

ACCA Corporate and Business Law (F4) Certification Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. Sue owns a delicatessen and has contracted with Tim to supply her with fresh bread every day for the next ten weeks. After six weeks, Tim tells Sue that he is unable to continue to supply the bread. Which TWO of the following statements are true?**
 - A. Sue can accept this as a breach of contract and sue for damages now**
 - B. Sue can wait a further four weeks and then sue for damages**
 - C. Sue can affirm the contract**
 - D. Sue can obtain an injunction preventing Tim from breaching his contract**
- 2. Which of the following is/are correct regarding Parliament's delegation of law-making powers?**
 - A. (iii) only**
 - B. (ii) and (iii) only**
 - C. (i) and (iii) only**
 - D. (i), (ii) and (iii)**
- 3. In legal terms, what is considered "an invitation to treat"?**
 - A. Offering to sell a product**
 - B. Advertising goods for sale**
 - C. Negotiating contract terms**
 - D. Making a formal offer**
- 4. What is the general principle of vicarious liability?**
 - A. An employer is liable for employees' actions performed during employment**
 - B. Employees are responsible for their own mistakes**
 - C. Only directors can be held liable for company actions**
 - D. Vicarious liability does not apply to businesses**
- 5. In the context of corporate business law, what is a primary purpose of the Companies Act?**
 - A. To regulate the sale of goods.**
 - B. To establish the legal framework for company formation and operation.**
 - C. To regulate employment law.**
 - D. To govern intellectual property rights.**

- 6. What factors will a judge consider in determining whether a duty of care exists?**
- A. Was the damage reasonably foreseeable by the defendant?**
 - B. Is it fair and reasonable to impose a duty of care?**
 - C. Is there a matter of public policy that relieves a duty of care?**
 - D. All of the above.**
- 7. What constitutes a binding offer to sell a unique item of furniture?**
- A. Negotiate a potential price**
 - B. Advertise the item with a price**
 - C. Clearly displaying it in the store**
 - D. Communicate a willingness to consider offers**
- 8. Which of the following describes the standard of proof in a criminal case?**
- A. Beyond evident doubt**
 - B. Beyond reasonable doubt**
 - C. On the balance of certainty**
 - D. On the balance of probability**
- 9. Which of the following business forms does the use of the abbreviation 'Ltd' after the name of a business indicate?**
- A. A limited liability partnership**
 - B. A limited partnership**
 - C. A private limited company**
 - D. A public limited company**
- 10. In which of the following cases is specific performance typically an appropriate remedy?**
- A. When damages are adequate.**
 - B. When the contract is for the sale of unique goods.**
 - C. When the parties have fully performed their obligations.**
 - D. When one party disaffirms the contract.**

Answers

1. A
2. D
3. B
4. A
5. B
6. D
7. B
8. B
9. C
10. B

SAMPLE

Explanations

SAMPLE

1. Sue owns a delicatessen and has contracted with Tim to supply her with fresh bread every day for the next ten weeks. After six weeks, Tim tells Sue that he is unable to continue to supply the bread. Which TWO of the following statements are true?

A. Sue can accept this as a breach of contract and sue for damages now

B. Sue can wait a further four weeks and then sue for damages

C. Sue can affirm the contract

D. Sue can obtain an injunction preventing Tim from breaching his contract

In contract law, when one party fails to perform their obligations as per the agreement, it is considered a breach of contract. In this scenario, Tim, who was contracted to supply fresh bread daily for ten weeks, has informed Sue after six weeks that he can no longer fulfill that obligation. This situation constitutes a clear breach of the contract. Sue, as the non-breaching party, has the right to take legal action upon learning of the breach. She can initiate a claim for damages, which would be compensatory in nature, aimed at covering any losses she might incur as a result of not receiving the bread as agreed. This is a fundamental principle in contract law where the damaged party seeks to be restored to their financial position had the breach not occurred. Therefore, the statement regarding Sue's ability to treat Tim's inability to continue as a breach of contract and sue for damages is accurate. This is essential for understanding a party's rights in contractual agreements when faced with a breach. Given that this insight affirms Sue's position, it also provides context for the other statements, which may not align adequately with her options under the breach of contract scenario.

