

LEGAL ENGLISH WORKSHEET: CRIMINAL AND CIVIL LIABILITY OF MANAGERS OF JOINT-STOCK COMPANIES

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Exercise 1 – True or False? Justify your answer.

*Read the following 20 statements regarding corporate liability rules. Determine whether each statement is **True** or **False**, and provide a brief, academic legal justification for your answer in the space provided.*

1. Managers of joint-stock companies are shielded from personal criminal liability because the legal entity bears all responsibility for corporate acts.

Answer: _____

Justification:

2. The offense of abuse of company assets requires the actual misappropriation or permanent removal of the assets from the company's patrimony.

Answer: _____

Justification:

3. Abstention, or the deliberate failure to act, generally falls outside the scope of punishment for the offense of abuse of company assets.

Answer: _____

Justification:

4. A manager using the company's borrowing capacity (reputation) to guarantee a personal loan constitutes an abuse of company reputation, even if the manager is wealthy.

Answer: _____

Justification:

5. The "company interest" is exclusively defined as the financial interest of the majority shareholders.

Answer: _____

Justification:

6. Explicit approval of a fraudulent management act by the general assembly absolves the manager of criminal liability.

Answer: _____

Justification:

7. The statute of limitations for the public prosecution of abuse of company funds begins strictly on the day the offense was committed, regardless of concealment.

Answer: _____

Justification:

8. Company creditors can easily join criminal proceedings as civil parties in cases of abuse of company assets.

Answer: _____

Justification:

9. The criminal offense of abuse of voting rights applies to ordinary shareholders who vote against the company's interests based on personal judgment.

Answer: _____

Justification:

10. Civil liability of board members encompasses both contractual liability toward the company and tortious liability toward third parties.

Answer: _____

Justification:

11. A management fault requires proof of bad faith and an intent to harm the company.

Answer: _____

Justification:

12. In the event of a company's judicial liquidation, a financial deficit is presumed to have resulted from managerial fault.

Answer: _____

Justification:

13. The presumption of managerial fault in bankruptcy cases is conclusive and cannot be rebutted by the manager.

Answer: _____

Justification:

14. Acting as an unpaid (gratuitous) manager automatically exempts the individual from civil liability in case of a company deficit.

Answer: _____

Justification:

15. The judge evaluates the reasonableness of an economic decision with the benefit of hindsight, strictly based on the negative financial outcome.

Answer: _____

Justification:

16. The general assembly can legally insert a clause into the articles of association preventing minority shareholders from filing a company claim.

Answer: _____

Justification:

17. A shareholder acting on behalf of the company in a company claim must prove that the general assembly or board neglected or failed to initiate the claim.

Answer: _____

Justification:

18. De facto managers are immune from prosecution for the abuse of company funds because they do not hold an official statutory position.

Answer: _____

Justification:

19. If a manager fails to pay debts adjudicated against them to cover the company's deficit, the judge can extend bankruptcy procedures to the manager personally.

Answer: _____

Justification:

20. The civil action related to the liability of board members for management errors expires three years from the date the harmful act occurred or was discovered.

Answer: _____

Justification:

Exercise 1 – Model Answers

1. False. Managers can incur personal criminal liability (e.g., abuse of company assets) in addition to civil liability. The legal entity does not shield them from criminal acts committed in bad faith.

2. False. Unlike breach of trust, abuse of company assets does not require permanent removal or misappropriation; mere abusive use exposing the company to abnormal risks is sufficient.

3. False. Commercial law generally penalizes the *act of use* (an offense of commission). Abstention or non-use typically falls outside the scope of this

specific criminal punishment.

4. True. Using the company's reputation to guarantee personal debts exposes the company's financial position to abnormal risks, fulfilling the material element of the offense regardless of the manager's personal wealth.

5. False. Modern legal doctrine defines the company interest as the interest of the economic enterprise itself, encompassing shareholders, employees, creditors, and the State.

6. False. The general assembly cannot legally authorize a criminal act. Prior approval does not eliminate the elements of the offense or shield managers from criminal prosecution.

7. False. Due to concealment in corporate environments, the limitation period typically begins when the offense is discovered or could reasonably have been discovered.

