



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF RWANDA  
Driving Sustainable Performance



# **CERTIFIED PUBLIC ACCOUNTANT FOUNDATION LEVEL 1 EXAMINATIONS**

## **F 1.2: INTRODUCTION TO LAW**

**TUESDAY: 29 NOVEMBER 2016**

### **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.**
- 4. Any assumption made must be clearly and concisely stated.**
- 5. All iCPAR Examination rules and regulations apply**

**Attempt any five questions**

**QUESTION ONE**

Mugabo is a dealer in Rwandan coffee. His business has been falling and decided to place an advert in the Saturday edition of New Times stating: ***“once in a lifetime opportunity to own a coffee business with 300 bags of coffee beans ready for export for only Twenty Million cash only. This is a serious offer – the coffee business and the coffee beans will go to the first person who accepts it offer valid for one day only today Saturday.”***

Rukundo saw the advert and immediately posted a letter of acceptance of Mugabo’s offer in order to make sure he got the coffee business and the beans. Uwimana also saw the advert and after inspecting the coffee business and the beans offered Mugabo a cheque for Frw twenty million, but he refused to accept the cheque and told her she could not have the coffee business and the coffee beans. Later in the day, Murenzi asked Mugabo if he would keep the offer open until he could get to his bank to arrange a loan. Mugabo agreed, but subsequently, when Bizimungu offered to pay Twenty Five Million in cash for the coffee business and coffee beans, Mugabo sold the business and the beans to him. On Monday morning Rukundo’s letter arrived, and Murenzi returned to complete his purchase of the coffee business and the coffee beans.

**REQUIRED:**

- a) In the context of the rules governing the creation of contracts, advise:
    - i) As to the precise legal nature of Mugabo’s advertisement. **(4 Marks)**
    - ii) Whether Rukundo has entered into a binding contract with Mugabo. **(2 Marks)**
    - iii) Whether Uwimana has any right of action against Mugabo. **(2 Marks)**
    - iv) Whether Murenzi has any right of action against Mugabo. **(2 Marks)**
  - b) In the context of the law of tort explain:
    - i) The general meaning of tort. **(2 Marks)**
    - ii) The specific meaning of the torts of negligence. **(4 Marks)**
    - iii) The specific tort of defamation. **(4 Marks)**
- (Total 20Marks)**

**QUESTION TWO**

- a) “Agency means the relationship between principal and agent. The principal and agent relationship comes into existence in many ways.”

**REQUIRED:**

Explain five methods of creating principal and agent relationship. **(10 Marks)**

- b) Muhunde hired, a motor vehicle, for three years from Akegera Finance Company, the financier with an option to repurchase the motor vehicle at the end of the third year. Muhunde believes that he is the owner of the motor vehicle and this is a sale of goods contract.

**REQUIRED:**

Explain whether this transaction is governed by the Sale of Goods Act. **(4 Marks)**

- a) Mirembe applied for a life insurance policy at ABC Insurance Co, a leading insurance company and was asked whether she was having other valid life insurance policies. She had previously unsuccessfully applied for life insurance cover, however she did not disclose the fact that her application for life insurance had been rejected by the other insurance companies.

Secondly she did not reveal about her poor health conditions. Relying on Mirembe's facts, ABC Insurance Co., issued her a life insurance cover but unfortunately after one year she died. Now Mirembe's husband wants to have the compensation.

**REQUIRED:**

Explain whether Mirembe's husband is entitled to claim the compensation from ABC Insurance Co.

**(6 Marks)**

**(Total 20 Marks)**

**QUESTION THREE**

- a) State and explain five characteristics considered as necessary to constitute a negotiable instrument of payment or credit. **(10 Marks)**

- b) Differentiate between the bill of exchange and the promissory note. **(10 Marks)**

**(Total 20 Marks)**

**QUESTION FOUR**

- a) Differentiate between the sale of goods and the agreement for sale as explained in the sale of goods Acts **(2 Marks)**

- b) State and explain the main essentials of the sale of goods. **(8 Marks)**

- c) Explain the qualification for judges to deal with commercial litigation **(6 Marks)**

- d) Explain the significant features of arbitration **(4 Marks)**

**(Total 20 Marks)**

**QUESTION FIVE**

- a) What are the conditions to be fulfilled for masters to be held liable for wrongs committed by their servant and agents? **(8 Marks)**

- b) State three necessary conditions to be fulfilled for admission of liability of damage caused by the collapse of a building. **(6 Marks)**

- c) Explain the defenses for the damages caused by the collapse of a building. **(6 Marks)**

**(Total 20 Marks)**

**QUESTION SIX**

- a) Explain the main sources of law. **(8 Marks)**

- b) According to the constitution of Rwanda there are three branches under separation of power. State and explain the branches. **(12 Marks)**

**(Total 20 Marks)**

## QUESTION SEVEN

Explain the jurisdiction of the following courts:

- i) Lower instance courts (4 Marks)
- ii) Higher instance courts (4 Marks)
- iii) The higher courts (4 Marks)
- iv) Supreme courts (4 Marks)
- v) Military courts (4 Marks)

(Total 20 Marks)

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**End of question paper**