

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Tuesday 7 December 2010

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) Describe the sources of law in the Russian Federation. (6 marks)

(b) Explain the role of judges in the courts of the Russian Federation. (4 marks)

(10 marks)

2 In relation to non-contractual obligations:

(a) Explain the provisions of the Civil Code that determine whether a non-contractual obligation arises between two parties. (4 marks)

(b) Describe the consequences that arise when a party is deemed to bear a non-contractual obligation to another party, and any factors that may limit these consequences. (6 marks)

(10 marks)

3 In relation to employment law, explain the grounds and circumstances under which a labour agreement may be terminated.

(10 marks)

4 In relation to limited liability companies:

(a) Explain the characteristics of a limited liability company. (5 marks)

(b) Explain the provisions of the Civil Code in respect of the matters that can only be decided by the shareholders of a limited liability company acting collectively in a general meeting. (5 marks)

(10 marks)

5 In relation to the management and administration of limited companies:

(a) Describe the duties and powers of the internal audit commission. (6 marks)

(b) Explain how the role of the external auditor differs from the role of the internal audit commission. (4 marks)

(10 marks)

6 In relation to companies limited by shares:

(a) Explain the rights of ordinary shareholders. (3 marks)

(b) Explain the rights of preference shareholders. (3 marks)

(c) Explain the rights of providers of long-term capital. (4 marks)

(10 marks)

7 In relation to corporate governance:

(a) Define what is meant by corporate governance. (3 marks)

(b) Explain the significance of corporate governance for open companies limited by shares. (7 marks)

(10 marks)

8 Ivan is an antiques dealer. He imported two extremely rare statues, created by the same sculptor, and placed an advertisement in a specialist magazine offering them for sale at a price of 1 million roubles per statue.

Ekaterina replied to the advertisement immediately by post, agreeing to pay 1 million roubles to purchase one statue. However, she then had doubts about whether the statue would be a good bargain and sent a fax on the same day that her letter was despatched to say that she had changed her mind.

On the same day, Leonid replied to the advertisement by post, confirming that he would be prepared to pay 800.000 roubles for one statue.

Having been away on a business trip for a few days, Ivan arrived at his office and read the letter and fax sent by Ekaterina and the letter sent by Leonid. He sent faxes to both customers confirming that he would supply the statues immediately. In the fax to Ekaterina he informed her that her fax could not cancel the deal as she had accepted his offer.

On the same morning, Nikolai visited Ivan and offered to purchase both statues for 1.5 million roubles each. Ivan accepted this proposal and sold the statues immediately.

Required:

Advise Ekaterina, Leonid and Nikolai whether or not they have entered into legally binding contracts.

(10 marks)

9 Natasha is an experienced producer of drama, and her plays have been highly successful in major cities and towns in recent years. She has decided to embark on a highly ambitious production that will require a substantial investment. Despite her impressive record, Natasha's usual sponsors have been unwilling to commit themselves to financing her new proposal, considering it to be too risky.

In order to develop this project further, Natasha has held meetings with Maria, who has indicated that she may be prepared to provide finance. Maria is moderately wealthy but wishes to limit her financial exposure to the risks presented by Natasha's proposal. She has suggested that they should form a legal entity in order to develop and stage the production. Although she has not ruled out collaborations in the future, Maria is unsure whether her commitment will extend beyond this particular project. Other than providing finance and taking a reasonable financial return, Maria is not willing to get involved in the project itself.

Required:

Discuss the advantages and disadvantages of the alternative business forms that could be adopted by Natasha and Maria.

(10 marks)

- 10** Alexander has been the general director of -ZAO- JKL for three months. He has a fixed term contract with the company that expires in 21 months time. On his appointment he was considered to have all the necessary skills to make the company more competitive. As Alexander owns 12% of the shares in the company, he was also regarded as a person who would be highly committed to the future of -ZAO- JKL.

The internal auditor recently informed the board of directors of some disturbing facts. In the course of their duties they discovered that Alexander had records of ongoing discussions with key executives of -ZAO- PQR, the company's main competitor. These records included notes that contained sensitive information on the sales performance and marketing plans of -ZAO- JKL, and it was quite clear that these had been discussed with the executives of the competitor.

When the board of directors asked Alexander for an explanation of his actions, he replied that his actions were totally appropriate as it was common business practice to interact with other influential people in the industry and that there would be benefits for both companies.

The board of directors was not satisfied with Alexander's explanation and decided that they would need to consider Alexander's future position in the company, as well as any action that might be taken to remedy any losses inflicted on the company by his actions.

Required:

(a) Discuss the potential actions that may be instigated by -ZAO- JKL against Alexander. (6 marks)

(b) Discuss the actions that Alexander may take to defend his position. (4 marks)

(10 marks)

End of Question Paper