

CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.2: BUSINESS LAW

FRIDAY: 4 DECEMBER 2015

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has seven questions and only five questions are to be attempted.**
- 3. Marks allocated to each question are shown at the end of the question.**

QUESTION ONE

- a) Explain the doctrine of Vicarious liability. (4 Marks)
- b) NKUBAGANYI is employed as a driver by KARIBU Ltd and assigned to the CEO. One Monday morning, he drove the CEO to the airport and reverted to using the company car for his personal business. He was hired by two Germany tourists to drive them to Gisenyi. Unfortunately, before reaching Nyirangarama, he was involved in an accident involving a Mercedes Benz S Class owned by MAKUBA which killed the two Germans, and seriously injuring two pedestrians.

REQUIRED:

Discuss the rules applicable to this case and the possible sanctions that could be imposed to NKUBAGANYI. (16 Marks)

(Total 20 Marks)

QUESTION TWO

Explain the following characteristics of negotiable instruments:

- (a) Negotiability (7 Marks)
- (b) Monetary value (3 Marks)
- (c) Commitment to pay (5 Marks)
- (d) Short-term title (5 Marks)

(Total 20 Marks)

QUESTION THREE

- (a) Discuss the conditions and warranties in the contract of sale of goods. (4 Marks)
- (b) What are the essential characteristics of a contract of sale of goods? (2 Marks)
- (c) Mugabo instructed his agent Rukundo to sell 20 Toyota cars in his showroom. Mugabo further instructed Rukundo that each car should not be sold for less than Frw 20 Million.

REQUIRED:

Explain the legal position in each of the circumstances below:

- (i) Rukundo sells the cars for Frw 18 Million (3 Marks)
- (ii) Rukundo buys the cars himself for Frw 20 Million without informing Mugabo and later sells them to Mpenzi for Frw 25 Million (3 Marks)
- (d) Explain the legal issues involved in each of the following cases;
- (i) Kaberuka is due to leave the country for a period of three years for further studies. He decides to sell his household goods and therefore sends a letter to his longtime friend Mpano offering to sell the household goods to him. Mpano posts a letter to Kaberuka accepting the offer. The letter does not reach Kaberuka. (4 Marks)
- (ii) Kabayija offer to sell his piece of land located at Kimironko for Frw 25 Million. Kabera offers to buy the land for Frw 20 Million. late he again offers to buy the land for Frw 25 Million to which Kabayija refused. (4 Marks)

(Total 20 Marks)

QUESTION FOUR

- A constitution is the major source of law in Rwanda through which all others sources must conform to”. With reference to this statement outline the hierarchy of sources of law in Rwanda. **(6 Marks)**
 - What is the meaning of administrative law? Explain the functions of administrative law. **(4 Marks)**
 - What are the conditions that one must fulfill before being granted citizenship by naturalization in Rwanda? **(6 Marks)**
 - Distinguish between procedural law and substantive law. **(4 Marks)**
- (Total 20 Marks)**

QUESTION FIVE

- Explain the duties of a principal to his agent **(5 Marks)**
- What is the meaning of Agency by necessity. **(5 Marks)**
- Murenzi employed Ingabire as his agent in a business of selling charcoal. For many years Ingabire sold charcoal to Nkumba View Hotel. A misunderstanding between Murenzi and Ingabire resulted in dismissal of Ingabire. However Murenzi did not remember to inform the Nkumba View Hotel about Ingabire’s dismissal.

After the dismissal Ingabire proceeded to Nkumba View Hotel and collected cash worth Frw 1 Million being the balance due to Murenzi for the charcoal that had been supplied for the last six months. Ingabire did not remit this money to Murenzi nor disclose having collected the money.

Consequently, Murenzi has demanded the payment of Frw 1 Million from the Nkumba View Hotel which has refused to pay on the grounds that they had already paid the money to Ingabire, Murenzis agent.

REQUIRED:

Analyze the legal principles applicable in this case and advise Murenzi. **(10 Marks)**
(Total 20 Marks)

QUESTION SIX

- Articles of association and memorandum of association are two important documents in the creation of a company. Differentiate these two documents. **(12 Marks)**
 - In relation to the law of property distinguish “ownership” and “possession”. **(4 Marks)**
 - Outline the extent to which common law differs from equity. **(4 Marks)**
- (Total 20 Marks)**

QUESTION SEVEN

- MAHIRWE is Fifteen years old. He entered into contract of sale of his laptop [MacBook Air] whose value was \$2,500 with KIGORYI, aged thirty (30) years. KIGORYI paid \$3,000 to MAHIRWE who eventually accepted the price. When KIGORYI noted the price of MacBook Air was \$2,500 he wanted to rescind the contract.

REQUIRED:

Advise the legality of this case. (10 Marks)

- (b) MUGABO works for MUKIRE as an agent in his insurance company, the LIFE Ltd. Recently, MUKIRE wanted to open a subsidiary, BUZIMA Ltd. However due to insufficient capital, he persuaded MUGABO to partner with him. The company was worth Two Hundred Million (200,000,000) Rwandan Francs and MUGABO agreed to contribute One Hundred fifty Million Frw (150,000,000) i.e. 75%. However, in the shareholding structure, MUKIRE had 70% stake in the company. MUGABO did not complain although he owned actually 75%. After serious considerations he feels he is being cheated by his employer and wanted advice on the contract he signed. Advise him appropriately. (10 Marks)

(Total 20 Marks)

End of question paper