

Fundamentals Level – Skills Module

# Corporate and Business Law (Russia)

Monday 9 December 2013



**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 consists 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 purpose and significance of the Constitution. (6 marks)
  - (b) Explain the different forms that legislation may take. (4 marks)
- (10 marks)**
- 2 In relation to the law of obligations:**
- (a) Define the term 'non-contractual obligation' and explain two examples of how non-contractual obligations may arise. (3 marks)
  - (b) Explain the matters that will be considered by the court in deciding whether or not a party has incurred a non-contractual obligation to another party. (7 marks)
- (10 marks)**
- 3 In relation to employment law:**
- (a) Explain the process through which a labour agreement is created. (3 marks)
  - (b) Explain how a labour agreement can be modified. (3 marks)
  - (c) Explain how a labour agreement can be terminated. (4 marks)
- (10 marks)**
- 4 In relation to voluntary representation:**
- (a) Describe the rights and obligations of the parties named in a power of attorney. (5 marks)
  - (b) Describe the rights and obligations of the parties to a contract of commission. (5 marks)
- (10 marks)**
- 5**
- (a) Explain the meaning and effect of separate legal personality. (6 marks)
  - (b) Describe the circumstances in which separate legal personality will be ignored. (4 marks)
- (10 marks)**

**6 In relation to capital and financing:**

(a) Explain the purposes of capital. (3 marks)

(b) Describe the process through which a joint-stock company may reduce its capital. (5 marks)

(c) Explain the statutory provisions that protect the creditors of a joint-stock company if it decides to reduce its capital. (2 marks)

**(10 marks)**

**7 In relation to corporate governance:**

(a) Explain the meaning and scope of corporate governance. (4 marks)

(b) Describe any THREE potential consequences that may be experienced by a joint-stock company which fails to adopt appropriate standards of corporate governance. (6 marks)

**(10 marks)**

**8** Peter is an individual entrepreneur. His business is moderately successful, but in recent months he has experienced temporary cash flow difficulties. This problem has resulted in his failure to meet the last two monthly repayments due on a mortgage.

Peter entered into the mortgage contract six years ago. Although the finance provider had a bad reputation, it was the only lender willing to lend him the money he required at the time. The total sum outstanding on the mortgage is approximately 25% of the value of the real estate which secures the contract.

The finance company has written to Peter stating that as he has missed two repayments, the whole of the debt is now due immediately. It explains that as that owner of the real estate, the finance company can now sell the property at once, together with any belongings which are in it if he does not remove them. The letter urges Peter to repay the loan at the first opportunity, as failure to do so will result in the sale of the property to the first buyer who is prepared to offer any price in excess of the outstanding loan, and he will lose everything.

**Required:**

**With reference to the provisions of the Civil Code on securing obligations, analyse the extent to which the finance company can enforce its proposed actions.**

**(10 marks)**

**9** Natasha and Nikita have decided to start a business. They intend to provide highly specialised back office support services to internet-based businesses.

Rosa, Natasha's mother, is wealthy and is prepared to help them financially, although she has no understanding of the actual business that they propose to start and is reluctant to get involved directly. She has informed Natasha and Nikita that she will help them to start the business but expects a return on her investment. She has also stated that she will not commit herself to support them indefinitely.

Nikita has only a small amount of money to invest and no assets, but has a higher level of technical competence than Natasha.

**Required:**

**(a) Discuss the advantages and disadvantages of setting up the business as a commandite partnership.**

(5 marks)

**(b) Discuss the advantages and disadvantages of setting up the business as a limited liability company.**

(5 marks)

**(10 marks)**

**10** –OAO– Clothes is a fashion retailer, with 300 shops in various large cities and towns. The company is highly successful and has grown rapidly, with total assets of 3.500 million roubles.

The directors of –OAO– Clothes have been discussing the possible acquisition of stores currently owned by –OAO– Garb, a competitor. This company has struggled to maintain market share and has decided to divest its clothing stores in order to concentrate on its other core businesses. It has been agreed that –OAO– Clothes will pay 2.000 million roubles, and the acquisition of the stores will give the company a very dominant position in the market place. However, it will be necessary for –OAO– Clothes to increase its gearing significantly in order to complete the transaction.

The directors of –OAO– Clothes have also decided to rationalise the company's supply chain by entering into a five-year contract with –OAO– Fabric, which will become the sole supplier of cotton and denim products.

Some of the shareholders have become aware of these initiatives and have written to the company expressing their reservations, considering both proposals to be extremely risky. They feel that the acquisition of stores from –OAO– Garb is sufficiently important to be referred to a shareholders' meeting. It has also been pointed out by one prominent shareholder that several of the directors of –OAO– Clothes hold equities in –OAO– Garb.

**Required:**

**Explain the provisions of the Federal Law on Joint-Stock Companies that are relevant to the proposals, and discuss the extent to which the interests of shareholders are protected.**

**(10 marks)**

**End of Question Paper**