Answers

1 The purposes of this question were to test the candidates' knowledge of the role and structure of the courts of general jurisdiction and the demarcation in the responsibilities of these courts and the courts of arbitration.

(a) Chapter 7 of the Constitution set out the structure of the courts of general jurisdiction.

At the lowest level in the hierarchy are the city and municipal courts operating at district level. They deal with the most routine cases as courts of first instance. They deal with civil, criminal and administrative matters.

The next level in the hierarchy comprises the supreme courts of the republics of the Russian Federation, regional courts, the city courts of Moscow and St Petersburg and courts of autonomous districts and regions. These courts deal with more serious penal cases that fall outwith the first level. They also hear appeals in respect of decisions of lower courts. In doing so they may assess the validity of lower court decisions and decide whether such decisions are consistent with the law.

The Supreme Court of the Russian Federation stands at the highest level in the hierarchy. It is a court of first instance for very complex penal and civil cases. It is the court of final appeal on decisions of subordinate courts.

Any matters that do not fall within the jurisdiction of the constitutional court or the arbitration courts must be dealt with by the courts of general jurisdiction. Therefore, the courts of general jurisdiction deal with the largest number of cases and the widest range of cases.

(b) The role of the courts of arbitration is summarised in Article 127 of the Constitution, which states:

'The Higher Arbitration Court of the Russian Federation shall be the supreme judicial body for settling economic disputes and other cases examined by courts of arbitration, shall carry out judicial supervision over their activities according to federal law-envisaged procedural forms and provide explanations on the issues of court proceedings.'

Therefore, the courts of arbitration deal with disputes arising from business dealings. Cases involving two persons or legal entities in the course of entrepreneurial activity fall within their terms of reference. The arbitration court will only deal with cases where both parties have the status of either a legal entity (partnership, company, etc) or individual entrepreneur.

To clarify the jurisdiction of the respective courts further, in order for the case to go before a court of arbitration it is necessary for the subject matter of the case to be related to business dealings, or where the parties are in the course of commercial activity. For example, a case in which a businessman causes injury to a pedestrian while driving home from work is not business related and would therefore be heard by a court of general jurisdiction.

2 The question asked candidates to define the surety as a means of securing obligations, to explain the rights and obligations of a surety and to explain how a surety arrangement can be terminated.

(a) Article 329 of the Civil Code sets down six means of securing obligations. The surety is one of these methods.

Article 361 defines a surety as a contract in which the surety is obliged to discharge an obligation to a creditor if the creditor fails to discharge the obligation. In this way, a collateral contract is created. If the debtor defaults on a pecuniary obligation, the surety becomes answerable for the debt. A contract of surety may also be concluded to provide primary security for an obligation which will arise in the future.

A surety must be executed in written form.

(b) The responsibilities of the surety are set out in Article 363. If a debtor fails to discharge an obligation, or discharges the obligation improperly, the surety and the primary debtor become jointly liable, unless the surety's subsidiary liability is stipulated by the law or by the contract of surety.

The surety is liable to the same extent as the debtor unless the contract between the parties stipulates otherwise. The liability may include interest, expenses incurred in pursuing the debt and other losses caused by failure to discharge or by improper discharge of the debt.

Article 363 also envisages that there may be joint sureties, in which case they are jointly answerable for the obligation.

In instances where the debtor can put forward objections to the contract, the surety is also entitled to rely on such objections (Article 364).

If a surety discharges obligations in lieu of the debtor's failure to do so, any rights under the primary contract may be claimed by the surety. The surety may claim interest and other losses associated with the collateral discharge of the obligation (Article 365(1)).

Article 365(2) entitles the surety to obtain documents relating to the debtor's obligations.

(c) The provisions of the Civil Code in relation to termination of the surety agreement are set out in Article 367.

If the debtor fully discharges the principal debt in accordance with the contract, the surety is released from obligations under the surety agreement.

If the debt is transferred by the creditor to a third party, the surety is terminated unless otherwise provided for in the surety contract.

