

ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
BUSINESS LAW BUSINESS LAW (GHANA VERSION)
PAPER FOR MARCH 2021 DIET
QUESTIONS AND MARKING SCHEME

SECTION A: PART 1 MULTIPLE-CHOICE QUESTIONS (30 MARKS)

ATTEMPT ALL QUESTIONS

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements

1. Which of the following is true of the Supremacy of the Constitution of the Republic of Ghana, 1992?
 - A. The powers of government are to be exercised in the manner and within the limits laid down in the constitution
 - B. The government is at liberty to exercise its powers in the manner it wishes
 - C. The government is empowered to exercise its powers capriciously and whimsically
 - D. The powers of government are to be exercised in the manner that the manifesto of the ruling party directs
 - E. The powers of government are to be exercised in a manner and outside the limit laid in the constitution
2. Which of the following is **TRUE**, the legislative is
 - A. Responsible for making laws.
 - B. Responsible for settling disputes.
 - C. The core enforcing organ of the state
 - D. The functioning organ of the state.
 - E. The implementer of the laws.
3. Which of the following is **TRUE**, of the judiciary?
 - A. Reviews laws
 - B. Resolves disputes
 - C. Decides if a law conflicts with the constitution
 - D. Administer Justice in accordance with laws
 - E. Amend laws

4. Who is the Commander-in- Chief of the Armed Forces of Ghana?
 - A. The President
 - B. The Vice- President
 - C. The Chief Justice
 - D. The Speaker of Parliament
 - E. The Majority leader of Parliament
5. Who takes precedence over all other persons in the Republic of Ghana?
 - A. The Speaker of Parliament
 - B. The Chief Justice
 - C. The President
 - D. The Vice President
 - E. The Majority leader of Parliament
6. Which of the following is **NOT** part of civil actions?
 - A. Sue
 - B. Defamation
 - C. Conspiracies
 - D. Liable
 - E. Petition
7. Which of the following is false in a criminal liability?
 - A. Death results from criminal wrong
 - B. Imprisonment results from criminal wrong
 - C. Pecuniary fines results from criminal wrongs.
 - D. Damage results from criminal wrong
 - E. Death results for civil wrong
8. Which of the following is **NOT** in the insurance sector?
 - A. Indemnity
 - B. Coverage
 - C. Misuse Alert
 - D. Annuity
 - E. Premium
9. Which of the following is **NOT** consideration as a general rule?
 - A. Consideration is executed
 - B. Consideration is executory
 - C. Consideration shall not be past

- D. Consideration is a promise in return for a counter promise
 - E. Consideration acceptable by one party
10. Which of the following is correct when there is a breach of a condition of a valid contract?
- A. The party who is innocent sues for a damage
 - B. The parties to the contract sit for fresh negotiation
 - C. The parties agree to proceed only on the part not breached
 - D. The party not at breach terminates the contract and sue for damages
 - E. Both parties agree to terminate the contract
11. A contract entered into that is illegal is
- A. Void
 - B. Voidable
 - C. Enforceable
 - D. Dull
 - E. Valid
12. An unauthorised signature on a bill is
- A. Wholly operative
 - B. Wholly inoperative
 - C. Partly operative
 - D. Conditionally operative
 - E. Discretionally operative
13. Indicate the Correct statement, in an insurance contract
- A. An insurer makes an offer and the insured accepts it
 - B. The insured makes an offer and an insurer accepts it
 - C. An offer and acceptance is not a requirement
 - D. No principle of contract is applicable
 - E. No agent of the contract is applicable
14. A consideration for the insurer under the insurance contract is
- A. Premium
 - B. Price
 - C. Reward
 - D. Being insured
 - E. Discount

15. In the contract of sale of goods, the implied warranty on the part of the seller is that the seller
- A. Has no right to sell when property passes
 - B. Has right to sell when property is to pass
 - C. Will sell when property is to pass
 - D. Will be about to sell when property is to pass
 - E. Should demand considerations when property is to pass
16. Which of the following is a **TRUE** statement, in a contract of sale of ...
- A. Specific goods the fundamental obligation of the seller is to deliver those goods to the buyer
 - B. Unascertained goods the fundamental obligation of the seller is to deliver those goods to the buyer
 - C. Decided goods the fundamental obligation of the seller is to deliver these goods to the buyer
 - D. Double goods the fundamental obligation of the seller is to deliver those goods sold
 - E. Goods the buyer is to agree on the goods before it can be delivered
17. Which of the following is **NOT** an obligation of the owner under a hire- purchase agreement?
- A. Duty to deliver hired goods to the hirer
 - B. Duty to keep the goods fit for the purpose for which they are hired
 - C. Possession of good title to the goods
 - D. Duty to allow the hirer enjoy quiet possession of the hired goods
 - E. Duty of the owner to maintain the goods in good condition and repair during the period of hire
18. Which of the following is a requirement in a hire purchase agreement?
- The owner shall state orally and in writing to the hirer the price at which goods are to be purchased for cash and total purchase price.
- A. Before the agreement
 - B. In the course of the agreement

