

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

Study Guide



Everything you need from our exam experts!

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SAMPLE

Questions

- 1. What is the primary purpose of an AGM?**
 - A. To elect new executive members**
 - B. To approve annual accounts and discuss company performance**
 - C. To change the company name**
 - D. To authorize the issuing of new shares**
- 2. What is a key feature of a private company?**
 - A. It can sell its shares to the public**
 - B. It is required to hold regular AGMs**
 - C. It cannot offer its shares to the public**
 - D. It must have at least three directors**
- 3. Which document outlines the structure and purpose of a company?**
 - A. Articles of Association**
 - B. Memorandum of Association**
 - C. Shareholder Agreement**
 - D. Business Plan**
- 4. Which of the following decisions can only be taken by the members in general meeting?**
 - A. Alteration of articles**
 - B. Change of name**
 - C. Reduction of capital**
 - D. Appointment of a managing director**
- 5. Which one of the following is NOT required for revocation of an offer to be effective?**
 - A. It must be in writing.**
 - B. It must be made before the offer is accepted.**
 - C. It must be made by the offeror or his authorised agent.**
 - D. It must be communicated to the offeree.**

- 6. What is the primary purpose of a non-disclosure agreement?**
- A. To establish a partnership.**
 - B. To protect sensitive information from being disclosed.**
 - C. To secure financial investment.**
 - D. To negotiate salaries.**
- 7. Which of the following best defines the term 'redundancy' in employment law?**
- A. Reduction of an employee's salary.**
 - B. Dismissal due to business closure or job role elimination.**
 - C. Voluntary resignation by the employee.**
 - D. Employee termination due to misconduct.**
- 8. What is the main characteristic of a unilateral contract?**
- A. It involves two parties making promises**
 - B. It is formed by one party making a promise in exchange for an act**
 - C. It is only enforceable if witnessed**
 - D. It requires a consideration from both parties**
- 9. Which of the following remedies is always available for breach of contract?**
- A. Repudiation**
 - B. Specific performance**
 - C. Damages**
 - D. Rescission**
- 10. Which of the following is an example of money laundering?**
- A. Investing in legal gambling.**
 - B. Transferring funds from legitimate earnings.**
 - C. Disguising criminally obtained money as legitimate income.**
 - D. Paying taxes on earned income.**

Answers

SAMPLE

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

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Explanations

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1. What is the primary purpose of an AGM?

- A. To elect new executive members
- B. To approve annual accounts and discuss company performance**
- C. To change the company name
- D. To authorize the issuing of new shares

The primary purpose of an Annual General Meeting (AGM) is to approve the annual accounts and discuss the overall performance of the company. During this meeting, shareholders have the opportunity to review the financial statements, ask questions regarding the company's operations over the past year, and gain insights into future plans. This transparency is crucial for maintaining trust and communication between the management and the shareholders. In addition to discussing financial performance, AGMs often cover other significant matters such as dividends, potential changes in the board of directors, and strategic direction. While electing new executive members can occur during an AGM, it is typically a secondary activity compared to the primary focus on financial accountability and performance discussion. Changing the company name or authorizing the issuing of new shares may be important corporate actions, but they do not represent the core function of the AGM, which revolves around reviewing and approving the financial state of the company as presented in the annual accounts.

2. What is a key feature of a private company?

- A. It can sell its shares to the public
- B. It is required to hold regular AGMs
- C. It cannot offer its shares to the public**
- D. It must have at least three directors

A key feature of a private company is that it cannot offer its shares to the public. This distinction sets private companies apart from public companies, which are allowed to raise funds by selling shares on the stock exchange. The restriction on selling shares publicly helps maintain control within a limited group of investors, often family members or close associates, and ensures greater management privacy and less regulatory scrutiny. In the context of private companies, the inability to sell shares publicly contributes to a more restricted ownership structure, which can simplify decision-making and protect sensitive information from being disclosed to the public. This characteristic is fundamental to how private companies operate and raises barriers to entry for external investors who seek to acquire ownership stakes through public offerings. Understanding this feature is essential when discussing the corporate structure and the implications for corporate governance, share transferability, and investor relations. By recognizing that private companies do not engage in public offerings, one can better grasp the nature of their operations and the relationships between shareholders and management.

