

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Tuesday 2 June 2009

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 (a) Explain the purpose, functions and structure of the courts of arbitration. (7 marks)
- (b) Discuss the extent to which the decisions in cases heard previously in the courts will affect decisions in current cases. (3 marks)
- (10 marks)**
- 2 In relation to the law of contract, state and explain the circumstances under which an individual or entity that is not a party to a contract can enforce the obligations under the contract. (10 marks)
- 3 In relation to employment law:
- (a) State and explain the provisions of the Labour Code in respect of definite term labour agreements. (5 marks)
- (b) State and explain the provisions of the Labour Code in respect of probationary employment. (5 marks)
- (10 marks)**
- 4 In relation to the management and administration of companies limited by shares:
- (a) State and explain what is meant by a major transaction. (4 marks)
- (b) Explain the process through which a major transaction should be approved. (4 marks)
- (c) Explain how the law protects the interests of shareholders in respect of major transactions. (2 marks)
- (10 marks)**
- 5 In relation to capital and financing:
- (a) Explain the main characteristics of ordinary shares and preference shares. (5 marks)
- (b) Describe the process through which a company limited by shares may increase or reduce its share capital. (5 marks)
- (10 marks)**
- 6 In relation to the law of insolvency:
- (a) Explain the conditions that must be fulfilled in order to initiate insolvency proceedings against a company. (4 marks)
- (b) Explain how the financial interests of creditors are protected during the insolvency process. (6 marks)
- (10 marks)**

7 In relation to company law and corporate governance:

- (a) Explain the meaning and significance of a legal entity having a separate legal personality.** (5 marks)
- (b) Discuss the implications of separate legal personality for effective corporate governance.** (5 marks)

(10 marks)

8 Rosa and Dimitri are the parents of two children.

Their daughter Anna is 17 years old and has asked her parents for permission to marry her boyfriend Alexei. Anna's next birthday is in 11 months' time.

Their son Peter is 21 years old. He has had numerous personal problems, including convictions for theft. His various addictions have also led him to steal from his family, causing considerable financial difficulties for them.

Required:

- (a) Discuss the legal implications of Rosa and Dimitri's decision to allow Anna to marry in relation to Anna's legal capacity.** (4 marks)
- (b) Explain the extent to which the provisions of the Civil Code can be invoked by Rosa and Dimitri in order to protect themselves if Peter's personal problems continue to affect their situation.** (6 marks)

(10 marks)

9 ZAO Grow is a rapidly developing company that manufactures and retails sports and leisure goods. In order to achieve its performance targets for the next two years, ZAO Grow has to raise new capital.

Vladimir is the general director of ZAO Grow. He has approached Loan Bank for funding. The bank will only provide loan facilities if ZAO Grow is prepared to grant a legal mortgage over its head office building, or alternatively if Vladimir's wealthy father will give a personal guarantee to underpin the lending contract.

Required:

- (a) Explain the nature of the two types of security sought by Loan Bank.** (6 marks)
- (b) Explain the potential risks and consequences of these types of security for the parties involved.** (4 marks)

(10 marks)

- 10** OAO Office is a large company that sells office supplies to businesses in large cities and towns. In recent times the company has become less reliant on sales through retail shops and has concentrated on selling its products through alternative channels to market, such as the internet and direct postal sales. Two consequences of this have been an increase in the disposals of non-current assets, such as shops owned by the company, and acquisitions of land for centralised warehousing and other purposes.

At the most recent general meeting, several shareholders raised their concerns that OAO Office was buying and selling land for speculative purposes. Their view was that the directors were carrying out an unacceptable number of deals in real estate that would expose the company to unacceptable levels of risk. It was pointed out that the Charter of the company specifically confines its activities to selling office supplies. The views of these shareholders are supported by the fact that a significant proportion of the company's income had been generated by transactions in real estate.

Required:

- (a) Explain the actions that may be taken by the shareholders who object to the increasing involvement of OAO Office in land deals. (6 marks)
- (b) Explain the consequences to OAO Office, its directors and any counterparties to contracts with the company, if specific land deals are proven to be inconsistent with the provisions of the Charter. (4 marks)

(10 marks)

End of Question Paper