

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

MONDAY, 7 DECEMBER 2009

INSTRUCTIONS TO CANDIDATES:

1. Time allowed: **3 hours 15 minutes**
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
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) Public law governs the relationship between the individual and the:
 - (a) public.
 - (b) society.
 - (c) state.
 - (d) company.
- (ii) Civil law exists to protect persons against the:
 - (a) wrongful actions or omissions of other persons.
 - (b) moral wrongs committed by other persons.
 - (c) criminal wrongs committed by other persons.
 - (d) criminal and civil wrongs committed by other persons.
- (iii) Who commences criminal proceedings?
 - (a) The Director of Civil Litigation.
 - (b) The Director of Public Prosecution.
 - (c) The Inspector General of Government
 - (d) The Inspector General of Police.
- (iv) A legal person, in law, is:
 - (a) an artificial entity which the law recognises as having powers to sue but cannot be sued.
 - (b) one who can be sued and the courts will enforce it.
 - (c) a natural person who is capable of rights and subject to obligations.
 - (d) one whom the law recognises as having certain legal rights and duties which the courts can enforce.
- (v) A statutory corporation is created by:
 - (i) registration under the Companies Act.
 - (ii) a partnership deed.
 - (iii) an Act of Parliament.
 - (a) (i) only.
 - (b) (i) and (ii).
 - (c) (ii) and (iii).
 - (d) (iii) only.

- (vi) Which of the following is **FALSE** about the classification of companies?
- (a) Company limited by directors
 - (b) Company limited by shares
 - (c) Company limited by guarantee
 - (d) Unlimited company.
- (vii) An offer, in the law of contract, is:
- (a) a definite statement of willingness not to be bound by a contract.
 - (b) behaviour by one party who is willing to contract with another.
 - (c) a definite and an unequivocal statement of willingness to be bound by contract.
 - (d) a clear intention and willingness to invite customers to purchase.
- (viii) Which of the following is / are rule(s) of consideration?
- (i) Consideration must be sufficient.
 - (ii) Consideration need not be adequate but must be valuable.
 - (iii) Consideration must move from the promisee.
- (a) (i) only.
 - (b) (ii) and (iii).
 - (c) (i) and (ii)
 - (d) (i) and (iii).
- (ix) Which of the following is **INCORRECT**?
- (a) A valid contract is an agreement which is binding and enforceable.
 - (b) A voidable contract is an agreement that is binding and enforceable at the option of the aggrieved party.
 - (c) A void contract is a contract which is enforceable ab initio.
 - (d) Both (a) and (b)
- (x) An agent is:
- (a) an authorised person to act for another in the making of legal relations with third parties.
 - (b) a person appointed by the seller to connect him to the principal.
 - (c) a person managing the company of real estate dealers.
 - (d) an authorised person to act as court broker.

- (xi) Which of the following statements is **NOT** true?
- (a) All trading contracts entered into by minors are voidable.
 - (b) Contracts of necessities are binding on minors.
 - (c) Minors cannot acquire shares in a company.
 - (d) Minors can enter into valid contracts.
- (xii) Which of the following is **NOT** a remedy for breach of a contract of agency?
- (a) A fine.
 - (b) Damages.
 - (c) Specific performance.
 - (d) Indemnity.
- (xiii) Which of the following is true about partnership law.
- (a) The partnership agreement must be written
 - (b) In order to be termed partnership, there must be at least two partners.
 - (c) Companies cannot be members of a partnership.
 - (d) The relationship between partners is not contractual.
- (xiv) Who is a sleeping partner?
- (a) A partner actively involved in the day-to-day running of the business of the partnership.
 - (b) A partner who is introduced to the partnership by the other partners for consultation purposes.
 - (c) A partner who takes no part in the running of the business.
 - (d) A partner who determines salaries of salaried partners.
- (xv) Which of the following do **NOT** constitute the most usual clauses of a partnership deed?
- (i) Dissolution clause.
 - (ii) Date of commencement.
 - (iii) Name of the firm.
 - (iv) Management of accounts.
 - (v) Nature of the firm's business.
 - (vi) Country of operation.
- (a) (i), (iii) and (v).
 - (b) (i), (ii), (iii) and (iv)
 - (c) (i), (ii), (iv), (v) and (vi)
 - (d) (i), (iii), (iv), (v) and (vi)

