

# Professional Legal Training Course (PLTC) Company Law 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**

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**1. What is one of the duties of directors and officers?**

- A. To maximize personal profit**
- B. To act in accordance with regulations**
- C. To work independently of shareholders**
- D. To only focus on short-term company goals**

**2. Which type of resolution requires consent from all shareholders entitled to vote?**

- A. Ordinary Resolution**
- B. Special Resolution**
- C. Exceptional Resolution**
- D. Unanimous Resolution**

**3. How is a corporation defined legally?**

- A. A partnership between two or more individuals**
- B. A legal entity separate from its owners**
- C. A non-profit organization**
- D. A group of shareholders**

**4. What are preferred shares?**

- A. A class of shares with priority over common shares for dividend payments**
- B. Shares that automatically convert to common shares**
- C. Shares that have no voting rights**
- D. New shares issued to existing shareholders**

**5. What are the primary duties of corporate officers?**

- A. To minimize the tax liabilities of shareholders**
- B. To manage day-to-day operations and act in shareholders' best interests**
- C. To represent the corporation in legal matters only**
- D. To prepare annual reports for public stakeholders**

**6. What advantage does incorporation under the CBCA provide regarding business operations?**

- A. Ability to operate only in provincial territories**
- B. Ability to carry out business throughout Canada**
- C. Ability to keep the same corporate name permanently**
- D. Ability to avoid corporate taxes**

**7. What is one condition that disqualifies a person from acting as a director?**

- A. Not being a resident citizen**
- B. Being under 18 years of age**
- C. Having a college degree**
- D. Not being employed in the company**

**8. What document must be filed after a change in directors?**

- A. A report of activities**
- B. A Director Appointment Letter**
- C. A Notice of Change of Directors**
- D. A financial report for the shareholders**

**9. What defines a derivative action?**

- A. Initiated by shareholders to distribute profits**
- B. Filed by a shareholder on behalf of the company**
- C. Claim made against a competitor company**
- D. Filed by a company against its shareholders**

**10. What is a potential consequence of a company intentionally failing to comply with regulations?**

- A. It can be considered a breach of the BCA**
- B. It will increase its liabilities**
- C. It can strengthen shareholder rights**
- D. It may have no consequences**

## **Answers**

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

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## **Explanations**

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## 1. What is one of the duties of directors and officers?

- A. To maximize personal profit
- B. To act in accordance with regulations**
- C. To work independently of shareholders
- D. To only focus on short-term company goals

Directors and officers have a fundamental duty to act in accordance with regulations, which encompasses a wide range of legal obligations they must adhere to while managing a corporation. This includes compliance with corporate laws, securities regulations, and any specific rules set forth in their company's governing documents. By acting in accordance with these regulations, directors and officers ensure that their decisions are legally valid and protect the interests of the company and its stakeholders, including shareholders, employees, and customers. This duty to comply with regulations is essential because it helps maintain the integrity of the corporate governance system, fosters trust in the marketplace, and mitigates legal risks that could arise from non-compliance. It emphasizes the responsibility of directors and officers to act within the legal framework and uphold their fiduciary duties. In contrast, focusing solely on maximizing personal profit or prioritizing short-term goals conflicts with their obligations to act in the best interest of the corporation as a whole. Similarly, working independently of shareholders may lead to decisions that do not reflect the views or interests of those who have a stake in the company, undermining accountability and shareholder value. Thus, adherence to regulations is critical for proper governance and sustainable corporate success.

## 2. Which type of resolution requires consent from all shareholders entitled to vote?

- A. Ordinary Resolution
- B. Special Resolution
- C. Exceptional Resolution
- D. Unanimous Resolution**

A resolution that necessitates consent from all shareholders entitled to vote is referred to as a unanimous resolution. This means that every voting shareholder must agree on the resolution for it to be valid and effective, reflecting a complete consensus among all shareholders on specific matters. In corporate governance, this type of resolution is often required for significant decisions that can fundamentally alter the structure or operations of a corporation. Examples may include mergers, amendments to the articles of incorporation, or other major corporate actions. The requirement for unanimous consent ensures that all shareholders have a say in these crucial decisions, thereby protecting minority interests and promoting a strong sense of collective agreement. Other types of resolutions, such as ordinary and special resolutions, do not require the agreement of all shareholders. An ordinary resolution typically requires a simple majority of those present and voting at a meeting, while a special resolution usually needs a higher threshold, such as a two-thirds or three-quarters majority, but does not mandate unanimous consent. Exceptional resolution is not a standard term in company law, making unanimous resolution the most accurate choice that fits the criteria outlined in the question.

