

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## ATC(U) EXAMINATIONS

### LEVEL TWO

#### PRINCIPLES OF LAW II – PAPER 6

**THURSDAY, 5 JUNE 2014**

#### 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 1 mark.
5. Attempt **two** of the **three** questions in Section **B**. Each question carries 20 marks.
6. Attempt **four** of the **five** questions in Section **C**. Each question carries 10 marks.
7. Write your answer to each question on a fresh page in your 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

Mali, Ali, Kali. Doli and Ssali are members of Quality Materials Ltd who initiated the incorporation of the said company which is limited by shares. The company's main objective is to deal in building materials of all kinds. Doli and Ssali are the directors but Ssali also doubles as company secretary.

Since incorporation in 2008, the company's business was booming and members related very well in promoting its business.

In July 2013, Ssali convened a board of directors meeting in which they effected transfer of some of Doli's shares to his wife, Hon. Ngoma Doli, a woman representative of Pakasa district and issued her with a share certificate. Hon. Ngoma Doli used her position in the district and influenced the District Tender Board which awarded the company a tender to supply building materials for building the district council hall.

It later transpired that the tendering process had not been followed and that the money paid to the company as first installment had been used by Hon. Ngoma Doli to organise a demonstration in favour of electoral laws and policy reforms ahead of the following parliamentary and presidential elections. The matter came to the attention of the Inspector General of Government (IGG) on whose recommendation the tender was cancelled. As a result, the company incurred a financial loss of approximately Shs 100 million.

Given their high financial position as majority shareholders, Ali, Mali and Kali, after hearing of what had previously transpired prior to the award of the tender and its subsequent cancellation, caused the organisation of an urgent extraordinary general meeting.

The company secretary, Ssali issued a 7 days' notice as had been agreed by all members on mobile telephone conversations. The meeting, which was scheduled for 9 October 2013, was attended by all members except Mali who attended by proxy, having been represented by his wife, Nabukalu Mali.

The meeting, unfortunately, became chaotic while discussing the procedure adopted to transfer shares without knowledge of majority shareholders and whether Ssali should continue doubling as director and company secretary at the same time.

Realising the danger, Hon. Ngoma Doli moved a motion to have the meeting adjourned for lack of sufficient notice as required by the law. The meeting

became more chaotic when Nabukalu Mali was denied an opportunity to contribute to the motion. Doli, who was chairing the meeting put the motion to a vote but announced that Nabukalu Mali would not vote since she had no stake in the company's affairs. Ali, Kali and Nabukalu Mali stormed out of the meeting in protest and the meeting ended prematurely.

**Required:**

- (a) Raise and resolve the issues arising from the facts. **(17 marks)**
- (b) Advise the aggrieved parties. **(3 marks)**

**(Total 20 marks)**

**Question 3**

Pusi was employed as a driver of Uganda Beer Brewing Ltd in 2010. Under the contract of employment, he was assigned the following duties:

- (i) To drive heavy duty trucks.
- (ii) To transport beer from the main branch in Kampala to other branches in Masaka, Mbarara, Fort Portal and Gulu.
- (iii) Not to carry any passenger or any other unauthorised goods on any truck.
- (iv) To do any other related work specifically assigned by the management, in writing, from time to time.

On 7 March 2012, while travelling from Mbarara to Kampala, in truck No. UAA 011 QT and trailer No. UAA 012 QT loaded with empty bottles of beer, Pusi picked a lady, Namesi Joy, who had been stranded at Akagate stage with 5 sacks of onions that she was taking to Mukono for sale.

Pusi drove safely passed Kampala to drop Namesi at Mukono before reporting to the main branch in Kampala. Unfortunately, as he was negotiating to drive on his right hand side to branch off to Wantone in Mukono, he knocked a milk tanker that was coming from the opposite direction. It transpired that Pusi had not indicated that he was moving to the right hand side.

Namesi who had already paid Pusi Shs 100,000 for the trip sustained serious injuries on the face and was admitted at Dongo Hospital. After a week, as her brother, Matata John came to pick her from the hospital, he slid on the slippery hospital floor that had been mopped with soap but had not yet dried. As a result, he fell badly and broke his arm. There was no sign/ warning whatsoever that the floor was wet and slippery.

After recovery, Namesi decided to sue Pusi and his employer, Uganda Beer Brewing Ltd. The company filed a defence in court. On the other hand, management held a meeting in which they resolved to deduct monthly contributions of Shs 200,000 from Pusi's salary towards comprehensive insurance

against road accidents of the truck and trailer involved in the accident. Pusi has protested the decision of management. Meanwhile, Matata John is not sure whether Dongo Hospital is liable for the injuries he sustained.

**Required:**

- (a) Raise and resolve all the issues involved. **(15 marks)**
  - (b) Identify and explain the possible defences for the intended defendants. **(5 marks)**
- (Total 20 marks)**

**Question 4**

On 20 May 2013 the 'Association of all Professionals in Uganda' held a public debate. Accountants, doctors, lawyers, engineers and teachers attended. The topic for debate attracted the general public who were also allowed at an extra fee. Seretta main hall, the venue for the meeting was full to capacity, accommodating approximately 5,000 people. Counsel John Rugo, a married man to Hapest Joy with whom they have been happily living together under the same roof for the last ten years, was among the lawyers who attended.

The topic for debate was; 'The Role of Professional Conduct in National Development'. When Peter Mudomo, one of the accountants who attended took to the floor, he lashed out at Rugo as a typical example of a professional whose conduct needed to be investigated. He went on to say that Rugo was unmarried at the age of 54; that he only associates with young male adults whom he invites to his executive home at Kololo. He further alleged that Rugo is a liar, like all lawyers the world over; in that he tells his colleagues that he was married to Hapest Joy whereas not.

In another development, Joel Musota was relieved of his duties as marketing manager for Super Quality Goods Ltd. The company had ran a newspaper advert in the Tomato daily newspaper that read as follows; 'The general public is hereby informed that Mr. Joel Musota is no longer an employee of Super Quality Goods Ltd. The company will not be held liable for any transactions that he may engage in on behalf of the company'.

John Rugo, the Uganda Lawyers Association and Joel Musota are contemplating suing Peter Mudomo and Super Quality Goods Ltd respectively for defamation.

**Required:**

- (a) Raise and resolve all the issues arising from the facts. **(14 marks)**
  - (b) Identify the possible defences for the intended defendants. **(6 marks)**
- (Total 20 marks)**

## SECTION C

*Attempt four of the five questions in this section*

### Question 5

- (a) What is meant by the term 'employment contract'? (2 marks)
- (b) Explain the duties of employee to an employer. (8 marks)

**(Total 10 marks)**

### Question 6

A bill creates a relation between three parties; the drawer, the drawee and the payee.

#### **Required:**

Explain the circumstances under which a bill may be discharged. (10 marks)

### Question 7

- (a) Explain what is meant by the term 'trespass to goods'. (2 marks)
- (b) Explain the ways in which trespass to land may be committed. (8 marks)

**(Total 10 marks)**

### Question 8

Explain the qualifications and duties of a company auditor. (10 marks)

### Question 9

"A company and its shareholders are stranger legal persons to one another in as far as property ownership and legal existence are concerned. The remote relationship is that a shareholder may claim rights in the company and as such has obligations towards it".

#### **Required:**

In light of the above statement, explain the rights and obligations of the shareholders of a company.

**(10 marks)**