

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

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What is the maximum number of directors needed for a private company?**
 - A. 3**
 - B. 2**
 - C. 5**
 - D. No limit**
- 2. What does 'capacity to contract' refer to?**
 - A. The legal ability to enter into a binding agreement**
 - B. The number of parties involved in the contract**
 - C. The amount of consideration exchanged**
 - D. The duration of the contract's enforceability**
- 3. For how long must an employee keep records regarding their employment terms?**
 - A. One month after leaving**
 - B. As long as they remain employed**
 - C. Six months after leaving**
 - D. Indefinitely**
- 4. What is the minimum number of directors required for a private limited company under the Companies Act 2006?**
 - A. One**
 - B. Two**
 - C. Three**
 - D. Four**
- 5. Which of the following best represents a breach of a director's fiduciary duties?**
 - A. Failing to disclose a personal interest in a transaction**
 - B. Having multiple directorships**
 - C. Not attending board meetings regularly**
 - D. Delegating decisions to senior management**

- 6. What type of contract is created when one party offers something and the other party accepts it?**
- A. Unilateral contract**
 - B. Bilateral contract**
 - C. Implied contract**
 - D. Express contract**
- 7. Which of the following will terminate an offer?**
- A. Posting a letter of revocation**
 - B. A request for information**
 - C. Death of the offeree**
 - D. Acceptance of the offer by another party**
- 8. What is the key factor for determining director disqualification?**
- A. Director's age.**
 - B. Length of service.**
 - C. Conduct that is deemed unfit.**
 - D. Financial performance of the company.**
- 9. Which type of shareholder has the least claim on a company's assets during liquidation?**
- A. Preference shareholders**
 - B. Debenture holders**
 - C. Ordinary shareholders**
 - D. Secured creditors**
- 10. Which of the following CANNOT petition for the compulsory winding up of a company on the grounds of INSOLVENCY under s.122 Insolvency Act 1986?**
- A. The Secretary of State**
 - B. The members of the company**
 - C. The board of directors**
 - D. The company's creditors**

Answers

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

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Explanations

1. What is the maximum number of directors needed for a private company?

- A. 3
- B. 2**
- C. 5
- D. No limit

In the context of corporate governance, private companies typically have specific requirements regarding their board of directors. According to the Companies Act in many jurisdictions, including the UK, a private company is required to have a minimum of one director. However, there is generally a maximum limit set on the number of directors for a private company, which is often specified to be two. This aligns with the need for effective decision-making while still maintaining a manageable board size. This structure promotes simplicity and efficiency, allowing for swift decision-making processes, which are vital for private businesses that may need to react quickly to changes in their respective markets or operational needs. Larger boards can complicate governance and may lead to inefficiencies, hence the provision of a maximum of two directors is conducive to the operational style commonly associated with private companies. While options for the number of directors might suggest different limits or the absence thereof, the specified limit of two aligns with the common legislative framework governing private companies, effectively supporting their management needs.

2. What does 'capacity to contract' refer to?

- A. The legal ability to enter into a binding agreement**
- B. The number of parties involved in the contract
- C. The amount of consideration exchanged
- D. The duration of the contract's enforceability

'Capacity to contract' refers specifically to the legal ability of an individual or entity to enter into a binding agreement. This concept is central to contract law because, for a contract to be enforceable, the parties involved must possess the requisite capacity to understand the nature and consequences of their actions at the time of forming the agreement. Generally, certain groups of individuals, such as minors or those deemed mentally incompetent, may lack the capacity to contract. This lack of capacity can render agreements void or voidable, protecting vulnerable parties from entering into obligations that they do not fully understand or are not legally permitted to undertake. The other options touch on different aspects of contracts but do not define 'capacity to contract.' The number of parties involved, the amount of consideration, and the duration of enforceability are all important elements of contracts, but they do not address the fundamental requirement of the parties' legal ability to create the contract in the first place. Hence, focusing on the legal ability to enter a binding agreement is essential when discussing 'capacity to contract.'

