

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

WEDNESDAY, 16 JUNE 2010

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 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) The principles of customary law in Uganda originated from:
 - (a) colonialists.
 - (b) habitual practices and traditions of its people.
 - (c) High Court and all subordinate courts.
 - (d) religious laws like Islamic law.
- (ii) Legislation in Uganda is vested in the:
 - (a) judiciary.
 - (b) president.
 - (c) parliament.
 - (d) cabinet
- (iii) The High Court in Uganda has:
 - (a) limited jurisdiction in civil matters.
 - (b) unlimited jurisdiction in civil matters only.
 - (c) limited jurisdiction in criminal matters only.
 - (d) unlimited jurisdiction in civil and criminal matters.
- (iv) A definite and unequivocal statement of willingness to be bound by a contract is:
 - (a) an offer.
 - (b) consideration.
 - (c) an invitation to treat.
 - (d) an acceptance.
- (v) is an unconditional assent to all terms of the offer.
 - (a) Counter offer
 - (b) An order
 - (c) An acceptance
 - (d) Express offer
- (vi) Which of the following is true about consideration in the law of contract?
 - (a) Consideration need not be adequate and valuable.
 - (b) Consideration must be sufficient.
 - (c) Consideration must move from the promisee.
 - (d) Consideration need not be adequate but must be valuable.

- (vii) In law is a person who is authorized to act for another in making of legal relations with third parties.
- (a) a contactor
 - (b) an engineer
 - (c) a magistrate
 - (d) an agent
- (viii) Which of the following is **NOT** a right of an agent against the principal?
- (a) To claim remuneration for services performed.
 - (b) To exercise skill and care.
 - (c) To claim indemnity against the principal.
 - (d) To exercise lien over the principal's property.
- (ix) The relationship that subsists between two or more persons carrying on a business in common with a view to make profit is termed as a:
- (a) partnership.
 - (b) company limited by shares.
 - (c) company limited by guarantee.
 - (d) private company.
- (x) Which of the following is **FALSE** about a partnership agreement?
- (a) It is an internal document and is not generally available for inspection by outsiders.
 - (b) It affects the rights of third parties.
 - (c) Its usual terms include names of the partners, date of commencement, name of the firm, etc.
 - (d) It is known as a partnership deed.
- (xi) The following are types of partners **EXCEPT**:
- (a) general partners.
 - (b) sleeping partners.
 - (c) limited partners.
 - (d) unsalaried partners.
- (xii) If a company is unlimited, it means that members:
- (a) have no limit on the liability to contribute to the assets on winding up.
 - (b) are required to file their accounts at the Companies Registry.
 - (c) are not free to sale their shares.
 - (d) have a limit on the liability to contribute to the assets on winding up.

- (xiii) The Registrar of Companies has powers to register a company provided that the:
- (a) memorandum and articles of association do not infringe the law.
 - (b) objects of the company are set out in the memorandum signed by the police.
 - (c) name of the company is not a political menace.
 - (d) share capital is not too much for members to contribute.
- (xiv) A promoter is a person who:
- (a) contributes capital to form a company.
 - (b) undertakes to form a company.
 - (c) does the work of promoting business of other companies.
 - (d) is employed as a marketeer for the company.
- (xv) If the promoter fails to make proper disclosure, the company can do the following **EXCEPT** to:
- (a) rescind the contract for the purchase of property.
 - (b) claim damages.
 - (c) fine him.
 - (d) recover any profit made by him during the period of promotion.
- (xvi) How many people should an unlimited liability company have?
- (a) At least two members and above.
 - (b) Not more than twenty members.
 - (c) Between two and fifty members.
 - (d) Between 7 members to infinity.
- (xvii) The is the supreme law of Uganda.
- (a) constitution
 - (b) Land Act
 - (c) Penal Code Act
 - (d) customary law
- (xviii) In criminal matters the burden of proof lies on the:
- (a) accused.
 - (b) prosecution.
 - (c) plaintiff.
 - (d) defendant.

- (xix) In a registered company, perpetual succession is assured because the:
- (a) shareholders have limited liability.
 - (b) company is not an association.
 - (c) company has legal personality distinct from shareholders.
 - (d) shares of the company are not transferable.
- (xx) Which of the following courts also doubles as the constitutional court in Uganda?
- (a) General Court Martial.
 - (b) High Court.
 - (c) Supreme Court.
 - (d) Court of Appeal.

SECTION B

Question 2

- (a) Anne and Philibert are in the process of forming a private company limited by shares. Both of them intend to be subscribers to the memorandum of association. It is planned that the company will at some stage in the near future buy an acre of land from Taka on which to construct a modern office. However, Taka is insisting that the contract for the acquisition of the land be signed within the next two days, even though the company is unlikely to be registered for at least another two weeks.

Required:

Advise Anne and Philibert on what they can do in order to enter into a valid contract of purchasing the said land prior to incorporating their company.

(5 marks)

- (b) What documents should be submitted to the Registrar of Companies in order for the incorporation of a company to be achieved?

(15 marks)

(Total 20 marks)

Question 3

Kaduma is a businessman who imports vehicles from Japan. He has a bonded warehouse in Matuga. He sells various types of vehicles ranging from BMW to Mercedes Benz. One day he offered to sell a Mercedes Benz to Kasuru for Shs 50 million. Kasuru refused and offered to pay Shs 45 million. Later, Kasuru was convinced by his friend Mugezi that the price offered for the Benz by Kaduma was the fairest in town. Kasuru then got the Shs 50 million to go and pay but Kaduma refused to accept. Kasuru is contemplating suing Kaduma for breach of contract.

Required:

- (a) Advised the parties on whether there was a contract. (4 marks)
 - (b) How can an offer be terminated? (16 marks)
- (Total 20 marks)**

Question 4

Ngoye Fabrics Ltd are dealers in all sorts of garments based in Iganga. Mrs. Machati approached them to supply her with clothes for Christmas worth Shs 5 million on credit. She promised to pay the money within a week's time but it are now months gone and she has not paid the money. Ngoye Fabrics Ltd is demanding their money from Mrs. Machati but she has referred them to her husband, Mr. Machati a car mechanic in Wandegaya. However, when Ngoye Fabrics Ltd approached Mr. Machati, he refused to pay. He argued and produced evidence to show that he has always provided his wife with enough clothing.

Required:

Discuss all the issues raised and advise Ngoye Fabrics Ltd on the remedies available to them, if any.

(20 marks)

SECTION C

Question 5

- (a) Define the term 'agency'. (3marks)
 - (b) Explain the duties of an agent. (7marks)
- (Total 10 marks)**

Question 6

- (a) Define the term 'delegated legislation'. (2 marks)
 - (b) Give reasons for delegated legislation? (8 marks)
- (Total 10 marks)**

Question 7

- (a) How is a partnership formed? (2 marks)
 - (b) What are the contents of the partnership deed? (8 marks)
- (Total 10 marks)**

Question 8

- (a) What is a contract? (2 marks)
 - (b) What are essential elements of a valid contract? (8 marks)
- (Total 10 marks)**