

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 12 DECEMBER 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) Which of the following is not a function of law in a society?
 - (a) To promote public order and security.
 - (b) To set and regulate the use of public power.
 - (c) To suppress law breakers.
 - (d) To promote business interests for citizens only.
- (ii) In civil cases the burden of proof lies on the:
 - (a) plaintiff.
 - (b) defendant.
 - (c) prosecution.
 - (d) accused.
- (iii) Who is in charge of Registration of Companies in Uganda?
 - (a) Administrator General.
 - (b) Registrar General.
 - (c) Solicitor General
 - (d) Attorney General.
- (iv) A Court Martial is a:
 - (a) Court within the Court of Appeal.
 - (b) Constitutional Court.
 - (c) Court that deals with criminal matter.
 - (d) Military Court.
- (v) Which of the following is true about contracts?
 - (a) A contract is a written agreement.
 - (b) A contract is an agreement witnessed by Lawyers.
 - (c) A contract is a legally binding agreement by law.
 - (d) A contract is an agreement between two parties.
- (vi) The law of contract is based on:
 - (a) English common principles of the law of contract.
 - (b) American principles of the law of contract.
 - (c) Acts of Parliament of Scotland.
 - (d) Acts of Parliament of Wales.
- (vii) Avoid contract is a contract that is:
 - (a) valid until declared illegal.
 - (b) assured as having not taken place.
 - (c) enforceable by law.
 - (d) good in law.

- (viii) Which of the following is not an essential element in a binding contract?
- (a) Capacity.
 - (b) Consideration.
 - (c) A counter offer.
 - (d) Intention to create legal relation.
- (ix) Which of the following is not a duty of an agent?
- (a) Not to delegate performance of his duties.
 - (b) To disclose to the customers all materials information.
 - (c) Not to make any secret profits.
 - (d) To secure markets for the principal using necessary care and skills.
- (x) Under what circumstances may the principal decline to ratify the agent's transactions?
- (a) When the agent has expressly disclosed his and principal's status.
 - (b) When the principal lacked capacity at the time of the contract.
 - (c) When the principal has full knowledge of all material facts.
 - (d) When the agent dies.
- (xi) When may the principal not be bound by the acts of his agent?
- (a) When the agent's acts are ultra vires.
 - (b) When the agent has expressly disclosed his and principal's status.
 - (c) When the principal is very far.
 - (d) When the principal is not financially stable.
- (xii) Which of the following may not terminate an agency?
- (a) The death of a principal.
 - (b) Effluxion of time.
 - (c) Frustration.
 - (d) Insanity of the third party.
- (xiii) What relationship subsists between persons carrying on business with a view of making profits?
- (a) A corporation.
 - (b) A company.
 - (c) A partnership.
 - (d) A business.

- (xiv) Rights and duties of partners amongst themselves are enshrined in the:
- (a) Partnership Act.
 - (b) Articles of Association.
 - (c) Memorandum of Association.
 - (d) Partnership deed.
- (xv) Which of the following is untrue about partnership?
- (a) May be dissolved by a court order.
 - (b) May be duly incorporated under the Companies Act.
 - (c) May be dissolved if one of the partners commits a breach of the partnership deed.
 - (d) May be dissolved without recourse to court.
- (xvi) Which of the following is a legal person in law?
- (a) An incorporated company.
 - (b) A person who is authorized to work as a State Attorney.
 - (c) An investor.
 - (d) A lawyer.
- (xvii) Name the document that contains the internal management of a company:
- (a) The memorandum of Association.
 - (b) The Articles of Association.
 - (c) The Prospectus.
 - (d) Both (a) and (b).
- (xviii) What is the certificate of incorporation?
- (a) A certificate which shows that the company is registered.
 - (b) A certificate that shows that the company is limited by guarantee.
 - (c) A certificate that contains names of the Directors of the company.
 - (d) A certificate that shows internal arrangement of the company.
- (xix) Who is responsible for the formation of a company?
- (a) Contributions.
 - (b) Shareholders.
 - (c) Promoters.
 - (d) Directors.
- (xx) In an incorporated 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.

SECTION B:

Question 2

Nytil Jinja Ltd., suppliers of Nytil garments based in Jinja, supplied clothings to Mrs Kamere worth Shs. 240,000 (Two hundred and forty thousand shillings only) on credit. Nytil Jinja Ltd, is claiming this money from Mrs Makere but she has referred them to Mr. Kamere. However Mr. Kamere has refused to pay showing that he always provided his wife with clothing allowance of Shs 250,000 (Two hundred and fifty thousand shillings only) per month.

Required:

Discuss all the issues and advise Nytil Jinja Ltd on remedies available (if any).

(20 marks)

Question 3

Omunyokol and his brother are accountants operating their businesses separately in Kawempe and Bweyogerere respectively. However they are thinking of setting up one business in the city centre – Kampala but they do not want to exceed 20 people in the proposed business. They have come to you as a person who is knowledgeable about formation of businesses.

Required:

Advise them on the best suitable business they can set that does not need a lot of formalities to follow and how such business can be dissolved in case of any need.

(20 marks)

Question 4

Kabanana Company Ltd is newly formed and incorporated company in Uganda and is dealing in fish processing. It has four directors running the business. Of recent, they have had a lot of misunderstandings amongst themselves and the shareholders. The company is at the verge of collapsing. Shareholders are accusing the directors of incompetence to run the business of the company.

Required:

Advise the shareholders on the powers and duties of the directors.
(20 marks)

SECTION C

Question 5

Briefly explain ways by which an agency can be terminated.

(7 marks)

Question 6

Describe major sources of Law in Uganda.

(10 marks)

Question 7

(a) What is meant by term privity of contract?

(2 marks)

(b) Write short notes on the following:

(i) Voidable contracts

(2 marks)

(ii) Consideration

(2 marks)

(iii) Offer

(2 marks)

(iv) Counter offer

(2 marks)

Question 8

Give and explain ways in which the veil of incorporation may be lifted.

(10 marks)