

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Monday 10 December 2012



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, explain the role of the following:**
- (a) Legal codes. (5 marks)
 - (b) Federal laws. (5 marks)
- (10 marks)**
- 2 In relation to the law of obligations, explain the meaning and operation of the following:**
- (a) Forfeit. (4 marks)
 - (b) Pledge. (6 marks)
- (10 marks)**
- 3 In relation to employment law, explain any FIVE ways in which a labour contract between a company and an employee differs from a contract for service between a company and a service provider.**
- (10 marks)**
- 4 In relation to company law:**
- (a) Explain the procedure to form a company limited by shares (joint stock company). (5 marks)
 - (b) Explain the implications of separate legal personality for the founders of the company, its shareholders, and the company. (5 marks)
- (10 marks)**
- 5 In relation to capital and financing of a company limited by shares (joint stock company):**
- (a) Explain the legal provisions applicable to increasing and decreasing share capital. (5 marks)
 - (b) Explain the rules applicable to the distribution of dividends. (5 marks)
- (10 marks)**
- 6 In relation to the management and administration of companies:**
- (a) Explain how the internal audit commission is appointed, and the eligibility criteria that apply to its members. (4 marks)
 - (b) Describe the duties and powers of the internal audit commission. (6 marks)
- (10 marks)**

7 In relation to corporate governance:

- (a) **Explain what is meant by corporate governance, and identify the parties responsible for effective corporate governance in a company.** (5 marks)
- (b) **Discuss the relevance of corporate governance to companies whose securities are NOT traded on a recognised capital market.** (5 marks)

(10 marks)

8 Svetlana is the purchasing manager for –ZAO- Sweet, a retailer of fine chocolates and other confectioneries.

Svetlana contacted –ZAO- Choc, a chocolate wholesale company, in order to purchase a consignment of high quality Swiss chocolates. She wrote to the company requesting 100 boxes of the company's chocolates at 1.000 roubles per box, the price displayed on the –ZAO- Choc website. The website was non-interactive and did not facilitate online ordering.

One week later, Svetlana received a reply to her order stating that the website had out-of-date information on prices. The letter from –ZAO- Choc included an up-to-date summary price list, with no reference to terms of business, and stated that the goods would be despatched with an invoice for the correct amount of 1.200 roubles per box. The next day, –ZAO- Sweet received 100 boxes of the chocolates together with an invoice for the goods at the correct price of 1.200 roubles per box.

Svetlana replied stating that –ZAO- Sweet would insist on paying the original price displayed on the website at the time of the original order.

Required:

- (a) **Discuss the extent to which information provided on –ZAO- Choc's website constitutes an offer that is capable of acceptance to form a legally binding contract.** (5 marks)
- (b) **With reference to the subsequent communications and actions taken by Svetlana and –ZAO- Choc, state whether each may be regarded as an offer, counter-offer or acceptance.** (5 marks)

(10 marks)

- 9 –OOO- Holiday was formed in 2010 by Agata, Bogdan, David, Eva and Filipp to provide travel agency services. They entered into a shareholders' agreement under which they would each take equal shares in the company. The agreement also stated that in the event of any shareholder(s) leaving the company, they would not set up a business in competition with –OOO- Holiday within one year of their departure. The Charter included discretionary pre-emption rights for the remaining shareholders in the event of withdrawal but did not include restrictions on alienation of shares.

After only 18 months of operating, there were serious disagreements between the shareholders. Agata and David thought that the company should concentrate on beach holidays, which was the market in which most sales were generated. The other three shareholders believed that more profit could be made by focusing on exclusive holidays for high net worth customers.

Agata and David announced to their colleagues that they were no longer prepared to agree to work under the existing business model and that they had decided to withdraw from the company. They wrote formally to Bogdan, Eva and Filipp stating that they wished to withdraw their share of the Charter capital in order to invest in a new company.

Before they received any response from their colleagues, Agata and David took steps to form a closed company limited by shares (ZAO) to offer a full range of holiday services.

Required:

- (a) **Discuss the legal and practical implications of the request submitted by Agata and David to withdraw from the company.** (6 marks)
- (b) **Discuss the potential consequences to Agata and David of their decision to form a new company in competition with –OOO- Holiday.** (4 marks)

(10 marks)

- 10 In 2010, –ZAO- Sport, a retailer of sports equipment and leisure goods, ran into serious financial difficulties. Under pressure from suppliers, the board of directors met to consider urgent action to deal with the company's cash flow problems. It was decided by the board of directors that it would be necessary to sell assets to raise the cash necessary to continue in business, and to broaden the company's range of suppliers in order to reduce the costs of goods sold and therefore increase gross profits. Sergei, the chief executive officer, was given authority by the board to take the necessary steps to bring about these changes.

Sergei persuaded the board to sell a warehouse. In order to raise funds quickly, the board decided to sell the warehouse for 30% of its market value.

Sergei then entered into a contract with –ZAO- Shirt, a new supplier, purchasing football shirts to be sold to supporters of popular Russian and international football teams. However, many football clubs change the design of their shirts on a regular basis, and as the transaction was carried out when many clubs were doing so, –ZAO- Sport quickly found out that much of the new inventory could not be sold. Potential customers preferred to wait to buy new designs.

Two years later, the payables of –ZAO- Sport petitioned the Arbitrazh Court for the bankruptcy of the company. In the course of the subsequent bankruptcy process, it was discovered that Sergei's brother-in-law owned a 28% stake in the company that supplied the football shirts.

Required:

- (a) **Discuss the implications of the sale of the warehouse.** (5 marks)
- (b) **Discuss the implications of the transaction between –ZAO- Sport and –ZAO- Shirt.** (5 marks)

(10 marks)

End of Question Paper