



INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF RWANDA
Driving Sustainable Performance



CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.2: BUSINESS LAW

FRIDAY: 09 JUNE 2017

INSTRUCTIONS:

- 1. Time Allowed: 3 hours 15 minutes (15 minutes reading and 3 hours writing).**
- 2. This examination has seven(7) questions and only five(5) questions are to be attempted.**
- 3. Marks allocated to each question are shown at the end of the question.**
- 4. All iCPAR Examination rules and regulations apply.**

Attempt any five questions

QUESTION ONE

Nyarwaya, an accountant with Biro Ltd, advertised his Mercedes Benz motor vehicle for sale in the New Times newspaper. The reserve price was set at Frw 15 million. Nzaramba, a prominent businessman in Kigali, picked interest in buying the Benz. He was allowed to inspect and road test the motor vehicle. The Benz was in a good condition. He offered to buy it at Frw 14 million but Nyarwaya insisted on Frw 15 million. Nzaramba borrowed money to pay for the motor vehicle.

To his disappointment, when he wanted to make the payment of Frw 15 million, Nyarwaya declined to take the money. He had changed his mind on the sale of the vehicle.

Angered by this decision, Nzaramba grabbed the car keys from Nyarwaya and drove the Benz away. Nzaramba advised Nyarwaya on phone to follow him for his money, or else he would sue for specific performance.

In another development, Akimana rented a residential house in Kigali from Nyarwaya for five years. When she moved into the house, she discovered that it lacked some fixtures, doors and electrical installations. She did not want to occupy a house which was not well furnished.

Therefore, she decided to install the missing fixtures at a cost of Frw 8 million. Upon completion of the installations, she requested Nyarwaya, her landlord, to either make a refund or set off the installation costs from future rent payments. He promised, in writing, to refund the Frw 8 million. Akimana has been demanding for the Frw 8 million but the landlord has kept a deaf ear.

After one year of waiting for the refund in vain, Akimana started dismantling some of the installations.

REQUIRED:

- (a) Identify the legal issues arising from the given facts and suggest how to resolve them. **(12 Marks)**
- (b) Describe classes of laws applicable in Rwanda. **(8 Marks)**

(Total 20 Marks)

QUESTION TWO

Ngabo, a businessman received supplies from Munyaneza worth Frw 200,000 in January 2016 and drew an open cheque for payment of the supplies from Byashara bank. Subsequently, Umutoni was owed Frw 250,000 by Munyaneza approached him for payment and

Munyaneza endorsed the cheque received from Ngabo to Umutoni, on the understanding that the balance of Frw 50,000 would be paid the following year 2017. In 2017 Umutoni took the cheque for payment to bank however the bank refused to honour the cheque in contention that the cheque had been drawn long time. Umutoni went back to Munyaneza's and Ngabo and informed them that Byashara bank had dishonored the cheque of Frw 200,000.

During that period Munyaneza's business was not performing well due to many debts

Umutoni is now demanding her payment from Ngabo.

REQUIRED:

(a) Identify the legal issues arising from the given facts and suggest how to resolve them. **(12 Marks)**

(b) Under the law of torts, teachers are liable for any damage caused by their students. Explain the conditions that must be present for such civil liability. **(8 Marks)**

(Total 20 Marks)

QUESTION THREE

Bwiza, a business woman based in Kigali, used to deal in tiles of all types and related materials.

Last year, her business collapsed due to situations beyond her control. It happened that she had bought tiles from Kumar in Dubai, United Arab Emirates. She paid the whole purchase price for the different types of tiles. Thereafter, she demanded that Kumar delivers goods to Kigali, through Mpereza clearing and forwarding agents. All transport costs would be met by Bwiza.

Unfortunately, the goods were stolen while in transit. Bwiza has sued Kumar for supply of the same quantity of tiles or a refund of her money.

In another development, Rubuga operates a shop that sells tiles in Ruhengeri which is managed by Mpendo. Over the years, Mpendo has been getting supplies on credit from Bwiza. He always paid for the supplies after one month from the date of receipt. This arrangement was known to Rubuga.

In October 2016, Bwiza disagreed with Mpendo on business related issues. At that time, Bwiza was demanding Frw 1,000,000 from Mpendo. When Bwiza learnt that Rubuga was the actual owner of the business she demanded for payment from him but Rubuga responded that he could not settle a debt he had not authorised.

REQUIRED:

- (a) Identify the legal issues arising from the given facts and suggest how to resolve them. (2 Marks)
- (b)
 - (i) Define the term ‘domicile’. (2 Marks)
 - (ii) Explain the different categories of domicile. (6 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Explain the advantages of alternative dispute resolution. (6 Marks)
- (b) With examples, explain the following sources of law in the Republic of Rwanda:
 - (i) Obligatory sources of law. (6 Marks)
 - (ii) Auxiliary sources of law. (8 Marks)

(Total 20 Marks)

QUESTION FIVE

- (a) Explain the characteristics of reparable damages in tort. (8 Marks)
- (b) Describe the hierarchy of ordinary courts in Rwanda Judicial system. (8 Marks)
- (c) Explain the specialized Courts in Rwanda. (4 Marks)

(Total 20 Marks)

QUESTION SIX

- (a) Describe the frustrating events of a contract. (10 Marks)
- (b) Explain the different ways of endorsing a bill of exchange. (4 Marks)
- (c) Describe the parties to a bill of exchange. (6 Marks)

(Total 20 Marks)

QUESTION SEVEN

- (a) Define a contract of sale of goods. (2 Marks)
- (b) Describe the essentials of a contract of sale of goods. (8 Marks)
- (c) Explain how an agency may come to an end. (10 Marks)

(Total 20 Marks)

End of question paper