- C. At the owner and hirer's discretion
 - D. When payment commences
 - E. When the agreement ends
19. A worker/ employee in an organisation is under what type of contract?
- A. Contract for service
 - B. Contract for services
 - C. Contract of service
 - D. Contract from/of services
 - E. Casual labor contract
20. Employment of worker by an Employer for a period of six months or more shall be secured by
- A. Written contract of employment
 - B. Oral contract of employment
 - C. Designation of employment
 - D. The customs of employment
 - E. Legal backing of a union
21. The agency relationship is that of Agent
- A. Third party principal
 - B. Third parties
 - C. Principal
 - D. Undisclosed third parties
 - E. Any owner relationship
22. Agency of necessity or of operation of law may be created, **EXCEPT**
- A. There is no emergency
 - B. It is impossible to communicate with the principal
 - C. The agent is acting in the best interest of the principal
 - D. There is no pre-existing agency relationship between the principal and agent
 - E. There is no relationship
23. Which of the following does **NOT** reflect the promoter's duties?
- A. Stand in fiduciary relationship to the company
 - B. Observe utmost good faith towards the company in all transactions

- C. Compensate the company for any loss suffered by the company
 - D. Professionally qualified persons as promoters
 - E. To disclose secret profit
24. Which of the following is **NOT** correct of an incorporated company?
- A. Legal entity distinct from the members
 - B. The company acquires its own property
 - C. The company can sue and be sued
 - D. The acts of the officers at duty are their own
 - E. Liabilities of owners limited to their shares
25. The last words of the name of a private company limited by shares shall be
- A. "Limited Company or "LTD"
 - B. Private Unlimited Company "PRUC"
 - C. "Private Private Company "PUC"
 - D. "Private Public Company "PPC"
 - E. Public Private Company "PPC"
26. The parties to a trust excludes which of the following?
- A. Arbitrator
 - B. Trustee
 - C. Settlor
 - D. Beneficiary
 - E. Dissolver
27. Which of the following is correct of the definition in part of bill of exchange?
- A. A conditional order in writing, addressed by one person to another
 - B. An unconditional order in writing, addressed by one person to another
 - C. An unconditional order in writing, made by a known person to another
 - D. An unconditional order in writing, addressed by a third person to another
 - E. A conditional order in writing, made by a known person to another

28. Modern insurance is based on
- A. Protection from loss of all kinds
 - B. A statistical calculation of the likelihood of a particular loss occurring
 - C. An average calculation of loss over a period of time
 - D. The average frequency of loss
 - E. Protection from some kinds of loss
29. A contract of Insurance is always
- A. In writing and partly oral
 - B. In writing
 - C. Subject to it being in writing
 - D. In writing and by conduct
 - E. Oral
30. The rule Nemo dat quod non habet means
- A. The buyer beware
 - B. No one gives what they do not have
 - C. No one is available to sell
 - D. None is ready to give
 - E. The buyer must give

SECTION A: PART II SHORT-ANSWER QUESTIONS (20 MARKS)

ATTEMPT ALL QUESTIONS

Write the correct answer that best completes each of the following questions/statements

1. The shall be the supreme law of Ghana.
2. Equity aids the
3. In civil proceedings it is the whose right has been violated.
4. The parties to civil proceedings are generally the and the
5. The parties to a contract are known as the and the

