

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL ONE

#### PRINCIPLES OF LAW I - PAPER 2

**MONDAY, 19 JUNE 2006**

#### 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.

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**SECTION A**

**Question 1**

- (i) According to the doctrine of precedent, Courts:
  - (a) have to apply Acts of Parliament.
  - (b) make law in their decisions.
  - (c) may depart from earlier court decisions.
  - (d) may refer to earlier decisions in deciding cases of similar nature
- (ii) Ratio decidendi is the:
  - (a) reason of the Supreme Court.
  - (b) ground of appeal.
  - (c) reason of a judicial decision.
  - (d) remedy for the plaintiff.
- (iii) Which of the following is not a remedy awarded to the plaintiff in a civil matter?
  - (a) Injunction.
  - (b) Fines.
  - (c) Costs.
  - (d) Specific performance.
- (iv) The hierarchy of courts in Uganda is as follows:
  - (a) Magistrate Courts, High Court, Court of Appeal and Supreme Court.
  - (b) Supreme Court, High Court, Court of Appeal and Magistrate Courts.
  - (c) Magistrate Courts, Court of Appeal, High Court and Supreme Court.
  - (d) High Court, Court of Appeal, Magistrate Court and Supreme Court.
- (v) In Uganda a minor is a person:
  - (a) above 18 years.
  - (b) below 21 years.
  - (c) above 21 years
  - (d) below 18 years.
- (vi) Which of the following is correct about criminal liability?
  - (a) A crime is committed by the State.
  - (b) A crime is punishable by the State.
  - (c) All crimes are felonies.
  - (d) Only offences punishable with a death penalty are crimes.

- (vii) 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 less than Shs. 200.
  - (d) Contracts entered into by persons of full age.
- (viii) A voidable contract:
- (a) is not legally binding to the partners.
  - (b) can be avoided by the party prejudiced by it.
  - (c) may confer limited legal rights and liabilities on the parties.
  - (d) is enforceable in the courts of law.
- (ix) ..... is an essential element of a binding contract.
- (a) An exclusion clause.
  - (b) A condition.
  - (c) Capacity.
  - (d) A counter offer.
- (x) When are promoters of a company remunerated?
- (a) They are never remunerated.
  - (b) When a company makes profits.
  - (c) When a company winds up.
  - (d) When the Articles of Association provides for it and the Board approves.
- (xi) Which of the following is not a requirement for the incorporation of a private company?
- (a) The prospectus.
  - (b) Declaration of share capital.
  - (c) Articles of Association.
  - (d) Memorandum of Association.
- (xii) The veil of incorporation may be lifted when:
- (a) the company forms subsidiaries.
  - (b) a company passes a resolution to that effect.
  - (c) a company is used to commit fraud.
  - (d) the company is winding up.
- (xiii) A private company is that which does any of the following:
- (a) allows free transfer of shares.
  - (b) has unlimited membership.
  - (c) trades on the stock exchange.
  - (d) restricts membership.

- (xiv) Which of the following is not a right of an agent?
- (a) Estoppel.
  - (b) Indemnity.
  - (c) Remuneration.
  - (d) Lieu.
- (xv) Partnership is defined as the relationship:
- (a) which exists between persons carrying on business in common with a view to make profits.
  - (b) between two people carrying on business with a view of making profits.
  - (c) between companies having the same interests.
  - (d) between a group of persons doing the same business.
- (xvi) Which of the following is not Partnership property?
- (a) Property originally bought into the partnership stock.
  - (b) Property acquired for partnership business.
  - (c) Property sold by the partnership.
  - (d) Property bought with money belonging to the firm.
- (xvii) Which of these leads to automatic termination of agency?
- (a) Withdraw of power of attorney.
  - (b) Death of the agent.
  - (c) Revocation by either party.
  - (d) Accomplishing the mission.
- (xviii) According to 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.
- (xix) A principal may not be bound by the acts of his agent if the:
- (a) agent has expressly disclosed his and the principal's status.
  - (b) principal has full knowledge of all material facts.
  - (c) agent's acts are ultra vires.
  - (d) acts of the agent are impliedly authorized.
- (xx) Which of the following is true?
- (a) Every partners' acts bind all the partners.
  - (b) All ultra vires acts of a partner bind the whole firm.
  - (c) Some important ultra vires acts of a partner bind the firm.
  - (d) A partner is entitled to choosing the property he likes upon dissolution of partnership.

## SECTION B

### Question 2

In Golden Supermarket, the goods are displayed on shelves, the prices being marked on each article. Imelda a student of ICPAM placed a number of items valued at Shs 520,000 in a basket provided by the supermarket owners. Having done so, she later changed her mind and replaced all the articles on the shelves from which she had taken them. One of the attendants saw her doing this and demanded Shs. 520,000 from her. Imelda refused to pay. The management of the supermarket sued Imelda and the magistrate gave judgment for Golden against Imelda. Imelda has appealed to the High Court.

**Required:**

Do you think Imelda will succeed in her appeal? Give reasons for your answer.  
(20 marks)

### Question 3

Kampala Telecom is a service provider company for telecommunications based in Uganda and intends to do similar business in Burundi. It has asked Ngaruye to secure for it a person of repute to take care of its business in Burundi.

You are to prepare necessary papers for the two parties that would be signed later.

**Required:**

What would be the relationship between the two parties and what are the major duties of each of them under the said relationship?

(20 marks)

### Question 4

- (a) What is the doctrine of holding out? To what cases does it apply?
- (b) Mwanje holds himself out as a partner in Mukisa & Co. Shortly after, a person is injured by the negligent driving of one of the firm's drivers who sues the firm.

Can Mwanje be held liable as a member of the firm? Justify.

(20 marks)

**SECTION C**

**Question 5**

Distinguish between:

- (a) Customary Law and Equity.
- (b) Common Law and Statute Law.

**Question 6**

Define a contract and state the essential elements of a valid contract.

**(10 marks)**

**Question 7**

Distinguish between:

- (a) artificial persons and natural persons.
- (b) private limited company and public limited company.

**(4 marks)**

**(6 marks)**

**(Total 10 marks)**

**Question 8**

Enumerate the rights and duties of partners among themselves.

**(10 marks)**