
**CERTIFIED PUBLIC ACCOUNTANT
FOUNDATION LEVEL 1 EXAMINATION**

F1.2 INTRODUCTION TO LAW

DATE: WEDNESDAY, 01 DECEMBER 2021

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. The question paper should not be taken out of the examination room.

QUESTION ONE

MAZEX Ltd is a highly reputable corn flour production company, which is new to the Rwandan market. This company has brought a high technology in the corn wet-milling and conservation making it the most preference for middle-income consumers all over the world. This is due to MAZEX Ltd trade secrets which it has managed to conceal for decades. To achieve this, none of its employers who are involved in the production of MAZEX products is allowed to open or work in competing company. They are bound by confidentiality clauses which continue to apply even after termination of the contract. These rules are well included in every employment contract and internal regulations of the company.

Mr Gasoni has been working for MAZEX Ltd for the last 10 years and he feels that he no longer wants to work for the company, but rather seeks to start his own company producing the same products as MAZEX Ltd. He has already incorporated his company in RDB and submitted his resignation letter last month. His company is called FRESH MAIZE Ltd and in violation of 'trade secrets' clauses in his former employment produces competing products with those of MAZEX Ltd. You are the Chief Marketing Officer at Mazex Ltd and have learnt this malpractice and violation of the contract by Mr Gasoni. The Board has recommended you that you file a claim at Rwanda Investigation Bureau (RIB) for investigation and prosecution of the acts being done by Mr Gasoni through his company FRESH MAIZE Ltd.

Required:

- a) **Discuss the legality of the Board recommendation to file FRESH MAIZE's legal violations at RIB?** (8 Marks)
- b) **Being familiar with both criminal and civil procedure, discuss the right procedure to render Mr Gasoni/FRESH Maize Ltd liable for their breaches?** (6 Marks)
- c) **Apart from breach of the non-competing clause which is in the contract between Mr Gasoni and MAZEX Ltd, it is also a prohibition in church beliefs to which Mr Gasoni belongs, to conduct a competing business with your former employer without his approval. How would that be benefitable to you in pursuing Mr Gasoni and sanctioning the above actions?** (6 Marks)

(Total: 20 Marks)

QUESTION TWO

MURARA John is an entrepreneur engaging in civil engineering and real estate activities. He has found a huge estate belonging to late Koroneri Fils. The property constitutes a great deal for his development of community resident apartments. Fils Gato, one of the sons of Koroneri Fils is the one who now owns and runs the property on behalf of the family, through a Power of Attorney given to him by his twin brother Fils Gakuru who is 17 and their older sister Fils Diana who is 20. Fils Gato has agreed with Murara John on the terms of the Sale Agreement and entered into a sale agreement. Meanwhile, Koroneri Fils' brother Mr Koroneri Noheli has threatened Murara that his sale agreement with Fils Gato is not valid and that before his death, Koroneri Noheli was the one who represented his brother Koroneri Fils through the power of Attorney given to him in the last 5 years of his life, before he died. He has been the one also executing the contracts and engagements remained unexecuted by Koroneri Fils.

Required:

- a) **Discuss the validity of the sale agreement between Fils Gato and Murara John?**
(5 Marks)
- b) **Does the Power of Attorney given by Gakuru and Diana give right to Gato to enter into that transaction? Explain.**
(5 Marks)
- c) **Discuss the validity of Koroneri Noheli's Power of Attorney after the death of Koroneri Fils.**
(5 Marks)
- d) **Discuss essential conditions of a sale agreement.**
(5 Marks)

(Total: 20 Marks)

QUESTION THREE

FLEXIT Inc is a multinational company, with a registered office in Rwanda. It imports agricultural products from the Netherlands, Taiwan and mainland China. HINGANEZA Ltd is one of its clients, which is a wholesaler supplying fertilizers to interested farmers in all districts of Rwanda.

In December 2019, HINGANEZA Ltd ordered 300,000 tons of fertilizers to be supplied to farmers for use in Agricultural season of January-April 2020. That's one of the big deals which only make sales in that season. The batches were expected to arrive in Kigali by 15th of January 2020 as per the parties Agreement. Should FLEXIT delay in supplying, the parties had provided for an interest rate of 10% per delayed day until the products are delivered to FLEXIT. Due to covid-19 new wave in China and internationally, the Chinese producer could not work in full capacity, thus delaying the shipment where only 50% of the batch arrived on 31st March 2021. HINGANEZA Ltd was not able to supply its customers for the agricultural season, causing them to seek solution from other Wholesalers. This has caused HINGANEZA Ltd to lose more than 70% of its customer base and 90% of expected profits.

In a different scenario, MAGEZA has been occasionally running a shop of his brother MANZI, who is a frequent traveler and leaving his business to be managed by MAGEZA. Usually, he gives him a written authorization on what acts he can engage in with clients on behalf of MANZI. In November 2021 when MANZI was in Russia on a business trip,

MAGEZA learnt that the competing shop in the area of Mr Josh is selling out and many people are looking forward to taking it over without any delay. Looking at the business opportunity to expand his brother's shop and ousting a threatening competitor, he approached Mr Josh and agreed to purchase the business in the name of Manzi who was not around and had not given his consent on the transaction. MAGEZA made a down payment of 50% of the price and agreed on paying of the remaining amount when MANZI returns. The agreement was signed on behalf of MANZI by MAGEZA, though there was no power of attorney. After the return of MANZI, he was happy for the initiative taken by his brother MAGEZA and started branding activities and eventually running both shops, though he had not yet paid the balance to Mr Josh. After 6 months he started having financial distress coupled with covid-19 new wave which hit many businesses. When Mr Josh came to request his remaining payment, MAGEZA refused to pay the balance, alleging that MAGEZA had entered into the transaction without his prior authorization and that he was therefore not bound by the agreement to acquire the business. He rather requested reimbursement of the down payment made and take back his shop.