6. A contract of sale of goods is a contract whereby the seller agrees to transfer the in the goods to the buyer.
7. Silence does not imply/constitute in contract.
8. Exemptions clauses as contractual terms, intend/purport to liability.
9. In contract of the sale of goods where necessities are delivered to a person who lacks capacity, that person is bound to pay a..... price.
10. In contract of the sale of goods, the consideration is called the
11. In hire-purchase agreement the.....shall not enforce a right to recover possession of protected goods from the hirer otherwise by court order.
12. A relationship of employer/worker/employee is one of contract.....
13. Contract uberrimae fidei refer to contract of.....
14. An act done, whether it is done honestly or not is deemed to be done in
15. company is not incorporated with the object of carrying on business for the purpose of making profits.
16. A is a person appointed by a member of a company to attend and vote on his behalf at a company meeting.
17. A is a person having legal title to the property that he holds for the benefit of the ultimate beneficiaries.
18. In deposit accounts the main relationship between the bank and customer is that of and
19. A relationship of and when a bank lends money to a corporate person.
20. Thefunctions of banks are accepting deposits/lending and investing/non-fund business and remittances.

SECTION B: ATTEMPT ANY FOUR QUESTIONS

(50 MARKS)

QUESTION 1

- a. Fiifi is mistakenly arrested and beaten.

Required

Which of his fundamental right has been violated? (2½ Marks)

- b. In December, Agro Farms Company Limited advertised in the Farm Association Weekly, “Rare Rabbits, and GH¢25 only.” Unknown to the company the rabbits had been designated as endangered species and were by law banned from sale. The inspecting authority intends to prosecute the managing director of the farm.

Required

Explain whether the prosecuting authority is likely to succeed. (4 Marks)

- c. i. The sources of law of Ghana are many and varied.

Required

State **TWO** sources of law in Ghana. (2 Marks)

- ii. Consideration is a key element of the law of contract.

Required

Explain Past Consideration. (2 Marks)

- d. Briefly explain a “cover note” in insurance. (2 Marks)

(Total 12½ marks)

QUESTION 2

- a. The processes involved in criminal law and civil law are not the same.

Required

What is the main aim of criminal law? (2½ Marks)

- b. As part of the arrangements in the home of the Ananses, the husband agreed to pay the school fees of the children. The wife decided to use part of her earnings to manage the house hold chores including provision of food. The wife had observed for some time that the husband had not performed his side of the obligation leading to arrears of school fees. She has therefore, chosen to sue the husband in a court of law to compel her husband to perform his duty.

Required

Advise her.

(4 Marks)

- c. Unilateral contract and bilateral contract are different aspects of law of contract.

Required

Explain unilateral offer

(2 Marks)

- d. Ozoozo is a cargo driving agent of Oforiwa, a trader. Ozoozo loaded the truck of yam from Kutunada for delivery to Oforiwa in Accra. In the course of the journey and at Butako, a town, a lockdown was enforced by the government as a result of Covid-19. Tried as he did, he could not communicate with Oforiwa. Ozoozo found it useful to off-load the cargo of yam and dispose it off by sale. He accounted for the sale but Oforiwa became furious.

Required

Advise Oforiwa

(4 Marks)

(Total 12½ Marks)

QUESTION 3

- a. Humanity is prone to committing legal wrong.

Required

What is the effect of reporting a legal wrong to the police? (5 Marks)

- b. Yaso is the managing director of Arcis Company Limited. The Company has been successful in their financial and business operations for five years. In the sixth year the company run into financial challenges such that they were unable to pay their suppliers. The suppliers decided to sue Yaso in his personal capacity.

Required

Advise the suppliers.

(5 Marks)

- c. A hire-purchase agreement is over goods.

Required

State the requirements that the owner of goods in hire-purchase agreement must satisfy before an agreement of hire-purchase is made.

(2½ Marks)

(Total 12½ Marks)

QUESTION 4

- a.i. Contract of service and contract for services are normal means of employment.

Required

Explain the type of contract where an engineer works from 8:00 am to 5:00 pm from Monday to Friday with specified holidays and regular salaries. (4 Marks)

- ii. Negotiability of an instrument can be established by proof that it is universally regarded as such by trade usage.

Required

State **FIVE** negotiable instruments (5 Marks)

- b. What is meant by torts? (3½ Marks)

(Total 12½ Marks)

QUESTION 5

- a. In the recent lockdown resulting from the Covid-19 pandemic, the personal liberty of the citizenry had been restricted for what some may describe “for no absolute cause.”

Required

- i. Why will a country (Ghana) take the action to deprive her citizenry of their fundamental right of liberty of movement? (2½ Marks)
- ii. State the necessary requirements to establish vicarious liability. (2½ Marks)

- b. One of the terms of a contract gives the innocent party an advantage over the other.

