

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD

A Committee of the Council of ICPAU

EXAMINATIONS BOARD

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CPA(U) EXAMINATIONS

LEVEL ONE

BUSINESS LAW – PAPER 3

MONDAY, 18 JUNE 2012

INSTRUCTIONS TO CANDIDATES

1. Time allowed: **3 hours 15 minutes**.
The first 15 minutes of this examination have been designated for reading time. You may not start to write your answer during this time.
2. This examination contains Sections **A**, **B** and **C**.
3. Section **A** is bound separately from Sections **B** and **C**.
2. Attempt all the 20 multiple choice questions in Section **A**. Each question carries 1 mark.
4. Attempt **two** of the **three** questions in Section **B**. Each question carries 20 marks.
5. Attempt **two** of the **three** questions in Section **C**. Each question carries 20 marks.
6. Write your answer to each question in a separate answer booklet.
7. Please, read further instructions on the answer booklet, before attempting any question.

SECTION B

Attempt two of the three questions in this section.

Question 2

Bruno instructed Farida to sell his Ipsum car and agreed to pay her Shs 2 million on completion of the sale. Farida sold the car and on completion of the transaction, Bruno paid her the commission. Bruno later on met Zuena who had bought the car. In their conversation, the issue of the car came up. Zuena revealed Bruno the price at which she bought the car. She went further to reveal that she had even paid a commission of Shs 1 million to Farida. This revelation annoyed Bruno and he is wondering about an appropriate action he can take against Farida.

In another incident, Bruno advertised his house for sale in the Kamunye newspaper and then left for Germany for a heart surgery. While Bruno was away, Tegule having read the advertisement in the newspaper, inspected the house and decided to make an offer for it. Bruno's shamba boy, Andraole, pretending to act with Bruno's authority, entered into negotiations with Tegule and reached an agreement with him and accepted Tegule's offer on behalf of Bruno. When Bruno returned after the successful heart surgery, he wrote to Tegule saying that he was ratifying Andraole's act.

Required:

- (a) Advise the parties. (15 marks)
 - (b) Explain the conditions that must be fulfilled for a principal to ratify a contract made by an agent? (5 marks)
- (Total 20 marks)**

Question 3

Santa Limited was incorporated in Uganda by Sempasa, Antonio and Tandarua each with a holding of 30% of the company's issued share capital. The three constitute the board of directors.

The company's articles of association state, among other things, that: "No single director shall commit the company to purchases exceeding Shs 90 million without the approval of all the directors".

Later, Sempasa and Antonio secured jobs with the United Nations' office in Taiwan and left the country to take up their respective assignments.

The three board members have never appointed a managing director but the day-to-day running of the company has been left to Tandarua. Despite the restriction in the articles, Tandarua contracted to buy a Fuso lorry to help in the transportation of timber from the Democratic republic of Congo to their workshop in Bwaise. He made the contract with Tupakase Auto Traders Ltd on behalf of Santa Ltd at a price of Shs 150 million.

Required:

Raise and resolve all the issues involved in the above scenario.

(20 marks)

Question 4

A security firm in Kaberamaido is charged with security in that locality and it even escorts bullion vans when delivering money to different banks. Some two years ago, the firm recruited 12 people from various parts of Uganda. Kamagaiga was one of the recruits from the newly created district of Mitooma.

Kamagaiga reported to his new work station with his family members. His boss liked him because he was a vibrant security guard. It is for this reason that he offered him a two bed-roomed house in which to stay with his family. During his course of employment, Kamagaiga encountered some challenges. As part of the security team escorting a bullion van, they fell into an ambush of robbers who showered them with bullets. All his colleagues were killed on the spot but Kamagaiga survived with injuries. He even lost one eye which was hit by a broken windscreen of the bullion van. He was taken to hospital and later discharged, after a long spell.

Upon his discharge from the hospital, Kamagaiga reported back for duty but was not deployed for three months. This was in spite of his pleadings with his bosses to deploy him.

Last month, Kamagaiga confronted the manager and one of the directors of the security firm to demand for his salary payment. Due to his delayed salaries, he was having a big financial problem. His wife, living with HIV/AIDS, was no longer accessing ARVs and her life was in danger. Additionally, his children had been sent away from school for non-payment of school fees.

The manager told off Kamagaiga not bother him since he lost one eye and can no longer perform his duties to the expectations of the firm. He even threatened him with dismissal if he dared to disturb him again. Kamagaiga took his case to the labour office who wrote to the management demanding payment of Kamagaiga's salaries from the time he was injured to date. On receipt of the

letter from the labour office, the management decided to dismiss Kamagaiga for being big headed.

Kamagaiga was served with a dismissal letter and an eviction order to vacate the firm's premises. Kamagaiga reported back to the labour officer about the dismissal and eviction. He was advised not to vacate the house until his salary arrears are paid and is provided with transport for himself and his family back to Mitooma.

Required:

Raise and resolve issues involved.

(20 marks)

SECTION C

Attempt two of the three questions in this section

Question 5

Discuss the circumstances under which a contract of employment may be terminated.

(20 marks)

Question 6

Write short notes on the following:

- (a) Rules for consideration under the law of contract. **(8 marks)**
 - (b) The rights of an auditor under the Companies Act. **(12 marks)**
- (Total 20 marks)**

Question 7

- (a) Describe the rights of partners under the Partnership Act. **(14 marks)**
 - (b) Describe the liabilities of incoming and the outgoing partners? **(6 marks)**
- (Total 20 marks)**