

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

BUSINESS LAW - PAPER 3

JUNE 2000

INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours**
2. Attempt all questions in Section **A** and **B** and any **three** questions from Section **C**.
3. Section **A** has **twenty** compulsory questions each carrying 1 mark.
4. Section **B** is a 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 on the answer book.

SECTION A

Question 1

- (i) The Principal source of law in Uganda is:
 - (a) Acts of Parliament.
 - (b) Customs.
 - (c) Court decisions.
 - (d) The constitution.
- (ii) The Administrative head of the High Court of Uganda is:
 - (a) The Chief Justice.
 - (b) The Principal Judge.
 - (c) The Chief Registrar.
 - (d) The Administrative Judge.
- (iii) The branch of law that governs transactions between private individuals among themselves on the one hand and private individuals and the state on the other hand is:
 - (a) Public law.
 - (b) Constitutional law.
 - (c) The law of trusts.
 - (d) Civil law.
- (iv) One of the following is not a branch of public law:
 - (a) Constitutional Law.
 - (b) International Law.
 - (c) The law of torts.
 - (d) Administrative Law.
- (v) One of the following is not a Court of Record:
 - (a) The High Court.
 - (b) The Magistrates Court.
 - (c) The Court of Appeal.
 - (d) The Supreme Court.

(vi) The Doctrine of *Res Judicata* means:

- (a) That a magistrate cannot overrule a Judge.
- (b) That similar cases should be decided in a similar way.
- (c) That once a person has served sentence he can not be punished for the same offence.
- (d) That once a judge had made a decision, he cannot reverse it.

(vii) In Uganda Appeals from the L.C. III Court lie with

- (a) The Magistrate G.I.
- (b) The Magistrate G. II.
- (c) The Chief Magistrate.
- (d) The High Court.

(viii) One of the following is not an element of valid contracts

- (a) Legality of purpose.
- (b) Adequate consideration.
- (c) Consensus-ad-idem.
- (d) Capacity of parties.

(ix) Which one of the following is not true of the rules governing acceptance of contracts?

- (a) Acceptance must be given orally by the person to whom the offer was made.
- (b) Mental acceptance is ineffectual.
- (c) Acceptance must be conditional.
- (d) Acceptance must succeed the offer.

(x) Which one of the following is a void contract?

- (a) A contract induced by undue influence.
- (b) A contract ratifying a voidable contract.
- (c) A contract with a person of unsound mind.
- (d) None of the above.

- (xi) A Unilateral mistake occurs when:
- (a) Both parties make the same mistake as regards one subject.
 - (b) Both parties misunderstand each other and make mistakes about different matters.
 - (c) One party is aware of the mistake, but the other is not.
 - (d) One party has the intention of defrauding the other.
- (xii) In the law of agency, one of the following is not true of the essentials of a valid ratification:
- (a) The agent must purport to act as agent for a principal who is in contemplation.
 - (b) There should be an act capable of ratification.
 - (c) The Principal must be competent to contract.
 - (d) Part of the transaction can be ratified.
- (xiii) One of the following is not a duty of an agent:
- (a) The duty to make profit for the principal.
 - (b) Duty to exercise due skill and diligence.
 - (c) Duty to follow Principal's directions.
 - (d) The duty to account to the principal.
- (xiv) Which of the following may not form part of a Partnership Deed:
- (a) The Names and Address of the partners.
 - (b) The Account and Bankers of the firm.
 - (c) Date of commencement of partnership.
 - (d) The amount of capital contributed by each partner.
- (xv) Which of the following is not true of a private limited company?
- (a) It can raise capital by issuing a prospectus.
 - (b) Its minimum membership is two.
 - (c) It may have only one Director.
 - (d) The liability of its members is limited.
- (xvi) One of the following is an act of Bankruptcy:
- (a) Keeping house with an intention to defeat creditors.
 - (b) Departing Realm without informing creditors.

- (c) Failing to pay creditors.
- (d) Mortgaging all one's property.

(xvii) Articles of Association of a company contain:

- (a) The objects of the company.
- (b) The share capital of the company.
- (c) The balance sheet of the company.
- (d) The management rules of the company.

(xviii) The issued Capital of a company is:

- (a) Its nominal capital.
- (b) Its allotted capital.
- (c) The authorised capital.
- (d) Reverse capital.

(xix) Alteration of a company's share capital can be achieved by:

- (a) Ordinary resolution.
- (b) Writing a letter to the registrar of Companies.
- (c) Special Resolution.
- (d) Agreement by the majority shareholders.

(xx) The veil of incorporation may be lifted if:

- (a) The company is an agent of another partner company.
- (b) The company passes a resolution to that effect.
- (c) The company is used to commit a crime.
- (d) The company reconverts itself into a partnership.

SECTION B

Question 2

Kiteme offered two expensive cars for sale. John and Mary called Kiteme in response to the advertisement. John said that he was a well-known businessman and agreed to buy the first car. He gave Kiteme a cheque for the purchase price. Mary said that she merely wished to hire the second car for her forthcoming wedding ceremony. Kiteme agreed and accepted a cheque for the hire price. Kiteme signed without reading, what he believed to be a contract of hire. Infact it was a contract of sale. Both Mary and John were allowed to drive the cars away. The cheques have now been dishonoured and Kiteme seeks your advice. Advise him.

(20 marks)

SECTION C

Question 3

Explain the doctrine of "lifting the veil of incorporation" in company law and give instances when it applies.

(20 marks)

Question 4

Discuss the mutual rights and duties as between the partners in the absence of any express contract between them.

(20 marks)

Question 5

As a general rule of law, a person who has not supplied consideration on a contract cannot be bound by the terms of that contract. Under what circumstance, if any may this rule not apply?

(20 marks)

Question 6

Section 22 of the Companies Act of Uganda states that the Memorandum and Articles of Association of a company shall, when registered, bind the company and the members to the same extent as if they respectively had been signed and sealed by each member, and contained covenants on the part of each member to observe all the provisions of the Memorandum and of the Articles.

Explain the effect of the section on the relationship between shareholders and their company and between the shareholders themselves.

Illustrate your answer with decided cases.

(20 marks)

Question 7

(a) Discuss the duties of a director of a company.

(10 marks)

(b) Outline possible remedies of a company against its directors.

(10 marks)

(Total 20 marks)