

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC (U) EXAMINATIONS

### LEVEL ONE

#### PRINCIPLES OF LAW I - PAPER 2

**TUESDAY, 29 NOVEMBER 2011**

#### 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 book, before attempting any question.

**© 2011 Public Accountants Examinations Board**

## SECTION A

### Question 1

- (i) Which of the following courts in Uganda has unlimited original jurisdiction in civil and criminal cases?
  - (a) Supreme Court.
  - (b) Court of Appeal.
  - (c) High Court.
  - (d) Constitutional Court.
- (ii) Which of the following are justifiable reasons for delegated legislation?
  - (i) Lack of parliamentary time.
  - (ii) Urgency of the legislation.
  - (iii) Technicality of the subject matter.
  - (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i) , (ii) and (iii)
- (iii) Who makes laws in Uganda?
  - (a) Parliament.
  - (b) President.
  - (c) Executive.
  - (d) Chief Justice.
- (iv) Which of the following statements best defines a corporation?
  - (a) Natural legal person created by law.
  - (b) Artificial legal person created by law.
  - (c) A group of persons doing business together.
  - (d) Company without powers to sue.
- (v) Which of the following statements are correct?
  - (i) A memorandum of association is concerned with the internal administration of the company.
  - (ii) A memorandum of association defines the constitution and powers of the company.
  - (iii) A public company must issue a prospectus if it makes an invitation to the public to subscribe for its shares.

- (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)
- (vi) A contract is:
- (a) an agreement between two or more persons which is intended to create legally binding obligations.
  - (b) an agreement between two persons who do business together with an intention of making profits.
  - (c) a relationship that subsists between people of the same profession.
  - (d) an obligation to conduct business in conformity with the laws of the country.
- (vii) For a contract to be enforceable there must have been:
- (i) consideration.
  - (ii) intention to create legal relations.
  - (iii) offer and acceptance.
- (a) (i) and (ii).
  - (b) (ii) and (iii).
  - (c) (i) and (iii).
  - (d) (i), (ii) and (iii).
- (viii) Revocation of an offer is effective only if communicated:
- (a) by post or email.
  - (b) to the offeree.
  - (c) in three weeks time.
  - (d) in English.
- (ix) What conditions must be fulfilled in order for a principal to ratify a contract made on his behalf but without authority?
- (i) The principal must, at the time of ratification, have full knowledge of the material facts.
  - (ii) The contract must be voidable.
  - (iii) The ratification must be of the whole contract.
- (a) (i) and (ii).
  - (b) (i) and (iii).
  - (c) (ii) and (iii).
  - (d) (i), (ii) and (iii).

- (x) The major role of an agent is to:
- (a) bring about a contract between the principal and a third party.
  - (b) sell goods to the third party.
  - (c) bring together businessmen with an intention of selling and buying more goods.
  - (d) buy goods from the third party.
- (xi) A factor in the law of agency is someone who:
- (a) has been appointed by the principal to act for him in all matters.
  - (b) is employed to buy or sell goods for a commission.
  - (c) in the usual course of his business has possession of the goods with authority to sell, pledge or raise money on security of the same .
  - (d) is appointed for one particular purpose.
- (xii) Which of the following elements are necessary to prove the existence of a partnership?
- (i) Ongoing business.
  - (ii) Business must be carried on in common.
  - (iii) Business carried on with a view of making profit.
- (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)
- (xiii) Which of the following is **NOT** partnership property?
- (a) Stock for the partnership that is sold as is.
  - (b) Property acquired whether by purchase on the firm's account for purposes of partnership business.
  - (c) Property bought with money belonging to the firm.
  - (d) Partnership stock originally bought.
- (xiv) Agency may be terminated by:
- (i) agreement between parties.
  - (ii) renunciation.
  - (iii) subsequent illegality.
- (a) (i) and (ii).
  - (b) (i) and (iii).
  - (c) (ii) and (iii).
  - (d) (i), (ii) and (iii).

