

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

PRINCIPLES OF LAW 1 - PAPER 2

JUNE 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 1½ 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.

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SECTION A

Question 1

- (i) Define Equity:-
- (a) Common law.
 - (b) Equitable justice.
 - (c) Natural justice and fair play.
 - (d) Custom and judicial law.
- (ii) Which of the following is true?
- (a) Substantive law is similar to procedural law.
 - (b) Procedural law falls under substantive law.
 - (c) Procedural law enables implementation of substantive law.
 - (d) Substantive law is based on procedural law.
- (iii) The doctrine of precedent states that:-
- (a) Courts of law have to apply laws made by parliament only.
 - (b) Courts of law make law in their decisions.
 - (c) Courts of law are bound by decisions of higher courts.
 - (d) Courts of law may depart from their decisions.
- (iv) The highest court in Uganda is:-
- (a) The Chief Magistrate's Court.
 - (b) The High Court.
 - (c) The Constitutional Court.
 - (d) The Supreme Court.
- (v) Which of the following is true?
- (a) A crime is committed by the state.
 - (b) A crime is punishable by the state.
 - (c) All crimes are felonies.
 - (d) Only offences punishable with a death penalty are crimes.
- (vi) An entity accepted by law as having defined rights and obligation is:-
- (a) A Company.
 - (b) A person.
 - (c) A human being.
 - (d) An organisation.

- (vii) What is an unincorporated association?
- (a) A club.
 - (b) An unregistered corporation.
 - (c) A legal body with no legal personality.
 - (d) A charitable body.
- (viii) Which of the following is true?
- (a) Consideration must be adequate.
 - (b) Consideration has to be proportional and valuable.
 - (c) Consideration need not be given by all parties to a contract.
 - (d) Consideration is a benefit gained from a contract.
- (ix) A voidable contract:-
- (a) Is a valid contract until declared void.
 - (b) Is a void contract “abi initio.
 - (c) Is an enforceable contract.
 - (d) Is not a contract.
- (x) Privity of contract means that:-
- (a) No person may acquire rights or incur liability unless he is party to a contract.
 - (b) Contents of a contract are private and binding on parties.
 - (c) A party to a contract may assign his rights to another party.
 - (d) The parties to a contract are under a contractual duty to each other.
- (xi) What is a universal agency?
- (a) When an agent promises to work anywhere in the world.
 - (b) When an agent is appointed to handle all business of a certain kind.
 - (c) When an agent is appointed to handle all the affairs of the principal.
 - (d) When an agent is appointed for a special purpose.
- (xii) One of the following terminates an agency relationship:-
- (a) Failure to deliver goods ordered for.
 - (b) Refusal to pay debts by principal.
 - (c) Dealing in unwanted products.
 - (d) Effluxion of time.

(xiii) In a partnership:-

- (a) All partners share equally in the capital and business.
- (b) Partners are entitled to remuneration for acting in partnership business.
- (c) Any partner may introduce another person into the partnership.
- (d) Death of a partner may not terminate the partnership.

(xiv) One of the following does not warrant the dissolution of a partnership to be done by court:-

- (a) Illegality.
- (b) Permanent incapacity of a partner.
- (c) Insecurity of a partner.
- (d) When it is just and equitable.

(xv) Define the term “estoppel”

- (a) A party is stopped from performing his part of the contract.
- (b) A party is stopped from enforcing his rights.
- (c) A party is stopped from breaching the contract.
- (d) A party is stopped from suing on a contract.

(xvi) Identify an essential element of a binding contract:-

- (a) Exclusion clause.
- (b) A condition.
- (c) Capacity.
- (d) Counter offer.

(xvii) A Company:-

- (a) Must have at least 50 members.
- (b) Must hold one statutory meeting in its life time.
- (c) May not be sued.
- (d) Can never be a shareholder.

(xviii) The rights and duties of shareholders and directors of a company are:-
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- (a) Contained in the Memorandum of Association.
- (b) Contained in the Certificate of Incorporation.

- (c) Contained in the Articles of Association.
 - (d) Contained in the Prospectus.
- (xix) Proof that a company is duly registered is found:-
- (a) In the Certificate of Incorporation.
 - (b) In the Memorandum of Association.
 - (c) In the Trading Certificate.
 - (d) In the Company Register.
- (xx) The duties of a promoter include:-
- (a) To pay company pre-incorporation debts.
 - (b) To disclose any secret profits.
 - (c) To appoint directors of the company.
 - (d) To look for business in the company.

SECTION B

Question 2:

Some ATC(U) finalists have approached you to give them advice on how to incorporate a company.

Required:

Advise them on the possible alternatives open to them and the practical steps to take to form the chosen type of company.

(20 marks)

Question 3:

Mujuzi, a prominent businessman promoted his partnership with his wife into a company where they were both directors. The company, Mujuzi & Co. Ltd., has run into financial difficulties and the creditors are threatening to sell off Mujuzi's land to recover their money. It has been discovered that before it was registered, Mujuzi had contracted the various debts which are now demanded from Mujuzi & Co. Ltd. Other shareholders in the company approach you for advice because the assets acquired by the company after registration have been attached and they are due for sale.

Required:

Advise all the parties on the options open to them.

(20 marks)

Question 4:

Mukasa was desirous of purchasing land. He approached John an estate s agent who told him that he had a large chunk of land along Jinja Road. Imagining that this road was within Kampala City Council boundaries, Mukasa bought and immediately paid for it without inspecting it. It was later, when he wanted to develop the land, that he discovered that the land was actually near Mpigi Town.

Required:

Discuss the issues raised and advise the parties.

(20 marks)

SECTION C

Question 5:

(a) Briefly outline the classification of law.

(5 marks)

(b) What are the major sources of law?

(5 marks)

(Total 10 marks)

Question 6:

What is meant by:-

(a) Lifting the veil of incorporation.

(b) Unincorporated associations.

(Total 10 marks)

Question 7:

Discuss the duties of an agent.

(10 marks)

Question 8:

Discuss the various methods through which a partnership may be dissolved.

(10 marks)