8. False. Creditors usually cannot join as civil parties in these criminal proceedings because courts consider the harm they suffer (the company's inability to pay) to be indirect.

9. False. The offense targets managers who misuse their voting rights within corporate organs contrary to the company's interests, not ordinary shareholders exercising personal judgment.

10. True. Civil liability encompasses contractual liability towards the company (as agents) and tortious liability towards third parties for unlawful or harmful acts.

11. False. Management fault (civil liability) can arise from mere negligence, incompetence, or excusable mistakes. Bad faith and intent to harm are elements of a *criminal* fault.

12. True. To protect creditors, the law establishes a presumption that the financial deficit preventing the company from covering its debts resulted from managerial fault.

13. False. The presumption is rebuttable. A manager can escape liability by proving they managed the company with the diligence and care expected of a paid agent.

14. False. Acting without compensation (unpaid service) does not automatically exempt a manager from civil liability for mismanagement.

15. False. The judge must evaluate the decision based on whether it was reasonable at the time it was made, without requiring managers to have prophetic foresight regarding the outcome.

16. False. Any clause in the bylaws attempting to restrict a shareholder's right to file a company claim (e.g., requiring prior assembly approval) is null and void.

17. True. A shareholder initiating a subsidiary company claim must prove the company's negligence or failure to pursue the claim through its official organs.

18. False. De facto managers participate in management activities and are subject to the same criminal liability for abuse of company funds as legal (statutory) managers.

19. True. To address legal gaps, the law extends trader status to board members, allowing judges to declare personal bankruptcy if they fail to settle adjudicated company debts.

20. True. According to commercial law provisions, claims for liability against board members expire three years from the harmful act or from its discovery if it was concealed.

Exercise 2 – Advanced Legal Terminology

Task: Read the English legal terms and their definitions. Provide the correct and formal Arabic legal equivalent in the middle column.

English Legal Term	Student's Arabic Translation	Short English Definition
1. Abuse of company assets		Unlawful use of corporate property by a manager for personal ends.
2. Abuse of company reputation		Misuse of a company's borrowing capacity or credit standing.
3. Misuse of statutory powers		Exploiting administrative authority granted by law for unauthorized purposes.
4. Abuse of voting rights		Using voting power within a corporate organ against the company's interest.

English Legal Term	Student's Arabic Translation	Short English Definition
5. Legal entity		An organization (like a company) that possesses legal rights and duties.
6. De facto manager		A person who exercises actual managerial control without formal appointment.
7. Corporate governance		The system of rules and practices by which a company is directed and controlled.
8. Articles of association		The document establishing a company's internal regulations and purpose.
9. Mandatory legal provisions		Statutory rules that parties cannot alter or bypass by agreement.
10. Public prosecution		Criminal proceedings initiated by the state against an accused individual.
11. Civil party		A victim joining a criminal trial to claim financial compensation for damages.
12. Direct and personal harm		Immediate and individual injury required to claim damages in court.
13. Statute of limitations		The legally prescribed time limit for initiating legal proceedings.
14. Rebuttable presumption		A legal assumption that holds true unless proven otherwise.
15. Burden of proof		The obligation to present evidence to support a legal claim.
16. Causal link		The direct relationship between a wrongful act and the resulting damage.
17. Financial deficit		A shortfall occurring when a company's liabilities exceed its assets.
18. Judicial liquidation		Court-ordered dissolution and asset sale of an insolvent company.
19. Nullity		The legal invalidity of an act, contract, or clause.
20. Minority shareholders		Investors whose combined equity is insufficient to control the corporation.
21. Majority abuse		When controlling shareholders act to benefit themselves at the minority's expense.

English Legal Term	Student's Arabic Translation	Short English Definition
22. Company claim		A lawsuit filed on behalf of the corporation against its managers for losses.
23. Tortious liability		Legal responsibility for non-contractual harm caused to third parties.
24. Bad faith		Intentional dishonesty or deliberate failure to fulfill legal duties.

