

ICAEW ACA Certificate Level - Law Practice Test (Sample)

Study Guide



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Questions

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- 1. What triggers the need for a general meeting to be held?**
 - A. Annual requirement set by shareholders**
 - B. Receipt of requisition from authorized persons**
 - C. Approval of major company policies**
 - D. Completion of financial statements**
- 2. What is the duration of protection for design rights?**
 - A. Automatically lasts 20 years**
 - B. Automatically lasts 15 years**
 - C. Automatically lasts 25 years**
 - D. Automatically lasts 70 years**
- 3. What kind of resolutions can shareholders use to appoint directors?**
 - A. Extraordinary resolutions only**
 - B. Ordinary resolutions**
 - C. Secret resolutions**
 - D. Unanimous resolutions**
- 4. What defines an insider in insider dealing?**
 - A. Anyone on a company's email list**
 - B. A former employee of the company**
 - C. An employee or officer with non-public information**
 - D. Investors with a subscription to company reports**
- 5. Which of the following is NOT one of the three elements that make up a compensation remedy?**
 - A. Basic award**
 - B. Compensatory award**
 - C. Additional award**
 - D. Punitive award**

- 6. What should a student do if potential criminal activity is suggested?**
- A. Consult with a work senior**
 - B. Seek advice from ICAEW Ethics Advisory Service**
 - C. Obtain legal advice**
 - D. Report to the authorities immediately**
- 7. What type of contract grants rights like redundancy pay and statutory protection?**
- A. Contract for service**
 - B. Contract of service**
 - C. Zero hours contract**
 - D. Freelance agreement**
- 8. Fraud by failing to disclose information requires what condition?**
- A. A breach of confidentiality**
 - B. A legal duty to disclose**
 - C. An agreement with stakeholders**
 - D. A verbal contract**
- 9. What is a requirement for admitting new partners to a partnership without a formal agreement?**
- A. A majority decision**
 - B. Unanimous agreement**
 - C. A written application**
 - D. Consent from existing clients**
- 10. What are pre-emption rights concerning shares?**
- A. The right of shareholders to vote on share issues**
 - B. The right of shareholders to first refuse new shares offered**
 - C. The right of shareholders to be offered new shares first**
 - D. The right of shareholders to dictate the price of new share issues**

Answers

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

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Explanations

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1. What triggers the need for a general meeting to be held?

- A. Annual requirement set by shareholders
- B. Receipt of requisition from authorized persons**
- C. Approval of major company policies
- D. Completion of financial statements

The need for a general meeting to be held is triggered primarily by the receipt of a requisition from authorized persons. This means that if shareholders or members of the company who meet certain qualifications request a meeting to discuss specific issues or votes, the company is obligated to hold that meeting. This process ensures that shareholders have the ability to voice their concerns or propose changes, thus maintaining their rights and involvement in the governance of the company. While the annual requirement set by shareholders typically calls for a meeting, not all meetings are triggered solely by this. The approval of major company policies and the completion of financial statements are important events in a company's lifecycle but do not inherently require a general meeting unless specifically requested through requisition by the shareholders or members. This emphasis on requisition reflects the legal framework that upholds shareholder engagement and rights within corporate governance.

2. What is the duration of protection for design rights?

- A. Automatically lasts 20 years
- B. Automatically lasts 15 years**
- C. Automatically lasts 25 years
- D. Automatically lasts 70 years

Design rights refer to the legal protection given to the visual design of objects that are not purely utilitarian. The duration of protection for design rights can vary depending on jurisdiction and specific legislation. In many regions, particularly under European Union law, the protection for registered designs lasts for up to 25 years, provided that the design is renewed every five years. However, unregistered design rights typically have a shorter duration, usually lasting for 10 to 15 years from the date of first public disclosure. In this context, the correct answer is rooted in the typical protections afforded under various design laws, where it is common to associate a 15-year protection period for some unregistered designs. This period reflects the need for innovation while balancing public access after a reasonable time. While other options propose different durations, they do not align with the standard durations established for design protections in most common jurisdictions, leading to misunderstandings about design rights. The recognition of a 15-year protection aligns with established practices and gives clarity to the duration that designers can protect their work from unauthorized use.