Required:

- a) HINGANEZA Ltd considers that FLEXIT Ltd breached their Supply agreement since they did not comply with agreed delivery time. **What's your opinion on this?**
(5 Marks)
 - b) **Had FLEXIT Ltd been in breach of the contract, what remedies would HINGANEZA Ltd have?**
(5 Marks)
 - c) **Is there any legally acceptable excuse for FLEXIT's inability to deliver on time?**
(2 Marks)
 - d) **Describe the legal nature of the business relationship between MANZI and MAGEZA?**
(2 Marks)
 - e) **Is the representation of MANZI by MAGEZA in acquiring Mr Josh's business valid?**
(6 Marks)
- (Total: 20 Marks)**

QUESTION FOUR

Jonathan Nyerere a Congolese citizen who uses to tell his friends that he was born in Rwanda, offers import related services in different landlocked countries including Rwanda. His business ranges from cargo transport through land, air and water. Jonathan Nyerere opines that the recent African initiative for economic integration will be a game-changer for his business. In 2019, a contract for distribution of goods from China through Mombasa Port by land cargo transport was concluded between Jonathan Nyerere and Rwanda Association of Traders (RAT). It was a big contract which Jonathan Nyerere could not bother read, and he automatically signed it just amazed with how it was going to broaden his business.

Since March 2020, Rwanda Association of Traders have never received any of Jonathan Nyerere's service but have no option for redress. However, in the contract, it is signed that **"Shall it be the case that the disputes arise between the parties, it shall only be left alone to the jurisdiction of the Rwandan courts."** The Rwanda Trade Association seeks to rely on

that clause and sue Jonathan Nyerere to the Rwandan courts. With your knowledge of the law, assist Rwanda Association of Traders on the following:

- a) **Do Rwandan Courts have jurisdiction to try this case? Justify.** (5 Marks)
 - b) Suppose that among the disputed issues include two commercial buildings which are located in Goma, DRC. **Would Rwandan courts be competent to determine on those issues?** (5 Marks)
 - c) Having won the court case against Jonathan Nyerere, RAT wants to execute the judgment. But they failed to obtain any property registered on Mr Nyerere himself. But there are properties owned by his company called Nyerere and Sons Ltd. **Can they carry the judgment on them?** (10 Marks)
- (Total: 20 Marks)**

QUESTION FIVE

Ms Jacky as fruit vendor at Kimironko Market, thought of purchasing a car to facilitate her fruit business due to the rise in a number of her customers. She approached Pro Cars Ltd, a company specialized in used cars dealership, to help her get the car of her choice. They agreed on a Toyota Pickup, with plate No RAF111Z which apparently looked nice and fit for Ms. Jacky's business. They agreed that Pro Cars should suspend the use of the car or offer it for any other customer, while Jacky was securing a bank loan to pay the price. She had paid 10% of the price upfront, waiting to pay 90% once the bank approved the deal. After 10 months, Pro Car Ltd decided to sell the car to Mr. Karemera who offered double of the price as Ms Jacky had delayed. The following day, the deal was finalized, and the title of the car was transferred from Pro Card Ltd to Mr. Karemera.

Ms Jacky's learning of the deal, she appeared to Pro Cars offices the next day, with the remaining balance (90%) of the price, requesting her car. The receptionist responded that the car had been sold the day before. Jacky is considering initiating legal proceedings against Pro Cars. When approached for amicable settlement, she simply said that Pro Cars either pay the damages equal to the value of the car or bring back the sold car and finalize their transaction.

Required:

- a) **Discuss the validity of Karemera's transaction with Pro Cars.** (7 Marks)
 - b) **Was there any breach of contract between Ms. Jacky and Pro Cars Ltd? Justify.** (7 Marks)
 - c) **Would there be any difference if the object of the contract was an immovable property?** (6 Marks)
- (Total: 20 Marks)**

QUESTION SIX

- (a) With the use of examples where possible, discuss the general principles of administrative law. (12 Marks)
- (b) Elaborate on the rationale of existing privileges to the public administration, stating at least two of them. (5 Marks)
- (c) Which of the following transactions would not be admitted in dispute by a commercial court? (3 Marks)
- (i) Dispute between a wholesaler and retailer
 - (ii) Dispute between a retailer and a consumer
 - (iii) Dispute between a public procuring entity and a supplier
 - (iv) None of the above

(Total: 20 Marks)

QUESTION SEVEN

- (a) Describe at least three negotiable instruments. (6 Marks)
- (b) What do you understand of the 'negotiability of a cheque'? (4 Marks)
- (c) What do you understand of the following statement: "Ownership right is personal and exclusive"? Does it have any exception? (8 Marks)
- (d) Differentiate an offer from invitation to treat. (2 Marks)

(Total: 20 Marks)

End of Question Paper

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