

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 21 JUNE 2004

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 contained in a Company's Memorandum of Association?
 - (a) Limited liability clause.
 - (b) Capital clause.
 - (c) Management clause.
 - (d) Association clause.
- (ii)has both original and appellate jurisdiction in Uganda.
 - (a) The High Court.
 - (b) The Court of Appeal.
 - (c) The Supreme Court.
 - (d) The Constitutional Court.
- (iii) Which of the following statements is false?
 - (a) Consideration need not be adequate.
 - (b) Consideration must be real or genuine.
 - (c) Consideration must be legal.
 - (d) Consideration must be past.
- (iv) is a person who holds a certain office and his successors.
 - (a) Natural persons.
 - (b) Corporation sole.
 - (c) Corporation aggregate.
 - (d) Artificial persons.
- (v) What do you understand by the term undue influence in the law of contract?
 - (a) Undue pressure.
 - (b) Undue authority.
 - (c) Undue influence.
 - (d) Undue coercion.
- (vi)is not an essential element in a binding contract.
 - (a) Capacity.
 - (b) Consideration.
 - (c) Intention to create legal relations.
 - (d) A counter offer.

- (vii) Which of the following constitutes a company's Memorandum of Association?
- (a) Company nominal share capital.
 - (b) Company assets.
 - (c) Appointment of Directors.
 - (d) Declaration of Dividends.
- (viii) Which of the following is a legal person?
- (a) Mande Auto Spares Limited.
 - (b) Uganda Farmers Association.
 - (c) Kikuubo Twegatte Union.
 - (d) Uganda Co-operative Society.
- (ix) In order to be legally acceptable, customary law must be:
- (a) Compatible with good order.
 - (b) Non-repugnant.
 - (c) Trans-tribal, that is, cut across all tribes in a country.
 - (d) Of immemorable existence.
- (x) Which of the following contracts must be evidenced in writing?
- (a) Contracts for sale of land.
 - (b) Contracts for apprenticeship.
 - (c) Contracts for sale of goods of the value of less than Uganda Shs 200.
 - (d) Contracts entered into by persons of full age.
- (xi) The responsibility of disciplining of judges and magistrates lies with:
- (a) The Public Service Commission.
 - (b) The Uganda Law Society.
 - (c) The Judicial Service Commission.
 - (d) The East African Council of Judges.
- (xii)is a function of law in society?
- (a) Protection of the public from thieves and greedy politicians.
 - (b) Promotion of public order.
 - (c) Creation of avenues for accumulation of wealth.
 - (d) Maintenance of law and order.
- (xiii) Under the privity rule, a person who is:
- (a) not a party to a contract is not bound by it.
 - (b) not a party to a contract may claim under it.
 - (c) a party to a contract may deny liability.
 - (d) a party to a contract may assign his rights to a third party.

- (xiv) Which of the following does not harm consent (contract)?
- (a) Mutual mistake.
 - (b) Unilateral mistake.
 - (c) Common mistake.
 - (d) Representation.
- (xv) The document embodying the internal arrangement of a company is called:
- (a) The Memorandum of Association.
 - (b) Articles of Association.
 - (c) The prospectus.
 - (d) Both the Memorandum and Articles of Association.
- (xvi) Which of the following is not an essential element in a valid contract?
- (a) Consensus ad idem.
 - (b) Consideration.
 - (c) Capacity of the parties.
 - (d) Frequent contact between the parties.
- (xvii) A prospectus is a document:
- (a) containing Articles of Association of a Company.
 - (b) containing the Memorandum of Association.
 - (c) certifying that a company is duly registered.
 - (d) giving details of the company's offer of shares.
- (xviii) Legal entities are created through:
- (a) Promotion.
 - (b) Incorporation.
 - (c) Floatation.
 - (d) Registration.
- (xix) A promoter of a company is a person who
- (a) owns a company.
 - (b) winds up a company.
 - (c) undertakes to form a company.
 - (d) directs the operations of a company.
- (xx) When are promoters of a company remunerated?
- (a) They are never remunerated.
 - (b) When the company makes profits.
 - (c) When the company winds up.
 - (d) When the Board of Directors approves.

SECTION B

Question 2.

- (a) What do you understand by the term “capacity” in the law of contract?
(10 marks)
- (b) What are the vitiating elements of a contract?
(10 marks)
- (Total 20 marks)

Question 3

James appointed Joseph, a driver, to be his agent and purchase for him a range of assorted goods from St. Balikuddembe Market. James instructed Joseph that the goods purchased would be resold by him at a good profit since they were to be purchased cheaply from St. Balikuddembe Market. Unfortunately Joseph without disclosing that he was James’ agent bought gumboots on credit, many of which have not been re-sold because of the dry and sunny weather. M/S Globe Outreach Co. Ltd., a British Company operating in St. Balikuddembe Market, is seriously demanding for the purchase price of the gumboots from Joseph. Joseph had also sold some boots to third parties on credit. James is claiming from third parties.

Required:

Formulate the relevant issues and advise the parties accordingly.
(20 marks)

Question 4

Compare and contrast partnerships and private limited companies.
(20 marks)

SECTION C

Question 5

- (a) Explain the statement “intention to create legal relations”.
(5 marks)
- (b) What are the duties of the Principal in an agency relationship?
(5 marks)
- (Total 10 marks)

Question 6

What is customary law and how is it different from common law?
(10 marks)

Question 7

(a) Outline the various branches of law.

(6 marks)

(b) Briefly define the term “counter offer”.

(4 marks)

(Total 10 marks)

Question 8

Briefly discuss the process of incorporating a company?

(10 marks)