Required

As a term of a contract, what is a condition? (2½ Marks)

- c. The Registrar of Companies may refuse to register a firm/partnership.

Required

Under what conditions will the Registrar of companies in his opinion refuse to register a firm/partnership? (5 Marks)

(Total 12½ Marks)

QUESTION 6

- a. Insurable interest is fundamental to insurance.

Required

What does insurable interest mean? (4 Marks)

- b. Who is a holder in due course? (3 Marks)

- c. List the types of private trust (1½ Marks)

- d. Briefly explain discretionary trusts (4 Marks)

(Total 12½ Marks)

SOLUTION TO QUESTIONS

SECTION A: PART 1 MULTIPLE-CHOICE

1. A
2. A
3. D
4. A
5. C
6. C
7. D
8. A
9. D
10. D
11. A
12. B
13. B
14. A
15. B
16. A
17. B
18. A
19. C
20. A
21. C
22. A
23. D
24. D
25. A
26. A
27. B
28. B
29. B
30. B

(30 Marks)

SECTION A: PART II SHORT-ANSWER QUESTIONS (SAQ)

1. Constitution
2. Vigilant and not the indolent
3. Individual
4. Plaintiff Versus Defendant
5. Offeror and Offeree
6. Property
7. Acceptance
8. Limit/Exclude
9. Reasonable
10. Price
11. Owner
12. Of service
13. Insurance
14. Good faith
15. Limited by guarantee
16. Proxy
17. Trustee
18. Agent and Principal
19. Debtor and Creditor
20. Principal

(20 Marks)

SECTION B

QUESTION 1

a His right in respect of human dignity has been violated. The Constitution of the Republic of Ghana, 1992 provides that the dignity of all persons shall be inviolable. No person shall whether or not he is arrested, restricted or detained be subjected to torture or cruel, inhuman or degrading treatment or punishment. He shall also not be subjected to other condition that detracts or is likely to detract from his dignity and worth as a human being. **(2½ Marks)**

b The courts have held that advertisements are invitation to treat and not a contractual offer to sell. The prosecuting authority will therefore, not succeed. **(4 Marks)**

c

i) The sources of law of Ghana are:

- The Constitution of the Republic of Ghana, 1992
- Enactments made by or under the authority of the Parliament by the Constitution.
- Any Orders, Rules and Regulations made by any person or authority under a power conferred by the Constitution.
- The existing law,
- The common law (doctrines of equity and customary law).

(2 Marks)

ii) Consideration in contract is past where the promise of reward comes after the performance of an act. The promise is subsequent and independent of performance of transaction and, therefore, the promise and the act do not constitute one and the same transaction. Generally, the promise is regarded as mere expression of gratitude for past favour and no contract will arise. **(2 Marks)**

d. A cover note is a form of interim insurance that covers the insured for a short length of time. The period of time will generally not exceed on month. A cover note will usually be taken after completion of proposal. This insures the holder of the cover note while a decision is made by insurer as to whether to accept the risk and issue a policy. **(2 Marks)**

(Total 12½ Marks)

QUESTION 2

- a) The main aim of criminal proceedings is to punish the offender by sentencing, namely fine, imprisonment, death etc. **(2½ Marks)**
- b) Agreements are made every day in domestic and social life, where the parties do not intend to invoke the assistance of the courts should the engagement not be honoured. The agreement between the Ananses is domestic arrangement. The general rule being the presumption that in domestic agreement the parties do not intend to establish legal relations. The presumption is however rebuttable. One of such agreements is between husband and wife which should not be attended by legal consequences. The wife of Ananse will not succeed if she chooses legal action. **(4 Marks)**
- c) A unilateral contract is formed where the promisor a promise in exchange for the actual performance of an act by the promisee as against a counter promise. It is unilateral because only the offeror makes a promise. The offeree is not required to make a counter promise. Instead, he performs the act as stipulated in the promise. The offeror becomes bound on the promise if only the offeree performs the act as required. **(2 Marks)**
- d) This scenario refers to agency of necessity (operation of law). For the agency to be operative, certain requirements have to be satisfied. There must be a pre-existing legal relationship of principal and agent. An emergency situation must have arisen. It is impossible for the agent to contact the principal to gain instructions. The act of the agent is done in the best interests/commercial interests of the principal. Ozoozo's action satisfies the ingredients required for the agency of necessity. **(4 Marks)**
- (Total 12½ Marks)**

