

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 16 JUNE 2003

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 not a function of law in society?
 - (a) To promote public order.
 - (b) To suppress mischief.
 - (c) To set and regulate the use of public power.
 - (d) To promote business interests of individuals.
- (ii) In Uganda the High Court is presided over by:
 - (a) The Chief Registrar.
 - (b) The Chief Magistrates.
 - (c) The Judges.
 - (d) The Inspector of Courts.
- (iii) Which of the following is not a type of punishment of criminal law in Uganda?
 - (a) Corporal punishment.
 - (b) Death.
 - (c) Deportation.
 - (d) Damages.
- (iv) Which of the following is not a remedy awarded to a plaintiff in a civil matter?
 - (a) Injunction.
 - (b) Costs.
 - (c) Fines.
 - (d) Specific performance.
- (v) The Registrar General is in charge of:
 - (a) Criminal matters.
 - (b) Administration of the deceased's estates.
 - (c) Enactment of Acts of Parliament.
 - (d) Registration of companies.
- (vi) The most recently created Court in Uganda is:
 - (a) The Court of Appeal for Uganda.
 - (b) The Commercial Court.
 - (c) The Supreme Court.
 - (d) The Court of Appeal for East Africa.

- (vii) Some types of artificial legal persons have limited legal capacity to do the following:
 - (a) Make Wills.
 - (b) Sue or be sued.
 - (c) Own property.
 - (d) Transact business.
- (viii) The doctrine of privity of contract is to the effect that:
 - (a) A person who is not party to a contract cannot be bound by it.
 - (b) A person who is not a party to a contract may claim under the contract.
 - (c) A person who is a party to a contract may assign his rights and duties to a third party.
 - (d) A person who is a party to a contract can sometimes bind third parties.
- (ix) The Chief Magistrate has:
 - (a) Original jurisdiction only.
 - (b) Both original and appellate jurisdiction.
 - (c) Appellate jurisdiction only.
 - (d) Judicial jurisdiction.
- (x) A void contract:
 - (a) Is not legally binding to the parties.
 - (b) Can be avoided by the party prejudiced by it.
 - (c) May confer limited legal rights and liabilities on to the parties.
 - (d) Is enforceable in courts of law.
- (xi) In order to amount to a misrepresentation a statement must:
 - (a) Be true.
 - (b) Be relied upon.
 - (c) Be made by a third party.
 - (d) Refer to the defendant.
- (xii) Which of the following is not an essential of a valid contract?
 - (a) Capacity of the parties.
 - (b) Consideration.
 - (c) Frequent contact between the parties.
 - (d) Consensus ad idem.

- (xiii) The constitution of a registered company consists of:
- (a) The Memorandum of Association.
 - (b) The Articles of Association.
 - (c) The Prospectus.
 - (d) The Memorandum and Articles of Association.
- (xiv) Which of the following is not a duty of an agent?
- (a) To disclose material facts to the principal.
 - (b) To exercise care, skill and diligence.
 - (c) Not to disclose confidential information to third parties.
 - (d) To delegate performance of his duties.
- (xv) The principal may not be bound by the acts of his agent if:
- (a) The agent's acts are ultra vires.
 - (b) The agent has expressly disclosed his and the principal's status.
 - (c) The principal has full knowledge of all material facts.
 - (d) The acts of the agent are impliedly authorized.
- (xvi) A promoter of a company is:
- (a) A person who winds up a company.
 - (b) A person who owns the company.
 - (c) One of the directors of a company.
 - (d) A person who undertakes to form a company.
- (xvii) A prospectus is:
- (a) A printed document giving details of a company's offer of shares.
 - (b) A document containing Articles of Association of a company.
 - (c) A document containing the Memorandum of Association.
 - (d) A document certifying that a company is duly registered.
- (xviii) Legal entities are created through a process known as:
- (a) Promotion.
 - (b) Incorporation.
 - (c) Flotation.
 - (d) Registration.
- (xix) Which of the following is true?
- (a) Every partner's acts bind all the partners.
 - (b) All ultra vires acts of a partner bind the whole firm.
 - (c) Some important ultra vires acts of a partner may bind other partners.
 - (d) Every partner is an agent of other partners and the firm generally.

- (xx) Which of the following is not a harmful factor of a contract?
- (a) Mistake.
 - (b) Duress.
 - (c) Undue influence.
 - (d) The doctrine of unberrimae fidei.

SECTION B

Question 2

Home Garments Ltd on Kampala Road in Kampala City supplied Mrs. Okeny with clothing amounting to Shs 16,000 (Sixteen thousand shillings only) on credit. Home Garments Ltd claimed this money from Mrs Okeny but she referred them to her husband. However, Mr. Okeny refused to pay showing that he always provided his wife with a clothing allowance of Shs 18,000 (Eighteen thousand Shillings only) per month.

Required:

Discuss all the issues raised and advise M/S Home Garments Ltd on remedies available (if any).

(20 marks)

Question 3

- (a) Explain the circumstances in which an agent may be made personally liable to a third party under a contract he had entered into on behalf of his principal.

(10 marks)

- (b) What is “agency by ratification” and what are the pre-conditions for ratification to be valid?

(10 marks)

(Total 20 marks)

Question 4

Compare and contrast the characteristics of partnerships and registered companies.

(20 marks)

SECTION C

Question 5

- (a) Distinguish between an offer and an invitation to treat giving examples of each.

(5 marks)

- (b) What are the rules that govern valid acceptance?

(5 marks)

(Total 10 marks)

Question 6

- (a) What is meant by discharge of contract?

(2 marks)

- (b) Briefly explain the various ways in which a contract can be discharged.

(8 marks)

(Total 10 marks)

Question 7

- (a) Briefly explain the concept of lifting the veil of incorporation.

(4 marks)

- (b) Using examples, explain four circumstances in which the veil of incorporation may be lifted.

(6 marks)

(Total 10 marks)

Question 8

- (a) What do you understand by the term “dissolution of a partnership”?

(2 marks)

- (b) Under what circumstances may a partnership be dissolved?

(8 marks)

(Total 10 marks)