Exercise 2 – Model Answers

English Legal Term	Suggested Arabic Equivalent
1. Abuse of company assets	إساءة استخدام أموال الشركة
2. Abuse of company reputation	إساءة استخدام سمعة الشركة / الائتمان
3. Misuse of statutory powers	إساءة استخدام السلطات القانونية / النظامية
4. Abuse of voting rights	التعسف في استعمال حق التصويت
5. Legal entity	الشخصية الاعتبارية / الشخص المعنوي
6. De facto manager	المدير الفعلي
7. Corporate governance	حوكمة الشركات
8. Articles of association	القانون الأساسي للشركة / النظام الأساسي
9. Mandatory legal provisions	الأحكام القانونية الآمرة
10. Public prosecution	الدعوى العمومية / النيابة العامة
11. Civil party	الطرف المدني
12. Direct and personal harm	ضرر مباشر وشخصي
13. Statute of limitations	التقادم
14. Rebuttable presumption	قرينة بسيطة / قابلة لإثبات العكس
15. Burden of proof	عبء الإثبات
16. Causal link	العلاقة السببية

English Legal Term	Suggested Arabic Equivalent
17. Financial deficit	العجز المالي / النقص في الأصول
18. Judicial liquidation	التصفية القضائية
19. Nullity	البطلان
20. Minority shareholders	مساهمو الأقلية
21. Majority abuse	تعسف الأغلبية
22. Company claim	دعوى الشركة / دعوى المسؤولية الاجتماعية
23. Tortious liability	المسؤولية التقصيرية
24. Bad faith	سوء النية

Exercise 3 – Model Paragraph

The framework governing the liability of corporate executives distinguishes sharply between civil liability and criminal liability, ensuring the comprehensive protection of the **legal entity** and its stakeholders. A manager incurs **civil liability** through a **management fault**, which involves negligence, incompetence, or a breach of the **articles of association**. Such infractions trigger either **contractual liability** toward the company or **tortious liability** toward third parties. If a company faces a severe **financial deficit** leading to **judicial liquidation**, a **rebuttable presumption** of fault is established, shifting the **burden of proof** to the manager, who must demonstrate they exercised due diligence to avoid personal financial contribution to the deficit. In these civil scenarios, a shareholder may initiate a **company claim** to recover **damages** if the general assembly neglects its oversight duties.

Conversely, **criminal liability** addresses severe, intentional misconduct characterized by **bad faith**. Offenses such as the **abuse of company assets**, the misuse of **statutory powers**, or the **abuse of voting rights** occur when a manager knowingly redirects corporate resources or authority for personal ends, thereby exposing the company to abnormal risks. Unlike a mere management fault, these criminal acts violate **mandatory legal provisions** and warrant strict penal sanctions. Crucially, established jurisprudence confirms that even subsequent

approval by the general assembly results in the **nullity** of the fraudulent act and cannot shield the perpetrator from **public prosecution**.

Exercise 4 – Guided Writing Task

Instruction: In 8 to 10 sentences, compose a cohesive legal paragraph comparing the criminal offense of "abuse of company assets" with a civil "management fault." Address the required state of mind (intent/bad faith vs. negligence), the nature of the harm inflicted on the company, and the legal consequences (penalties vs. financial compensation).

Exercise 4 – Sample Answer

The distinction between the abuse of company assets and a civil management fault lies primarily in the manager's state of mind and the severity of the legal consequences. A civil management fault typically arises from negligence, incompetence, or excusable errors in economic judgment where the manager fails to exercise adequate diligence. In contrast, the abuse of company assets is a criminal offense that requires proof of bad faith; the manager must intentionally use corporate funds or property for personal gain, fully aware that the action contradicts the company's best interests. While a management fault may simply result in financial losses attributed to ordinary business risks, an abuse of assets exposes the legal entity to abnormal risks and jeopardizes its corporate purpose.

Consequently, the legal remedies differ significantly. A management fault triggers civil liability, compelling the executive to pay financial damages to compensate the company or third parties. Conversely, the abuse of company assets triggers criminal liability, leading to severe penal sanctions such as imprisonment and substantial fines, alongside civil claims for restitution.

Teacher's Note: The model answers provided in this worksheet are suggested responses. In legal English, variations in phrasing (e.g., "social action" vs. "company claim", or "articles of incorporation" vs. "articles of association") may be equally valid depending on the specific jurisdiction (US vs. UK vs. translated civil law). Accept equivalent academic terminology where appropriate.