

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

ATC(U) EXAMINATIONS

LEVEL ONE

PRINCIPLES OF LAW I - PAPER 2

TUESDAY, 26 NOVEMBER 2013

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 on fresh page in the 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

Mukose and Kanyankole are desirous of forming a private company limited by shares. Both of them intend to be subscribers to the memorandum of association. They are planning that the company should be self sustaining and that at some stage in the near future, it will purchase a plot of land from Kapalaga one of the real estate dealers in Jinja. Kapalaga is heavily indebted and has approached Mukose and Kanyankole to pay for the plot to enable him settle some of his debts. Mukose and Kanyankole have informed him that they intend to register a company that will enter into an agreement / contract for purchase of that plot and that the process was in progress. However, Kapalaga is insisting that the contract for acquisition of the land must be signed within the next three days, even though the company is unlikely to be registered for at least another two weeks or else he sells the plot to other people. Mukose and Kanyankole strongly think that they must purchase the plot as it is very strategic to them and the intended business.

Required:

- (a) Raise issues and advise Mukose and Kanyankole. **(10 marks)**
 - (b) (i) Identify the documents to be submitted to the Registrar of Companies for the incorporation of the company.
(ii) Explain the purposes of the documents identified in (b) (i) above. **(10 marks)**
- (Total 20 marks)**

Question 3

Mulalu is a businessman who buys cows from Sembabule and sells them to abattoirs in Kampala. He has been doing this business for quite sometime. A couple of months ago he reportedly stole ten cows from Mufumu who allegedly sent him "juju" and he lost his senses. He acts very weirdly these days. The other day he bought cows, sold them in Kampala and distributed all proceeds to drunkards in Katanga. He has now developed a habit of beating anybody who passes near him.

Recently, he bought five good heifers from Majambere on credit and promised to pay him within two days on his return from Kampala. Prior to the purchase transaction between him and Majambere he was seen running around as if he was being chased by a demon but Majambere ignored what he saw. After the two days elapsed, Majambere went to Mulalu's home to collect his money but he

was informed by Mulalu's son that his father is mad and was now admitted in Butabika hospital. Majambere is now stuck and does not know what to do.

Majambere had, prior to the sale, entered into a sale agreement with Drucilla, 17, to purchase a piece of land from her. He had paid her six million shillings and hoped to clear the balance after the sale of his heifers to Mulalu.

Mulalu has not paid Majambere for the heifers and in turn Majambere is unable to meet his obligations relating to the land transaction. He approached Drucilla and requested her to refund the Shs 6 million and let the deal go. Drucilla, has however, informed Majambere that she used all the money when she went on a trip with her boyfriend. Majambere is now in a state of confusion and does not know what to do.

Required:

Raise issues and advise the parties.

(20 marks)

Question 4

Dheyongera, Wambuzi and Mpata are friends. They decided to join their resources to start a business and work together in order to make profits. They all contributed equally to the partnership capital and the business was running relatively well. They used some of the proceeds from the business to purchase a music system that was also bringing good income to the partnership. Unfortunately, Wambuzi who operates the music system was ambushed by thieves who stole one of their computers and the best CDs that were part of the music collection. Wambuzi decided to buy another computer and CDs from his personal money because the other partners were out of the country and he could not get in touch with them.

When his partners came back, Wambuzi told them what happened and asked them to contribute towards the loss and refund his money. Mpata vehemently refused to contribute. He instead wanted to know how the business was doing. He also wanted to have a look at the books of accounts. Wambuzi, however, denied him access to the books and informed him that only auditors can access them, not individual partners. Meanwhile Wambuzi has brought his girl friend and made her a partner. The business that was booming is now dwindling and they have come to you for advice.

Required:

Raise all issues and resolve them.

(20 marks)

SECTION C

Attempt three of the four questions in this section.

Question 5

Explain the difference between a company and a partnership.

(10 marks)

Question 6

(a) Discuss the different ways through which an offer may come to an end.

(4 marks)

(b) Identify the types of contracts that must be evidenced in writing.

(6 marks)

(Total 10 marks)

Question 7

Discuss the rights of partners as stipulated in the Partnership Act.

(10 marks)

Question 8

Write short notes on agency by:

- (a) estoppel.
- (b) cohabitation.
- (c) necessity.
- (d) ratification.

(10 marks)