

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 13 DECEMBER 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 $1\frac{1}{2}$ 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) The doctrine of estoppel is to the effect that a party is stopped from:
 - (a) breaching the contract.
 - (b) performing his part of the contract.
 - (c) suing on a contract.
 - (d) enforcing his rights under a contract.
- (ii) Registration of a company is evidenced by possession of:
 - (a) a Trading Certificate.
 - (b) a Certificate of Incorporation.
 - (c) Articles of Association.
 - (d) Memorandum of Association.
- (iii) Which of the following is not a directorate under the Ministry of Justice?
 - (a) Directorate of Civil Litigation.
 - (b) Directorate of Criminal Investigations.
 - (c) Directorate of Public Prosecutions.
 - (d) Directorate of Administrator-General.
- (iv) The organ of the state charged with enacting laws is the:
 - (a) Legislature.
 - (b) Executive.
 - (c) Judiciary
 - (d) Local Councils.
- (v) The doctrine of precedent is applied in:
 - (a) Statutory legislation.
 - (b) Administrative decisions.
 - (c) Parliamentary proceedings.
 - (d) Case law.
- (vi) Rights and duties of partners are provided for in the
 - (a) Articles of Association.
 - (b) Memorandum of Association.
 - (c) Partnership Act.
 - (d) Partnership Deed.
- (vii) Parties dissatisfied with the decision of a Magistrate Grade I can appeal to the:
 - (a) High Court.
 - (b) Magistrate Grade II.
 - (c) Supreme Court.
 - (d) Chief Magistrate's Court.

- (viii) Which of the following is not a requirement for incorporation of a private company?
- (a) Articles of Association.
 - (b) Memorandum of Association.
 - (c) Declaration of Share Capital.
 - (d) The Prospectus.
- (ix) The veil of incorporation may be lifted when:
- (a) The company is winding up.
 - (b) When a company is used to commit a crime.
 - (c) When a company forms subsidiary companies.
 - (d) When a resolution is passed by the Annual General Meeting to that effect.
- (x)people constitute a partnership.
- (a) Twenty people and above.
 - (b) Twenty people and below.
 - (c) Thirty people and above.
 - (d) Thirty people and below.
- (xi) A misrepresentation is not a statement:
- (a) of fact.
 - (b) intended to influence.
 - (c) intended to induce.
 - (d) of opinion.
- (xii) Which of the following is not a type of partners?
- (a) General or active partner.
 - (b) Partner by holding out.
 - (c) Partner by incorporation.
 - (d) Dormant or sleeping partner.
- (xiii) Majority age in Uganda is:
- (a) 18 years and above.
 - (b) 16 years.
 - (c) 14 years.
 - (d) 10 years.
- (xiv) Which of the following statements is true about an offer?
- (a) It must be certain.
 - (b) It is an invitation to treat.
 - (c) It is a statement of intention.
 - (d) It can never lapse until it is accepted.

- (xv) The Attorney General is in charge of:
- (a) Civil proceedings.
 - (b) Criminal proceedings.
 - (c) Government legal matters.
 - (d) Prisons.
- (xvi) Which of the following is not a branch of public law?
- (a) Criminal law.
 - (b) Administrative law.
 - (c) Taxation law.
 - (d) Law of domestic relations.
- (xvii) Which of the following is not a duty of an agent?
- (a) Duty not to disclose confidential information.
 - (b) Duty of care, skill and diligence.
 - (c) Duty not to make any private profit or accept bribes.
 - (d) Duty to pay himself in case the principal is away.
- (xviii) Which of the following is correct?
- (a) A public limited liability company does not have more than 50 members.
 - (b) A public limited liability company has at least 7 members and unlimited membership.
 - (c) A public limited liability company only has strictly 50 members.
 - (d) A public limited liability company has at least 7 members and at most 20 members.
- (xix) In Uganda, companies can be created by:
- (a) Acts of Parliament.
 - (b) The Executive arm of government.
 - (c) The Judiciary.
 - (d) The Uganda Chamber of Commerce and Industry.
- (xx) Which of the following is not an exception to the privity doctrine?
- (a) Agency.
 - (b) Necessity.
 - (c) Ratification.
 - (d) Warranty.

SECTION B

Question 2

Mukasa aged 15 years went to Taaka and Sons' shop in Kikuubo and bought an electric kettle under hire purchase arrangement. At the time of the purchase, it was established that he was under the influence of alcohol. Unfortunately, he has defaulted in the payment of the agreed instalments whereupon Taaka and Sons is desirous of taking back their electric kettle. Unknown to the company, Mukasa has already sold the kettle to Mubbi, a third party. Taaka and Sons has approached you for assistance to recover its electric kettle.

Required:

Discuss the legal issues raised and advise the Company, Mukasa and Mubbi accordingly.

(20 marks)

Question 3

M/S. Mitsubishi Co. Ltd is a duly registered company incorporated in Uganda with five shareholders including 12 year old Kato. In the month of January 2004, the company purchased ten Pajero Cars from a Japanese company, M/S. Shangai Motors Ltd. The cars were duly delivered to the Nakawa warehouse belonging to the Mitsubishi and Co. Ltd. Unfortunately, all the ten Pajeros were gutted down by a fire whose cause was not readily established. However, M/S Shangai Motors Ltd are demanding for payment for their ten Pajeros, a demand that is being resisted by M/S Mitsubishi Co. Ltd. It is also established that only two shareholders have fully paid up their shares. M/S Mitsubishi Co. Ltd. also argues that the contract was frustrated by the subsequent events.

Required:

Advise the parties on their rights and obligations under the contract.

(20 marks)

Question 4

Okello, his wife and his two sons have approached you. They recently borrowed Shs. 10 million from Okello's brother living in London, United Kingdom. They intend to incorporate a company.

Required:

Advise them on the advantages of incorporation that will accrue to them.

(20 marks)

SECTION C

Question 5

Explain five contents of a Memorandum of Association.

(10 marks)

Question 6

What are the major sources of law in Uganda?

(10 marks)

Question 7

Distinguish between natural persons and artificial persons.

(10 marks)

Question 8

(a) What are the rights of an agent?

(5 marks)

(b) What are the conditions for acceptance to be valid?

(5 marks)

(Total 10 marks)