

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## BUSINESS LAW – PAPER 3

**DECEMBER 2000**

### INSTRUCTIONS TO CANDIDATES

1. Time Allowed: **3 hours**
2. Attempt all questions in Sections **A** and **B** and any **three** questions from Section **C**.
3. Section **A** has **twenty** compulsory questions each carrying 1 mark.
4. Section **B** has **one** compulsory question carrying 20 marks.
5. Section **C** has **five** questions and only **three** questions are to be attempted.  
Each question carries 20 marks.
6. Please read further instructions in the answer book.

## **SECTION A**

### **Question 1**

- i) “Ratio decidendi” means:
  - a) reasons for a case.
  - b) reasons for a decision taken in a case.
  - c) resume of a decision taken in a case.
  - d) precedent for a decision in a case.
- ii) The highest court of law in Uganda is:
  - a) The High Court.
  - b) The Constitutional Court.
  - c) The Court of Appeal.
  - d) The Supreme Court.
- iii) The Chief Legal Advisor to Government is:
  - a) The Solicitor General.
  - b) The Chief Justice.
  - c) The Ministry of Justice.
  - d) The Attorney General.
- iv) What do you understand by the word “Law”?
  - a) Court Decisions.
  - b) Acts of Parliament.
  - c) Rules of Conduct enforced by society.
  - d) Rules of morality.
- v) State the doctrine of precedent:
  - a) Cases must be decided with reference to similar earlier decided cases.
  - b) Judges must give reasons for judgments they give.
  - c) Higher courts are bound by decisions of lower courts.
  - d) Justice must be seen to be done.

- vi) The doctrine of estoppel is also known as:
- a) The preclusion doctrine.
  - b) The caveat emptor doctrine.
  - c) The precedent doctrine.
  - d) The waiver doctrine.
- vii) Define a contract:
- a) An agreement;
  - b) An enforceable agreement;
  - c) A mutual agreement;
  - d) A written agreement.
- viii) A relationship between people carrying on business is common with a view of making profit is called:
- a) A Company.
  - b) A Co-operative society.
  - c) A partnership.
  - d) A club.
- ix) Which of the following is not true?
- a) On incorporation a company may be sued in its name.
  - b) At all times, the directors of the company are liable for the company's actions.
  - c) The shareholders of a company may not be held liable for the company's actions except after lifting the veil of incorporation.
  - d) An incorporated company may enter into valid contracts.
- x) A beneficiary under a trust is called;
- a) "Sui juris"
  - b) Trustee.
  - c) Cestui que trust"
  - d) Benefactor.

- xi) A Settler is;
- a) A beneficiary under trust.
  - b) One who transfers property for the benefit of another.
  - c) One who receives property in a trust.
  - d) One who makes a settlement in favour of another.
- xii) Identify an equitable remedy from the following:
- a) Suit for damages.
  - b) Suit for price of goods.
  - c) Recovery of costs.
  - d) Specific performance.
- xiii) In a Partnership;
- a) All partners have unlimited liability.
  - b) All partners have limited liability.
  - c) Liability may be avoided.
  - d) Liability is limited to contribution.
- xiv) What is issued capital?
- a) Nominal capital.
  - b) Allotted capital.
  - c) Authorised capital.
  - d) Reserve capital.
- xv) What is contained in the Memorandum of Association?
- a) Company resolutions.
  - b) Director's resolutions.
  - c) Company objects.
  - d) Company rules.
- xvi) How often does a company hold a statutory meeting?
- a) Once a month.
  - b) Once a year.
  - c) Once in 18 months.
  - d) Once in a lifetime of a company.

- xvii) One of these is not a requirement prior to the issuance of a Certificate of Incorporation to the Company;
- a) Trading Certificate.
  - b) Statutory declaration of compliance.
  - c) Articles of Association.
  - d) Memorandum of Association.
- xviii) A public limited liability company should have;
- a) More than 50 members.
  - b) At least 50 members.
  - c) At least 7 members.
  - d) At least 2 members.
- xix) This type of agent guarantees that the buyers pay for the goods purchased;
- a) Estate agent.
  - b) A factor.
  - c) A “del credere” agent.
  - d) A broker.
- xx) Express Authority is also known as;
- a) Apparent authority.
  - b) Actual authority.
  - c) Ostensible authority.
  - d) Usual authority.

## **SECTION B**

### **Question 2:**

Pepe and Olomide are directors of a company called Y2K Systems. Prior to its incorporation, the said directors purchased furniture on credit. After incorporation, a company general meeting was convened and members resolved that the company should honour earlier obligations entered into by the directors on its behalf. The company has since failed to pay for the furniture. Meanwhile it has been established that Pepe and Olomide have been using the company to smuggle diamonds from DRC to Uganda and the government suffered loss of taxes.

Discuss the legal issues involved.

**20 marks**

## **SECTION C**

### **Question 3:**

Define the term “Misrepresentation” and explain its effect on a contract as well as the remedies available to the innocent party.

**20 marks**

### **Question 4:**

Compare Common Law and Equity.

**20 marks**

### **Question 5:**

Kato authorised Karim to go to Dubai and purchase Salon Cars and bring them to Kampala for sell at a profit. Karim purchased the Salon Cars and trucks. On return, Karim asked his friend Kumar to sell some of the cars for him. In the process, some of them were damaged and could not be readily sold. He also inflated the selling price so that he could get some extra profit for himself. Unknown to Kato, Karim had purchased some cars on credit and the Dubai sellers are in Kampala to demand their money which has remained unpaid for long.

Discuss the legal issues involved.

**20 marks**

**Question 6:**

Kabila, a business man approaches you for advise on what business organisation to form. Advise him on the available options and advantages of each option.

**20 marks**

**Question 7:**

“The doctrine laid down in Solomon V Solomon & Co. Ltd. (1897) A.C 22...the Courts can and often draw aside the veil. They can and often pull the mask. They look and see what really lies behind”.

Discuss the above statement.

**20 marks**