3. Which document outlines the structure and purpose of a company?

- A. Articles of Association**
- B. Memorandum of Association**
- C. Shareholder Agreement**
- D. Business Plan**

The Memorandum of Association is a crucial document that outlines the structure and purpose of a company. This document serves as the foundation of the company's legal identity and includes important details such as the company's name, the location of its registered office, the objectives for which the company is established, and the liability of its members. By defining the core elements of the company, the Memorandum not only articulates its intended purpose but also provides protections and clarifications regarding the extent of the company's activities. This document is essential during the incorporation process, as it establishes the parameters within which the company can operate. It reflects the company's commitment to abide by these stated objectives, effectively guiding future business decisions and operations. The Memorandum also plays a vital role in informing third parties about the company's scope and limits, thereby enhancing transparency and trust in its business dealings. In contrast, the Articles of Association contain internal regulations governing the management and administration of the company, specifying how decisions are made and outlining the rights and responsibilities of members and directors. While important, this document focuses more on operational aspects rather than the company's foundational structure and purpose. A Shareholder Agreement typically addresses the rights and obligations of shareholders among themselves, and a Business Plan outlines strategic plans, objectives, market analysis, and

4. Which of the following decisions can only be taken by the members in general meeting?

- A. Alteration of articles**
- B. Change of name**
- C. Reduction of capital**
- D. Appointment of a managing director**

The decision to alter the articles of association can only be made by the members during a general meeting because it involves fundamental changes to the governing rules of the company. The articles of association outline the rights and responsibilities of the members, the management structure, and the procedures for conducting business. Any changes to these articles typically require a special resolution, which must be passed by a significant majority of the members during a general meeting, ensuring that all members have a say in these pivotal decisions. In contrast, while changing a company's name and reducing capital also involve important changes, these can sometimes be executed without a full general meeting under specific legal provisions or are often handled with less stringent requirements. Appointment of a managing director can typically be made by the board of directors or through resolutions outside of a formal general meeting, depending on the company's articles. Therefore, the alteration of articles is a decision that distinctly requires member approval in a general meeting context.

5. Which one of the following is NOT required for revocation of an offer to be effective?

- A. It must be in writing.**
- B. It must be made before the offer is accepted.**
- C. It must be made by the offeror or his authorised agent.**
- D. It must be communicated to the offeree.**

In contract law, for an offer to be effectively revoked, certain conditions must be met, but it is not necessary for the revocation to be in writing. An offer can be revoked verbally or through conduct, as long as the offeree is made aware of the revocation before they accept the offer. The other conditions are essential for effective revocation. Firstly, the revocation must occur before the offeree accepts the offer, otherwise, an acceptance completes the contract, and the offer can no longer be revoked. Secondly, the revocation must be communicated to the offeree, ensuring that they are aware that the offer has been withdrawn. Finally, it must be the offeror or an authorized agent who provides this revocation, as only the original party who made the offer has the authority to revoke it. Since a written form is not a legal requirement for revocation, this understanding underscores why an offer does not need to be revoked in writing to be effective.

6. What is the primary purpose of a non-disclosure agreement?

- A. To establish a partnership.**
- B. To protect sensitive information from being disclosed.**
- C. To secure financial investment.**
- D. To negotiate salaries.**

The primary purpose of a non-disclosure agreement (NDA) is to protect sensitive information from being disclosed. NDAs are legally binding contracts that prevent parties from sharing proprietary or confidential information with others without consent. This is especially crucial in business contexts where trade secrets, customer data, or other sensitive information might be at risk of unauthorized sharing or theft. When businesses engage in discussions or collaborations, they often need to exchange confidential information to facilitate these interactions. The NDA serves as a safeguard, ensuring that all parties understand the importance of maintaining confidentiality and the consequences of any breaches. By establishing clear parameters around what constitutes confidential information and the obligations of each party, NDAs help to create a trustworthy environment for open discussions. While the other choices relate to common business activities, they do not align with the specific intent of a non-disclosure agreement. Establishing partnerships and securing financial investments may involve many aspects, including disclosures, but they are not the primary function of an NDA. Similarly, negotiating salaries pertains to employment and compensation, which does not fall under the scope of confidentiality that an NDA is designed to protect.