- (xv) The maximum number of people required of a partnership is:
- (a) 35
  - (b) 20
  - (c) 15
  - (d) 2
- (xvi) Rules of equity are defined as:
- (a) a set of rules meant to guide the Queen.
  - (b) a set of laws which is laid down in the constitution.
  - (c) rules set under customary law to remedy defects thereunder.
  - (d) a collection of rules which were formulated to remedy defects in common law.
- (xvii) An agreement that is binding and enforceable but lacks one or more of the essentials of a valid contract is:
- (a) void.
  - (b) voidable
  - (c) invalid.
  - (d) void ab initio.
- (xviii) Which of the following must be furnished in order to register a partnership business?
- (i) The business name.
  - (ii) The general nature of the business.
  - (iii) Certificate of registration.
- (a) (i) and (ii)
  - (b) (i) and (iii)
  - (c) (ii) and (iii)
  - (d) (i), (ii) and (iii)
- (xix) An agent may be rendered liable to third parties if:
- (a) his acts are ultra vires.
  - (b) he expressly assumes personal responsibility.
  - (c) he gets express instructions from the principal.
  - (d) he acts for a concealed principal and there is no ratification.
- (xx) A partnership deed contains the following **EXCEPT**:
- (a) name of the partnership.
  - (b) memorandum and articles of association.
  - (c) place of business of the partnership.
  - (d) nature of the business of the partnership.

## SECTION B

### Question 2

Banturaki appointed Ozo to act as his agent. He authorized him to purchase a piece of land in Ntinda Industrial Area on his behalf. They agreed on a purchase price ranging between Shs 200 million and Shs 300 million. Ozo vigorously searched for the land and managed to identify suitable land after three months. The owner, Musoke, quoted Shs 350 million for the land. Ozo accepted the price offered without disclosing that he was negotiating the contract on behalf of Banturaki.

Thereafter, Ozo invited Banturaki, on phone, to inspect the land. Banturaki excitedly told Musoke that “this is the very type of the land that I have always wanted”. He thanked Ozo for a job well done.

Later, Banturaki changed his mind and was no longer interested in buying the land. He also contends that Ozo exceeded his powers and did not have authority to accept Musoke’s offer of Shs 350 million.

#### Required:

- (a) Advise Musoke as to whether he can sue Banturaki for breach of contract.  
(12 marks)
- (b) Explain the remedies for breach of contract.

(8 marks)

(Total 20 marks)

### Question 3

Tuvube Fishing Ltd was incorporated in Uganda in 2008. There are seven shareholders namely Mubarak, Tadvong, Kabadi, their three wives and Mapesa who is still single.

All the shareholders, with the exception of Mapesa, had been in partnership since 2006. They were operating as Tuvube Associates and their main business was trading in fish from Lake Victoria, with a base on Migingi Island. They developed some misunderstandings which led to the dissolution of the partnership. However, they went ahead to register a company, Tuvube Fishing Ltd and also changed their operational area from Lake Victoria to Lake Albert.

At the time of dissolution, Tuvube Associates had an outstanding debt of Shs 72 million owed to Mabanja Ltd. The directors of Mabanja Ltd have been pursuing the recovery of the money without success. They recently discovered that the partnership had been dissolved. However, the former partners are now directors in Tuvube Fishing Ltd. These directors have no personal property registered in their names. It is only Mapesa who has many properties in Kampala.

The directors of Mabanja Ltd are furious and have threatened to attach the property of the directors of Tuvube Fishing Ltd unless the outstanding debt is paid. Mapesa has contested the attachment of his property since he was not a partner in Tuvube Associates.

**Required:**

Discuss all the issues raised and advise Mabanja Ltd.

**(20 marks)**

**Question 4**

Kirabo, Musadde, Tomukiza and five other friends, have teamed up to form a business. They are interested in a business which does not involve a lot of technicalities in its establishment. Their objective is to make profits, buy land, share plots and construct their homes.

**Required:**

- (a) Giving reasons, advise the parties on the type of business they can form. **(8 marks)**
- (b) Explain how a partnership may be dissolved. **(12 marks)**

**(Total 20 marks)**

**SECTION C**

**Question 5**

Describe the major sources of law in Uganda.

**(10 marks)**

**Question 6**

Write brief explanatory notes on each of the following:

- (a) Contractual capacity of a minor.
- (b) Memorandum of association.
- (c) Promoter.
- (d) Certificate of incorporation.

**(10 marks)**

**Question 7**

- (a) Explain the term 'mercantile agent'. **(2 marks)**
- (b) Describe **three** types of mercantile agents. **(8 marks)**

**(Total 10 marks)**

**Question 8**

- (a) Define the term 'offer'. **(2 marks)**
- (b) Explain the circumstances under which an offer may be terminated. **(8 marks)**

**(Total 10 marks)**