

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 15 DECEMBER 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 $1\frac{1}{2}$ 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 statements is false?
- (a) A partnership may be dissolved by a Court order.
 - (b) A partnership may be dissolved without resort to Court.
 - (c) A partnership may be dissolved if one of the partners commits a breach of the partnership agreement.
 - (d) A partnership may be duly incorporated under the Companies Act.
- (ii) An agency may not be created by:
- (a) ratification.
 - (b) Court order.
 - (c) necessity.
 - (d) express agreement.
- (iii) An agency relationship may not be terminated by:
- (a) Failure to pay debts by the principal.
 - (b) Estoppel.
 - (c) Renunciation.
 - (d) Revocation.
- (iv) Who is a factor agent?
- (a) This is an agent who has possession of the goods or documents of title to the goods.
 - (b) This is an agent who is appointed for a particular purpose or transaction.
 - (c) This is an agent who sells or offers to sell goods in consideration of a higher commission than is usually given by the Principal.
 - (d) This is an agent who is appointed to do anything within the authority given to him or in all transactions relating to a specific trade or matter.
- (v) A private limited liability company should have:
- (a) At least two members.
 - (b) At least seven members.
 - (c) Not more than twenty members.
 - (d) More than fifty members.
- (vi) is not a type of partners.
- (a) General or active partner.
 - (b) Dormant or sleeping partner.
 - (c) Partner by holding out.
 - (d) Partner by incorporation.

- (vii) Which of the following is the Supreme law in Uganda?
- (a) The Penal Code Act.
 - (b) The Constitution of Uganda.
 - (c) Common law and principles of equity.
 - (d) Customary law.
- (viii) What is undue influence in the law of contract?
- (a) Undue pressures exerted upon a weak party in a contract.
 - (b) Undue coercion exerted upon a weak party in a contract.
 - (c) Undue authority exerted upon a weak party in a contract.
 - (d) Force exerted upon a weak party in a contract.
- (ix) Acceptance:
- (a) may be made in any manner provided it is communicated to the offeror.
 - (b) must be absolute and unconditional.
 - (c) must be communicated.
 - (d) can never lapse till accepted.
- (x) A child becomes criminally responsible at the age of:
- (a) 18 years.
 - (b) 14 years.
 - (c) 12 years.
 - (d) 8 years.
- (xi)is referred to as a Court of record.
- (a) The Supreme Court.
 - (b) The High Court.
 - (c) The Commercial Court.
 - (d) The Court of Appeal.
- (xii)is an order from the High Court to whoever is detaining a person to produce him before the High Court so that Court may determine if he is lawfully detained.
- (a) Certiorari.
 - (b) Habeas Corpus.
 - (c) Prohibition.
 - (d) Mandamus.
- (xiii) Which of the following is not a ground for dissolving a partnership by Court?
- (a) Where a partner is suffering from a mental disorder.
 - (b) Insecurity of the partner.
 - (c) When it is just and equitable.
 - (d) Permanent incapacity of the partner.

- (xiv) The veil of incorporation may be lifted statutorily:
- (a) in case of ratification of corporate acts.
 - (b) in case the company is deemed a trustee of shareholders.
 - (c) where the company acts as an agent of the shareholders.
 - (d) where the number of members is below legal minimum.
- (xv) In a registered company perpetual succession is assured because the:
- (a) shareholders have limited liability.
 - (b) company has a legal personality distinct from shareholders.
 - (c) shares of the company are transferable.
 - (d) company is not a partnership.
- (xvi) A recent scheme introduced to reduce congestion in prisons is called:
- (a) Express penalty scheme.
 - (b) National rehabilitation centres scheme.
 - (c) National remand homes scheme.
 - (d) Community service scheme.
- (xvii) In criminal matters (cases) the burden of proof lies on:
- (a) the prosecution.
 - (b) the accused.
 - (c) the plaintiff.
 - (d) the defendant.
- (xviii) Which of the following is not a branch of public law?
- (a) International law.
 - (b) Criminal law.
 - (c) Law of Torts.
 - (d) Administrative law.
- (xix) The essence of the word "limited" in respect of companies is that:
- (a) The liability of the shareholders extends to their personal property.
 - (b) The liability of the shareholders is shared equally among shareholders.
 - (c) The liability of the shareholders is limited to share capital they contributed.
 - (d) The shareholders have limited access to the company's books of account.
- (xx) The..... is often referred to as the constitution of a company.
- (a) Prospectus.
 - (b) Certificate of Incorporation.
 - (c) Articles of Association.
 - (d) Memorandum of Association.

SECTION B

Question 2

Paul Banya appointed Andrew Otto his agent to buy a house for him provided the purchase price did not exceed ten million shillings. Andrew Otto identified a house which he believed Paul Banya would be delighted to live in. Although the price demanded by the owner of the house Tom Tabu exceeded ten million shillings, Andrew Otto decided to accept the offer without disclosing that he was negotiating the contract on Paul Banya's behalf. Two days later, Paul Banya having been informed of the price, at the request of Andrew Otto visited the house and told Tom Tabu "This is the type of house that I have always dreamt about". He hugged Andrew Otto for a job well done. Paul Banya has now changed his mind and told Tom Tabu that he is no longer interested in buying the house. He also contends that Andrew Otto did not have his authority to accept Tom Tabu's offer.

Required:

Advise Tom Tabu as to whether he can sue Paul Banya for breach of contract.
(20 marks)

Question 3

In SADLER V WHITEMAN (1910)

Farwel, L.J. put it that "In English law a firm as such had no existence; partners carry on business both as principals and agents of each other within the scope of the partnership business".

Required:

Explain this statement giving appropriate examples.

(20 marks)

Question 4

Ahmad told Okumu that Reconditioned Motors Ltd. had a 1985 Isuzu Trooper for sale. Okumu telephoned Reconditioned Motors Ltd and agreed to buy "the Isuzu Trooper" without any mention of its date of manufacture. When Reconditioned Motors Ltd. delivered the car, Okumu discovered that it was in fact a 1984 model. Okumu refused to accept it.

Required:

Discuss all the issues raised and advise Reconditioned Motors Ltd. on remedies available (if any).

(20 marks)

SECTION C

Question 5

- (a) What is meant by privity of contract? **(5 marks)**
- (b) Explain four exceptions to the privity rule. **(5 marks)**

(Total 10 marks)

Question 6

Giving appropriate examples, differentiate between a Statutory Corporation and a Registered Company.

(10 marks)

Question 7

Explain the advantages of delegated legislation.

(10 marks)

Question 8

- (a) Who are promoters of a company? **(5 marks)**
- (b) What are the duties and obligations of promoters? **(5 marks)**

(Total 10 marks)