QUESTION 3

- a) It is usually the State that takes charge of criminal matters. In the scheme of arrangements, the police is the first to represent the State in the apprehension of criminal culprits. A report to the police on a legal wrong means that usually a criminal offence has been committed. The police charges the suspected culprit for court if found culpable. Until the suspected culprit is sentenced and handed over to the prison authority or acquitted and discharged, the police lawfully detains the suspect. **(5 Marks)**

b) After incorporation of a company, there is the figurative veil in that the company becomes a legal entity distinct from its members. That is the company acquires a distinct legal persona separate from the members. The company has its rights and subject to duties. The officers of the company work for the company. Certain characteristics accrue to it by its incorporation, namely it acquires property, can sue and be sued, bear the risk of its officers etc. The suppliers cannot sue Yaso but the company. **(5 Marks)**

c) Before an agreement is made, the owner shall state orally and in writing to the prospective hirer, the price at which the goods may be purchased for cash and the hire-purchase price or total purchase price. **Section 2, Hire-Purchase Act, 1974 N.R.C.D. 292. (2½ Marks)**
(Total 12½ Marks)

QUESTION 4

a)

i) The engineer is a professional. He works from Monday to Friday and receives specified holidays (leave) and receiving salaries. This makes him a worker/employee, his is contract of service. He is not told what to do, and how to do it. His expertise is integral part of the business. **(4 Marks)**

ii) These include;

- Bills of Exchange
- Cheques
- Promissory Notes
- Treasury Bills
- Dividend warrants,
- Bankers draft
- Dividend warrants

(5 Marks)

b) A tort is an act or omission that gives rise to injury or harm to another and amounts to a civil wrong for which courts impose liability. Example defamation, damage to another person's property, nuisance etc. **(3½ Marks)**

(Total 12½ Marks)

QUESTION 5

a)

i) The Constitution of the Republic, 1992 entitles everyone to his personal liberty except for matters of health among other things, “in the case of a person suffering from an infectious or contagious disease, a person of unsound mind...” **Article 14 (d) of the Constitution.** (2½ Marks)

ii) The criteria to meet to establish vicarious liability there must be relationship of control, namely in employment setting, tortious act and the tortious act must arise in the course of employment duty. (2½ Marks)

b) A condition as a term of a contract goes to the root of the contract. As a fundamental term if breached, gives the innocent party the right to repudiate and sue on it. (2½ Marks)

c) The partnership is not one which is registrable under the Incorporated Private Partnerships Act, 1962 Act 152.

Any of the businesses which the partnership has been carrying on, or is to carry on is unlawful.

The name of the firm is misleading or undesirable.

Any of the partners is an infant or of unsound mind or a person who, within the preceding five years has been charged with fraud or dishonesty whether convicted or not, in connection with trade or business or is an undischarged bankrupt OR

Statement is incomplete, illegible, inaccurate, irregular or on paper insufficiently durable to be suitable for registration. (5 Marks)

(Total 12½ Marks)

QUESTION 6

a) Insurable interest “a right in the property, or a right derivable out of some contract about property, which in either case may be lost upon some contingency affecting the possession or enjoyment of the property”. One such clear insurable interest is ownership of the goods or property insured.

The insurable interest must exist at the time of the loss, an expired interest or one yet to mature is insufficient.

In life insurance insurable interest means that the person effecting the insurance will sustain some pecuniary loss on the death of the person whose life is insured. (4 Marks)

b) A holder in due course is a holder who has taken a bill:

- Complete and regular on the face of it
- Before it was overdue
- Without notice that it had been previously dishonoured, if such was the fact
- In good faith and for value.

(3 Marks)

c) Discretionary trust

Protective trusts.

Non-discretionary trusts.

(1½ Marks)

d) In a discretionary trust is a trust that has been set up for the benefit of one or more beneficiaries. The trustee is given the full discretion as to when and what funds are given to the beneficiaries. A discretionary trust may be exhaustive or non-exhaustive.

Exhaustive discretionary trusts require that all income arising must be distributed, but give trustees powers of discretion as to whom the income will be paid in a class of beneficiaries.

Non-exhaustive discretionary trusts give the trustee the discretionary powers as to whether or not to make a distribution, and to decide how the income will be distributed among the class of beneficiaries.

(4 Marks)

(Total 12½ Marks)