

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 18 JUNE 2007

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 source of law in Uganda?
 - (a) Customs.
 - (b) Land Tribunal decisions.
 - (c) Common law.
 - (d) Legislation.
- (ii) A branch of law that regulates citizens vis-a-vis the state is:
 - (a) criminal law.
 - (b) public law.
 - (c) private law.
 - (d) civil law.
- (iii) Who presides over the Court of Appeal in Uganda?
 - (a) The judges.
 - (b) The Chief Justice.
 - (c) Registrar of the Court of Appeal.
 - (d) The Chief Magistrate.
- (iv) The doctrine of precedent is mainly reflected in:
 - (a) legislation.
 - (b) parliamentary proceedings.
 - (c) administrative decisions.
 - (d) case law.
- (v) An entity in law accepted as having rights and obligations is:
 - (a) a person.
 - (b) a human being above 18 years of age.
 - (c) a company.
 - (d) an organisation.
- (vi) Which of the following is an essential element of a binding contract?
 - (a) A condition.
 - (b) Capacity.
 - (c) An exclusion clause.
 - (d) A counter offer.

- (vii) The following is true about a contract?
- (a) It is governed by the Contracts Act.
 - (b) It is an agreement between two parties only.
 - (c) It is governed by the rules of God.
 - (d) It is governed by the rules of the Partnership Act.
- (viii) For a contract to be legally binding, there must be:
- (a) two parties who are willing to buy and sell their services.
 - (b) a group of businessmen with a view of making profits.
 - (c) an offer, acceptance and consideration and parties to it must have capacity to contract.
 - (d) none of the above.
- (ix) Which of the following is among the duties of the promoters?
- (a) Disclosing any secret profits.
 - (b) Appointing directors of a company.
 - (c) Paying company pre-incorporation debts.
 - (d) Looking for business for the company.
- (x) The constitution of a company is contained in the:
- (a) prospectus.
 - (b) resolutions.
 - (c) company register.
 - (d) Memorandum and Articles of Association.
- (xi) Passing-off means doing business:
- (a) diligently.
 - (b) in such a way as to make a lot of profits.
 - (c) in a way as to represent it as business of another.
 - (d) through an agent.
- (xii) A voidable contract:
- (a) is legally binding to the parties.
 - (b) may be avoided at the option of one of the parties.
 - (c) confers limited legal rights and liabilities on the parties.
 - (d) is enforceable in courts of law.
- (xiii) The rights and obligations of the partners are set out in the:
- (a) Articles and Memorandum of Association.
 - (b) Memorandum of Association.
 - (c) partnership deed.
 - (d) Partnership Act.

- (xiv) A relationship that subsists between persons carrying on business with a view of making profits is called a:
- (a) business.
 - (b) company.
 - (c) partnership.
 - (d) corporation.
- (xv) Under the principle of estoppel, a party is estopped from:
- (a) enforcing his rights on a contract.
 - (b) suing on a contract.
 - (c) fulfilling his obligations in a contract.
 - (d) breaching a contract.
- (xvi) Which of the following terminates an agency relationship?
- (a) Effluxion of time.
 - (b) Failure to deliver goods ordered for.
 - (c) Refusal to pay debts by the principal.
 - (d) Dealing in unwanted products.
- (xvii) Which of the following is **NOT** a type of punishment in criminal law in Uganda?
- (a) Damages.
 - (b) Deportation.
 - (c) Death.
 - (d) Corporal punishment.
- (xviii) An agent's acts may not bind the principal if the:
- (a) agent has expressly disclosed his and his principal's status.
 - (b) agent has full knowledge of all material facts.
 - (c) agent's acts are ultra-vires.
 - (d) acts of the agent are impliedly authorized.
- (xix) Which of the following is odd?
- (a) Factors.
 - (b) Brokers.
 - (c) *Del credere* agents.
 - (d) Apparent authority.
- (xx) Which of the following is **NOT** a requirement for ratification?
- (a) Principal to be in existence.
 - (b) Principal to be ascertainable.
 - (c) Principal to be friendly to the agent.
 - (d) Principal to have capacity to act.

SECTION B

Question 2

- (a) Some contracts made by infants are treated as void while others are said to be voidable. Name those contracts falling into the two categories. **(10 marks)**
- (b) Kironde, an infant, bought an expensive music system for Shs 800,000, paying Shs 150,000 at the time of purchase and promising to pay the balance in five equal monthly installments.

Required:

What would be the legal position if Kironde fails to:

- (i) pay any of the installments and refuses to return the music system? **(5 marks)**
- (ii) pay and sells the music system to his friend, Musoke, who is an adult and delivers the music system to him?

(5 marks)

(Total 20 marks)

Question 3

Kapere appointed Muganda, a tailor, to be his agent and purchase for him a range of assorted goods from Sunrise Supermarket. Kapere instructed Muganda that goods purchased would be resold by him at good profit since they were to be purchased cheaply from Sunrise. Unfortunately, without disclosing that he was an agent bought gumboots on credit from Sunrise, many of which were not resold because it was a dry season. Sunrise are seriously demanding for the purchase price of the gumboots from Muganda. Muganda had sold some of the boots to third parties on credit since they were not marketable. Kapere is now claiming from the third parties.

Required:

Raise the issues and advise the parties involved accordingly.

(20 marks)

Question 4

Okot, Arach and Kalita are desirous of forming a private company limited by shares. All the three will be subscribers to the Memorandum of Association of the company.

Required:

Advise the three on what documents will be delivered to the Registrar of the Companies in order for the incorporation of the company to be achieved; and what purposes do these documents serve?

(20 marks)

SECTION C

Question 5

Write short notes on the following:

(a) Equity. **(2 marks)**

(b) Common law. **(2 marks)**

(c) Customary law. **(4 marks)**

(d) Case law. **(2 marks)**

(Total 10 marks)

Question 6

What are the rights and duties of the partners in a partnership?

(10 marks)

Question 7

Discuss the consequences of incorporation.

(10 marks)

Question 8

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

(10 marks)