

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Monday 8 June 2015



Time allowed: 2 hours

This paper is divided into two sections:

Section A – ALL 45 questions are compulsory and MUST be attempted

Section B – ALL FIVE questions are compulsory and MUST be attempted

Do NOT open this paper until instructed by the supervisor.

You must NOT write in your answer booklet until instructed by the supervisor.

Do NOT record any of your answers on the exam paper.

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

The Association of Chartered Certified Accountants

Paper F4 (RUS)

ACCA

Section B – ALL FIVE questions are compulsory and MUST be attempted

Please write your answers to all parts of these questions on the lined pages within the Candidate Answer Booklet.

- 1 Mikhail is an employee of –000- Plant, a company which supplies and maintains trees, shrubs and floral window boxes for corporate clients. While working on the premises of –000- Drop, Mikhail accidentally pushed a window box containing plants from the balcony of a second floor office. The window box fell on to an executive car owned by Maria, a visitor to the premises.

Required:

(a) Explain the tests which will be applied by a court in assessing liability for the damage caused to the car. (2 marks)

(b) Examine the potential liability of Mikhail and –000- Plant for the damage caused by the accident. (4 marks)

(6 marks)

- 2 Galina and Veronika are hoping to start a business together. Galina has some capital to invest, but is keen to protect her investment if possible. Veronika has no funds at all but has greater technical expertise. Maria, Galina's mother, is prepared to make a substantial investment in the business on condition that her investment will be returned and that she will receive a share of annual profits. Maria has no interest in the business venture itself.

Required:

(a) Explain why it would be undesirable to establish the business as an unlimited partnership. (3 marks)

(b) Discuss the extent to which forming a commandite partnership would meet the needs of these individuals. (3 marks)

(6 marks)

- 3 –000- College offers professional training courses. The company is expanding and is profitable, but needs capital in order to realise its future plans. Konstantin, a friend of one of the directors, is considering the possibility of investing in –000- College. However, he has stated that he would expect an average minimum annual return of 8% on his investment, a guarantee that his capital is protected and a significant influence over the decisions of the company.

Required:

(a) Discuss the extent to which Konstantin's demands would be met by issuing shares to him. (3 marks)

(b) Discuss the extent to which Konstantin's demands would be met by issuing bonds to him. (3 marks)

(6 marks)

4 Clothes Co is a retailer of fashionable clothing. It is a large company, with shares quoted on the stock exchange. Its charter specifies that the only purpose of the company is to sell clothes. In recent years, the company has moved towards online retailing and has closed down several shops. The shareholders are concerned that profits from the core business are falling, and that the company's continued profitability has become more dependent on profits made from disposals of shops, other land transactions and gains made on investments in surplus funds. One influential investor has pointed out that only 20% of profits made in the last two years are attributable to sales of clothing.

Required:

(a) Explain the actions which may be taken by shareholders to ensure that the directors of the company focus on the core business as laid down in the charter. (3 marks)

(b) Explain the potential legal consequences to the company, its directors and any external parties to contracts made with the company if any specific deals contradict the provisions of the charter. (3 marks)

(6 marks)

5 Leo runs a private company in which he owns all of the shares. In addition to carrying out legitimate trade, Leo sells illegal goods and deposits the proceeds of these sales in his company's bank accounts alongside his lawful earnings. Leo then invests funds in several different long-term single premium insurance policies, located in tax-friendly jurisdictions. When these policies mature, the funds are invested in a private bank.

Maxim is Leo's accountant and handles all deposits and money transfers on Leo's behalf. Maxim has suspected for a long time that Leo's business is suspicious, but is highly paid and raises no questions about the nature of the funds.

Required:

(a) Explain the specific features of Leo's activities which would be regarded as money laundering by the enforcement authorities. (3 marks)

(b) Explain the offences which have been committed by Leo and Maxim. (3 marks)

(6 marks)

End of Question Paper