### 3. How is a corporation defined legally?

- A. A partnership between two or more individuals**
- B. A legal entity separate from its owners**
- C. A non-profit organization**
- D. A group of shareholders**

A corporation is legally defined as a legal entity separate from its owners. This distinction is crucial because it means that a corporation has its own rights and obligations, separate from those of the individuals who own or control it. This separation allows a corporation to enter into contracts, sue or be sued, and own property independently of its shareholders. The concept of limited liability is also a key aspect of this definition; shareholders are typically not personally responsible for the debts and liabilities of the corporation beyond their investment in shares. This legal structure provides protection to its owners, which is one of the primary reasons why individuals choose to incorporate their businesses. In contrast, a partnership is a different legal structure where two or more individuals share ownership and responsibilities, and there is usually no separation of legal identity. A non-profit organization, while a type of corporation, is defined by its purpose to serve the public good rather than to generate profit for owners or shareholders. The term "group of shareholders" does describe a collection of individuals who may own a corporation, but it does not encompass the legal entity itself or address the implications of legal separation of the corporation.

### 4. What are preferred shares?

- A. A class of shares with priority over common shares for dividend payments**
- B. Shares that automatically convert to common shares**
- C. Shares that have no voting rights**
- D. New shares issued to existing shareholders**

Preferred shares are a class of shares that provide specific benefits to their holders compared to common shares. One of the main features of preferred shares is their priority in terms of dividend payments. This means that holders of preferred shares receive dividends before common shareholders. This priority is particularly significant during times of financial difficulty when a company may decide to suspend dividend payments on common shares while still fulfilling its obligations to preferred shareholders. Additionally, preferred shares may have other attributes, such as fixed dividends or preference in the event of liquidation, but the key characteristic that aligns with the correct answer is the priority for dividend payments. The other options describe different characteristics of shares that do not accurately reflect the defining features of preferred shares, which reinforces the correctness of the identified choice.

## 5. What are the primary duties of corporate officers?

- A. To minimize the tax liabilities of shareholders**
- B. To manage day-to-day operations and act in shareholders' best interests**
- C. To represent the corporation in legal matters only**
- D. To prepare annual reports for public stakeholders**

The primary duties of corporate officers revolve around managing the day-to-day operations of the company while ensuring that they act in the best interests of the shareholders. This role is grounded in the fiduciary responsibility that corporate officers have towards the company and its shareholders. Corporate officers are responsible for making strategic decisions, overseeing company resources, and implementing policies that advance the interests of shareholders, such as generating profit and maintaining corporate sustainability. This encompasses a wide range of activities, including setting company objectives, managing employees, and ensuring compliance with laws and regulations. The focus on acting in the shareholders' best interests underscores the principle of fiduciary duty, which obliges officers to prioritize the interests of the corporation and its owners over their own personal interests. This relationship is foundational to corporate governance and is aimed at fostering trust and accountability within the organization. The other options, while they may involve aspects of corporate officers' responsibilities, do not capture the essence of their primary duties. For example, minimizing tax liabilities is not a central duty; it may be part of broader financial management strategies. Similarly, representing the corporation in legal matters is just one facet of a corporate officer's role, not their primary duty. Preparing annual reports is an important task, but it serves more as a communication

## 6. What advantage does incorporation under the CBCA provide regarding business operations?

- A. Ability to operate only in provincial territories**
- B. Ability to carry out business throughout Canada**
- C. Ability to keep the same corporate name permanently**
- D. Ability to avoid corporate taxes**

Incorporation under the Canada Business Corporations Act (CBCA) offers the significant advantage of allowing a corporation to carry out business throughout Canada. This means that a corporation incorporated federally under the CBCA is not limited to operating only in one province but can establish operations and conduct business in all provinces and territories, taking advantage of a broader market and potentially more customers. This nationwide operational capability is particularly beneficial for businesses that aim to expand or attract clients beyond their provincial borders. By having a federal incorporation, the corporation is recognized across the country, which simplifies regulatory compliance and helps ensure that the corporate structure is acknowledged by various provincial governments as well. The other options do not accurately reflect the benefits of federal incorporation under the CBCA. For instance, provincial operation restrictions, corporate name permanence, and tax avoidance are not inherent advantages of incorporation under the CBCA. The flexibility to operate on a national scale is a primary and strategic reason why many businesses opt for federal incorporation.