2. Which of the following is/are correct regarding Parliament's delegation of law-making powers?

A. (iii) only

B. (ii) and (iii) only

C. (i) and (iii) only

D. (i), (ii) and (iii)

Parliament has the authority to delegate its law-making powers to other bodies or authorities, which is essential for several reasons. The correct answer indicating that statements (i), (ii), and (iii) are correct reflects the multifaceted nature of this delegation process. Firstly, delegation allows Parliament to pass detailed laws by assigning specific powers to expert bodies, ensuring that regulations can be more intricately tailored to specific areas of governance—this is essential in complex fields where specialized knowledge is required. For instance, technical details about public health or environmental standards can be managed by respective regulatory agencies with relevant expertise, allowing Parliament to maintain a focus on broader policy issues. Secondly, the delegation of powers often occurs within the framework of statutory instruments, which can be used to fill in the details of legislation without requiring comprehensive parliamentary debate every time a minor adjustment is necessary. This procedural efficiency enhances the legislative process, making it more responsive and flexible to changing needs. Finally, while Parliament retains the ultimate legislative authority, this delegation does not exempt it from accountability. Delegated legislation is subject to different degrees of parliamentary scrutiny, ensuring that there is oversight in how those powers are exercised. This builds a system of checks and balances within the governance structure, reinforcing the legitimacy of the laws created through

3. In legal terms, what is considered "an invitation to treat"?

- A. Offering to sell a product
- B. Advertising goods for sale**
- C. Negotiating contract terms
- D. Making a formal offer

An invitation to treat refers to an action that indicates a willingness to negotiate or solicit offers, rather than constituting a binding offer itself. When a business advertises goods for sale, it is inviting potential customers to make an offer to buy the products. This does not create a legal obligation for the seller to sell at the advertised price; instead, the advertisement serves as an invitation for customers to engage in further negotiations. In the context of contract law, while a formal offer creates the potential for a binding agreement once accepted, an invitation to treat does not carry the same weight. It is merely an indication of readiness to enter negotiations, allowing the seller to assess and accept or reject offers from buyers. This distinction is crucial for understanding how agreements are formed and the legal implications of various communications in the market. Advertising goods for sale clearly embodies this principle, as it encourages customers to approach the seller with offers, demonstrating that the goods are available but not committing the seller to an immediate transaction.

4. What is the general principle of vicarious liability?

- A. An employer is liable for employees' actions performed during employment**
- B. Employees are responsible for their own mistakes
- C. Only directors can be held liable for company actions
- D. Vicarious liability does not apply to businesses

The principle of vicarious liability establishes that an employer can be held accountable for the actions of their employees if those actions occur within the scope of their employment. This legal doctrine recognizes that employers benefit from their employees' activities and, therefore, should bear some responsibility for the harm caused by those employees while they are performing their job duties. This principle is crucial in various contexts, particularly in tort law, where a third party may seek compensation for damages caused by an employee's negligent or wrongful conduct carried out in their role. It emphasizes the idea that employers have a duty to supervise and control their employees adequately and must ensure a safe working environment. In contrast, the other options either misrepresent the scope of liability or misunderstand the legal framework. While it is true that employees carry personal responsibility for their actions to a certain extent, that does not negate the employer's liability when the actions are conducted in the course of employment. The notion that only directors can be held liable ignores the broader application of vicarious liability across various organizational structures. Lastly, the idea that vicarious liability does not apply to businesses overlooks its established role in protecting victims of workplace-related incidents. Therefore, understanding that vicarious liability centers on the employer's responsibility for actions taken by

5. In the context of corporate business law, what is a primary purpose of the Companies Act?

A. To regulate the sale of goods.

B. To establish the legal framework for company formation and operation.

C. To regulate employment law.

D. To govern intellectual property rights.

The primary purpose of the Companies Act is to establish the legal framework for company formation and operation. This legislation provides the rules and regulations that govern how companies are created, organized, and dissolved, ensuring that there is a clear structure governing their activities. This framework includes various provisions on the rights and duties of directors, shareholders, and other stakeholders, as well as compliance matters, financial reporting, and the conduct of meetings. By setting out these legal requirements, the Companies Act aims to promote transparency, protect stakeholder interests, and facilitate responsible corporate behavior. This is crucial for maintaining public confidence in the corporate system and ensuring that companies operate within the law. The other options pertain to different areas of law - the regulation of the sale of goods, employment law, and intellectual property rights - none of which are the primary focus of the Companies Act. Thus, while they are important aspects of the broader legal landscape, they do not align with the core objectives of the Companies Act itself.

6. What factors will a judge consider in determining whether a duty of care exists?

A. Was the damage reasonably foreseeable by the defendant?

B. Is it fair and reasonable to impose a duty of care?

C. Is there a matter of public policy that relieves a duty of care?

D. All of the above.

In determining whether a duty of care exists, a judge will evaluate multiple factors, which are essential in establishing the framework for negligence claims. These factors include the foreseeability of the damage caused, the fairness and reasonableness of imposing a duty, and any relevant public policy considerations. The first factor, foreseeability, is crucial because it ensures that a defendant can be reasonably expected to foresee the harm that may arise from their actions. This element protects individuals from being held liable for unintended consequences that were not predictable. The second factor addresses the fairness and reasonableness of imposing a duty of care. This assessment considers whether it is just to hold the defendant accountable in the context of the relationship between the parties and the circumstances surrounding the incident. This evaluation helps establish a balance between protecting individuals from harm and preventing an excessive burden of liability on defendants. Lastly, public policy considerations also play a significant role. If a legal duty would create undesirable consequences for society, such as discouraging certain beneficial activities, a judge may conclude that it is not appropriate to impose a duty of care in that situation. By evaluating all these aspects together, the correct answer encompasses the complexity of establishing a duty of care. Each factor intertwines with the others, collectively informing the court's

