

ICAEW ACA CERTIFICATE LEVEL – LAW PRACTICE TEST (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

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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

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- 1. How is the minimum legal notice period adjusted for each additional complete year of service until reaching 12 years of continuous employment?**
 - A. It remains the same
 - B. +1 week
 - C. -1 week
 - D. 2 weeks
- 2. Dividends must be paid out of which type of profits?**
 - A. Accrued losses
 - B. Accumulative profits
 - C. Distributable profits
 - D. Operational profits
- 3. Which of the following is a vital aspect of the employee-employer relationship according to contract terms?**
 - A. Mutual trust
 - B. Constant supervision
 - C. Consensus on salary negotiation
 - D. Agreement on work hours
- 4. What type of resolution is required for voluntary liquidation if not provided for in the articles?**
 - A. Ordinary resolution
 - B. Special resolution
 - C. Unanimous resolution
 - D. Majority resolution
- 5. Which factor does NOT qualify an employee for redundancy payment?**
 - A. Guilty of misconduct
 - B. Failure to accept a reasonable offer to renew contract
 - C. Continuous employment
 - D. Refusal of suitable alternative employment

- 6. 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
- 7. What must a private company obtain to reduce its share capital?**
- A. Shareholder agreement
 - B. Special resolution
 - C. Financial audit
 - D. Directors' approval
- 8. What is a requirement for implied terms in an employment contract related to the employee's duties?**
- A. Pay reasonable remuneration
 - B. Obey lawful and reasonable orders
 - C. Provide accurate references
 - D. Ensure good health and safety
- 9. In which type of relationship is there a presumption of no intention to create legal relations?**
- A. Commercial relationships
 - B. Social/domestic relationships
 - C. Business partnerships
 - D. Employment relationships
- 10. What constitutes a substantial property transaction under company law?**
- A. Any property transaction over £10,000
 - B. Transactions over £100,000 or over £5,000 exceeding 10% of net assets
 - C. Transactions valuing at least £50,000
 - D. All transactions involving property

Answers

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

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Explanations

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1. How is the minimum legal notice period adjusted for each additional complete year of service until reaching 12 years of continuous employment?

- A. It remains the same
- B. +1 week**
- C. -1 week
- D. 2 weeks

The correct answer is that the minimum legal notice period is adjusted by adding 1 week for each additional complete year of service, up to a maximum of 12 years of continuous employment. This adjustment reflects the principle that longer service tends to warrant longer notice periods, recognizing the employee's commitment and the potential impact of their departure on the employer. In practice, the statutory minimum notice period begins at 1 week for employees with up to 2 years of service. For employees with between 2 and 12 years of service, the notice period increases incrementally by 1 week for each complete year. Once an employee reaches 12 years of continuous employment, the notice required stabilizes, meaning that after 12 years, it will not increase further, as the employee will be entitled to a statutory minimum notice period of 12 weeks. Understanding this principle is crucial for both employers and employees, as it informs the planning and execution of employment contracts and terminations. It ensures fairness in the employer-employee relationship, providing a buffer for employees who have contributed to the company over an extended period.

2. Dividends must be paid out of which type of profits?

- A. Accrued losses
- B. Accumulative profits
- C. Distributable profits**
- D. Operational profits

Dividends must be paid out of distributable profits, which refers to the portion of a company's retained earnings that can legally be distributed to shareholders. Distributable profits are typically derived from net profits after tax and exclude certain reserves and losses that the company may have incurred. This ensures that a company does not pay dividends if it has not made sufficient profits to justify the payout, thus protecting the interests of creditors and ensuring the company maintains sufficient capital for its operations. Other terms such as accrued losses or operational profits do not accurately represent the funds available for dividend distribution. Accrued losses indicate that the company has incurred more expenses than revenues, which would inhibit the ability to distribute dividend payments. Similarly, while operational profits represent earnings from the core business activities, they do not take into account the overall financial position of the company, including reserves and retained earnings, which determine the actual capacity to distribute dividends. Accumulative profits suggests a total of profits over time but does not specifically address whether those profits are legally distributable or have already been authorized for dividends. Therefore, the concept of distributable profits is crucial as it encompasses the necessary legal and financial context for paying dividends.