**7. What is one condition that disqualifies a person from acting as a director?**

- A. Not being a resident citizen**
- B. Being under 18 years of age**
- C. Having a college degree**
- D. Not being employed in the company**

A key condition that disqualifies a person from acting as a director is being under 18 years of age. This restriction is put in place because the law recognizes that individuals below this age may lack the legal capacity to manage the responsibilities and duties that come with being a director of a company. Directors are expected to make significant decisions and bear fiduciary responsibilities, which necessitate a level of maturity and understanding that is typically not present in minors. The legal age limitation ensures that directors can competently perform their duties, represent the company, and make informed decisions that align with the best interests of the shareholders and the company itself. Other factors, such as residency or educational qualifications, do not inherently disqualify someone from being a director according to typical company law, and employment status with the company does not determine eligibility to serve as a director.

**8. What document must be filed after a change in directors?**

- A. A report of activities**
- B. A Director Appointment Letter**
- C. A Notice of Change of Directors**
- D. A financial report for the shareholders**

The requirement to file a Notice of Change of Directors stems from corporate governance protocols that ensure transparency and maintain accurate records of a company's leadership. When there is a change in the board of directors, it is essential that this information is communicated to the relevant authorities, usually the corporate regulatory body or registrar. This document often includes details such as the names of the new directors, their appointment dates, and any resignations. Filing this notice helps uphold the integrity of the company's official records and allows stakeholders, including shareholders and the public, to be informed about who is managing the company. This enhances accountability and assists in reinforcing the trust of investors and customers in the company's operations. In contrast, other options do not fulfill this legal obligation or relate directly to the administrative process of updating director information. Reports of activities and financial reports are vital documents for various financial and operational aspects but do not specifically address changes in directorship. A director appointment letter is an internal document typically used within the company to formalize the appointment but does not serve the purpose of notifying external regulatory bodies. Thus, the correct action for officially documenting a change in directors is to file a Notice of Change of Directors.

## 9. What defines a derivative action?

- A. Initiated by shareholders to distribute profits**
- B. Filed by a shareholder on behalf of the company**
- C. Claim made against a competitor company**
- D. Filed by a company against its shareholders**

A derivative action is a legal claim brought by a shareholder on behalf of the company to enforce a right that the company itself has failed to enforce. This action is typically taken when the company's management or board of directors do not act in the best interests of the company, often due to conflicts of interest or mismanagement. The key aspect of a derivative action is that it is not the shareholder's personal claim against the company, but rather a lawsuit intended to benefit the company as a whole. When a shareholder files a derivative action, it is on behalf of all shareholders and seeks remedies that would ultimately benefit the company, such as damages for corporate wrongs or enforcing corporate governance. This highlights the shareholder's role in holding the company's management accountable. The other options do not accurately represent the essence of a derivative action. For instance, initiating actions to distribute profits does not encapsulate the concept of a derivative lawsuit, which is more about governance and accountability than profit distribution. Claims made against a competitor relate to competitive practices and do not involve the company's internal management. Lastly, actions filed by a company against its own shareholders represent a different legal scenario unrelated to derivative actions, which focus solely on the company's interests pursued by a shareholder's initiative.

## 10. What is a potential consequence of a company intentionally failing to comply with regulations?

- A. It can be considered a breach of the BCA**
- B. It will increase its liabilities**
- C. It can strengthen shareholder rights**
- D. It may have no consequences**

A company's intentional failure to comply with regulations can indeed be considered a breach of the Business Corporations Act (BCA). This piece of legislation sets out specific rules and standards that companies must adhere to in order to operate within the legal framework. When a company knowingly disregards these regulations, it can result in various legal repercussions, including penalties, fines, or other forms of legal action. Breaching the BCA not only undermines the integrity of the corporate structure but can also put shareholders and creditors at risk, as they may face increased uncertainty regarding their investments and rights. While it's important to acknowledge that there may be other consequences, such as increased liabilities or complications in shareholder rights, the fundamental legal basis for recognizing the breach lies specifically in the violation of the BCA itself. Essentially, the BCA provides the legal framework for company operations, and failing to comply is a direct violation of that framework.

# 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](mailto:hello@examzify.com).**

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

**<https://pltccompanylaw.examzify.com>**

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

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