

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 17 JUNE 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 is true?
 - (a) Substantive law is similar to procedural law.
 - (b) Procedural law supercedes substantive law.
 - (c) Procedural law enables administration of substantive law.
 - (d) Substantive law is based on procedural law.
- (ii) The slip rule states that:-
 - (a) Courts of law have to apply laws made by parliament only.
 - (b) Courts of law make laws in their decisions.
 - (c) Courts of law are bound by decisions of higher courts.
 - (d) Courts of law may review their earlier decision.
- (iii) The Court that hears constitutional cases in Uganda is:-
 - (a) The High Court.
 - (b) The Court of Appeal.
 - (c) The Supreme Court.
 - (d) The Appellate Court.
- (iv) Which of the following are void contracts?
 - (a) Contracts with inadequate consideration.
 - (b) Contracts made under unilateral mistake.
 - (c) Contracts entered into without capacity.
 - (d) Contracts made under undue influence.
- (v) A person who holds a certain office and his successor are called:
 - (a) Public trustees.
 - (b) Natural persons.
 - (c) Corporation aggregate.
 - (d) Corporation sole.
- (vi) One of the following can lead to termination of agency by the act of the parties.
 - (a) Bankruptcy.
 - (b) Death.
 - (c) Renunciation.
 - (d) Frustration.

- (vii) Which of the following contracts is required to be in writing?
- (a) Contracts of guarantee.
 - (b) Simple contracts.
 - (c) Contracts of the sale of goods of the value of less than Shs 200.
 - (d) Contracts to commit a crime.
- (viii) Which of the following is not a rule of acceptance?
- (a) Silence does not amount to acceptance.
 - (b) Acceptance should be made on a working day.
 - (c) Acceptance should be unconditional.
 - (d) Acceptance must follow the mode prescribed by the offer.
- (ix) Which of the following is not a condition for ratification?
- (a) Ratification should be made within reasonable time.
 - (b) Ratification should be for a whole contract.
 - (c) Ratification should be express.
 - (d) The agent must have contracted for remuneration in contemplation.
- (x) Which of the following is not a requirement for application of a custom in Uganda?
- (a) Non-repugnance.
 - (b) Immemorable existence.
 - (c) Compatibility.
 - (d) Universal application to all parts of the country.
- (xi) In a partnership;
- (a) All partners share equally in the capital of the 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 a partnership.
- (xii) One of the following does not warrant Court's dissolution of a partnership:-
- (a) Illegality.
 - (b) Permanent incapacity of a partner.
 - (c) Insecurity of a partner.
 - (d) When it is just and equitable.

- (xiii) One of the following is a legal person.
- (a) Ssebagala and Sons Ltd.
 - (b) Ssebagala Associates.
 - (c) Ssebagala Football Club.
 - (d) Tweyambe Association.
- (xiv) A special resolution of a company is a resolution:
- (a) Passed by three quarters majority.
 - (b) Passed by a simple majority
 - (c) Passed in a statutory meeting only.
 - (d) Passed by a simple majority when the company is winding up.
- (xv) A company's share capital is constituted by the following:-
- (a) Company funds.
 - (b) Company shares.
 - (c) Company profits and losses.
 - (d) Company assets.
- (xvi) Identify an essential element of a binding contract.
- (a) Exclusion clause.
 - (b) A condition.
 - (c) Capacity.
 - (d) A counter offer.
- (xvii) Frustration means:
- (a) A supervening event has made enforcement of a contract impossible.
 - (b) A supervening event has made enforcement of the contract commercially costly.
 - (c) A supervening event has made a contract stale.
 - (d) A supervening event has made a party to a contract annoyed.
- (xviii) What is duress?
- (a) Undue influence.
 - (b) Undue pressures.
 - (c) Undue coercion.
 - (d) Undue authority.

- (xix) Which of the following is true?
- (a) Consideration must be adequate.
 - (b) Consideration has to be proportional and valuable.
 - (c) Consideration must be past.
 - (d) Consideration is a benefit gained for a contract.
- (xx) A company's memorandum of association contains the following clauses, except:
- (a) Limited liability.
 - (b) Capital.
 - (c) Management.
 - (d) Association.

SECTION B

Question 2:

Baba and Sons Co. Ltd was registered on the 1 April 2002 as a private limited liability company. On the 28 March 2002 Mukuuzi, a shareholder in the company bought a piece of land on behalf of the company for Shs. 10,000,000 from a businessman called Lubengo. The company has failed to pay for the land and Lubengo is threatening to sue the company.

Meanwhile the company's objects was to deal in hides and skins. On 1 June 2002 the company directors entered into a contract with Lubengo to supply Matooke to Lubengo. The company has defaulted and Lubengo is furious and does not know what to do.

Required:

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

(20 marks)

Question 3

Mutaawe, a boy of 13 years entered into a written contract with Okello, a part-time licensed teacher to instruct him in teaching methods and techniques each evening at Shs 1,000 per lesson lasting 2 hours. The daily and accumulated amounts were agreed to be payable at the end of the month by Mutaawe. It was the objective of the contract that at the end of the month Mutaawe in spite of his age will have grasped enough knowledge and teaching skills to enable him to become a lower primary school teacher in one of the village primary schools so that he can earn a living.

Okello started the evening instructions after the month April, 2000 had ended. By the end of May, 2000, he had completed this work as projected. However, Mutaawe declined to pay his instructor when Okello presented his claim form indicating the days when he had taught and that he had fully concluded the assignment.

Required:

Advise Okello and his student Mutaawe by discussing all issues raised.

(20 marks)

Question 4

Three colleagues, Waigo, Obo and Kato are desirous of forming and registering a company.

Required:

Advise them on:

(a) The advantages that will accrue as a result of registration of their company.

(12 marks)

(b) The disadvantages of limited liability companies.

(8 marks)

(Total 20 marks)

SECTION C.

Question 5.

- (a) Briefly explain why parliament may delegate its authority (5 marks)
 - (b) Distinguish between common law and equity law. (5 marks)
- (Total 10 marks)**

Question 6

- (a) What is an agency? (2 marks)
 - (b) Briefly explain the ways by which an agency can be created. (8 marks)
- (Total 10 marks)**

Question 7

Give and explain five ways in which the veil of incorporation may be lifted under case law.

(10 marks)

Question 8

What is a partnership and how are partnerships created?

(10 marks)