The surety is terminated if the creditor refuses discharge either by the debtor or the surety.

The surety is terminated on expiry of the term of the surety contract. If no term is stipulated, the surety is terminated one year after the date of expiry of the principal obligation. In turn, if the term of the principal obligation has not been stipulated or cannot be defined, the surety contract is terminated two years after the surety contract was concluded.

3 The question required an explanation of the provisions of the Labour Code relating to general reasons for dismissal and the mandatory circumstances under which a labour agreement must be terminated.

(a) The general reasons for terminating a labour agreement are set down in Article 77 of the Labour Code.

A labour agreement may be terminated by mutual consent of both parties. This is the most common method of terminating a labour agreement.

If the labour agreement is for a definite term, the agreement terminates on expiry of the term. An exception to this occurs if the employee continues to work for the employer after the expiry date.

A labour agreement terminates on the initiative of either the employer or the employee.

If the employee moves to a different job with another employer, or to an elected job on the employee's request or with the employee's consent, the agreement is terminated.

There are numerous instances in which the agreement is terminated on refusal of the employee to accept the employer's request. These are refusal to continue work due to reorganisation, restructuring change of ownership of the organisation's property or change of jurisdiction of the organisation, refusal to continue working due to significant changes in contractual conditions, refusal to transfer on health grounds confirmed by a medical practitioner and refusal to transfer due to relocation of the organisation.

The labour agreement may terminate due to external factors unrelated to the wishes of the parties. Examples are set out in Article 83 and include, *inter alia*, conscription to the military, certain prison sentences and cases of emergency due to catastrophe.

Lastly, the labour agreement terminates if regulations are violated on conclusion of a labour agreement if the violation excludes a possibility of continuing job functions.

(b) Article 76 of the Labour Code specifies five circumstances under which a labour agreement must be terminated.

The employee must be dismissed if he or she comes to the workplace in a state of intoxication.

If the employee has not completed necessary educational requirements and testing of knowledge in the area of labour protection the employee must be dismissed.

The employee must be dismissed if he or she fails to attend an obligatory medical examination.

Building on the last point, if a medical examination confirms that the employee cannot fulfil the requirements of the job the employee must be dismissed.

Lastly, any authority or official empowered to bring about the dismissal of the employee can require the employer to dismiss.

4 The purpose of this question was to test the candidates' knowledge of powers of attorney.

(a) A power of attorney is a widely used method through which an individual may authorise another person to act on his or her behalf. It is a form of voluntary representation envisaged by Article 185 *et seq* of the Civil Code.

The parties to a power of attorney are the donor and the donee (or attorney). The power to act may be general or specific but is always time limited. The maximum term for which a power of attorney may be effective is three years (Article 186, Civil Code). During the relevant period, the attorney has full power to act on behalf of the donor, strictly within the conditions set out in the power of attorney document. In effect, the power of attorney creates an agency.

A power of attorney may be created by an individual or a legal entity, though the right of the latter to do so may be limited by clauses contained in the constitution of the entity (such as a company's Charter).

(b) There are three types of power of attorney.

A general power of attorney authorises one person to act on behalf of another in respect of all matters. Such authorities are often created by elderly persons in order that family members may enter into transactions on their behalf. In business, general powers may be granted to managers of branches of companies.

A special power of attorney confers the right to act only in respect of those matters specified in the power of attorney document. For example, it may confine the attorney to actions in respect of a particular bank, or specified bank account.

A one-time power of attorney may be drawn up so that an attorney can execute a single transaction on behalf of the donor. For example, the donor may need to finalise a property transaction during a period in which he or she will be out of the country.

All powers of attorney must be in writing. In most cases a simple written form is sufficient, but there are instances specified in law in which the power of attorney must be notarised (Article 185). For example, under Article 57 of the Federal Law on Joint-Stock Companies it is necessary to notarise a power of attorney if a proxy is engaged to vote on behalf of a shareholder at a general meeting of shareholders.

Article 185(5) makes specific provisions in relation to the content and form of a power of attorney effected by a company.

