

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## PRINCIPLES OF LAW 1 - PAPER 2

### ATC(U) MODEL EXAMINATION PAPER

#### 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 1½ 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) Law means:-
  - (a) Statutes by Parliament.
  - (b) Presidential Decrees.
  - (c) Rules to which actions should conform.
  - (d) Rules of morality for society.
- (ii) Which of the following is true about common law?
  - (a) It originated from equity.
  - (b) It is based on ancient custom and judicial precedents.
  - (c) It supplemented equity.
  - (d) It does not recognise custom unless enacted into law.
- (iii) Which of the following is a major source of law in Uganda?
  - (a) Legislation.
  - (b) Law text books.
  - (c) Custom.
  - (d) Judicial decisions.
- (iv) Which organ of government is responsible for the administration of justice in Uganda?
  - (a) The executive.
  - (b) The police.
  - (c) The legislature.
  - (d) The judiciary.
- (v) The branch of law which governs private citizens vis-à-vis the state is known as:-
  - (a) Criminal law.
  - (b) Civil law.
  - (c) Public law.
  - (d) Constitutional law.

- (vi) What is a “Corporation Sole”?
- (a) A Chartered Company.
  - (b) A Corporation with one shareholder at any one time.
  - (c) A Corporation consisting of only one human member at any one time.
  - (d) A Corporation with many related companies.
- (vii) “Domicil” means:-
- (a) A person’s origin.
  - (b) Where a person permanently resides.
  - (c) A person’s nationality.
  - (d) Where a person intends to be buried.
- (viii) Which of the following is true?
- (a) A contract is a legally binding agreement.
  - (b) A contract is an agreement witnessed by a lawyer.
  - (c) A contract is a legally binding agreement enforced by courts.
  - (d) A contract is a written agreement.
- (ix) “Quantum meruit” means:-
- (a) The value of work done.
  - (b) The quantity of work done.
  - (c) The quality of work done.
  - (d) The charge for work done.
- (x) What do you understand by the term “vitiating factors” to a contract:-
- (a) Situations that render a contract voidable.
  - (b) Situations that frustrate a contract.
  - (c) Situations that remove the rights of one party to the contract.
  - (d) Situations that must be observed by the parties.
- (xi) Novation means:-
- (a) An act of executing a contract.
  - (b) An act of substituting a contract with a new one.
  - (c) An act of rescinding a contract.
  - (d) An act of ratifying a contract.

- (xii) One of these is not a duty of an agent:-
- (a) Not to delegate performance of his duties.
  - (b) To disclose to the principal any material information.
  - (c) Not to make any secret profits.
  - (d) To secure market for the principal's goods.
- (xiii) When may the principal decline to ratify the agent's transactions?
- (a) When the agent has expressly disclosed his and the 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.
- (xiv) When shall court dissolve a partnership?
- (a) When one partner is permanently incapacitated.
  - (b) Illegality in the partnership's activities.
  - (c) On the death of a partner.
  - (d) At the termination of a venture.
- (xv) What is "passing-off"?
- (a) Doing business by trickery.
  - (b) Doing business in such a way as to defraud others.
  - (c) Doing business in a way as to represent it as business of another.
  - (d) Doing business through an agent.
- (xvi) What is meant by waiver of contractual rights?
- (a) Abandonment of obligations under a contract.
  - (b) Exercise of contractual rights in a contract.
  - (c) Postponement of contractual rights in a contract.
  - (d) Abandonment of contractual rights in a contract.
- (xvii) A company:-
- (a) Has unlimited shareholders.
  - (b) Has perpetual succession.
  - (c) Must advertise a prospectus.
  - (d) Winds up at the end of a given venture.

(xviii) The Constitution of a company is contained in:-

- (a) Its prospectus.
- (b) Its resolutions.
- (c) The company register.
- (d) The Memorandum and Articles of Association.

(xix) A Promoter is:-

- (a) A director of the company.
- (b) A person who undertakes to form the company.
- (c) A person who winds up the company.
- (d) A person who owns the company.

(xx) Which of these is not a consequence of incorporation?

- (a) Capacity to sue and be sued.
- (b) Perpetual succession.
- (c) Issuance of a prospectus.
- (d) Legal personality of the company.

## **SECTION B**

### **Question 2:**

- (a) Write short notes on contractual capacity. **(5 marks)**
- (b) Olok aged 16 years went to Supreme Furnitures and purchased a 21" T.V set on Hire Purchase terms. At the time he signed the purchase/sale contract, he was under the influence of alcohol. He defaulted on the hire purchase installments and he has long sold the T.V set to Otto. M/s Supreme Furnitures approaches you for advice on how to regain their TV set.

#### **Required:**

Discuss the issues raised and advise all the parties. **(15 marks)**

### **Question 3:**

Duty & Sons Ltd. was incorporated in the year 2001. It has been engaged in lucrative business and the shareholders are happy to see their company grow. However, unknown to most of the shareholders, the directors of the company have never paid government taxes and have been smuggling gold from the neighbouring country. The tax authority in its bid to recover the lost revenue has auctioned Tim's private land and a fleet of vehicles. His shares were fully paid up and he was one of the two directors of the company. The other director had not paid for his shares and he still has a lot of assets.

#### **Required:**

Advise the parties on the remedies available. **(20 marks)**

### **Question 4:**

Joan appointed Harriet, who is normally a driver, to be her agent and purchase second hand jackets for her for resale at a profit. Without disclosing that she was Joan's agent, Harriet purchased ladies' under-wears which have not been sold because they are undersize. Kyoto, the Japanese who sold the under-wears to Harriet has jetted in to recover his money after waiting for it in vain.

#### **Required:**

Advise all the parties of their rights in the circumstances. **(20 marks)**

## **SECTION C**

### **Question 5:**

- (a) Compare and contrast the Articles of Association and the Memorandum of Association of a company. **(4 marks)**
- (b) Briefly discuss the effects of incorporation of a company. **(6 marks)**

### **Question 6:**

Explain the following:-

- (a) Common mistake.
- (b) Mutual mistake.
- (c) Unilateral mistake.

**(10 marks)**

### **Question 7:**

Discuss the methods by which a contract may be discharged.

**(10 marks)**

### **Question 8:**

Briefly explain the following:-

- (a) Common law.
- (b) Equity.
- (c) Ratio decidendi.
- (d) Precedent.

**(10 marks)**