances. Nevertheless, they can at times make administering the trust a little more difficult, particularly if they believe that the trustee should always follow the wishes of the settlor or if their demanding conduct increases the cost of administering the trust.</p>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key reasons regarding why it would be a good idea to appoint a protector are described or one point is discussed in some detail. The answer is likely to be in the form of a list. Only one viewpoint is considered (whether it is a good or a bad idea to appoint a protector) with very little reference to the issues Sasha must consider. Points made are superficial/generic and not applied/directly linked to the requirements of the question. There is no evaluation of whether or not appointing a protector is a good idea in Sasha's case in particular.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>

Level	Mark	Descriptor
Level 2	6–10	Some reasons why it would be a good idea to appoint a protector and the issues Sasha should consider are discussed or a few key reasons and issues are discussed in some detail. Consideration is given to both viewpoints (whether it is a good or a bad idea to appoint a protector) backed up with issues Sasha should consider, but there will be more emphasis on one of them. The answer is unbalanced. Most points made are relevant to the requirements of the question (whether it is a good idea in Sasha's case) but the link is not always clear. There is some attempt at evaluating whether appointing a protector is a good idea in Sasha's case, but the link is generic rather than specific to Sasha's circumstances of having a young family.
Level 3	11–15	A range of reasons why it would be a good idea to appoint a protector are discussed along with the issues Sasha should consider or a few key points regarding reasons and issues are discussed in depth. The answer is well-balanced, with equal weight given to reasons for and against Sasha appointing a protector. The majority of points made are relevant and there is a clear link to the requirements of the question. There is reasoned evaluation of whether appointing a protector is a good idea in Sasha's case, with the evaluation relating specifically to Sasha's circumstances of having a young family.

Question number	Indicative content – module content that may be covered by candidates in their answer
29	<p>The answer needs to explain different types of share available for Andy to consider when deciding where to invest his inheritance money, and how they can be transferred and evidenced.</p> <p>A company may, subject to its articles, issue different types of shares which have different rights and obligations attached to them. The model articles, for example, permit different types of shares to be issued following an ordinary resolution. The types of shares are referred to as classes of shares. Different classes of shares have different rights, for example in relation to voting, rights to return of capital and rights to receive dividends.</p> <p>Types of share</p> <p>Where a company has only one class of share, the shares will be ordinary shares. Ordinary shareholders have the right to vote at the general meetings of the company and the right to receive a dividend (if one is paid) out of distributable profits.</p> <p>A preference share is a share which does not usually have value rights and receives a dividend prioritised over ordinary shareholders, usually at a fixed percentage of distributable profits. Preference shareholders do not usually have the right to vote at the general meetings of the company.</p> <p>The ordinary shareholders are also paid after preference shareholders in the event of winding up the company.</p> <p>If the articles of a limited liability company permit it, it may issue redeemable shares. This means that the shares can be redeemed by the company at a specified date in the future. A company must also have non-redeemable shares if it issues redeemable shares. This provision is to ensure that there is always at least one member of the company.</p> <p>Bearer shares are shares which are considered to be owned by ‘the bearer’, i.e. whoever has them in their possession. Such shares are no longer common in offshore jurisdictions as they present a high level of risk to offshore service providers because any customer due diligence undertaken is rendered useless the moment the shares change hands.</p> <p>Transferring shares</p> <p>Members are usually able to transfer their shares freely although pre-emption rights may be granted to existing members. A pre-emption right is the right to be offered the shares in the company for sale whenever a member wishes to sell or otherwise transfer their shares before they are offered to non-members for sale.</p> <p>The Companies Act 2006 model articles provide that shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors, which is executed by or on behalf of the transferor. The transferor remains the holder of a share until the transferee’s name is entered in the register of members as holder of it.</p> <p>Evidencing shares</p> <p>The Companies Act 2006 states that a share certificate issued under the common seal of the company specifying any shares held by a member is <i>prima facie</i> evidence of their title to the shares stated on the certificate.</p> <p>The model articles provide that a company must issue each shareholder, free of charge, with one or more certificates in respect of the shares which that shareholder holds. Each share certificate must specify: in respect of how many shares, and of what class, it is issued; the nominal value of those shares; that the shares are fully paid; and any distinguishing numbers assigned to them.</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key points regarding the function and purpose of different types of share are described or functions/the purpose of different shares or one type of share are explained in some detail. The answer is likely to be in the form of a list with little or no reference to how shares are evidenced or transferred. Points made are superficial/generic and not applied/directly linked to the requirements of the question, i.e. how suitable the types of share covered are for Andy's circumstances.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>
Level 2	6–10	<p>Some points regarding the functions and purpose of different types of share are explained, or a few key points regarding the function and purpose of different types of share are explained in some detail. Some reference is made to how the shares mentioned are evidenced and transferred but there is very little detail and it may be missing some of the types of share mentioned. The answer is unbalanced, with detail focussing on one or more types of share over others. Most points made are relevant to the requirements of the question but the link is not always clear, i.e. how suitable the types of share covered are for Andy's circumstances.</p>
Level 3	11–15	<p>A range of points regarding the functions and purpose of different types of share are explained, or a few key points regarding the functions and purpose of different types of share are explained in depth. Reference is made to how each type of share mentioned is evidenced and transferred. The answer is well-balanced, with equal weight given to the consideration of the types of share that may be suitable for Andy. The majority of points made are relevant and there is a clear link to the requirements of the question, i.e. how suitable the types of share covered are for Andy's circumstances.</p>

