

Western Governors University (WGU) ACCT3350 D216 Business Law for Accountants 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 characterizes a majority opinion?**
 - A. It represents the views of all judges**
 - B. It has the support of more than half of the court**
 - C. It includes differing opinions**
 - D. It does not reveal the author**
- 2. What type of trademark indicates an implied connection between a company and a product?**
 - A. Fanciful**
 - B. Descriptive**
 - C. Suggestive**
 - D. Arbitrary**
- 3. What is the name of the provision that may allow a bankruptcy debtor to impose a repayment plan without unanimous consent from creditors?**
 - A. Cramdown provision**
 - B. Repayment mandate**
 - C. Debt restructuring rule**
 - D. Creditor compromise**
- 4. Which party holds ultimate control and responsibility in an agency relationship?**
 - A. Agent**
 - B. Principal**
 - C. Third party**
 - D. Shareholder**
- 5. Common law doctrines derive primarily from which source?**
 - A. Legislation**
 - B. Judicial opinions**
 - C. International treaties**
 - D. Regulatory agencies**

- 6. What is a defining characteristic of a C Corporation?**
- A. It has limited liability for members**
 - B. It gets double taxed**
 - C. It allows for flow-through taxation**
 - D. It requires unanimous consent for decisions**
- 7. Which entity structure is most likely to limit liability for its owners while allowing flexibility in management?**
- A. Corporation**
 - B. Partnership**
 - C. LLC**
 - D. Sole proprietorship**
- 8. Which type of warranty does not require a seller to fix defects?**
- A. Express warranty**
 - B. Implied warranty**
 - C. Warranty of fitness**
 - D. Warranty as is**
- 9. What does "pass through" tax structure mean in the context of S Corporations?**
- A. The corporation pays taxes at the corporate level**
 - B. Shareholders report income on their individual tax returns**
 - C. It refers to a tax exemption for all shareholders**
 - D. Profits are reinvested into the corporation without taxes**
- 10. Which fiduciary duty requires members to avoid gross negligence or intentional misconduct?**
- A. Duty of care**
 - B. Duty of loyalty**
 - C. Fiduciary duty**
 - D. Member responsibility**

Answers

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

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Explanations

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1. What characterizes a majority opinion?

- A. It represents the views of all judges
- B. It has the support of more than half of the court**
- C. It includes differing opinions
- D. It does not reveal the author

A majority opinion is characterized by the fact that it reflects the views and reasoning of more than half of the judges or justices who participated in deciding a given case. This opinion serves as the court's official ruling and establishes legal precedent, as it demonstrates a consensus regarding the interpretation of the law among those judges. When a majority opinion is issued, it often becomes the legally binding decision that lower courts must follow, except when overruled by a higher court. The emphasis on having the support of more than half of the judges distinguishes it from other types of opinions that may be present in a case, such as dissenting or concurring opinions, which do not carry the same authoritative weight. In contrast, an opinion that represents the views of all judges would require a unanimous decision, which is a different legal outcome. Similarly, including differing opinions would indicate the presence of dissent or concurring opinions, while not revealing the author would not accurately describe the common practice of identifying judges who write majority opinions. Thus, support from more than half of the court is a fundamental aspect of what characterizes a majority opinion.

2. What type of trademark indicates an implied connection between a company and a product?

- A. Fanciful
- B. Descriptive
- C. Suggestive**
- D. Arbitrary

A suggestive trademark is one that implies a connection between a company and its product without directly describing the product itself. This type of trademark allows consumers to make an association between the mark and the product while requiring some imagination or thought to discern the actual nature of the product. For example, a name like "Jet" for a transportation service suggests speed and efficiency but does not explicitly describe the service provided. In contrast, fanciful trademarks are created from completely made-up words with no prior meaning (like "Kodak"), descriptive trademarks directly describe the characteristics of a product (like "Creamy" for a yogurt), and arbitrary trademarks are real words that have no relation to the product they represent (like "Apple" for computers). Suggestive trademarks strike a balance between creativity and descriptiveness, leading to a stronger brand identity while still implying a connection.

3. What is the name of the provision that may allow a bankruptcy debtor to impose a repayment plan without unanimous consent from creditors?

A. Cramdown provision

B. Repayment mandate

C. Debt restructuring rule

D. Creditor compromise

The correct answer is the cramdown provision. This provision is significant in bankruptcy law because it allows a debtor to confirm a repayment plan over the objections of certain classes of creditors, provided that the plan meets specific legal requirements. Under the cramdown provision, a court can approve a plan as long as it is fair and equitably treats creditors, even if not all creditors agree to it. The cramdown is particularly relevant in Chapter 11 bankruptcies, where debtors may seek to restructure their debts while continuing to operate their business. This mechanism ensures that a debtor can move forward with a viable plan, which can be crucial for their financial recovery and can ultimately benefit creditors as well. In contrast, options like repayment mandate, debt restructuring rule, and creditor compromise do not specifically refer to the legal framework that enables a debtor to impose a repayment plan without unanimous consent from creditors. These terms may relate to the concepts of debt management and negotiation but do not encapsulate the specific rights and legal standing provided by the cramdown provision within bankruptcy proceedings.