3. Which of the following is a vital aspect of the employee-employer relationship according to contract terms?

- A. Mutual trust**
- B. Constant supervision
- C. Consensus on salary negotiation
- D. Agreement on work hours

Mutual trust is a fundamental aspect of the employee-employer relationship as outlined by contract terms. Trust is essential for creating a positive work environment where employees feel valued, secure, and able to perform their duties effectively. When there is mutual trust, employees are more likely to engage fully in their work, demonstrate loyalty, and contribute to the organization's goals. Additionally, a trust-based relationship fosters better communication and collaboration, which are crucial for addressing issues and resolving conflicts that may arise in the workplace. While constant supervision, consensus on salary negotiation, and agreement on work hours may be important elements in specific contexts of the employment relationship, they do not capture the broader, more essential nature of the trust that underpins the working relationship. Supervision might imply a lack of independence, and salary negotiations can often involve negotiations on terms that don't necessarily build trust. Work hours are a logistical arrangement that, while practical, are less indicative of the overall relational dynamics between an employer and an employee. Mutual trust, therefore, stands out as the cornerstone of a healthy and productive employment relationship.

4. What type of resolution is required for voluntary liquidation if not provided for in the articles?

- A. Ordinary resolution
- B. Special resolution**
- C. Unanimous resolution
- D. Majority resolution

In the context of voluntary liquidation, a special resolution is required when the articles of association do not specify the procedure to be followed. A special resolution is taken when at least 75% of the voting members agree to it. This threshold is important to ensure that a significant majority of members supports the decision to liquidate, reflecting a strong consensus among shareholders given that liquidation can have substantial implications for the company. When a company opts for voluntary liquidation, it is typically a decision that needs careful consideration, as it can affect not just the business operations but also the rights and investments of the shareholders. Therefore, the requirement for a special resolution ensures that such consequential decisions are made with a larger majority, reflecting a more democratic approach to governance within the company. In contrast, other types of resolutions like an ordinary resolution only require a simple majority to pass, making them insufficient for such significant decisions as voluntary liquidation. Similarly, unanimous resolutions imply that all members must agree, which can be impractical. Majority resolutions also tend to imply a lower threshold than what is required in this context.

5. Which factor does NOT qualify an employee for redundancy payment?

- A. Guilty of misconduct
- B. Failure to accept a reasonable offer to renew contract
- C. Continuous employment**
- D. Refusal of suitable alternative employment

To determine the correct factor that does not qualify an employee for redundancy payment, it is necessary to understand the criteria for redundancy. Continuous employment is a fundamental requirement for an employee to be eligible for redundancy payment. Generally, an employee must have been continuously employed for a minimum period, typically two years, to qualify for statutory redundancy pay. Thus, continuous employment serves as a basis for eligibility rather than a disqualifying factor. On the other hand, being guilty of misconduct, failing to accept a reasonable offer to renew a contract, and refusing suitable alternative employment can all disqualify an employee from receiving redundancy payments. Misconduct undermines the employee's entitlement as it indicates a breach of contract or failure to adhere to standard workplace behavior. Similarly, if an employee does not accept a reasonable offer to renew their contract or an appropriate alternative role offered during redundancy, it implies a lack of cooperation in the redundancy process. Therefore, continuous employment is the crucial criteria that underpins eligibility for redundancy payments, rather than a factor that disqualifies an employee.

6. 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.

