

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 20 JUNE 2005

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) Law may best be defined as:
 - (a) Rules under which contracts are governed.
 - (b) A rule of human conduct imposed upon and enforced among the members of a given state.
 - (c) Rules established by precedents.
 - (d) A rule relating to people's rights and agreements between individuals.
- (ii) Law can be classified in the following ways except:
 - (a) Criminal law and civil law.
 - (b) Public law and private law.
 - (c) Company law and contract law.
 - (d) Substantive law and procedural law.
- (iii) Which of the following is not a source of law in Uganda?
 - (a) Local Council Court decisions.
 - (b) Traditional customs.
 - (c) Common law.
 - (d) Legislation.
- (iv) The Court in Uganda which handles the Constitutional cases is the:
 - (a) Appellate Court.
 - (b) Supreme Court.
 - (c) High Court.
 - (d) Court of Appeal.
- (v) In order for a contract to come into existence, there must be:
 - (a) mutual consent between the contracting parties.
 - (b) a written agreement between the contracting parties.
 - (c) two contracting parties only.
 - (d) an understanding based on the written agreement.
- (vi) Which of the following is false?
 - (a) An offer is an expression of readiness to contract on terms specified by the offer, which if accepted will give rise to a binding contract.
 - (b) A counter offer amounts to a rejection of the offer.
 - (c) An offer is always an invitation to treat.
 - (d) A major characteristic of an offer is that if accepted, it will result into a contract.

- (vii) is regarded as the company's constitution.
- (a) Articles of association.
 - (b) Memorandum of association.
 - (c) Certificate of incorporation.
 - (d) Declaration certificate.
- (viii) Which of the following is correct about a corporation?
- (a) It is not constituted by other persons.
 - (b) It has legal personality.
 - (c) It ends with the desire of persons who constitute it.
 - (d) It is a natural legal entity.
- (ix) The articles of association contains the:
- (a) objects clause.
 - (b) share capital of the company.
 - (c) liability of members.
 - (d) regulations for managing internal affairs of the Company.
- (x) The most senior legal advisor for the Government of Uganda is the:
- (a) Solicitor General.
 - (b) Administrator General.
 - (c) Attorney General.
 - (d) Director of Public Prosecutions.
- (xi) Which of the following is not applicable in Company law?
- (a) English Common law.
 - (b) Doctrines of equity.
 - (c) Companies Act.
 - (d) Resistance Council (Judicial Power) Statute.
- (xii) Partnership is best defined as the relationship:
- (a) which subsists between persons carrying on business in common with a view of profit.
 - (b) which subsists between two persons carrying on business.
 - (c) where the joint property is employed under a joint ownership.
 - (d) that subsists between persons in sharing the profits of the firm.
- (xiii) Which of the following is false?
- (a) Every partner is an agent of the firm and other partners.
 - (b) Every partner is an agent of the partners and not the firm.
 - (c) Every partner has unlimited liability.
 - (d) Every person who receives a share in profits of a firm is "prima facie" a partner.

- (xiv) 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.
- (xv) At common law the only person who can sue and be sued according to the law of agency is the:
- (a) agent.
 - (b) third party.
 - (c) principal.
 - (d) respondent.
- (xvi) The agent's primary task is to:
- (a) keep good relationship between his customers and the principal.
 - (b) enter into a contract on behalf of his principal.
 - (c) advise his principal on matters of business.
 - (d) deal in international trade.
- (xvii) Which of the following is false about ratification?
- (a) The principal must be competent at the time when the act was done by the agent.
 - (b) The principal must be capable of being ascertained at the time when the act was done.
 - (c) The principal must be in existence at the time of the act.
 - (d) The principal can ratify only if it is shown that the agent was not acting on behalf of the principal.
- (xviii) Which of the following is false about the cause of automatic termination of the agent's powers?
- (a) The principal's death.
 - (b) The principal's insanity.
 - (c) The principal's bankruptcy.
 - (d) The principal's refusal to pay the agent.
- (xix) The doctrine of precedent in law is:
- (a) a system where the Supreme Court is bound by its decision and is not free to overrule an earlier decision.
 - (b) a system by which earlier decisions of the courts of record are followed in later cases where the facts are similar.
 - (c) where cases are from lower courts or courts on the same level.
 - (d) where the Supreme Court and the Court of Appeal must be followed by other Courts.

- (xx) Why does the partnership form of business persist in spite of the obvious advantages of an incorporated company?
- (a) There are publicity requirements for a partnership which may be enjoyed by the partnership.
 - (b) The corporate status is available to certain professionals like accountants and advocates.
 - (c) Partnerships are easy to form and they promote secrecy in business transactions.
 - (d) The partnership is expensive to form since it requires documents in its registration.

SECTION B

Question 2

Katumba is a businessman based in Kampala dealing in sports wear. He is desirous of operating the business in the Democratic Republic of Congo (DRC), and he has come to you as his friend staying in Kinshasa, DRC, to secure for him a person with good reputation to take care of his business on his behalf in the Democratic Republic of Congo.

Required:

What relationship will exist between the two parties and what are the duties of each of the parties?

(20 marks)

Question 3

Kisanja, an ATC student and a prominent businessman in Kabale has upgraded his partnership business with his five sons into a company where all of them are Directors. The newly formed company, Kisanja & Sons Limited, due to mismanagement has run into financial problems and the creditors are threatening to sell off Kisanja's bus to recover their money. It is well known that before the company was registered Kisanja had contracted various debts which are now demanded from Kisanja & Sons Limited. Other shareholders have approached you as a student of ATC for advice because the assets which were acquired by the company after registration have been attached and are due for sale.

Required:

Discuss all the issues raised and advise the parties.

(20 marks)

Question 4

Jatiko sees a rare book in a bookshop window on Luwum Street in Kampala. The book is labeled “Latest Edition – 40,000”. Jatiko enters the shop and puts Shs. 40,000 on the counter and demands for the book. The bookseller, Juda, tells Jatiko that the real price of the book is Shs. 70,000 instead of Shs. 40,000. Jatiko sues Juda for breach of contract.

Jatiko is in turn being sued by two people for various reasons. Kalita is suing for Shs. 250,000 which was as a result of Kalita’s replanting Jatiko’s damaged fence the other day. Jatiko knew nothing of this until Kalita presented to him a bill of Shs. 250,000 for the work done. At the same time, Jatiko is being sued by Kandole for breach of a contract for the sale of a Solar panel to him. Jatiko had offered to sell a Solar panel to Kandole for Shs. 2,000,000. Kandole replied, “I will give you Shs. 1,500,000 for it”. When Jatiko shook his head in disapproval, Kandole then produced Shs. 2,000,000 from his pocket, saying “here you are then, here is Shs. 2,000,000”. Jatiko replied that he had changed his mind and that he does not want to sell his solar panel.

Required:

Discuss all the issues involved and advise the respective parties.

(20 marks)

SECTION C**Question 5**

- (a) What is customary law?
- (b) Distinguish between Civil law and Criminal law.

(4 marks)

(6 marks)

(Total 10 marks)

Question 6

What is agency and how can it be created?

(10 marks)

Question 7

Write short notes on the following:

- (a) Partnership deed.
- (b) Dissolution of Partnership.

(10 marks)

Question 8

Describe the essentials of a contract.

(10 marks)