

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Monday 9 June 2014



Time allowed

Reading and planning: 15 minutes

Writing: 3 hours

ALL TEN questions are compulsory and MUST be attempted.

Do NOT open this paper until instructed by the supervisor.

During reading and planning time only the question paper may be annotated. You must NOT write in your answer booklet until instructed by the supervisor.

This question paper must not be removed from the examination hall.

The Association of Chartered Certified Accountants

Paper F4 (RUS)

The ACCA logo, consisting of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black square.

ALL TEN questions are compulsory and MUST be attempted

- 1 In relation to the Russian legal system:**
- (a) Explain the structure and role of the courts of arbitration. (6 marks)
 - (b) Explain how the courts address a situation in which there is no legislation to determine the outcome of a case. (4 marks)
- (10 marks)**
- 2 In relation to contract law:**
- (a) Explain the meaning of 'damages'. (2 marks)
 - (b) Explain the matters which the court will consider when assessing the damages to be awarded. (5 marks)
 - (c) Explain the duties of a claimant for damages to mitigate losses. (3 marks)
- (10 marks)**
- 3 In relation to employment law:**
- (a) Explain the provisions of the Labour Code in respect of fixed term labour agreements. (4 marks)
 - (b) State **THREE** examples of employment for which fixed term contracts are mandatory and **THREE** examples of employment for which fixed term contracts are optional. (6 marks)
- (10 marks)**
- 4 In relation to company law:**
- (a) Describe the procedure through which a new joint stock company is formed. (4 marks)
 - (b) Explain the purposes of the charter of a joint stock company. (2 marks)
 - (c) State the minimum statutory capital requirements for a joint stock company. (2 marks)
 - (d) Explain how the provisions set out in the charter may be changed, and any limitations which may apply. (2 marks)
- (10 marks)**
- 5 In relation to capital and financing:**
- (a) Distinguish between the share capital and loan capital of a company. (6 marks)
 - (b) State the circumstances under which preference shareholders may vote. (4 marks)
- (10 marks)**

6 In relation to management and administration of joint stock companies:

(a) Explain the procedure for convening a general meeting of shareholders. (6 marks)

(b) Explain the following methods of voting:

(i) Absentee voting; (2 marks)

(ii) Cumulative voting. (2 marks)

(10 marks)

7 In relation to corporate governance:

(a) Explain the role of the internal audit commission. (6 marks)

(b) Describe how the role of the external auditor differs from that of the internal audit commission. (4 marks)

(10 marks)

8 Olga is an art dealer. She wanted to sell two prints of a painting, signed by the artist, and wrote to Alexei and Boris, two of her customers, in the hope that each would buy one print. Her letter stated that only one print would be made available per customer for a price of 200.000 roubles, and that the offer would be open until 30 July, by which full payment would have to be made. The letter included a full description of the articles for sale.

Alexei's reply reached Olga by 26 July, but stated that he was not willing to buy a print, as he could obtain an identical print for 150.000 roubles from a different art dealer. However, this intended purchase did not materialise, so he wrote again to accept Olga's offer. This letter reached Olga on 29 July.

Boris replied to Olga's letter immediately and his response reached her on 28 July. Boris stated that he was prepared to pay the full 200.000 roubles per print but only on the condition that two prints be made available to him.

Required:

(a) In the context of contract law, explain whether Olga's letters to Alexei and Boris were offers. (4 marks)

(b) Analyse the extent to which the replies by Alexei and Boris brought binding contracts into effect. (6 marks)

(10 marks)

9 Rosa and Sergei are partners in an unlimited partnership. They work as graphic design artists.

While working on a major project for their most important customer, Rosa and Sergei had a furious argument, which resulted in Rosa leaving their workplace. Despite numerous attempts, Sergei was unable to contact Rosa for several days. Sergei then received a letter from Rosa stating that she would not return to the business and would be bringing the partnership to an end immediately. She added that she would not be prepared to continue working on the major project, and that Sergei would have to get somebody else to help him. Her letter also stated that she would no longer be held responsible for any expenditure by the partnership.

Anxious not to lose the goodwill of the partnership's most important customer, Sergei continued to work on the project but had to engage the services of Maria to ensure that the work could be finished on time. This cost considerably more than the planned expenditure on the project.

Required:

(a) Explain whether Rosa would have been able to terminate her position as a partner without incurring further obligations. (4 marks)

(b) Discuss the extent to which Sergei may make any claims against Rosa in respect of the partnership's ongoing project. (6 marks)

(10 marks)

10 A bankruptcy petition was granted by the court against –ZAO- Flop in November 2013. Detailed investigations of the company's affairs carried out by the external manager have revealed two suspicious transactions.

In December 2011, the board of directors sanctioned the sale of a warehouse for 5 million roubles. The title of the warehouse was transferred to a company whose managing director married the finance director of –ZAO- Flop in August 2012. According to experts consulted by the external manager, the estimated market value of the warehouse at the time was 8 million roubles.

In October 2013, the company repaid a loan of 2,5 million roubles in full. This loan was supported by the personal guarantee of a member of the board of directors of –ZAO- Flop.

Required:

Discuss the potential consequences of the sale of the warehouse and the repayment of the loan by –ZAO- Flop.

(10 marks)

End of Question Paper