7. What constitutes a binding offer to sell a unique item of furniture?

- A. Negotiate a potential price**
- B. Advertise the item with a price**
- C. Clearly displaying it in the store**
- D. Communicate a willingness to consider offers**

A binding offer to sell a unique item of furniture occurs when there is a clear indication from the seller that they are willing to enter into a contract on specific terms. In this case, advertising the item with a price constitutes a binding offer because it communicates to potential buyers that the seller is prepared to sell that specific item for the stated amount. This invitation includes a clear identification of both the item and its price, which is fundamental for establishing the terms of the sale. Once a buyer expresses their intention to purchase the item at the advertised price, a legal obligation is created. The other options, while related to the selling process, do not formally establish a binding offer. Negotiating a potential price suggests that the terms are not yet settled, which does not constitute a specific offer. Similarly, simply displaying the furniture in-store or indicating a general willingness to consider offers lacks the definitive terms that are essential for a binding offer. It is the clarity and specificity in advertising the item with a price that effectively communicates the seller's intent to form a contract with interested buyers.

8. Which of the following describes the standard of proof in a criminal case?

- A. Beyond evident doubt**
- B. Beyond reasonable doubt**
- C. On the balance of certainty**
- D. On the balance of probability**

In a criminal case, the standard of proof is "beyond reasonable doubt." This standard requires the prosecution to present evidence that leaves no reasonable doubt in the mind of a reasonable person regarding the defendant's guilt. It is the highest standard of proof used in law because it reflects the serious consequences that can arise from a criminal conviction, including imprisonment and the stigma associated with a criminal record. This high evidential threshold ensures that only when a jury or judge is convinced to this degree can a defendant be found guilty. The rationale behind this standard is to protect individuals from wrongful convictions and to uphold the principle that it is better for an innocent person to go free than for a guilty person to be wrongly convicted. Therefore, the law places a heavy burden on the prosecution to prove their case. Other concepts mentioned, like "beyond evident doubt" or "on the balance of certainty," do not reflect established legal standards. "On the balance of probability" is actually used in civil cases, where the plaintiff must show that something is more likely true than not true, which is a much lower standard than "beyond reasonable doubt." This distinction outlines the different thresholds applicable to civil and criminal cases, emphasizing the gravity of criminal accusations.

9. Which of the following business forms does the use of the abbreviation 'Ltd' after the name of a business indicate?

- A. A limited liability partnership**
- B. A limited partnership**
- C. A private limited company**
- D. A public limited company**

The abbreviation 'Ltd' signifies that the business is a private limited company. This form of company structure limits the liability of its shareholders to the amount unpaid on their shares, providing protection for personal assets against the company's debts. In a private limited company, shares are not available to the general public and are typically owned by a small group of private individuals. This structure supports a close-knit management style while also offering benefits such as credibility and the ability to raise capital through the sale of shares to a restricted number of investors. In contrast, a limited liability partnership or a limited partnership would not use 'Ltd,' as these structures have different implications regarding liability and ownership. A public limited company, while also limited, uses 'plc' which denotes its ability to offer shares to the public, thus distinguishing it from a private limited company. Therefore, 'Ltd' is specifically associated with private limited companies, confirming that the answer is indeed the correct identification of the business form represented by that abbreviation.

10. In which of the following cases is specific performance typically an appropriate remedy?

- A. When damages are adequate.**
- B. When the contract is for the sale of unique goods.**
- C. When the parties have fully performed their obligations.**
- D. When one party disaffirms the contract.**

Specific performance is a legal remedy that compels a party to execute the terms of a contract, particularly when the subject matter of the agreement is unique or special in nature. In the context of the sale of unique goods, such as art, antiques, or real estate, monetary damages may not suffice to remedy the breach, as the specific item may hold unique value to the buyer that cannot be replaced or obtained through standard market means. Therefore, specific performance serves as an appropriate remedy to ensure the buyer receives exactly what was contracted for, rather than an equivalent sum of money. In contrast, when damages are adequate, a court typically would not grant specific performance since the injured party can be made whole through financial compensation. If the parties have fully performed their obligations, there is no breach to remedy, thus negating the need for specific performance. Lastly, if one party disaffirms the contract, it generally indicates a willingness to void the agreement rather than be bound to its terms, making specific performance irrelevant in this context.