

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## PRINCIPLES OF LAW 1 - PAPER 2

### ATC(U) EXAMINATIONS

**DECEMBER 2001**

#### INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours**
2. Attempt **all** questions in Section A, any **two** questions in Section B and any **three** questions in Section C.
3. Section A has **twenty** compulsory multiple-choice questions, each carrying 1<sup>1</sup>/<sub>2</sub> marks
4. Section B has **three** questions and only **two** are to be attempted. Each question carries 20 marks.
5. Section C has **four** questions and only **three** are to be attempted. Each question carries 10 marks.
6. Please read further instructions on the answer booklet.

## **SECTION A**

### **Question 1**

- (i) Which of the following is not a source of law in Uganda
  - (a) Common Law
  - (b) Traditional customs.
  - (c) Local council court decisions.
  - (d) Legislation
  
- (ii) The branch of the law that regulates and controls citizens vis a – vis state is;
  - (a) Civil law
  - (b) Private law.
  - (c) Criminal law.
  - (d) Public law.
  
- (iii) The High Court of Uganda is practiced over by;
  - (a) The Chief Magistrates.
  - (b) Judges
  - (c) Registrar of the High Court.
  - (d) Chief Justice.
  
- (iv) The doctrine of precedent is largely reflected in
  - (a) Legislation.
  - (b) Case law.
  - (c) Parliamentary proceedings.
  - (d) Administration decisions.
  
- (v) Which of the following is true of a corporation?
  - (a) It has legal personality.
  - (b) It is not constituted by other persive.
  - (c) It ends with the desire of persons who constitute it.
  - (d) It is a natural legal entity.

- (vi) "Domicile" refers to;
  - (a) One's current place of residence.
  - (b) One's legal residence.
  - (c) One's inherited place of residence.
  - (d) One's inherited place of residence.
- (vii) Minority age in Uganda is;
  - (a) 21 years
  - (b) 20 years
  - (c) 18 years.
  - (d) 16 years.
- (viii) Which of the following is true?
  - (a) All agreements are contracts.
  - (b) All contracts are agreements.
  - (c) All contracts need not have conversions and ideu.
  - (d) All agreements need not have consideration.
- (ix) An offer;
  - (a) Is an invitation to that
  - (b) Is a statement of intention.
  - (c) Can never lapse till accepted.
  - (d) Must be certain.
- (x) Which of these leads to automatic termination of agency?
  - (a) withdrawal of power of attorney.
  - (b) mutual agreement.
  - (c) revocation by either party..
  - (d) accomplishing mission..
- (xi) The duties of an agent include all but one of the following;
  - (a) not to disclose confidential information.
  - (b) to disclose material information to the principal.
  - (c) identification..
  - (d) to exercise care and diligence.

- (xii) A relationship that submits between persons carrying on business with a view to making profits is called;
- (a) Co-operation strictly.
  - (b) A company.
  - (c) A partnership.
  - (d) A business..
- (xiii) A partnership may be dissolved without the aid of court in one of the following stances.
- (a) illegality
  - (b) insanity of partner.
  - (c) Incapacity of a partner.
  - (d) Under just equitable circumstances.
- (xiv) Which of then is not true?
- (a) Every partner is an agent of the firm and other partners.
  - (b) Every partner is an agent of the partners and not the firm.
  - (c) Every partner has a limited liability.
  - (d) Every person who receives a share in profits of a company is a "prima facie" partner.
- (xv) The right. And obligations of partners are spelt out;"
- (a) In the articles of association.
  - (b) The memorandum of association..
  - (c) The partnership Act..
  - (d) The partnership deed.
- (xvi) Perpetual succession of a company is possible because;
- (a) The shareholders have limited inability.
  - (b) The company has a legal personality distinction from shareholders.
  - (c) The shares of a company are referable.
  - (d) The company is not a partnership.

- (xvii) A public limited liability company.
- (a) Has at least of members and is limited to unity 50 members,.
  - (b) Has at least 7 members and is limited to very 20 members.
  - (c) Has at least 7 members and unlimited membership.
  - (d) Has only 50 members.
- (xviii) The internal management regulations of a company are contained;
- (a) The prospectus.
  - (b) The memorandum of association.
  - (c) The articles of Association.
  - (d) The Companies Act..
- (xix) Which of these is true?
- (a) The promoter, of the company are in a fiduciary relationship with the company.
  - (b) The promoters of the company are its first directors.
  - (c) The promoters of the company must be remunerated.
  - (d) The promoters of the company are paid for pre-incorporation reaction by the company.
- (xx) What is meant by “the veil of incorporation?”
- (a) Distinct personality of the company vis- a – vis its members.
  - (b) Lifting the nail of incorporation.
  - (c) Registering company members on registration.
  - (d) Concealing members of the company

**SECTION B**

**Question 2:**

Attempt only two questions from this Section.

Mugi is Co. Ltd is a registered company that has been doing business for some time. It has five shareholders including Mzee Mugi and his sons. Prior to the incorporation of this company, all the shareholders were in a partnership trading as Mugi and Sons. It was a successful partnership dealing even in gold from a neighbouring country until that trade was declared unlawful by the government. That is when the partners decided to register a company and by their luck in other fire lab. The partnership had an outstanding debt owed to vital Air Cargo, their carrier and it is still unpaid. The directors of vital Air Cargo are in the country to recover their money but all their endeavours have been to no avail. They have found out that partnership is no longer, all the partners their company dealt with have no property in their names. It is only father (Mzee Mugi) who owns property and the directors of vital Air Cargo acknowledge that, their company never dealt with Mugi but the sons. Mugi has totally declined to pay on the grounds that he was not party to the gold business and he had nothing to do with it.

The Directors of vital Air Cargo have approached you for advice on the best course of action. Discuss all the issues raised and advise directors accordingly.

**(20 marks)**

**Question 3:**

Africa express is a transport company based in Nairobi, Kenya. It intends to do transport business within East Africa, and it has asked you to secure for it a person of repute to take care of its business in Uganda. You are expected to prepare an agreement for the two parties to sign later.

What relationship do you envisage and what are the major duties of each of them under the said envisaged relationship.

**(20 marks)**

**Question 4:**

Cassava Republic Ltd is a locally incorporated company with three shareholders, including ten (10) year old Sanders. Recently the company purchased a fleet of vehicles from Royal Motors Ltd and they were safely and duly delivered and received at Cassava Republic Ltd go down in the City. Subsequently, all the vehicles were destroyed in a fire that gutted the go down. Royal Motors have been demanding for payment but Cassava Republic Ltd is reluctant to pay. Although the company claims that the contract was frustrated, it actually has no money since it had hoped to raise the money when the fleet was put to use. All the shareholders in Cassava Republic Ltd. have not fully paid up for their shares.

Discuss the issues raised and advise all parties.

**(20 marks)**

**SECTION C**

**Question 5:** Write short notes on;

- (a) Offer
- (b) Consideration

**(Total 10 marks)**

**Question 6:**

Discuss the duties of promoters of a company and remedy for breach of the duties,

**(Total 10 marks)**

**Question 7:**

What do you understand by the following;

- (i) The doctrine of precedent.
- (ii) "Stare decisis" **(6 marks)**
- (b) Outline the hierarchy of the court system in Uganda **(4 marks)**

**Question 8:**

Discuss the various ways by which a contract is discharged.

**(10 marks)**