(c) Article 188 of the Civil Code sets down the events that will terminate a power of attorney.

The power of attorney terminates immediately on the date of expiry. If the date of expiry is not indicated, this is three years after the document is executed.

A donor is entitled to withdraw authority granted under power of attorney at any time, and this is effective once the attorney is notified. Conversely, the attorney may not be prepared to act and may refuse to act on behalf of the donor.

If the donor or donee loses active capacity, such as where he or she suffers deteriorating mental health, the power of attorney ceases to be valid. This also applies if the donor is missing.

The death of the donor terminates the power of attorney.

In relation to legal entities, the dissolution of an entity terminates the authority of an attorney.

5 The purpose of this question was to test the candidates' knowledge of the procedures for increasing and decreasing share capital, the circumstances under which shareholders may demand redemption of their shares and the procedures for redemption of shares.

(a) Article 28 of the Federal Law on Joint-Stock Companies sets down detailed requirements in respect of increases in share capital.

There are two methods of increasing share capital: increasing the nominal value of issued shares; placing new shares.

A decision to increase the nominal value of existing shares is taken by the general meeting of shareholders, though provisions contained in the Charter may permit delegation of this to the directors. This implies that the shareholders will also have to sanction amendments to the Charter. An increase in capital facilitated by the placing of additional shares is subject to the maximum value of authorised capital as stated in the Charter of the company. This does not require an amendment to the Charter unless the value of the increase in placed shares exceeds the value of (unplaced) authorised capital in the Charter.

When the capital is increased by issuing additional shares, the existing shareholders of the company have a *pro rata* pre-emptive right to the additional shares to prevent indiscriminate dilution of their rights.

Although the law is relatively permissive with respect to increases in capital, certain limits apply. The increase cannot exceed the difference between the net assets of the company and the sum of its Charter capital and reserve fund when a company's authorised capital is being increased at the expense of the company's assets.

It is forbidden to increase the share capital of the company for the sole purpose of dealing with losses (Article 100).

Article 29 governs reductions in share capital.

Consistent with the principles of capital maintenance, the company may be required to reduce its capital under certain circumstances. For a new company, if the capital is not paid up within the maximum time limits it is necessary to reduce the capital to reflect the paid up capital. Thereafter, if the net assets of the company are less than the Charter capital at the end of the second or subsequent accounting year, the capital must be reduced to reflect this. If the capital falls to below the minimum limits, the company has to be reorganised or wound up.

A company may decide to reduce its capital for several reasons, even if not obliged to do so by law. It may consider that the financial accounts of the company do not accurately reflect its true position. The company may decide to repay a shareholder, with his or her agreement, though the right to do so is not automatic and may require amendment of the Charter or a resolution of the shareholders. It may be decided that the company would be better served by reducing share capital and increasing loan capital.

The reduction in capital may be achieved by either reducing the nominal value of shares or by reducing the number of shares.

In order to sanction a board proposal to change the nominal value of shares it is necessary to obtain the approval of the shareholders at a general meeting. This decision is subject to a super-majority vote of at least 75% of shareholders being in favour. The reduction in value must be implemented on a *pro rata* basis.

Article 30 states that any decision to reduce the capital of a company must be communicated to the creditors of the company in writing within 30 days of the decision. The notice must state the amended value of the Charter capital. The creditors are then entitled to demand the discharge of obligations within 30 days of receipt of this notice. The company must also make a press announcement in respect of the decision.

(b) The shareholders may demand that the company redeem their shares if the company is reorganised, if a major transaction is concluded or if any amendment is made to the Charter that materially alters their rights.

The board of directors decides on the price at which the shares will be redeemed. However, this may be no lower than the market value of the shares. The market value must be assessed by an independent appraiser. The appraiser must ignore the potential effect of the demand to redeem on the estimation of value. The appraiser must also ignore variations resulting from the actions of the company that triggered a right to claim share valuation and buy out.

In instances where a general meeting is called to decide on any matter that may trigger a right to demand the redemption of shares, the agenda issued to the shareholders in advance of the meeting must advise the shareholders to whom it is addressed of the redemption price and the procedure for redemption.