3. For how long must an employee keep records regarding their employment terms?

- A. One month after leaving**
- B. As long as they remain employed**
- C. Six months after leaving**
- D. Indefinitely**

The duration for which an employee must keep records regarding their employment terms is critical for various legal and financial reasons, including potential disputes over terms of employment, references for future employment, and tax purposes. The correct choice reflects that employees should maintain these records for six months after leaving their position. This timeframe is important because it allows individuals to address any discrepancies or claims regarding wages, benefits, or employment conditions that might arise shortly after their departure from the company. Retaining records for six months provides a reasonable period for employees to gather evidence or documentation needed in case of any disputes with their former employer, like claims for unpaid wages. This also aligns with practices in regulatory compliance, where certain disputes or claims need to be initiated within specific timeframes. Other durations, such as indefinitely or just until employment ends, may not provide sufficient time for resolving potential issues that could arise soon after an employee's departure. Keeping records for only a month may be too brief to cover any follow-up communications or issues that could occur after leaving a company.

4. What is the minimum number of directors required for a private limited company under the Companies Act 2006?

- A. One**
- B. Two**
- C. Three**
- D. Four**

The correct answer is that a private limited company under the Companies Act 2006 requires a minimum of one director. This flexibility allows small businesses and startups to operate with a single individual taking on the responsibilities of the board of directors. This provision is particularly advantageous for entrepreneurs, as they do not need to find multiple people to serve as directors, which can streamline the process of incorporation and management of the company. In the context of corporate governance, having at least one director is sufficient to ensure that there is someone legally responsible for directing the company and making decisions on its behalf. This director must be at least 16 years old and not disqualified from acting as a director under the law. It's important to note that while one director is the minimum requirement, many private companies choose to appoint more than one to enhance decision-making and oversight. The options requiring two, three, or four directors specify conditions that apply to public companies or different types of corporate structures, which is not relevant to private limited companies. Thus, the requirement for a single director aligns with the purpose of the Companies Act 2006 to facilitate business formation and operation.

5. Which of the following best represents a breach of a director's fiduciary duties?

- A. Failing to disclose a personal interest in a transaction**
- B. Having multiple directorships**
- C. Not attending board meetings regularly**
- D. Delegating decisions to senior management**

A director's fiduciary duties are rooted in the responsibility to act in the best interests of the company and to avoid any conflicts of interest. Failing to disclose a personal interest in a transaction is a clear violation of these duties, as it undermines the trust and integrity that shareholders and other stakeholders place in directors. When a director has a personal interest in a business transaction, it is imperative that they disclose this interest to prevent any potential conflicts from affecting their judgment or the company's outcomes. Not disclosing such information can lead to decisions that are not aligned with the best interests of the company, which directly breaches the fiduciary responsibility. Although the other scenarios presented may raise concerns about a director's effectiveness or commitment, they do not directly constitute a breach of fiduciary duties in the same way. For instance, having multiple directorships can raise issues related to time management and potential conflicts of interest, but it is not inherently a breach unless it results in a failure to act in the best interest of the company. Similarly, not attending board meetings regularly may hamper the director's ability to fulfill their role effectively, yet it is not a direct violation of fiduciary duty unless it leads to harm to the company. Delegating decisions to senior management is generally permissible

6. What type of contract is created when one party offers something and the other party accepts it?

- A. Unilateral contract**
- B. Bilateral contract**
- C. Implied contract**
- D. Express contract**

A bilateral contract is formed when one party makes an offer, and the other party accepts that offer, creating mutual obligations. In this type of contract, both parties agree to perform certain actions; the offeror provides a promise in exchange for a promise from the offeree. This mutual exchange is key to understanding how bilateral contracts operate, as both sides are bound to fulfill their respective promises. In contrast, a unilateral contract involves one party making a promise in exchange for a performance from another party, where the acceptance is completed through the performance of the act rather than by making a separate promise. Implied contracts arise from actions or circumstances rather than explicit agreements, while express contracts are explicitly stated and agreed upon, but they do not inherently define the mutual obligations typical of a bilateral contract. Therefore, the defining characteristic of a bilateral contract is the clear exchange of promises and obligations between two parties, which aligns with the scenario described in the question.