7. Which of the following best defines the term 'redundancy' in employment law?

- A. Reduction of an employee's salary.**
- B. Dismissal due to business closure or job role elimination.**
- C. Voluntary resignation by the employee.**
- D. Employee termination due to misconduct.**

Redundancy in employment law refers specifically to a situation where an employee is dismissed because their job role is no longer necessary for the business, often due to factors such as restructuring, business closure, or technological changes that eliminate the need for that position. This defines redundancy as a form of dismissal that is associated with the company's operational requirements rather than the individual employee's performance or conduct. The focus is on the elimination of the role itself, rather than on the individual circumstances of an employee. In contrast, the other options involve different circumstances of employment termination or changes that do not align with the core definition of redundancy. For instance, a reduction in salary relates to compensation adjustments rather than job elimination, voluntary resignation pertains to an employee choosing to leave, and termination due to misconduct involves disciplinary actions related to an employee's behavior. Thus, the correct understanding of redundancy centers around the business's needs, leading to job role eliminations.

8. What is the main characteristic of a unilateral contract?

- A. It involves two parties making promises**
- B. It is formed by one party making a promise in exchange for an act**
- C. It is only enforceable if witnessed**
- D. It requires a consideration from both parties**

A unilateral contract is characterized primarily by its reliance on one party's promise in exchange for the performance of an act by another party. This means that one party makes a promise that the other party can accept by performing a specific action, without the need for that second party to make a promise in return. For example, if someone offers a reward for the return of a lost item, that person is making a unilateral promise. The contract is formed when someone finds the item and returns it, thereby fulfilling the condition of the promise. This highlights that the crux of the agreement revolves around the act performed rather than a mutual exchange of promises, which is what distinguishes it from bilateral contracts. Other options do not align with the nature of unilateral contracts. While there may be circumstances where witnessing a contract is necessary, it's not a defining characteristic of unilateral contracts specifically. Similarly, a requirement for consideration from both parties is more aligned with bilateral contracts, and the premise of promises being made by two parties does not appropriately capture the essence of a unilateral agreement. Thus, the fundamental characteristic is the existence of a single promise that is contingent upon action, making choice B the correct answer.

9. Which of the following remedies is always available for breach of contract?

- A. Repudiation**
- B. Specific performance**
- C. Damages**
- D. Rescission**

Damages are a fundamental remedy for breach of contract and are available in virtually all situations where a party has suffered a loss due to the non-performance or inadequate performance of the contract by another party. The primary purpose of damages is to compensate the injured party for their losses and to put them in a position as if the contract had been performed properly. There are different types of damages, including general damages that flow naturally from the breach, and special damages that may arise from particular circumstances contingent to the contract's execution. This broad applicability makes damages the standard remedy for breach of contract, as they address straightforward financial compensation for losses incurred. In contrast, repudiation (which involves rejecting the contract), specific performance (which is a court order requiring the contract to be performed as agreed), and rescission (which cancels the contract) are not universally applicable. Repudiation applies only when a party indicates an intention not to fulfill their contractual obligations. Specific performance is typically granted at the court's discretion, mainly in cases of unique goods or real estate, and rescission is available under specific legal grounds, such as mutual consent, fraud, or misrepresentation. Thus, damages stand out as the consistent and reliable remedy available for breach of contract in most scenarios.

10. Which of the following is an example of money laundering?

- A. Investing in legal gambling.**
- B. Transferring funds from legitimate earnings.**
- C. Disguising criminally obtained money as legitimate income.**
- D. Paying taxes on earned income.**

The choice that exemplifies money laundering is the act of disguising criminally obtained money as legitimate income. Money laundering involves three key stages: placement, layering, and integration. The action of converting funds obtained from illicit activities into a form that appears to be from legitimate sources primarily occurs during the integration phase. By distorting the origin of illegal income to make it seem earned through lawful means, the individual successfully obscures the money's criminal origins, allowing it to be used freely in the economy. In contrast, investing in legal gambling, transferring funds from legitimate earnings, and paying taxes on earned income do not involve the manipulation of illicit funds. These activities either stem from lawful income or do not attempt to disguise the source of funds. Thus, they do not fall within the definition of money laundering as they are conducted transparently and within the law.