The demand to redeem shares must be communicated to the company within 45 days of the decision. The notice must stipulate a postal address of the shareholder and the number of shares to be redeemed.

6 The question asked candidates to define a transaction in which there is an interest, and to explain the process through which the transaction is approved and the consequences of violating the legal requirements for sanctioning the transaction.

(a) A transaction in which there is an interest is a transaction that may potentially be influenced by the personal interests of a shareholder, or senior manager of a joint-stock company.

Articles 81–84 of the Law on Joint-Stock Companies sets down the law on transactions in which there is an interest.

Article 81 specifies the persons who may be deemed to be interested in a transaction:

(1) Members of the board of directors (supervisory board).

(2) The sole executive body, which may be a managing director, members of a managing organisation and members of a collective executive board.

(3) Shareholders owning together with affiliates at least 20% of the voting shares of the company.

(4) Those who can give authorities that are binding on the company.

These parties or their family or affiliates are deemed to be interested in a transaction if they:

(1) Are party to the transaction or benefit from it.

(2) Participate as a representative or intermediary in the transaction.

(3) Own, individually or collectively with other interested parties, at least 20% of the voting shares in a legal entity that is a party, beneficiary, representative or intermediary to the transaction.

(4) Hold positions in managerial bodies of a legal entity that is a party, beneficiary, representative or intermediary to the transaction.

When these criteria are met, the interested parties have a duty to disclose their interests to the board of directors, internal audit commission (if appropriate) and the auditor of the company.

A transaction is not to be regarded as one in which there is an interest in the following cases:

(1) Any transactions of a company that has a sole shareholder who also performs the duties of the sole executive body.

(2) Where all shareholders of the company are interested parties.

(3) Transactions concerning the pre-emptive rights of existing shareholders to buy additional shares in the company.

(4) Repurchases of the company's own shares.

(5) Redemptions of issued shares are excluded.

(6) In the case of a re-organisation of the company in the form of a merger (affiliation) of companies.

(7) Transactions whose carrying out is obligatory for the company in accordance with federal laws and/or other legal acts of the Russian Federation and the settlements on which are made at fixed prices and tariffs established by the bodies authorised in the field of the state regulation of prices and tariffs.

(b) Transactions in which there is an interest should be put before the board of directors (supervisory board) or the general meeting of shareholders and only sanctioned if deemed appropriate and in the best interests of the company.

Directors who are interested parties may not vote on the matter.

If there are insufficient non-interested parties on the board of directors, the transaction must be considered by the general meeting of shareholders.

Interested transactions that the general meeting of shareholders must consider include:

(1) Transactions in which all of the directors are interested.

(2) Transactions in company property where the value exceeds 2% of the book value of the company's assets as at the most recent reporting date.

(3) Transactions placing new shares comprising at least 2% of issued shares.

Shareholders deemed to be interested in the transaction are excluded from voting on the matter.

The Charter of the company may place further requirements or limits on these transactions.

(c) In the event of violation of the procedures required to approve a transaction in which there is an interest, the transaction by the company is null and void.

Any interested party may be held liable by the company and may therefore have to compensate the company for damage arising from the transaction. Legal action may be instigated by the shareholders or the company itself. The measure of damage is the loss caused to the company.

If more than one interested party is in violation of the procedures, any losses are their responsibility on a joint and several basis.

7 The question asked candidates to explain the purposes of observation, describe the observation process and explain the alternative outcomes of observation.

(a) Observation is the initial stage of the insolvency process and as such is governed by the Law on Insolvency.

The purposes of observation are to protect the assets of the company while the true position of the company is determined by an interim manager.

(b) The observation stage commences when the court of arbitration has ruled that the insolvency procedure must be invoked.

The interim manager is appointed to take control of the company. As such, the manager is entitled to be provided with all documents and other evidence necessary to complete his duties. The management of the company is obliged to cooperate with the interim manager.