7. What must a private company obtain to reduce its share capital?

- A. Shareholder agreement
- B. Special resolution**
- C. Financial audit
- D. Directors' approval

To reduce its share capital, a private company must obtain a special resolution. This requirement stems from the legal framework governing companies, specifically within the Companies Act. A special resolution is a formal decision made by the shareholders, which typically requires at least a 75% majority vote. This process is necessary because a reduction of share capital can affect the stakeholders' interests, and it ensures that all shareholders are adequately informed and given the opportunity to express their approval or disapproval. Obtaining a special resolution provides a level of transparency and accountability in the decision-making process. It protects the interests of both creditors and shareholders, ensuring that any reduction in capital is justified and does not compromise the financial stability of the company. The special resolution must be properly documented and filed with the relevant authorities as part of compliance with corporate governance regulations. In contrast, a shareholder agreement, financial audit, or directors' approval are not sufficient on their own to authorize a reduction of share capital, as they do not meet the stringent requirements outlined in law for such a significant alteration to the company's financial structure.

8. What is a requirement for implied terms in an employment contract related to the employee's duties?

- A. Pay reasonable remuneration
- B. Obey lawful and reasonable orders**
- C. Provide accurate references
- D. Ensure good health and safety

The requirement for implied terms in an employment contract related specifically to the employee's duties is that they must obey lawful and reasonable orders given by the employer. This reflects the fundamental nature of the employment relationship where the employer has the right to direct the employee's work within the framework of the agreed-upon duties. The employee's compliance with these orders is critical for maintaining operational efficiency and achieving the goals set by the employer. This duty to obey orders implies a level of trust and cooperation between the employee and employer, which is essential for a productive workplace. It signifies that while employees have their rights, they also have responsibilities that include following instructions that are lawful and reasonable. This ensures that employees can effectively contribute to the organization's objectives and that employers can manage their workforce effectively. Other options, while relevant to employment contracts, do not specifically pertain to the duties imposed on the employee in the same manner. For example, providing accurate references relates more to the obligations of the employer rather than the core duties expected from the employee during their tenure. Similarly, health and safety obligations, while crucial, are typically framed within the employer's responsibilities towards their employees rather than duties that fall upon employees to obey. Lastly, the term "pay reasonable remuneration" refers to the employer's

9. In which type of relationship is there a presumption of no intention to create legal relations?

- A. Commercial relationships
- B. Social/domestic relationships**
- C. Business partnerships
- D. Employment relationships

In social and domestic relationships, there is typically a presumption of no intention to create legal relations. This is grounded in the understanding that many interactions within personal relationships, such as those among friends or family, are based on social and moral obligations rather than legal ones. For instance, when friends agree to meet for dinner, it is generally understood that this is not a legally binding contract and that neither party could successfully sue the other for non-compliance. In contrast, commercial relationships and business partnerships are viewed differently; they are generally considered to have an intention to create legal relations. Parties in these contexts usually intend that their agreements will carry legal weight, often resulting in enforceable contracts. Employment relationships also imply a legal framework, as they involve contracts that outline the rights and obligations of both the employer and employee. Therefore, the distinction lies in the nature of the relationship, with social or domestic contexts holding a presumption against legal intent, making the answer about social/domestic relationships correct.

10. What constitutes a substantial property transaction under company law?

- A. Any property transaction over £10,000
- B. Transactions over £100,000 or over £5,000 exceeding 10% of net assets**
- C. Transactions valuing at least £50,000
- D. All transactions involving property

A substantial property transaction under company law is defined by specific thresholds that create a regulatory framework for company governance and shareholder protection. The definition in option B addresses both a monetary valuation of the transaction and a percentage value relative to the company's net assets, which are critical for assessing the materiality of the transaction in the context of the company's overall financial health. When a transaction exceeds £100,000 or is valued at more than £5,000 and represents over 10% of the company's net assets, it indicates a significant impact on the company's balance sheet. This ensures that shareholders are informed about transactions that could potentially affect their interests and the company's financial position. Understanding these thresholds is vital for compliance with company law, as it mandates that companies disclose such transactions to directors and shareholders. This is designed to prevent management from entering into potentially harmful or unapproved transactions that could jeopardize the company's assets. Other options suggest different thresholds that do not align with the legally established criteria for substantial property transactions, making them inadequate or incorrect representations of what constitutes a substantial transaction under company law.

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://icaewacalaw.examzify.com>

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

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