Question number	Indicative content – module content that may be covered by candidates in their answer
30	<p>Answers need to explain the differences between the two types of liquidation and how these apply to the context in the question – a small, family-run limited company.</p> <p>Voluntary liquidation</p> <p>When a company cannot pay its debts a creditors' voluntary liquidation is necessary. A voluntary liquidation may be either a members' voluntary liquidation or a creditors' voluntary liquidation. The members of a company may decide to wind up the company when it is no longer required.</p> <p>The steps involved with a members' voluntary liquidation are as follows.</p> <ol style="list-style-type: none"> 1. The directors make a statutory declaration of solvency. This means that having made a full inquiry into the company's affairs they are of the opinion that the company will be able to pay its debts in full within 12 months from the commencement of the winding up. 2. The members then pass a special resolution to commence a voluntary liquidation. A copy of the special resolution is delivered to the Gazette or registrar. 3. A liquidator is appointed to wind up the affairs of the company. On the appointment of a liquidator, all the powers of the directors cease, except so far as the company in a general meeting or the liquidator sanctions their continuance. 4. A special resolution of the members is required. A board meeting to resolve to convene a creditors' meeting is then held. The directors prepare a statement of affairs for review at the creditors' meeting. 5. Once the liquidator is appointed, the appointment should be notified to the Gazette or registrar. The liquidator should be provided with the statement of affairs and is required to send it to the registrar within seven days of the creditors' meeting. 6. Following the creditors' meeting, the liquidator is required to prepare accounts for delivery to the registrar of receipts and payments over the first 12 months in liquidation. After that a liquidator's report must be sent every 12 months until the winding up is complete. <p>Compulsory liquidation</p> <p>A compulsory liquidation of a company occurs when the company is ordered to wind up by a court. Companies may be wound up by a court in various circumstances. Examples are as follows.</p> <ul style="list-style-type: none"> • A company registered as a public company has not been issued with a trading certificate more than a year after it was registered. • A public company has fewer than two members. • The company is unable to pay debts of over £750. • The court is of the opinion that the company should be wound up on just and equitable grounds. <p>The steps involved with a compulsory liquidation are as follows.</p> <ol style="list-style-type: none"> 1. A petition (which must be advertised) to wind up the company is made to the court. If it is successful, a court order is granted. An official receiver is then appointed as the liquidator. 2. The official receiver has a duty to investigate the company's affairs and the causes of its failure. 3. The official receiver may call a meeting of creditors to appoint a liquidator in the receiver's place. Upon receipt of a notice from the liquidator of the final meeting of the creditors or notice from the receiver that the winding-up is complete, the registrar will register it.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–5	<p>A few key points regarding the procedures for both types of liquidation are described or one type of liquidation is explained in some detail. The answer is likely to be in the form of a list with little or no reference to the context of the question (how ceasing trading would affect a small, family-run limited company). Points made are superficial/generic and not applied/directly linked to the requirements and context of the question.</p> <p>Award up to a maximum of only 5 marks if the answer comprises a list of recalled knowledge on the topic and does not attempt to address the requirements of the question.</p>
Level 2	6–10	<p>Some procedures for both types of liquidation are explained or a few key points regarding both types of liquidation are explained in some detail. The answer is unbalanced, with detail focussing on one type of liquidation over the other. Most points made are relevant to the requirements of the question and there is some reference to the context of the question, but the link is not always clear.</p>
Level 3	11–15	<p>A range of procedures for both types of liquidation are explained or a few key points regarding both types of liquidation are explained in depth. The answer is well-balanced, with equal weight given to each type of liquidation and how it would apply to the context in the question. The majority of points made are relevant and there is a clear link to the requirements and context of the question.</p>