The manager gathers information on accounts payable and receivable, thereby enabling a list of creditors to be compiled. At the same time, any claims against the company are frozen. This has the effect of ensuring that the company cannot fail in the short term, and also prevents any undue settlement of obligations ahead of the due priority as set out in the provisions of the Civil Code on ranking of creditors.

The observation process does not result in the activities of the company coming to an end immediately. Normal business can continue, subject to various restrictions.

Employees can be paid their salaries and any compensation owed by the company. Managers can only be dismissed if leave to do so is granted by the court. Scheduled repayments on loans can be paid if the interim manager gives consent. The company can acquire or divest assets whose value does not exceed 5% of total assets as determined with reference to the last financial accounts of the company.

During observation the company is forbidden from making payments to shareholders. It is also not allowed to offset receivables against obligations. Sourcing new loan capital is not permitted, even if there are prospective investors willing to inject funds into the company. The company cannot be reorganised for the time being. It cannot create new legal entities.

The interim manager has the power to ask the court to set obligations aside and to invalidate claims altogether if appropriate.

(c) If recovery of the company is a possibility, financial rehabilitation may be instigated through the formulation and implementation of a recovery plan, overseen by an administrative manager. The plan has to be submitted to the creditors, along with evidence to corroborate that the measures proposed are practicable. The plan must demonstrate that the company will be able to meet its existing financial commitments.

Financial rehabilitation enables a company to survive, but it is not a common outcome of the observation.

If financial rehabilitation is not possible, an external manager may be appointed to manage the company for a specified period. The maximum period for external manager is usually 18 months, though this can be extended by six months if appropriate. External management will only be invoked if recovery is a possibility. It is not appropriate in 'no hope' situations where liquidation is inevitable.

The external manager has broad powers, including the implementation of downsizing options through closures of branches or units, as well as other cost containment and reduction methods.

If external management is successful in reviving the financial viability of the company, the external manager is replaced by a permanent management structure.

The company may be able to reach a compromise with its creditors. This may be concluded by the external manager or arranged between the creditors and the company. A compromise may even be possible after a decision to liquidate the company is made.

Ultimately, a common outcome of observation is the liquidation of the company. This decision leads to the company being wound up, the realisation of its assets and the remaining assets being distributed according to the ranking of claims set down in the Civil Code and other legislation.

8 The question asked candidates to apply their knowledge of contract law to a scenario in which two different breaches of contract occurred.

The law relating to obligations is set down in the Civil Code. Articles 393 and 394 of the Civil Code are relevant to both parts of the scenario, as they set down the basic rules for the award of damages.

(a) In the first part of the scenario, Anna has discovered that a contract to write a textbook has proved to be too demanding and has notified the client organisation that she is unable to fulfil the contract. However, she has completed a quarter of the writing and therefore expects to receive a quarter of the fee, assuming that the contract can be enforced on a *pro rata* basis.

Anna's failure to deliver the textbook is a clear breach of contract and she cannot assume that the company will remunerate her for the writing that she has completed. In this case, part performance may be unacceptable to ZAO Learnfast. For example, it may now be difficult or impossible to find an author who will complete a partly finished work, or may decide that Anna's failure to deliver will result in an unacceptable delay.

ZAO Learnfast can therefore choose to walk away from the contract without obligation as Anna has materially deprived it of its rights.

The company may also be able to claim financial damages from Anna if it incurs losses or missed profits as a result of her breach. For example, losses may be incurred due to having to pay an alternative author a higher fee for assuming responsibility for the work at short notice. Missed profits could arise from late publication of the finished text.

(b) Yevgeni has been informed by ZAO Learnfast that the textbook it has commissioned is no longer required and has offered a fee in proportion to the work he has completed. In withdrawing from the contract, the company will incur obligations to Yevgeni that may not be reflected fairly in the proportionate fee offered.

In accepting the commission, Yevgeni may have declined work for other clients, anticipating that the writing task will take a certain number of days. He may even have declined work that would be more remunerative than the contract with ZAO Learnfast.

