

# THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

*A Committee of the Council of ICPAU*

## CPA(U) EXAMINATIONS

### LEVEL ONE

#### BUSINESS LAW – PAPER 3

**TUESDAY, 11 DECEMBER 2007**

#### 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 ....., is **NOT** a head of an arm of Government.
  - (a) Speaker of Parliament
  - (b) Inspector General of Government
  - (c) Chief Justice
  - (d) President of the Republic of Uganda
- (ii) A suit in a civil matter is commenced by one of the following documents:
  - (a) A charge sheet.
  - (b) A plaint.
  - (c) An interim order.
  - (d) A decree.
- (iii) Women are entitled to maternity leave of:
  - (a) 60 working days.
  - (b) 45 days.
  - (c) 30 days.
  - (d) 45 working days.
- (iv) Which one of the following is **NOT** a prerogative writ issued by the High Court?
  - (a) Decree nisi.
  - (b) Mandamus.
  - (c) Habeas Corpus.
  - (d) Certiorari.
- (v) Which one of the following is **NOT** a rule of statutory interpretation?
  - (a) The literal rule.
  - (b) Ejusdem Generis rule.
  - (c) The Indoor Management rule.
  - (d) The mischief rule.
- (vi) The doctrine that requires a judge hearing a case to decide all cases before him in the same way as the earlier case had been decided is known as:
  - (a) Ratio decidendi.
  - (b) Obiter dictum.
  - (c) Stare decisis.
  - (d) Per Incuriam.

- (vii) The principle that death of a member or members of the company does **NOT** result in the death of the company itself is known as:
- (a) limited liability.
  - (b) perpetual succession.
  - (c) novation.
  - (d) revocation.
- (viii) Which of the following is **NOT** essential for the validity of a contract?
- (a) Capacity.
  - (b) Consensus.
  - (c) Consideration.
  - (d) It must be written.
- (ix) Under the employment law, men in Uganda are entitled to paternity leave of
- (a) 4 days.
  - (b) 5 days.
  - (c) 10 days.
  - (d) 7 days.
- (x) The doctrine of Estoppel was discussed in:
- (a) Salomon Vs Salomon.
  - (b) High Trees Case.
  - (c) Lewis Vs Avery.
  - (d) Foss Vs Harbottle.
- (xi) The rule that only a person who is a party to a contract can sue on it is known as the:
- (a) Mischief rule.
  - (b) Privity rule.
  - (c) Rule in Pinel's case.
  - (d) Casual rule.
- (xii) An agent for the sale of goods who, in consideration of a higher reward than is usually given, guarantees the due payment of the price of all goods sold by him is known as:
- (a) Del credere.
  - (b) Auctioneer.
  - (c) Stock broker.
  - (d) Underwriter.

- (xiii) "Quantum meruit" refers to the:
- (a) value or worth of the contract performed.
  - (b) quantity of the money due on a contract.
  - (c) merit of the contract performed.
  - (d) breach of the outstanding contract.
- (xiv) Which of the following statements is **FALSE**?
- (i) Common law and equitable principles can be applied by all the courts.
  - (ii) A wrong committed by one person cannot result in both civil and criminal liability.
  - (iii) To be found guilty, the prosecution must prove beyond reasonable doubt that the accused committed the offence.
- (a) (i).
  - (b) (ii).
  - (c) (i) and (iii).
  - (d) (ii) and (iii).
- (xv) In the tort of negligence, a defendant who has broken his/her duty of care has failed to:
- (a) take every step to avoid harming the claimant.
  - (b) take all necessary care.
  - (c) take all reasonable care.
  - (d) act to the best of his/her abilities.
- (xvi) Which one of the following remedies is **NOT** available for a breach of a contract to provide personal services?
- (a) Damages.
  - (b) Decree of specific performance.
  - (c) An injunction.
  - (d) Rescission.
- (xvii) Which of the following is a characteristic of a partnership?
- (a) Limited liability.
  - (b) Informality.
  - (c) Perpetual succession.
  - (d) Incorporation.

(xviii) Which of the following courts also sits as the Constitutional Court?

- (a) The Court of Appeal.
- (b) The Supreme Court.
- (c) The High Court.
- (d) The General Court Martial.

(xix) Which of the following is correct?

- (i) A contract is entered into voluntarily whereas criminal offences are imposed by the state.
  - (ii) A tort is entered into voluntarily whereas criminal offences are imposed by the state.
  - (iii) A contract is entered into voluntarily whereas a tort is imposed by the state.
- (a) (i).
  - (b) (ii).
  - (c) (ii) and (iii)
  - (d) (iii).

(xx) An offer is **NOT** terminated when:

- (a) it is communicated.
- (b) its time lapses.
- (c) there is a counter offer.
- (d) there is no acceptance.

## SECTION B

### Question 2

Kyeko Ltd were motor tyre manufacturers and sold tyres to Jangu and Co. who were motor accessory dealers. Under the terms of the contract, Jangu and Co. agreed not to sell the tyres below Kyeko's list prices, and as Kyeko's agents, to obtain from other retailers a similar undertaking. In return for the undertaking Jangu and Co. were to receive discounts, some of which they would pass on to retailers who bought tyres. Lukiiko and Co. accepted two orders from customers for Kyeko tyres at a lower price. They obtained the tyres through Jangu and Co. and signed an agreement not to sell or offer the tyres below the list price. It was further agreed that Shs 5,000 per tyre so sold should be paid to Kyeko Ltd by way of liquidated damages. Lukiiko and Co. supplied one of the two tyres ordered below the list price. They did not supply the other, but informed the customer that they could only supply it at the list price. Kyeko has now applied for an injunction and damages against Lukiiko and Co. for breach of the agreement made with Jangu and Co. claiming that Jangu and Co. were their agents in the matter.

**Required:**

Discuss all the legal issues involved in the above problem.

**(20 marks)**

**SECTION C**

**Question 3**

(a) Describe the elements of a legally binding contract.

**(10 marks)**

(b) Discuss the different ways through which a contract can be terminated.

**(10 marks)**

**(Total 20 marks)**

**Question 4**

Discuss the different ways through which a principal – agency relationship may be created.

**(20 marks)**

**Question 5**

(a) A company is formed by having it registered with the Registrar of Companies and obtaining a certificate of incorporation.

**Required:**

Describe the documents that must be submitted to the Registrar before registration of a company is effected.

**(8 marks)**

(b) What are the contents of a Memorandum of Association?

**(12 marks)**

**(Total 20 marks)**

**Question 6**

(a) Discuss the difference between issued share capital and authorized share capital.

**(6 marks)**

(b) What is the distinction between transfer of shares and transmission of shares?

**(14 marks)**

**(Total 20 marks)**

**Question 7**

Describe the circumstances under which a partnership may be dissolved without a court order.

**(20 marks)**