

CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.2: BUSINESS LAW

FRIDAY: 01 DECEMBER 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

- (a) Kengo, is a businessman in Byumba town and deals in farm produce such as beans and peas. He gets supplies from Ntarugera who is well known to the local farmers. Gahima, one of the local farmers, is aware of the business relationship between Ntarugera and Kengo. Last month, Ntarugera obtained 10 sacks of peas from Gahima on credit and had promised to settle the payment within two weeks. Gahima has sent several reminders which have been ignored by Ntarugera. Gahima is now desperate and frustrated.

Unknown to Gahima and Kengo, Ntarugera used the 10 sacks of peas as opening stock for his business, which is similar to Kengo's. Gahima approached Kengo for settlement of the outstanding debt which got Kengo by surprise as he was unaware of any outstanding debt. Kengo confronted Ntarugera demanding for all information regarding purchases made on his behalf, during the last two months. He was unable to produce the records and is now in hiding. Gahima produced the records which showed all the transactions Ntarugera had effected which included the 10 sacks of peas.

REQUIRED:

Identify the issues involved and discuss how to resolve them. **(12 Marks)**

- (b) Describe the duties of a principal towards his agent. **(8 Marks)**
(Total 20 Marks)

QUESTION TWO

Samson is a businessman who operates in Dubai and Kigali. In 2016, he ordered 100,000 bundles of iron sheets from Kumar in Dubai. He realised that Kumar did not have sufficient stock to fulfill his order and agreed that delivery should be made within one month which would allow Kumar's factory to manufacture the required quantities. Kumar undertook to deliver the goods to Kigali, upon inspection to the satisfaction of Samson. Deposit was paid, leaving a balance of Usd 10,000, payable after inspection. Upon delivery of the iron sheets, Kumar raised an invoice which was 5% higher than agreed with argument that the previously agreed purchase price did not adequately match the prevailing economic conditions. Samson on the other hand rejected the entire delivery on the following grounds:

1. Iron sheets worth Usd 20,000 were not properly corrugated hence considered rejects.

2. The prevailing economic conditions should not be used as an excuse to set a new purchase price for the iron sheets, since the price had already been agreed upon.
3. Property in goods had not passed to him until inspection.

On the other hand, Kumar argued that property in goods had been passed to Samson in Dubai at the time of sale.

REQUIRED:

(a) Raise and resolve the issues involved. **(12 Marks)**

(b) Explain the rules that determine transfer of title in goods. **(8 Marks)**

(Total 20 Marks)

QUESTION THREE

(a) Kabahita, a resident of Byumba works for the government and has accumulated considerable properties around Byumba which includes buildings and cars. Rebero who is an officer with the office of ombudsman, was impressed by one of Kabahita's car and wished to buy it. He made an offer but Kabahita considered it low. He informed Kabahita that government employees are always investigated for illicit riches. Rebero promised to help Kabahita avoid being investigated by office of ombudsman on condition that he agreed to sell his car at his offer price.

Kabahita sold the car to him but there was no transfer and handover. Kabahita later decided to refund Rebero's money. Rebero, however, insisted that since Kabahita had already sold the car, he should transfer and hand it over. In another development, Kabahita offered to sell his apartment at Frw 116 million. Bakunda offered to buy it at Frw 115 million upfront and the balance after one month. However, Kabahita sold the apartment to another person. Bakunda is furious and is threatening to sue Kabahita.

REQUIRED:

Identify the relevant issues and explain how to resolve them. **(12 Marks)**

(b) The headmaster of Kigali Secondary School is considering entering into a contract with suppliers.

REQUIRED:

Explain to the headmaster the meaning of the following terms in the law of contract.

(i) Valid contract. **(2 Marks)**

(ii) Void contract. **(2 Marks)**

(iii) Voidable contract. **(2 Marks)**

- (iv) Unenforceable contract. (2 Marks)

(Total 20 Marks)

QUESTION FOUR

- (a) Muhingo is a graduate of Kigali Institute of Technology. He is a young entrepreneur in business software. He is considering formalizing his business.

REQUIRED:

Explain to him the following terms:

- (i) Intellectual property. (2 Marks)
(ii) Innovation. (2 Marks)
(iii) Invention. (2 Marks)
(iv) Patent. (2 Marks)
- (b) (i) Explain the meaning of term 'condominium'. (2 Marks)
(ii) Enumerate the obligations of the association of co-owners. (10 Marks)

(Total 20 Marks)

QUESTION FIVE

- (a) Explain the meaning of the following terms:

- (i) Nuisance.
(ii) Malice.
(iii) Defamation.
(iv) Negligence.
(v) Trespass.

(10 Marks)

- (b) Distinguish a tort from a contract.

(10 Marks)

(Total 20 Marks)

QUESTION SIX

Jean Marie has set up a factory for mattresses in Kigali. Most of the raw materials have to be imported and suppliers have requested for letters of credit before dispatch of goods. This is strange to him and has approached you for some enlightenment.

REQUIRED:

- (a) Explain to Jean Marie the meaning of a letter of credit. (2 Marks)
(b) Describe the parties to a letter of credit. (6 Marks)
(c) Explain the main types of documentary credit. (12 Marks)

(Total 20 Marks)

QUESTION SEVEN

You have been attending lectures in Business Law. Gregory did not have tuition fees and consequently begun classes midway the semester after several topics had been covered among them; separation of powers and sources of formal law in Rwanda. He has requested you to assist him comprehend these topics covered during his absence.

REQUIRED:

Explain to him the:

- (a) Separation of powers among the three organs of the government **(6 Marks)**
- (b) Sources of formal law in Rwanda. **(14 Marks)**

(Total 20 marks)

End of question paper