Just as Anna cannot assume that a proportionate fee is appropriate, ZAO Learnfast cannot assume that it can discharge its obligation to Yevgeni by paying a quarter of the fee for a quarter of the work. Yevgeni is able to claim losses and missed profits caused by the withdrawal of ZAO Learnfast from the contract.

In considering compensation due to the respective injured parties in these cases, the court would expect that reasonable steps would have been taken to mitigate the losses. In the case of Anna's breach of contract, ZAO Learnfast would have to convince the court that it has sought alternative solutions for completion of the text in a timely and appropriate manner. If it commissioned an author to write at a vastly inflated fee, this would be a clear exploitation of Anna's right to expect a proportionate solution to the breach. Conversely, Yevgeni would be expected to take reasonable steps to replace the work expected of him.

Article 404 of the Civil Code insists that the injured party takes reasonable steps to minimise the effects of the breach. Article 406 of the Civil Code requires the injured party not to exacerbate losses by delaying actions that would reduce the losses.

9 The question tested the candidates' understanding of the law relating to a *commandite* partnership and their ability to apply it to a scenario in which two partners breached their legal obligations.

A *commandite* partnership is an enterprise that consists of one or more general partners and at least one investing partner. The general partners bear unlimited liability to the full extent of their personal assets. Investing partners enjoy limited liability and can only be held liable up to the value of the investment in the business. The rights and obligations of the partners are set out in a formal agreement between them.

The law relating to *commandite* partnerships is set down in Articles 82 to 86 of the Civil Code.

The general partners have a right to represent the partnership and act on its behalf subject to the terms of their constituent agreement. When entering into business deals, third parties would be expected to take reasonable steps to assure themselves that partners have the power to bind the partnership.

By contrast, Oleg is an investing partner and is not permitted to engage in the day-to-day business of the partnership (Article 84(2), Civil Code). He is only able to invest in the business and take profits.

The general partners bear unlimited liability for their actions on a joint and several basis. Therefore, these partners are potentially liable for the transaction entered into by Boris as it exceeded the 500.000 roubles limit permitted by any partner. Arguably, as the supplier had dealt with the business before, it would expect Boris to have the authority to make the deal on the partnership's behalf. Therefore, Boris and Maria would be liable for the transaction with unlimited liability. Oleg would only bear liability to the extent of his investment.

However, as Oleg has taken an active role in the business by concluding a contract, he is personally liable for this contract with the supplier of electrical fittings for the home. Furthermore, his actions render him liable as if he were a general partner, as by taking part in the business he forfeited the privilege of limited liability. His only hope of escaping the obligation rests with the

prospect of the contract being set aside, as it fell outside the usual business of the partnership. Whether this is the case would be determined by the extent to which the supplier of electrical fittings should have anticipated the need to assure itself of Oleg's authority.

In relation to the breach of the partnership rules, Boris would bear responsibility to the other partners as he instigated expenditure that should have been sanctioned by all of the partners.

10 The question asked candidates to analyse the demands of a prospective General Director who will accept a position in a company only if certain conditions can be agreed.

Generally, Yuri's demand to be able to enter into transactions on behalf of the company would be acceptable, subject to any limitations imposed by the Charter of the company or resolutions of the shareholders. It is quite common for a general director to be able to bind the company without power of attorney. However, this right is not absolute, as Yuri would be forbidden from taking decisions on major transactions and interested party transactions without the approval of the directors, and in some cases the approval of the shareholders (Articles 78 and 81 respectively, Federal Law on Joint-Stock Companies).

Yuri could influence the future composition of the board of directors but could not take decisions on appointments. The appointment of directors is subject to the approval of the shareholders of the company (Articles 48 and 66, Federal Law on Joint-Stock Companies). Likewise, Yuri could not be guaranteed a position on the board of directors for five years, as a general meeting of shareholders would be able to remove him from his position at any time, and at least annually.

