

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS LAW – PAPER 3

TUESDAY, 21 JUNE 2005

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 multiple-choice questions each carrying 1 mark.
4. Section **B** has **one** compulsory question of 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 before attempting any question.

SECTION A

Question 1

- (i) The law that relates to the enforcement of peoples' rights and duties is called?
 - (a) Procedural law.
 - (b) Substantive law.
 - (c) Civil law.
 - (d) Common law.
- (ii) Which of the following is not a court of record?
 - (a) The High Court.
 - (b) The Supreme Court.
 - (c) The Chief Magistrates Court.
 - (d) The Court of Appeal.
- (iii) What is equity?
 - (a) Common law.
 - (b) Natural justice.
 - (c) Civil law.
 - (d) Common sense.
- (iv) The part of the case that contains authority is called:
 - (a) *ratio decidendi*.
 - (b) *obiter dicta*.
 - (c) *stare decisis*.
 - (d) *per incurium*.
- (v) The law that regulates employment in Uganda is called the:
 - (a) Workers' Act.
 - (b) Labour Act.
 - (c) Employment Act.
 - (d) Minimum Wages Act.
- (vi) Which of the following is false about contracts?
 - (a) All contracts must be in writing.
 - (b) All contracts of service above six months must be in writing.
 - (c) Contracts of service for less than six months may be in writing.
 - (d) All contracts of service must be in accordance with the law.
- (vii) A probationary period of service:
 - (a) Cannot be terminated.
 - (b) Is indefinite.
 - (c) May exceed six months.
 - (d) Needs no notice before termination.

- (viii) When may an employee not be repatriated?
 - (a) On expiry of the period of service under the contract.
 - (b) On termination due to the employer's fault.
 - (c) Under court order.
 - (d) When the employee fails to exercise the right to be repatriated.
- (ix) may be declared bankrupt under the Bankruptcy Act.
 - (i) An individual.
 - (ii) A partnership.
 - (iii) A company.
 - (a) (i).
 - (b) (ii) and (iii).
 - (c) (i) and (ii).
 - (d) (i), (ii) and (iii).
- (x) Which of these is not a characteristic of a partnership?
 - (a) Limited liability.
 - (b) Unincorporated status.
 - (c) Informality.
 - (d) Based on agency.
- (xi) The partner who does not actively participate in the management of the partnership is called:
 - (a) a general partner.
 - (b) a dormant partner.
 - (c) a dominant partner.
 - (d) a holding out partner.
- (xii) On what grounds will Court dissolve a partnership?
 - (a) When the venture is terminated.
 - (b) When one partner is incapable of performing responsibilities.
 - (c) When one partner runs bankrupt.
 - (d) When an illegality occurs.
- (xiii) An offer is not terminated when:
 - (a) it is communicated.
 - (b) its time lapses.
 - (c) there is a counter-offer.
 - (d) there is acceptance.

- (xiv) What is consideration?
- (a) The value received and/or forfeited by parties to the contract.
 - (b) The acceptance of the contract.
 - (c) The basis of the contract.
 - (d) The value offered in a counter-offer by parties to the contract.
- (xv) Privity of contract means that:
- (a) only valid contracts are enforced by courts.
 - (b) third parties may benefit under contracts.
 - (c) only parties to a contract may have it enforced.
 - (d) third parties may enforce private contracts.
- (xvi) Those who are involved in the formation of a Company are called:
- (a) Directors.
 - (b) Promoters.
 - (c) Company Secretaries.
 - (d) Contributories.
- (xvii) The objects of the company are contained in:
- (a) Articles of association of the company.
 - (b) Memorandum of association of the company.
 - (c) Annual returns of the company.
 - (d) Shareholders' register.
- (xviii) An offer to the public to subscribe or purchase shares of a company is called:
- (a) a debenture.
 - (b) an advertisement.
 - (c) a prospectus.
 - (d) company stock.
- (xix) What is a statutory meeting?
- (a) The directors' meeting.
 - (b) The shareholders' meeting.
 - (c) The first company general meeting.
 - (d) The Annual General Meeting of a company.
- (xx) A person appointed by a shareholder to attend and vote for the shareholder at a meeting is called:
- (a) an agent.
 - (b) a representative.
 - (c) a nominee.
 - (d) a proxy.

SECTION B**Question 2**

Lye was recruited from Arua by Sun Wares Ltd to come and work as Manager of its factory in Kampala, Uganda. After working for two months, his services were terminated without pay. He could not afford to go back to Arua. When he was still working, Lye had requested Musoke Furnishers on Sixth Street to make him furniture for his house in Nakawa and he made part-payment. Now the furniture has been delivered but Lye has declined to take it and he is instead demanding for a refund of the installment he had previously made to Musoke Furnishers.

Meanwhile, another company dealing in similar products like Sun Wares Ltd has approached him with intentions of hiring him at their outlet in Kalerwe. He isn't sure if he should take up the offer. Sun Wares Ltd had made him sign an agreement to the effect that he would not take up any form of employment after he left that company.

Required:

Advise Lye and Musoke Furnishers on their rights in the circumstances.

(20 marks)

SECTION C**Question 3**

Describe the doctrine of lifting the veil of incorporation and under what circumstances it occurs.

(20 marks)

Question 4

(a) What is meant by the terms: transfer and transmission of shares of a company?

(5 marks)

(b) Distinguish between a floating charge and a fixed charge.

(15 marks)

(Total 20 marks)

Question 5

(a) Explain the doctrine of frustration in the law of contract.

(8 marks)

(b) What remedies are available for breach of contract?

(12 marks)

(Total 20 marks)

Question 6

What do you consider to be the differences between common law and equity?

(20 marks)

Question 7

"If... directors have broken their duties ...the company is the proper plaintiff against them." **Foss v. Harbottle (1843).**

Required:

Explain the rule in the above case and any exceptions to the rule.

(20 marks)