3. What kind of resolutions can shareholders use to appoint directors?

A. Extraordinary resolutions only

B. Ordinary resolutions

C. Secret resolutions

D. Unanimous resolutions

Shareholders can appoint directors using ordinary resolutions, which are defined as resolutions that typically require a simple majority of the votes cast at a general meeting. This means that more than half of the votes must be in favor for the resolution to pass. Ordinary resolutions are the most common method for appointing directors, as they allow for flexibility and majority rule in decision-making, which aligns with corporate governance principles where shareholders have a say in the management of the company. Extraordinary resolutions, while applicable in certain significant corporate actions, are not typically required for the appointment of directors and instead necessitate a higher threshold of approval, which can complicate the process. Secret resolutions, often concerning confidential matters, are not standard for appointing directors because transparency is a key element in shareholder decisions. Lastly, unanimous resolutions, which require every shareholder's agreement, can be impractical in larger companies, making ordinary resolutions a more feasible and effective choice for appointing directors.

4. What defines an insider in insider dealing?

A. Anyone on a company's email list

B. A former employee of the company

C. An employee or officer with non-public information

D. Investors with a subscription to company reports

The definition of an insider in the context of insider dealing specifically refers to an individual who has access to non-public information about a company due to their position within or relationship to that company. This typically involves employees, officers, directors, or other entities who have privileged access to sensitive information that has not been disclosed to the general public. An employee or officer with non-public information possesses the potential to use that information for trading decisions, thereby gaining an unfair advantage in the marketplace. This concept is fundamental in maintaining fair and transparent trading practices, as it seeks to prevent exploitation of confidential information that can manipulate market conditions and prices. Other options, such as anyone on a company's email list, a former employee, or investors with a subscription to company reports, do not accurately capture the essence of insider dealing. These groups may have access to certain information, but not necessarily non-public information that would put them in a position to exploit or act on that information in a way that constitutes insider trading. For example, information shared via email lists or accessible through subscription services may already be public or only peripheral, lacking the element of non-public confidentiality that characterizes true insider knowledge.

5. Which of the following is NOT one of the three elements that make up a compensation remedy?

- A. Basic award**
- B. Compensatory award**
- C. Additional award**
- D. Punitive award**

The concept of compensation remedies is crucial in understanding how losses are addressed in legal contexts, particularly in cases involving wrongful termination or breaches of contract. The focus here is on identifying the established elements that comprise a compensation remedy. A basic award is typically used to refer to a fixed sum of money awarded to an employee upon termination, calculated based on their length of service. It is a fundamental component designed to acknowledge the employee's loyalty and the loss of income. A compensatory award involves compensation for actual losses incurred, such as lost wages, benefits, and even emotional distress due to the loss of employment. This award serves to put the claimant back in the position they would have been in had the wrongdoing not occurred. An additional award may refer to compensation that goes beyond basic and compensatory awards to encompass other factors such as future loss of earnings or expenses related to finding new employment. On the other hand, a punitive award is not part of the compensation remedy framework. Instead, it is intended as a punitive measure aimed at punishing the wrongdoer and deterring similar conduct in the future. Unlike compensatory awards, which aim to rectitude the financial impact of a loss, punitive damages focus on the behavior of the wrongdoer rather than the losses suffered.

6. What should a student do if potential criminal activity is suggested?

- A. Consult with a work senior**
- B. Seek advice from ICAEW Ethics Advisory Service**
- C. Obtain legal advice**
- D. Report to the authorities immediately**

In situations where potential criminal activity is suggested, obtaining legal advice is crucial. This option ensures that the student understands their legal obligations and the implications of the activity in question. Legal professionals have the expertise to assess the situation based on specific laws and regulations, and they can provide guidance on steps to take that will protect the student and ensure compliance with the law. Seeking legal advice is particularly important because it helps clarify any uncertainties about the nature of the activity, the potential risks involved, and the appropriate course of action. Legal professionals can also advise whether the issue should be escalated to authorities or if other internal processes should be followed first. While consulting with a work senior and contacting the ICAEW Ethics Advisory Service are important steps in many professional scenarios, they might not provide the necessary legal perspective that a trained attorney would offer in cases of potential criminal conduct. Additionally, while it's often crucial to report potential criminal activity, doing so without first understanding the legal ramifications and potential consequences may lead to complications. Therefore, obtaining legal advice is the most appropriate first step when faced with suggestions of criminal activity.

