

THE PUBLIC ACCOUNTANTS EXAMINATIONS BOARD
A Committee of the Council of ICPAU

BUSINESS LAW - PAPER 3

JUNE 1998

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.

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SECTION A

Question 1

- (i) Which of the following is **not** a source of law ?
- (a) Custom.
 - (b) Judicial decisions.
 - (c) Presidential orders.
 - (d) Parliament Legislations.
- (ii) Identify a statement which is true from the following:-
- (a) Law reflects a people's morality.
 - (b) Laws create a people's morality.
 - (c) Morality is law.
 - (d) Morality must be enforced by courts of law.
- (iii) '**Ratio decidendi**' means
- (a) reasons for a case.
 - (b) resume of the decision reached by court.
 - (c) reason for the decision.
 - (d) precedents for the case.
- (iv) Which is the highest court of law in Uganda ?
- (a) The Constitutional Court.
 - (b) The Supreme Court.
 - (c) The High Court.
 - (d) The Appeal Court.
- (v) Who appoints Judges in Uganda ?
- (a) The Chief Justice.
 - (b) The Judicial Service Commission.
 - (c) The Parliament.
 - (d) The President.
- (vi) What is a doctrine of preclusion ?
- (a) Waiver.
 - (b) Estopped.
 - (c) Exclusion clause.
 - (d) Caveator Emptor.

- (vii) Prior to incorporation, a company may
- (a) do a business.
 - (b) be sued.
 - (c) be held liable for its actions.
 - (d) be wound up.
- (viii) A public limited liability company may not allow one of the following:-
- (a) transfer of shares.
 - (b) new shareholders.
 - (c) its membership to fall below 50 members.
 - (d) trading on the stock exchange.
- (ix) A general partner in a firm
- (a) does all the firm's business transactions.
 - (b) must attend all the firm's meetings.
 - (c) manages the firm's transactions.
 - (d) has unlimited liability.
- (x) A partnership may not be dissolved by
- (a) mutual agreement.
 - (b) the bankruptcy of one partner.
 - (c) court order.
 - (d) business losses.
- (xi) What is a contract ?
- (a) An agreement.
 - (b) An enforceable agreement.
 - (c) A signed agreement.
 - (d) A written agreement.
- (xii) Which of the following agents is normally engaged to make commercial contracts with the third parties on behalf of their principals ?
- (a) a 'del Credre' agent.
 - (b) A broker.
 - (c) A factor.
 - (d) A banker.

- (xiii) Which of the following is not a duty of a trustee ?
- (a) insuring trust property.
 - (b) obeying the beneficiaries.
 - (c) selling wasting property / assets.
 - (d) making profit from trust property.
- (xiv) The beneficiary under a trust is called a
- (a) trustee.
 - (b) benefactor.
 - (c) 'lestin que trust'.
 - (d) 'sui juris'.
- (xv) The duties of an agent include all the following except
- (a) exercising due care and skill.
 - (b) paying the principal's debts.
 - (c) acting personally.
 - (d) acting in good faith.
- (xvi) One of the following is an act of bankruptcy.
- (a) Failing to pay one's debts without any good cause.
 - (b) Keeping house with intent to defeat creditors.
 - (c) Giving a broad / departing realm when one is indebted.
 - (d) Selling one's property to pay off debts.
- (xvii) How many share-holders should a public limited liability company have?
- (a) At least 2 members.
 - (b) At least 7 members.
 - (c) At least 50 members.
 - (d) More than 50 members.
- (xviii) The rules governing the internal day-to-day management of the company are contained in the
- (a) Articles of Association.
 - (b) Memorandum of Association.
 - (c) General meeting resolution.
 - (d) Director's meeting resolution.

- (xix) Every partner in a firm is an agent of the firm and his/her other partners for the purpose of partnership business unless
- (a) the particular partner has no authority to act.
 - (b) other partners decline to ratify his acts.
 - (c) he / she does not inform the other partners in reasonable time.
 - (d) such a partner has no written agreement.
- (xx) Which of the following is not unpaid seller's right ?
- (a) Right of retention.
 - (b) Right to a lien over the goods.
 - (c) Right to re-sale.
 - (d) Right to refuse the payment / price.

SECTION : B

Question 2

Mr. Singh Kumar is the Managing Director of M/S Kanga Scrap Works Ltd., a laundry soap producing factory. Among the many company regulations, is that all the employees of the company must report for duty at 7.00a.m. and retire at 8.00 p.m. with only one hour-break for lunch. Ojok, aged 12 years, and employed by the company as machine operator had his hand crashed by the machine as he attempted to start it. The hand was consequently amputated. When he learnt of the amputation, the Managing Director served a termination letter to Ojok because he was of no use to the company without the right hand. Ojok was only paid wages / salary for the days he worked in the month.

Ojok comes to you for legal advice. What are his remedies, if any, and how shall he get these remedies ? (20 marks)

SECTION C

Question 3

- (a) Define a trust and outline the different ways how trusts may arise. (12 marks)
- (b) What are the duties of a trustee ? (8 marks)

Question 4

- (a) Discuss the sources of law in Uganda. (10 marks)
- (b) What are the differences between Common law and Equity? (10 marks)

Question 5

Sebbi, a young graduate from the university approaches you and tells you that he intends to form a business organisation.

Outline the advice you would give him. *(20 marks)*

Question 6

(a) Distinguish between a void and voidable contract. *(8 marks)*

(b) Discuss the four methods by which a contract may be discharged. *(12 marks)*

Question 7

Mr. Nsambu was induced to purchase shares in a company; M/S IPFC (U) Ltd. on the faith of an untrue statement in the company prospectus.

Discuss the remedies he may have against the company and the directors of the company as well as the defences available for them.

(20 marks)