

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 11 DECEMBER 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 1¹/₂ 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) Equity in law is defined as:
 - (a) common law.
 - (b) equitable justice.
 - (c) natural justice and fairness.
 - (d) custom and judicial law.
- (ii) Considering the courts in Uganda which of the following is an appellate court of the first instance?
 - (a) Court of Appeal.
 - (b) High Court.
 - (c) Magistrate's Court.
 - (d) Supreme Court.
- (iii) Who is in charge of the administration of the estates of the deceased persons in Uganda?
 - (a) Administrator General.
 - (b) Attorney General.
 - (c) Solicitor General.
 - (d) State Attorney.
- (iv) There should be law in society for:
 - (a) protection of public from rebels.
 - (b) creation of avenues for accumulation of wealth.
 - (c) protection of criminals by the police.
 - (d) promotion of public order.
- (v) According to partnership law, partnership is consisted of a maximum of people:
 - (a) 20.
 - (b) 2.
 - (c) 50.
 - (d) 7.

- (vi) Which of the following is true?
- (a) A minor cannot enter into a partnership agreement.
 - (b) The general rules of law of contract relating to the capacity to enter into a contract govern the capacity to enter into partnership.
 - (c) A minor who is a partner incurs contractual liability for partnership debts.
 - (d) Persons of unsound mind can enter into a partnership agreement.
- (vii) are responsible for the formation of a company.
- (a) Shareholders.
 - (b) Directors.
 - (c) Promoters.
 - (d) Contributors.
- (viii) Shareholders of a company are people who:
- (a) work as directors.
 - (b) start the company.
 - (c) manage the company.
 - (d) have contributed the capital of the company.
- (ix) The law governing partnerships in Uganda is the:
- (a) Contract Act.
 - (b) Agency Act.
 - (c) Partnership Act.
 - (d) Companies Act.
- (x) A partnership may not dissolve by:
- (a) court.
 - (b) expiration of time or duration.
 - (c) notice.
 - (d) misconduct of a partner in private life.
- (xi) Agency is defined as the relationship :
- (a) which exists whenever a person acts on behalf of another person and has power to affect the principal's legal position with regard to third parties.
 - (b) between two parties dealing in the same business on behalf of third parties.
 - (c) between different people doing the same transaction.
 - (d) to do charity work in a community.

- (xii) A company's share capital is consisted of company:
- (a) funds.
 - (b) shares.
 - (c) profits and loses.
 - (d) assets.
- (xiii) Which of the following is a legal person?
- (a) Ishaka Hides and Skins Association.
 - (b) Muzamil Association of the Blind.
 - (c) Sebagala and Daughters Limited.
 - (d) Mizamil Sebagala.
- (xiv) Agency may be created by any of the following except:
- (a) express agreement.
 - (b) implication or by conduct.
 - (c) necessity.
 - (d) exchange.
- (xv) Which of the following is false?
- (a) An offer is an expression of readiness to contract.
 - (b) A counter offer amounts to a rejection of the offer.
 - (c) An offer is always an invitation to treat.
 - (d) If an offer is accepted it results into a contract.
- (xvi) Which of the following is not a duty of an agent?
- (a) To disclose material facts to the principal.
 - (b) To exercise care, skill and diligence.
 - (c) Not to disclose confidential information to third parties.
 - (d) To delegate performance of his duties.
- (xvii) Which of the following is not done by a public company?
- (a) Allowing free transfer of shares.
 - (b) Having unlimited membership.
 - (c) Restricting membership.
 - (d) Trading on a stock exchange.
- (xviii) Which of the following is an essential element of a binding contract?
- (a) Exclusion clause.
 - (b) Capacity to contract.
 - (c) A condition.
 - (d) A counter offer.

- (xix) According to the Constitution of the Republic of Uganda and other laws in Uganda an adult is a person:
- (a) below 18 years of age.
 - (b) below 20 years of age.
 - (c) 18 years of age and above.
 - (d) above 27 years of age.
- (xx) A contract with a mental patient is invalid except when the disability is:
- (a) not known to the other party.
 - (b) is very serious.
 - (c) not so serious.
 - (d) known to the other party.

SECTION B

Question 2

Kagutema, Dungu and Ejakait together with their 10 sons carried on business in partnership as contractors. The partnership deed prohibited any partner from borrowing money on behalf of the firm. Dungu borrowed money from Mugaga stating that the loan was required for the purpose of the partnership. The agreed period for the repayment of the loan has expired and Mugaga has approached the firm for his money. The members of the partnership argue that they do not know the loan. As if that is not enough, the partnership has been faced with a series of problems and misunderstandings, and some members are thinking of getting redress from court to have the partnership dissolved.

Required:

In light of the above, advise partners on the grounds under which a partner may apply to court for dissolution of a partnership.

(20 marks)

Question 3

Ezra Drago Kasaija having heard about the discovery of oil in Western Uganda, is desirous of operating a business dealing in oil products with other countries. Though he is experienced in business, he has come to you and tells you that he wants to appoint people of good reputation in some countries of his choice to take care of his business on his behalf.

Required:

Advise Ezra Drago Kasaija about the relationship that will exist between him and those people and instances under which such relationship may come to an end.

(20 marks)

Question 4

Ali offered to sell a car to Balaka, one of the MPs for, Shs 62 million. Balaka refused and said that the government can afford Shs 60 million which Ali refused. Balaka then said he would accept the original offer of Shs. 62 million but this was also refused by Ali.

Required:

Was there any contract? State the legal position and give **four** ways through which an offer can be terminated.

(20 marks)

SECTION C

Question 5

What is the difference between criminal law and civil law?

(10 marks)

Question 6

Write brief notes about the rules governing consideration in the law of contract.

(10 marks)

Question 7

Distinguish between a company limited by shares and a company limited by guarantee.

(10 marks)

Question 8

Outline **six** requirements for ratification in the law of agency

(10 marks)