

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

THURSDAY, 12 DECEMBER 2002

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.

SECTION A

Question 1

- (i) Which of the following are illegal contracts?
 - (a) Contracts between minors.
 - (b) Contracts for prostitution.
 - (c) Contracts to confuse Christians not to go to Church on Sunday.
 - (d) Contracts for marriage.
- (ii) The officer in charge of criminal trials is the:
 - (a) Director of Public Prosecution.
 - (b) Attorney General.
 - (c) Solicitor General.
 - (d) Administrator General.
- (iii) The main source of law in Uganda is:
 - (a) Common law.
 - (b) The law of contract.
 - (c) The Constitution.
 - (d) Statutory law.
- (iv) Which of the following people constitute a partnership?
 - (a) Thirty people and above.
 - (b) Twenty people and above.
 - (c) Thirty people and below.
 - (d) Twenty people and below.
- (v) Theis in charge of the administration of the High Court?
 - (a) Chief Justice.
 - (b) Principal Judge.
 - (c) Chief Registrar.
 - (d) Inspector of Courts.
- (vi) Which of the following can be liable for pre-incorporation contracts after novation?
 - (a) Promoters.
 - (b) The company.
 - (c) The directors.
 - (d) The shareholders.

- (vii) The veil of incorporation may be lifted when:
- (a) The company forms subsidiaries.
 - (b) When a company passes a resolution to that effect.
 - (c) When a company is used to commit a crime.
 - (d) The company is winding up.
- (viii) A private company is that which does any of the following:
- (a) Allows free transfer of shares.
 - (b) Has unlimited membership.
 - (c) Trades on the stock exchange.
 - (d) Restricts membership.
- (ix) Which of the following is not a requirement for the incorporation of a private company?
- (a) The prospectus.
 - (b) Declaration of the share capital.
 - (c) Articles of association.
 - (d) Memorandum of association.
- (x) Which of the following courts has unlimited jurisdiction?
- (a) Supreme Court.
 - (b) Court of Appeal.
 - (c) High Court.
 - (d) Court Martial.
- (xi) When can a company change its objects?
- (a) When it is not making profits.
 - (b) When it is intending to amalgamate with another company.
 - (c) When one of the shareholders is not happy with the objects.
 - (d) When it is a foreign company.
- (xii) Which of the following is not a right of an agent?
- (a) Indemnity.
 - (b) Remuneration.
 - (c) Lien.
 - (d) Estoppel.
- (xiii) One of the following is not a type of partner:
- (a) General or active partner.
 - (b) Dormant or sleeping partner.
 - (c) Partner by incorporation.
 - (d) Partner by holding out.

- (xiv) The doctrine of precedent is mainly followed in:
- (a) Case law.
 - (b) Parliamentary proceedings.
 - (c) Administrative decisions.
 - (d) Statutory legislation.
- (xv) Rights and duties of partners are enshrined in the:
- (a) Partnership Act.
 - (b) Partnership Deed.
 - (c) Articles of Association.
 - (d) Memorandum of Association.
- (xvi) According to the doctrine of precedent:
- (a) Courts of law have to apply Acts of Parliament.
 - (b) Courts of law make law in their decisions.
 - (c) Courts of law may depart from earlier court decisions.
 - (d) Courts of law may refer to earlier decisions in deciding cases of a similar nature.
- (xvii) Which of the following is correct about criminal liability?
- (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.
- (xviii)is the organ of state charged with administration of justice.
- (a) The Executive.
 - (b) The Legislature.
 - (c) The Police Department.
 - (d) The Judiciary.
- (xix) The Permanent Secretary in the Ministry of Justice is called:
- (a) The Chief Justice.
 - (b) The Administrator General.
 - (c) The Solicitor General.
 - (d) The Director of Civil Litigation.
- (xx) Which of the following is correct about contracts?
- (a) A contract is a written agreement.
 - (b) A contract is an agreement witnessed by a lawyer.
 - (c) A contract is a legally binding agreement enforced by courts of law.
 - (d) A contract is an agreement between two or more parties.

SECTION B

Question 2

John, a 16 year old student of Mbale Senior Secondary School, was sent by his mother to do some shopping. As an incentive to go shopping, John's mother offered him Shs. 5,000 on his return. John found a supermarket in Mbale with a poster reading "great bargains on offer here" and decided to do the shopping there. John entered the supermarket and put the items he wanted to buy in a basket. He also put a carton of cigarettes in a basket with a view of re-selling them as prices at the supermarket were very low.

However, when John went to the cashiers to pay for his shopping, the cashier refused him to pay for the cigarettes on the grounds that he was a student.

When John went home and demanded his promise of Shs. 5,000, his mother refused to pay him.

Required:

Discuss all the issues raised and advise John on the remedies (if any) available to him.

(20 marks)

Question 3

- (a) Discuss the various ways through which an agency may be created.
- (b) How may an agency contract be terminated?

(20 marks)

Question 4

- (a) State the duties of the promoters of a company.
(5 marks)
- (b) A contract entered into by the promoters of a company on its behalf before its incorporation cannot be ratified after the company comes into existence (KELNER V BAXTER 1866).

Required:

With relevant examples, explain the above statement.

(15 marks)

(Total 20 marks)

SECTION C

Question 5

Discuss the legal position in the following cases:

- (a) Allan sent Ben an offer to sell him a certain piece of land. Ben without telling Allan gave the offer to Chris. Chris sends Allan a letter of acceptance, based exactly on the terms of the offer but naming himself as the buyer.

(5 marks)

- (b) Certain private individuals offered a reward for information leading to the arrest of the accused person. There were two claimants for the reward. 'A' who gave the correct information to the proper officers but whose information did not lead to the arrest and 'B' who gave information leading to the arrest but who did not know about the offer and the reward.

(5 marks)

(Total 10 marks)

Question 6

A company is at law a different legal entity from its subscribers.

Required:

In light of the above statement, discuss the principle of separate legal personality as expounded in the case of **Salomon V Salomon & Co. Ltd**

(10 marks)

Question 7

How may a partner's activities bind other partners and the whole firm?

(10 marks)

Question 8

- (a) Define a company's memorandum of association?
- (b) Distinguish between a memorandum of association and articles of association.

(10 marks)