

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS LAW – PAPER 3

TUESDAY, 17 JUNE 2003

INSTRUCTIONS TO STUDENTS

1. Time allowed: **3 hours**
2. Attempt **all** questions in Sections **A** and **B** any **three** questions from Section **C**.
3. Section **A** has **twenty** compulsory multiple-choice 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 on the answer book.

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SECTION A

Question 1

- (i) What is legislation?
 - a) Law made by government
 - b) Enacted law
 - c) Law made by judges
 - d) Common law

- (ii) The doctrine of precedent involves;
 - a) Application of equity
 - b) Application of established rules of law
 - c) Application of existing legislation
 - d) Application of public morality

- (iii) The highest court with competent jurisdiction in Uganda is:
 - a) The Constitutional court
 - b) The Supreme court
 - c) The court of Appeal
 - d) The High court

- (iv) Legal personality refers to;
 - a) A legal entity
 - b) A corporate entity
 - c) Natural and artificial entities
 - d) Any entity with defined rights and obligations

- (v) Which of these is true?
 - a) Avoidable contract is void
 - b) A void contract can be enforced
 - c) Avoidable contract is enforceable
 - d) Avoidable contract is not a binding contract

- (vi) “Quantum merit” refers to;
 - a) The value or worth of the contract performed
 - b) The quantity of the money due on a contract
 - c) The merit of the contract performed
 - d) The breach of the out trading contract

- (vii) An agent appointed to handle all the affairs of the principal is called;
- a) A *dul credere* agent
 - b) A general agent
 - c) A universal agent
 - d) A special agent
- (viii) Which of these is true?
- a) An employer is vicariously liable for all acts of the employee during normal working hours
 - b) An employee is vicariously liable for all acts of the employer in the course of duty
 - c) An employer is liable for all acts of the employee in the course of duty
 - d) An employer is at all times liable for acts of the employee
- (ix) One of the following is available to the employer as a defence in an action of negligence;
- a) “*fractures naturales*”
 - b) “*fructus industriales*”
 - c) “*frustration*”
 - d) “*volenti non fit injuria*”
- (x) One of the following is false;
- a) an employee on suspension is not entitled to pay
 - b) An employee on suspension may have his pay stopped in accordance with the contract
 - c) An employee on suspension may claim damages for none payment
 - d) An employee on suspension is a recognised employee
- (xi) What is the normal maximum weekly working hours?
- a) All female employees are entitled to maternity leave
 - b) Female employees are not allowed to do underground manual work
 - c) Female employees are not allowed to do manual work
 - d) Female employees in management can not work under guard

- (xii) “Holding out” refers to;
- a) Conducting oneself in a manner that third parties believe that one is in a partnership
 - b) Conducting business with a view to deceive third parties that one is in a partnership
 - c) Conducting business with a view to representing other partners in an partnership
 - d) Conducting oneself in a manner that third parties may believe the partners’ interest is on sell
- (xiv) Partners may expel any partners from a partnership when;
- a) The partner is insane
 - b) The partner is bankrupt
 - c) The partner breeches the partnership deed
 - d) The partners have an express agreement to that effect
- (xv) The benefit; advantage or connection of a business is known as;
- a) Profit
 - b) Assets
 - c) Goodwill
 - d) Interest in a firm
- (xvi) Who among the following has unlimited liability?
- a) Company Directors
 - b) Company share holders
 - c) The Company
 - d) The Company Managing director
- (xvii) One of the following is true;
- a) A Company has a lien on all the shares not fully paid for
 - b) A Company has a lien on all the shares of the Company
 - c) A Company has powers to transfer all shares on which it has a lien without notifying the shareholders
 - d) The Company’s lien covers the full value of the shares
- (xviii) “Capital” refers to;
- a) Property that has been invested into a business
 - b) Money that has been invested into a business
 - c) The assets held in trust for the business
 - d) The value of the goods for sale held by the Company

- (xix) Dividends are declared;
- a) A person in-charge of the day to day Company affairs
 - b) A person who participates in the floating of the Company
 - c) A person who has purchased shares in the company
 - d) A person who has agreed to be a member or whose name has been entered on the register of Company members.

SECTION B

Question 2

Mugi and Mbaba carried out business under the name Mumba Brothers. Their business had flourished over the years and their younger brother Karu was always found at the business premises all the time.

Sometimes, he would not hesitate to lend a hand whenever the other two were overwhelmed by clients. However, recently, Mugi was declared bankrupt by court because he could not pay the business creditors in a business he operated alone besides Mumba Brothers. Some foreign supplies had supplied Mugi business goods on credit but these goods were being sold by and in the stores of Mumba Brothers. These particular creditors had no idea at all that Mugi had another business partner or a business name. The assets and current stock in the store of Mumba Brothers do not even match up to the moneys owed by Mugi to all the creditors.

Discuss all issues raised and advise on the possible course of action. Both Mugi and Mbaba would want to continue doing business. How do you advise them on this?

(20 marks)

Question 3

“..... finding that the authority might be made complete by resolution, one would have to infer the fact of a resolution authorising that which on the face of the document appeared to be legitimately done. Royal British Bch Vs Turquand 1956.

Explain the statement above and discuss any exceptions to it.

(20 marks)

Question 4

Discuss contractual capacity.

(20 marks)

Question 5

- (a) “.... But there was no company in existence at the time, the agreement was wholly in operative unless it was ...”. Earle C.J, Kelour Vs Baxtes.

(10 marks)

- (b) Discuss the types of companies that may be formed.

(10 marks)

Question 6

When may a partnership be dissolved by courts of law?

(20 marks)

Question 7

- (a) Discuss custom as a source of law.

(10 marks)

- (b) Equity is “a gloss on common law. Do you agree? Why?

(10 marks)