

Fundamentals Level – Skills Module

Corporate and Business Law (Russia)

Tuesday 3 June 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)

The ACCA logo consists of the letters 'ACCA' in a bold, white, sans-serif font, centered within a solid black rectangular background.

ALL TEN questions are compulsory and MUST be attempted

1 In relation to the Russian legal system:

- (a) Explain the purposes and scope of the Constitution of the Russian Federation. (3 marks)
 - (b) Explain the consequences of a conflict between the provisions of the Constitution and the provisions of international laws. (3 marks)
 - (c) Explain the role of codes within the overall framework of Russian law. (4 marks)
- (10 marks)**

2 In relation to contract law:

- (a) State and explain the conditions that must be fulfilled for acceptance for a contract to be formed. (5 marks)
 - (b) State and explain the potential consequences to the individual or entity that is in breach of a contract. (5 marks)
- (10 marks)**

3 In relation to employment law:

- (a) Explain what is meant by 'redundancy', stating examples of situations in which redundancy may arise. (5 marks)
 - (b) State and explain the rights of the employee when a labour agreement is terminated on the grounds of redundancy. (5 marks)
- (10 marks)**

4 In relation to limited liability companies:

- (a) State and explain the essential features of a limited liability company. (6 marks)
 - (b) Describe the matters that must be included in the constitutional documents of a limited liability company. (4 marks)
- (10 marks)**

5 In relation to capital and financing:

- (a) Compare and contrast the rights of ordinary shareholders with the rights of preference shareholders. (7 marks)
 - (b) Explain how a company's relationship with its shareholders differs from its relationship with those who lend to the company on a long-term basis. (3 marks)
- (10 marks)**

6 In relation to the management and administration of companies:

(a) Explain the roles of the external auditor and the internal audit commission. (5 marks)

(b) Explain the legal requirements for the appointment of the external auditor and the internal audit commission. (5 marks)

(10 marks)

7 In relation to company insolvency:

(a) Explain the purposes of observation. (3 marks)

(b) Explain the limitations imposed by law once the observation process commences. (3 marks)

(c) Explain the alternative outcomes of the observation process. (4 marks)

(10 marks)

8 Yuri purchased a property in 2004, raising 60% of the purchase price by way of a mortgage secured on the property. In 2006, Yuri's business failed and he was no longer able to service the repayments due to the bank.

The property was neglected and has fallen into disrepair. It is also situated in an undesirable location. Attempts by the lender to sell the property at public auction failed. Faced with the possibility of making a loss on the contract, the lender is considering two alternative courses of action. Firstly, it will consider selling the property by private agreement to an individual who is willing to pay a sum adequate to cover the outstanding debt and accumulated costs. Secondly, it is prepared to pay Yuri 80% of the guide price originally set by the court, with the intention of carrying out repairs and then selling it at a future date.

Required:

(a) Explain the legal obligations of the lender in respect of the disposal of the property. (5 marks)

(b) Evaluate the alternative courses of action proposed by the lender. (5 marks)

(10 marks)

9 Alexei, Iulia and Leonid are partners in a commandite partnership. Alexei is the investing partner, having contributed capital of 500.000 roubles to the business under the partnership agreement. Iulia and Leonid are general partners. The partnership agreement states that all business will be carried out within the city boundaries of Moscow and that any transaction valued in excess of 750.000 roubles must be sanctioned by both general partners.

Iulia has agreed to purchase raw materials from a company in Ekaterinberg in the name of the partnership for 1.000.000 roubles and has signed a contract with the seller to confirm this. On discovering the transaction, Leonid refused to sanction the payment. Iulia immediately resigned from the partnership in protest at Leonid's action.

Required:

(a) Explain whether the supplier of the raw materials is able to enforce the contract against the partnership. (5 marks)

(b) In the event that the partnership is dissolved before the matter is resolved, explain the potential personal liabilities of the partners for the transaction that Iulia has carried out. (5 marks)

(10 marks)

10 Anna is the executive responsible for information technology in –OAO- Target. Her senior colleagues asked her to participate in confidential discussions regarding the compatibility of the company's information systems with those of a competitor. Representatives of both companies attended the meeting, and from the discussions that took place it was obvious that the companies had entered into merger negotiations. Anna then purchased shares in both companies in anticipation of making a future capital gain.

Nikita inherited a large sum of money from his father. He invested this in the shares of his employer, which is a company listed on the stock exchange, bidding up its share price. Immediately after doing so, he sold the shares for a large profit.

Required:

Discuss the extent to which the actions of Anna and Nikita were legal and ethical.

(10 marks)

End of Question Paper