

Fundamentals Level – Skills Module

# Corporate and Business Law (Russia)

Tuesday 2 December 2008

**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)

# ACCA

**ALL TEN questions are compulsory and MUST be attempted**

**1 In relation to the Russian legal system:**

- (a) Explain the process through which a legislative proposal becomes a federal law. (6 marks)
- (b) Identify the factors that limit the content of a proposed new law. (4 marks)

**(10 marks)**

**2 In relation to contract law:**

- (a) Describe what is meant by 'freedom to contract' and explain the limitations that exist under Russian law in respect of this freedom. (6 marks)
- (b) Explain the ways in which a contract may be terminated. (4 marks)

**(10 marks)**

**3 In relation to employment law:**

- (a) Explain the circumstances in which it may be appropriate for an employer to enter into a fixed term labour contract with an employee. (4 marks)
- (b) Explain the alternative outcomes that may arise on expiry of a fixed term labour contract. (4 marks)
- (c) Explain the consequences of creating a fixed term labour contract without there being a valid reason for doing so. (2 marks)

**(10 marks)**

**4 In relation to representation:**

- (a) Define what is meant by a contract of commission and explain the rights and obligations created by a contract of commission. (7 marks)
- (b) Define the term '*del credere* agent' and explain the role of a *del credere* agent who participates in a contract of commission arrangement. (3 marks)

**(10 marks)**

**5 In relation to the management and administration of a company:**

- (a) Explain what is meant by a 'transaction in which there is an interest'. (4 marks)
- (b) Explain the process through which a transaction in which there is an interest is approved. (2 marks)
- (c) Explain the matters that are specifically excluded from the definition of transactions in which there is an interest. (4 marks)

**(10 marks)**

**6 In relation to company insolvency:**

- (a) Explain the role and responsibilities of an external manager.** (6 marks)
- (b) Explain the alternative outcomes that may arise once the work of an external manager has been completed.** (4 marks)

**(10 marks)**

**7 In relation to corporate governance:**

- (a) Explain the matters that fall within the exclusive competence of the general meeting of shareholders of a company limited by shares.** (5 marks)
- (b) Explain how the powers and accountabilities of a sole executive body of a company limited by shares are determined.** (5 marks)

**(10 marks)**

**8** ZAO Picture is a specialist company that deals in works of art. It acquired three paintings signed by a famous artist and decided to make these available for sale.

The company sent letters to Nikolai, Peter and Svetlana stating the following:

‘ZAO Picture is prepared to offer you an exclusive bargain. You have the opportunity to purchase a signed painting (full description given) by the famous artist Chaikin for 500.000 roubles. In order to secure your purchase please reply, enclosing full payment, by 13.00 hours on 1 February 2008’.

Nikolai replied to the letter and sent full payment for the painting, but his reply did not reach ZAO Picture until 3 February 2008. Peter’s response was to send a remittance of 450.000 roubles, with a letter stating that he was prepared to purchase the painting but as a valued customer expected a discount of 10%. Svetlana did not reply, but the general director of ZAO Picture was certain that as an enthusiastic art collector she would wish to accept the offer and sent her a painting with an invoice for 500.000 roubles.

**Required:**

- (a) Explain whether the letters sent by ZAO Picture to the three clients were offers which, if accepted, formed the basis of binding contracts.** (4 marks)
- (b) Explain whether contracts have been concluded with Nikolai, Peter and Svetlana.** (6 marks)

**(10 marks)**

- 9 OAO Sportclub is a high profile sports and leisure company that owns a professional football club. The club has enjoyed considerable success in the last three seasons. Revenues from spectator attendances have increased and sales of merchandise have become highly profitable. Konstantin is the club's major shareholder. He has injected new capital in recent years, but he now has to decide how to fund ambitious and costly expansion plans for the stadium and sports facilities. His preferred approach is to issue new shares in order to raise capital, and he feels that the club's supporters would be prepared to invest for this purpose. However, Konstantin does not want to reduce his own personal influence in the company. Marina is the company's finance director. She has suggested that the company should consider issuing bonds in order to raise the necessary funds.

Both Konstantin and Marina are aware that the financial performance of a sporting enterprise can change quickly and feel that they need to seriously consider the implications of each option before any decision is taken.

**Required:**

**Analyse the legal rights and obligations that will be created by funding the company's future plans by issuing new shares and those that will be created by funding the plans by issuing company bonds.**

**(10 marks)**

- 10 Sven, Trudi, Uri and Viktor are four business colleagues who have been running a successful business in Scandinavia for several years. Their company operates a chain of retail outlets that sell premium teas and coffees, with high quality, healthy lunches and dinners. They now wish to introduce their business model to large cities in Russia.

All four colleagues have agreed that they do not wish to expose their personal assets to risk but are prepared to make substantial personal investments to capitalise the new business. They are unsure of the best business form to adopt. Sven and Trudi favour the flexibility offered by the partnership form but acknowledge that the business has the potential to grow very rapidly which may create a need for external capital. Uri and Viktor are highly ambitious and see their business as eventually becoming a major recognised brand throughout Europe, enabling them to accumulate wealth for themselves and their children.

All of them agree that it will be inevitable that new investors will be needed eventually. They wish to control the business but do not have concerns about bringing in outside participants should this become necessary.

**Required:**

**Explain the alternative business forms that should be considered for the new enterprise, identifying their legal characteristics and the relevance of these to the investors.**

**(10 marks)**

**End of Question Paper**