

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

TUESDAY, 19 JUNE 2012

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. This examination contains Sections **A**, **B** and **C**.
3. Section **A** is bound separately from Sections **B** and **C**.
4. Attempt all the 20 multiple choice questions in Section **A**. Each question carries 1½ marks
5. Attempt **two** out of **three** questions in Section **B**. Each question carries 20 marks.
6. Attempt **three** out of **four** questions in Section **C**. Each question carries 10 marks.
7. Write your answer to each question in a separate answer booklet.
8. Please, read further instructions on the answer booklet, before attempting any question

SECTION B

Attempt two of the three questions in this section.

Question 2

Ngoye Suppliers Ltd, based in Ntinda, are manufacturers and suppliers of the best clothes in Uganda. They were approached by Katoto, aged 16, a pupil of Kifumbira Primary School in Karati Division with a request to supply him with a first class suit for a special occasion. The sales assistant demanded to know whether he had the money to purchase the suit. He explained that his father was a nursery school teacher in the same school and would pay for the suit. On that basis, the sales assistant extended credit to Katoto and delivered to him a suit worth Shs 3 million.

Later, when Ngoye Suppliers Ltd approached Katoto for payment, he referred them to his father, Kifabwavu who outrightly rejected demands for payment and told them never to come back to him.

Required:

Discuss the issues raised and advise Ngoye Suppliers Ltd on remedies available, if any.

(20 marks)

Question 3

When Kulembeka Ltd was still in the process of being incorporated, the promoters, Kagere, Moneno and Muchonga signed an agreement for purchase of timber cutting machines on behalf of the company. It was agreed that payment would be made to the suppliers after incorporating the company. The company was successfully incorporated and the machines had already been deployed in Magambo forest to cut the trees. By the time the company was incorporated most of the machines had depreciated.

A few months after incorporation, the rebels who were fighting the government, invaded the forest, killed some of the workers and took away some of the machines. This misfortune affected the company so much that it went into liquidation. The company was unable to pay its creditors, including the suppliers of the timber cutting machines. As a result the suppliers sued the promoters of the company for recovery of the money.

Required:

Examine whether the promoters can be held liable for payment under the following situations:

- (a) When the company had already adopted the contract after incorporation.
(10 marks)
- (b) When the company makes a fresh contract with the suppliers with the same terms as those of the pre-incorporation contract.

(10 marks)

(Total 20 marks)

Question 4

Mputa, Mukasa and Wampanga are friends, having studied together at Makerere University. They agreed to pull their resources together and start a partnership business. They raised enough capital to commence business. The business has been operational for some time now.

To make the business more efficient and profitable, they assigned themselves different responsibilities to perform. During the course of their business, Mputa and Mukasa, being close friends who come from the same village, decided that Wampanga should never access the books of accounts of the firm. In a partners' meeting, Wampanga sought to know how profits of the business can be shared. Mputa rubbished his question and informed him that sharing profits was none of his business.

Wampanga is perturbed by the behaviour of his fellow partners and has come to you for advice.

Required:

- (a) Raise issues and resolve them.
(14 marks)
- (b) Explain the duties of a partner in a partnership.

(6 marks)

(Total 20 marks)

SECTION C

Attempt three of the four questions in this section.

Question 5

Explain the:

(a) term 'consideration'. (2 marks)

(b) legal requirements or rules for consideration. (8 marks)

(Total 10 marks)

Question 6

Write short notes on each of the following:

(a) Certificate of incorporation. (2 marks)

(b) Certificate of commencement of business. (3 marks)

(c) Prospectus. (3 marks)

(d) A company limited by guarantee. (2 marks)

(Total 10 marks)

Question 7

Explain the:

(a) meaning of the term 'agency by ratification'. (4 marks)

(b) rules for ratification. (6 marks)

(Total 10 marks)

Question 8

(a) Explain sources of law in Uganda. (4 marks)

(b) Discuss the different rules applied by courts of law in the interpretation of statutes. (6 marks)

(Total 10 marks)