- (xvi) What document does the Registrar of Companies issue to a company which has complied with the requirements for registration?
- (a) Certificate of commencement of business.
 - (b) Certificate of incorporation.
 - (c) Certificate of trade.
 - (d) Trading licence.
- (xvii) A promoter's principal duty is one of:
- (a) appointing directors.
 - (b) rescinding contracts.
 - (c) disclosure of any interests or profit made out of a transaction involving the company.
 - (d) recovering any profit made by the directors out of a transaction involving the company.
- (xviii) A pre-incorporation contract is:
- (a) made by a person on behalf of the company at a date prior to that on the company's certificate of incorporation.
 - (b) made by promoters and the registrar of companies before the company is incorporated.
 - (c) an understanding between the promoters of the company to the effect that they will complete the process of registration of a company.
 - (d) an agreement specifying the terms of the company to be formed.
- (xix) The liability of members of a company limited by guarantee is limited to pay:
- (a) the amount, if any, unpaid on the nominal value of shares in the event of the company being wound up.
 - (b) such amounts as they undertake to contribute to the assets in the event of the company being wound up.
 - (c) a certain amount of money as stipulated in the memorandum of association.
 - (d) any amount of money agreed upon by members in case of the company being wound up.
- (xx) Members of the company are persons:
- (a) in charge of the company's affairs.
 - (b) who participate in floating the company.
 - (c) who direct the company to perform.
 - (d) who have purchased shares and their names have been entered on the register of members.

SECTION B**Question 2**

Mwanambusa, a trader in bananas operates business in South Sudan. He has stores in Juba and imports bananas from different parts of the world. He once telephoned his friend Musemakweli, a businessman in Kyanamukaka village in Masaka, Uganda inquiring from him whether he could procure bananas from Uganda. Due to the high demand for bananas in Juba, Mwanambusa moves a lot all over the world to keep his bananas stores well stocked. After Musemakweli's confirmation of the availability of bananas in Uganda, Mwanambusa requested him to buy bananas on his behalf from Uganda and transport them to Juba. Musemakweli accepted to do so, on his behalf. He has so far exported fifty tonnes of bananas and the business is booming.

Required:

- (a) Describe the relationship between the two parties. **(4 marks)**
- (b) Explain the different ways how the relationship identified in (i) above may come to an end.

(16 marks)**(Total 20 marks)****Question 3**

Explain whether Malusu is obliged by the law of contract to fulfill his promises in each of the following situations:

- (a) He has an executive Mercedes Benz motor car which he offered to sell at shs 200 million by advertising it in a newspaper. Kabaliga called him on phone and accepted to pay Shs 200 million which Malusu declined to accept. **(4 marks)**
- (b) One day, he was at work and when he returned home, he found that his compound had been cleared by Mabondo and he promised to pay her Shs 200,000 for the good work done. He later declined to pay. **(4 marks)**
- (c) He agreed to pay Lubuto Shs 500,000 for making for him bricks within two weeks and later promised a further Shs 70,000 if Lubuto completed the job on time. Indeed, Lubuto completed the job on time but Malusu refused to pay the additional Shs 70,000. **(4 marks)**
- (d) He promised to deliver goods to Bifuna for which he was already required to do in return for a payment of Shs 100,000 by Kagwirawo but Kagwirawo later refused to pay. **(4 marks)**

- (e) He promised to release Funtula from a debt of Shs 5.6 million if Funtula paid him Shs 5 million.

(4 marks)

(Total 20 marks)

Question 4

Mujomba Electronics Company Limited are suppliers and stockists of Electronic Systems. They have large stocks of Radios, Cameras and other computer related items. Kijana, a 16 year old student of Kabetemere Tertiary Institute, was recently elected entertainment minister at their institute. Very ambitious to please his fellow students who gave him votes, he went to Mujomba Electronics Company Limited and introduced himself as a minister for entertainment. He negotiated with the management of the company to sell to him a good music system and promised them that his father, Kapenta would pay for the music system. It was given to him on credit at Shs 1.8 million to be paid within two weeks. The two weeks within which he promised to pay have elapsed. The company tried to recover the money from Kapenta, Kijana's father, as agreed with Kijana but Kapenta has refused to pay claiming that he was not party to the purchase of the music system. Meanwhile, after the function at the Institute, Kijana sold the music system to his uncle, Musajja Nkambwe, who is an adult.

Required:

Discuss the issues raised and advise Mujomba Electronics Company Limited on the remedies available to them.

(20 marks)

SECTION C

Question 5

Describe the major sources of law in Uganda.

(10 marks)

Question 6

Define the term 'acceptance' and give the different modes of acceptance.

(10 marks)

Question 7

Explain the circumstances under which the statutory lifting of the veil of incorporation can take place.

(10 marks)

Question 8

Explain how a partnership may be dissolved without recourse to courts of law.

(10 marks)