7. Which of the following will terminate an offer?

- A. Posting a letter of revocation
- B. A request for information
- C. Death of the offeree**
- D. Acceptance of the offer by another party

The termination of an offer occurs under specific circumstances, and understanding these can greatly help in grasping the principles of contract law. The correct answer highlights that the death of the offeree results in the termination of the offer. This principle is grounded in the idea that an offer is made to a specific individual, and should they pass away, that individual is no longer able to accept the offer. Therefore, the offer becomes void as it cannot be accepted by the deceased party. In contrast, posting a letter of revocation is not effective until it is communicated to the offeree. A request for information does not constitute a counter-offer or revoke the original offer; rather, it is a mere inquiry that does not impact the validity of the initial offer. Acceptance of the offer by another party cannot occur legitimately until the original offer has been revoked or fulfilled; thus, it does not serve to terminate the offer as it relates to the original offeree. Each of these alternatives fails to fulfill the legal prerequisites that govern the termination of an offer, thereby reinforcing the significance of the offeree's death in this context.

8. What is the key factor for determining director disqualification?

- A. Director's age.
- B. Length of service.
- C. Conduct that is deemed unfit.**
- D. Financial performance of the company.

The key factor for determining director disqualification is conduct that is deemed unfit. This standard is essential because it focuses on the behavior and actions of the director in relation to their duties and responsibilities. If a director exhibits conduct that is contrary to the interests of the company or its stakeholders—such as committing fraud, mismanaging funds, or failing to comply with statutory obligations—this can lead to disqualification. The emphasis on conduct aligns with regulatory frameworks aimed at ensuring that those in positions of oversight act in a manner that upholds the integrity and sustainability of businesses. In contrast, aspects like a director's age or length of service do not inherently influence their ability to fulfill their responsibilities or the potential for disqualification. Similarly, while financial performance of the company may reflect on the management's effectiveness, it does not directly determine a director's fitness for the role. Disqualification is fundamentally concerned with the individual's conduct rather than the company's overall financial outcomes or the tenure of their service.

9. Which type of shareholder has the least claim on a company's assets during liquidation?

- A. Preference shareholders**
- B. Debenture holders**
- C. Ordinary shareholders**
- D. Secured creditors**

Ordinary shareholders have the least claim on a company's assets during liquidation because they are last in line to receive any distributed assets after all other obligations have been settled. In the hierarchy of claims, secured creditors and debenture holders, who are creditors of the company, have a priority claim on the company's assets. Preference shareholders also have a higher claim than ordinary shareholders, as they are entitled to receive dividends and assets upon liquidation before ordinary shareholders. When a company goes into liquidation, assets are first used to pay off secured creditors, followed by unsecured creditors like debenture holders, and then preference shareholders, who have specified preferential rights. Only after these claims are fully satisfied do ordinary shareholders receive any remaining assets. Therefore, ordinary shareholders assume the greatest risk and have the least protection in cases of liquidation, highlighting their subordinate position in the capital structure of the company.

10. Which of the following CANNOT petition for the compulsory winding up of a company on the grounds of INSOLVENCY under s.122 Insolvency Act 1986?

- A. The Secretary of State**
- B. The members of the company**
- C. The board of directors**
- D. The company's creditors**

The correct answer arises from the legal framework surrounding who can petition for the compulsory winding up of a company due to insolvency, as outlined in the Insolvency Act 1986. Members of the company, typically referring to shareholders, cannot initiate a petition for compulsory winding up on the specific grounds of insolvency under section 122 of the Insolvency Act. The rationale is that members may not have an immediate financial stake in the company's insolvency and thus their ability to initiate such proceedings is limited. Instead, the focus is on parties that have a more direct interest or claims against the company. On the other hand, the Secretary of State, the board of directors, and the creditors all have vested interests in the company's financial health and can demonstrate a legitimate concern regarding insolvency. The Secretary of State can invoke winding up in cases for the public interest, the directors can act when they believe the company is insolvent, and creditors, being the entity facing the loss due to non-payment, have a strong basis to petition for such actions. Thus, only members of the company, as shareholders, are restricted from filing for a winding up under insolvency grounds, making this option the correct choice in the context of the question.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://accacorporateandbusinesslawcertification-f4.examzify.com>

We wish you the very best on your exam journey. You've got this!