

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Monday 12 December 2011

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 proposal for new legislation becomes a federal law.** (6 marks)
 - (b) Describe the factors that limit the powers of the Russian legislature to enact new federal laws.** (4 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 the provisions of the Labour Code in respect of fixed-term labour agreements.**

(10 marks)

- 4 In relation to company law:**
 - (a) Explain the meaning and significance of separate legal personality.** (5 marks)
 - (b) Explain the process through which a company limited by shares is formed.** (5 marks)

(10 marks)

- 5 In relation to capital and financing of companies limited by shares:**
 - (a) Explain the purposes of capital.** (4 marks)
 - (b) Explain the legal requirements that must be fulfilled if a company wishes to reduce its Charter capital.** (6 marks)

(10 marks)

- 6 In relation to the management and administration of companies limited by shares:**
 - (a) Explain any TEN matters that fall within the exclusive competence of the general meeting of shareholders.** (5 marks)
 - (b) Describe how decisions are taken by the general meeting of shareholders.** (5 marks)

(10 marks)

- 7 (a) Explain the meaning and scope of the term 'corporate governance'. (6 marks)
- (b) Describe the role of the following bodies in relation to promoting best practices in corporate governance:
- (i) The internal auditors; (2 marks)
 - (ii) The external auditors. (2 marks)

(10 marks)

- 8 Alexander is the chief executive officer of –OAO- Trade. While driving back from a business meeting to his company's head office, Alexander lost control of his company car. The car collided with a vegetable stall by the side of the road before hitting the shop front of a restaurant, causing considerable damage to the vegetable stall and the restaurant.

The owner of the vegetable stall claimed that the accident destroyed all of his stock, valued at 50.000 roubles. Alexander quickly wrote, signed and dated a note acknowledging that the company would pay 50.000 roubles to the owner of the vegetable stall, which was countersigned by the owner of the vegetable stall. Alexander agreed with the owner of the restaurant that any claim should be submitted to –OAO- Trade in writing.

Four days later, –OAO- Trade received a letter from the owner of the vegetable stall claiming that the damaged inventory was worth 75.000 roubles and that it would be claiming this sum from the company. The company also received a letter from the owner of the restaurant claiming 100.000 roubles for the damage to the front of the building, 50.000 roubles to replace furniture destroyed in the accident and 200.000 roubles for business that would be lost in the next three months while the restaurant was being repaired.

Required:

Discuss the extent to which –OAO- Trade and Alexander personally would be liable in respect of the claims made by the owner of the vegetable stall and the owner of the restaurant.

(10 marks)

- 9 Anna, Oleg, Peter, Rosa and Viktoria are partners working together in a general partnership. The business has been operating profitably for two years. However, there have been arguments between the partners about the amount of work each contributes to the business.

At an informal meeting attended by Anna, Oleg, Rosa and Viktoria, it was suggested that Peter had been putting much less effort into the business than the other partners. Anna suggested that steps be taken to dismiss Peter from the partnership. Oleg and Rosa agreed with this proposal, but Viktoria was opposed to this, arguing that Peter contributed valuable ideas to the business. They agreed to discuss the matter in the near future.

A few days after the meeting, Anna died in an accident. Anna's daughter Svetlana, her legal heir, subsequently made it clear that she wished to take over Anna's position in the partnership. None of the surviving partners wished to work with Svetlana, who had no relevant business experience.

Required:

- (a) Analyse the courses of action that may be taken by the partners in relation to their disagreement on whether to dismiss Peter from the partnership. (5 marks)

- (b) Explain whether the partners can prevent Svetlana from becoming a partner. (5 marks)

(10 marks)

- 10** –OAO- Relax is a company that operates a chain of hotels and leisure centres in several towns and cities throughout Russia. Last year, –OAO- Relax appointed Tamara, a new chief executive officer, who persuaded the board of directors to diversify the business by setting up a chain of health clubs. Despite scepticism in the media and opposition from some of the shareholders, Tamara proceeded with the plans.

The outcome of the diversification has been a disaster. The health clubs failed to attract sufficient business to cover their costs and proved to be a drain on the company's resources. –OAO- Relax is faced with the prospect of closing down the health clubs, or selling off this part of the business at a huge loss.

A group of shareholders that collectively holds 8% of the shares in –OAO- Relax believes that the initiative has caused irreversible damage to the company. They have been backed by three of the company's ten directors, who consistently opposed the initiative only to be outvoted by their colleagues on the board. These directors argue that their colleagues who backed Tamara's ideas made no real effort to understand the market and simply went along with Tamara's proposals. These directors are willing to provide documentary evidence that the decisions that were taken were based on incomplete and inaccurate information.

Required:

- (a) **Explain the actions that the shareholders who own 8% of the shares in –OAO- Relax could take to address their concerns.** (5 marks)
- (b) **Discuss the potential accountability of Tamara and the other directors of –OAO- Relax for the losses sustained by the company.** (5 marks)

(10 marks)

End of Question Paper