The capital structure of the company is set out in its Charter. To amend the Charter it is necessary to secure the approval of the shareholders (Article 12(1), Federal Law on Joint-Stock Companies), though Yuri could make a proposal and argue his case at a general meeting. In any event, some proposed changes in capital structure would be subject to limitations or conditions, such as increases and reductions in capital needing to be sanctioned by board resolution and in some cases the shareholders.

Lastly, unless Yuri invests in bonds in the company, he cannot be guaranteed a minimum return. Ordinary shares are subject to variable dividends, which are reliant on the underlying profitability of the company and the recommendation of the board of directors. Article 42 of the Federal Law on Joint Stock Companies states that dividends must be paid out of net profits. An excessive distribution would be illegal as this would have the effect of diluting the capital of the company. Preference shares may be issued. These would offer Yuri a fixed dividend, but again, this is conditional on the company having made sufficient profits or having other distributable resources to fund the dividend.

The directors should therefore be advised that Yuri's conditions can only partially be met.

1	**(a)**	Role of the courts of general jurisdiction Structure of the courts of general jurisdiction	Up to 2 marks Up to 5 marks (7 marks)
	(b)	Role in settling disputes concerning business Explanation of entrepreneurial activity	Up to 2 marks 1 mark (3 marks) **(Total 10 marks)**
2	**(a)**	Meaning of surety	Up to 2 marks (2 marks)
	(b)	Rights of a surety Responsibilities of a surety	Up to 2 marks Up to 2 marks (4 marks)
	(c)	Each reason for termination of surety	1 mark (4 marks) **(Total 10 marks)**
3	**(a)**	Each reason for termination of contract	1 mark (6 marks)
	(b)	Each requirement for mandatory dismissal	1 mark (4 marks) **(Total 10 marks)**
4	**(a)**	Purpose of power of attorney Effect of power of attorney	1 mark 2 marks (3 marks)
	(b)	General power of attorney Specific power of attorney One-time power of attorney	1 mark 1 mark 1 mark (3 marks)
	(c)	Each way of terminating a power of attorney	1 mark (4 marks) **(Total 10 marks)**
5	**(a)**	**(i)** Methods of increasing and reducing capital	Up to 3 marks
		(ii) Processes to increase and reduce capital	Up to 3 marks (6 marks)
	(b)	Circumstances that enable demand for redemption Procedure for redemption	Up to 2 marks Up to 2 marks (4 marks) **(Total 10 marks)**

6	**(a)**	Definition of transaction	Up to 2 marks
		Criteria applied	Up to 4 marks
			(6 marks)
	(b)	Process for approval	Up to 2 marks
			(2 marks)
	(c)	Transaction declared void	1 mark
		Liabilities of parties to transaction	1 mark
			(2 marks)
			(Total 10 marks)
7	**(a)**	Purposes of observation	Up to 2 marks
			(2 marks)
	(b)	Role of interim manager	Up to 2 marks
		Effects of observation during process	Up to 2 marks
			(4 marks)
	(c)	Financial rehabilitation	1 mark
		External management	1 mark
		Compromise	1 mark
		Liquidation	1 mark
			(4 marks)
			(Total 10 marks)
8	**(a)**	Consequences for Anna	1 mark
		Consequences for ZAO Learnfast	1 mark
		Losses and missed profits	Up to 2 marks
		Duty to mitigate	1 mark
			(5 marks)
	(b)	Consequences for Yevgeni	1 mark
		Consequences for ZAO Learnfast	1 mark
		Losses and missed profits	Up to 2 marks
		Duty to mitigate	1 mark
			(5 marks)
			(Total 10 marks)
9		Rights of each partner	Up to 2 marks
		Obligations of each partner	Up to 2 marks
		Application of law relating to investor	Up to 3 marks
		Analysis on whether contracts are binding	Up to 3 marks
			(Total 10 marks)
10		Decision-taking authority and limitations	Up to 2 marks
		Decisions on board composition	Up to 2 marks
		Guaranteed position on the board	Up to 2 marks
		Decisions on capital structure	Up to 2 marks
		Guaranteed dividends	Up to 2 marks
			(Total 10 marks)