7. What type of contract grants rights like redundancy pay and statutory protection?

- A. Contract for service**
- B. Contract of service**
- C. Zero hours contract**
- D. Freelance agreement**

The type of contract that grants rights such as redundancy pay and statutory protection is the contract of service. A contract of service establishes an employer-employee relationship where the employee is entitled to various legal rights and protections under employment law. This includes rights related to redundancy, unfair dismissal, holidays, and other employment benefits. In contrast, a contract for service typically refers to arrangements where an individual provides services to a client without being considered an employee. This works for independent contractors or freelancers, who do not receive the same rights as employees under the law. Zero hours contracts, while still categorized under a contract of service, have specific conditions regarding the availability of work, but they also grant some level of statutory rights. Freelance agreements, similarly, do not confer employee rights, as they are based on an independent contractor status, meaning that individuals under such contracts are also not entitled to employment protections like redundancy pay. In summary, a contract of service clearly establishes the framework through which employees gain essential workplace rights, making it the correct answer for this question.

8. Fraud by failing to disclose information requires what condition?

- A. A breach of confidentiality**
- B. A legal duty to disclose**
- C. An agreement with stakeholders**
- D. A verbal contract**

Fraud by failing to disclose information fundamentally hinges on the existence of a legal duty to disclose pertinent information. This legal duty arises in specific contexts where a party is obligated to provide information that could materially affect the decisions of others involved in a transaction or relationship. The failure to disclose such information, when there is a clear legal obligation to do so, can lead to claims of fraud because it can mislead the other party and cause them harm. In various legal contexts, certain relationships impose a duty to disclose. For example, fiduciary relationships, such as that between a lawyer and client, or a trustee and beneficiary, require full disclosure of all relevant information to ensure fair and informed decision-making. When this duty is breached through non-disclosure, it meets the criteria for fraudulent behavior, as it involves an intentional omission designed to deceive. The other options do not accurately define the core requirement of fraud by failing to disclose. Breaches of confidentiality do not necessarily constitute fraud unless there is also a legal duty to disclose involved. An agreement with stakeholders or a verbal contract does not in itself create a duty to disclose and is therefore not relevant in this context. The emphasis on a legal duty to disclose underscores the legal significance of the relationship between the parties involved and is

9. What is a requirement for admitting new partners to a partnership without a formal agreement?

- A. A majority decision**
- B. Unanimous agreement**
- C. A written application**
- D. Consent from existing clients**

In a partnership, the admission of new partners typically requires a unanimous agreement among existing partners. This is because partnerships are formed based on mutual trust and agreement among all partners. Each partner holds a stake in the business and has a say in key decisions, including who may join the partnership. The necessity for unanimous agreement helps ensure that all partners are comfortable with the addition of a new partner, as this new individual will share in the profits, responsibilities, and liabilities of the partnership. This ensures that the core values and dynamics of the partnership remain intact, as each partner must agree to the entry of another, thereby protecting the interests of the existing partners and maintaining the integrity of their working relationship. Other options, such as a majority decision or a written application, do not reflect the fundamental principles governing partnerships. A majority decision would undermine the shared responsibility that comes with partnerships, while a written application does not address the consensus needed among existing partners for admitting new individuals into the partnership. Similarly, consent from existing clients is not a requirement for admitting a new partner, although client relationships may be influenced by the changes in partnership.

10. What are pre-emption rights concerning shares?

- A. The right of shareholders to vote on share issues**
- B. The right of shareholders to first refuse new shares offered**
- C. The right of shareholders to be offered new shares first**
- D. The right of shareholders to dictate the price of new share issues**

Pre-emption rights concerning shares refer to the rights that give existing shareholders the opportunity to purchase additional shares before the company offers them to outside investors. This ensures that current shareholders have the chance to maintain their proportional ownership in the company and prevent dilution of their shares. The correct answer highlights that these rights specifically allow shareholders to be offered new shares first. This is crucial as it provides them a priority claim to buy shares, based on the principle that they should have the chance to buy into the company at the same terms as new investors before any offering is made publicly. Understanding this aspect of pre-emption rights is significant because it safeguards the interests of existing shareholders, promoting fairness in the share issuance process. It also supports retention of control within the current shareholder base, as they can prevent their ownership percentage from decreasing if new shares are issued.