

EXAMINATION NO. \_\_\_\_\_

**THE PUBLIC ACCOUNTANTS EXAMINATION**  
**COUNCIL OF MALAWI**

**2014 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC 8: BUSINESS LAW**

THURSDAY 5 JUNE 2014

TIME ALLOWED: 3 HOURS  
2.00 PM – 5.00 PM

**INSTRUCTIONS**

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you will **not** be allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper - 8.
3. The paper is divided into Sections **A** and **B**.
4. **FIVE** questions **ONLY** to be answered; at least **TWO** questions from each section.
5. Each question carries 20 marks.
6. Your answers must be supported, where appropriate, by relevant decided cases and statutory provisions.
7. Begin each answer on a fresh page.
8. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR**

This question paper contains 3 pages

This question paper must **not** be removed from the examination hall.

**SECTION A**

1. (a) State the function of the Commercial Credits Act. **4 Marks**
- (b) State, in relation to the Hire Purchase Act:
- (i) **Three** rights of a purchaser. **6 Marks**
- (ii) **Five** powers of the court in any action by a seller for the return of goods. **5 Marks**
- (c) Define the term “hire purchase agreement”. **5 Marks**  
**(TOTAL: 20 MARKS)**
2. (a) State, in relation to banking agreements:
- (i) any **three** rights of a banker; **6 Marks**
- (ii) any **three** duties of a banker; **6 Marks**
- (iii) any **three** duties of a customer; **6 Marks**
- (b) State the importance of the Bills of Exchange Act. **2 Marks**  
**(TOTAL: 20 MARKS)**
3. (a) Chikwekwe has recently found a good source of making money in an agency relationship. He has been retained by a firm, Japan Motor Vehicle Connection Limited (JMVC), that exports second hand motor vehicles from Japan to parts of Africa. Chikwekwe has received a consignment of 100 motor vehicles to sell in Malawi. He has never studied business law and needs your advice.
- Required:**
- (i) Outline Chikwekwe’s right to a lien over JMVC’ vehicles which are the subject matter of the agency. **5 Marks**
- (ii) In what circumstances would an agent be deemed to have apparent authority? **5 Marks**
- (iii) Mention **three** rights that Chikwekwe has in this agency relationship. **6 Marks**
- (iv) State **four** circumstances that would make/cause an agency agreement to be terminated. **4 Marks**  
**(TOTAL: 20 MARKS)**

Continued/.....

4. (a) With the aid of relevant examples, distinguish a **contract** from a **tort** and a **crime**. **15 Marks**
- (b) Briefly outline the structure of the courts in Malawi. **5 Marks**  
(TOTAL: 20 MARKS)

**SECTION B**

5. (a) Using practical examples, comment on the following:
- (i) The tort of nuisance; **5 Marks**
- (ii) The tort of trespass to land. **5 Marks**
- (b) KS Bank is a thriving bank in the city of Zomba. The bank has grown so big that it intends to dispose of some of its smaller buildings and purchase new and more spacious buildings within the city.

KS Bank has engaged Titus & Ross, a firm of registered property consultants. The firm has prepared a valuation report putting the value of the properties at K50 million. The report is authored by a junior valuer with little experience. After KS Bank had sold the assets for K50 million, it has transpired that the assets were undervalued by a sum of K10 million.

**Required:**

Advise KS Bank.

**10 Marks**  
(TOTAL: 20 MARKS)

6. (a) Mr Blair, a Briton, intends to purchase various locally made goods from Malawi for sale in the United Kingdom. He has written to the Ministry of Trade and Industry inquiring as to how the property in goods passes to buyers upon the conclusion of a contract for sale of goods.

You are a technical assistant to the Minister of Trade and Industry and the Minister has requested you to reply to Blair's letter.

**Required:**

Advise Mr Blair as to when the property in goods passes to buyers under Malawi Law. **10 Marks**

- (b) Mention the rules that govern the delivery of goods upon the conclusion of a sale of goods contract. **5 Marks**
- (c) Explain the relationship between the transfer of risk and the doctrine of frustration in sale of goods contracts? **5 Marks**  
(TOTAL: 20 MARKS)

7. (a) Mention the warranties that are implied in a sale of goods contract. **6 Marks**
- (b) What is incorporated in the term “purchase price”, under hire purchase agreements? **7 Marks**
- (c) Mention the **conditions** and **warranties** that are implied in a hire purchase agreement. **7 Marks**
- (TOTAL: 20 MARKS)**

8. (a) (i) In relation to the law of contract, define the term “**offer**”. **5 Marks**
- (ii) Explain the meaning and effect of a **counter-offer**. **5 Marks**
- (b) Mary lost her silver bracelet at a public swimming pool. She inherited it from her grand-mother and would do anything to get it back. She, therefore, placed an advertisement in a local newspaper offering a reward of K100,000 to the person who would find her bracelet. Thom, a regular swimmer at the public pool, found the bracelet on the pavement, in front of the ladies rest room. Thom remembered that he had seen an advertisement in the local paper regarding a missing bracelet. Later that afternoon, he found the newspaper in his room and subsequently contacted Mary. Mary is very happy to have her bracelet back but says that she changed her mind about paying the reward after she had placed the advertisement in the newspaper.

**Required:**

Discuss whether Thomas can claim the K100,000 from Mary under the law of contract.

**10 Marks**  
**(TOTAL: 20 MARKS)**

**E N D**