4. Which party holds ultimate control and responsibility in an agency relationship?

A. Agent

B. Principal

C. Third party

D. Shareholder

In an agency relationship, the principal holds ultimate control and responsibility. This is because the principal is the individual or entity that authorizes the agent to act on their behalf. The agent carries out tasks, makes decisions, and enters into agreements that bind the principal. This authority granted to the agent is limited to the scope defined by the principal. The principal is responsible for the actions taken by the agent in the course of performing their duties. For instance, if an agent acts within their authority but causes harm or is negligent, the principal may be held liable for those actions due to the agency relationship. This principle underlines the importance of trust and accountability in such arrangements, as the principal relies on the agent to act in their best interests while also bearing the consequences of those actions. The other parties mentioned, such as the agent, third party, and shareholder, have specific roles in the context of the agency relationship but do not possess the same level of control and ultimate responsibility as the principal. The agent acts on behalf of the principal, the third party may engage in transactions with the agent, and shareholders have interests in a corporation but do not directly manage or oversee the agency relationship itself.

5. Common law doctrines derive primarily from which source?

- A. Legislation
- B. Judicial opinions**
- C. International treaties
- D. Regulatory agencies

Common law doctrines primarily originate from judicial opinions, also known as case law. This legal system, prevalent in many countries including the United States, is built on the decisions made by judges in individual cases over time. When judges interpret statutes, apply legal principles, or set precedents, these rulings become part of the common law. This gradual accumulation of judicial decisions creates a framework that governs similar future cases, offering consistency and predictability in the application of the law. Legislation, while important, refers to laws enacted by legislative bodies rather than the evolving body of common law based on judicial interpretation. International treaties may influence certain aspects of law, but they do not form the basis of common law itself. Regulatory agencies create rules and regulations but are not the primary source of common law doctrines. Thus, judicial opinions serve as the cornerstone of common law, shaping legal principles through their interpretations and rulings over time.

6. What is a defining characteristic of a C Corporation?

- A. It has limited liability for members
- B. It gets double taxed**
- C. It allows for flow-through taxation
- D. It requires unanimous consent for decisions

A defining characteristic of a C Corporation is that it is subject to double taxation. This means that the corporation itself is taxed on its earnings at the corporate tax rate, and then when profits are distributed to shareholders as dividends, those dividends are taxed again at the individual shareholders' tax rates. This two-tiered taxation system distinguishes C Corporations from other business structures, such as S Corporations or partnerships, which may benefit from flow-through taxation—where the income is only taxed at the individual level. In this context, while limited liability for members is an important feature of C Corporations, it applies to many business entities and is not unique to them. The concept of flow-through taxation relates specifically to certain types of entities that allow profits to be reported on owners' tax returns directly, bypassing corporate taxes. Unanimous consent for decisions is not a requirement for C Corporations; it is more relevant in contexts like partnerships or certain small organizations where consensus is essential. Thus, double taxation is a principal defining characteristic that clearly sets C Corporations apart in the landscape of business entities.

7. Which entity structure is most likely to limit liability for its owners while allowing flexibility in management?

A. Corporation

B. Partnership

C. LLC

D. Sole proprietorship

The limited liability company (LLC) structure is designed to provide a blend of features from both corporations and partnerships. One of the main advantages of an LLC is that it limits the personal liability of its owners, known as members. This means that members typically are not personally responsible for the company's debts or liabilities, which is similar to the protection offered by a corporation. At the same time, an LLC offers substantial flexibility in management and operation, as it allows for a more informal structure compared to corporations and does not require the same level of regulatory compliance or formalities. Members can choose how they want the LLC to be managed—either by themselves or by appointed managers—providing room for tailoring the management structure to meet their needs. This flexibility makes the LLC an attractive option for many business owners who want to protect their personal assets while maintaining the ability to manage their business in a way that suits their plans and goals. In contrast, a corporation typically has a more rigid structure with specific formalities required for management and decision-making processes. Meanwhile, partnerships do not generally provide limited liability to their owners, and sole proprietorships do not offer any liability protection at all, leaving owners personally liable for business debts. Thus, the LLC strikes a balance that is

8. Which type of warranty does not require a seller to fix defects?

A. Express warranty

B. Implied warranty

C. Warranty of fitness

D. Warranty as is

The type of warranty that does not require a seller to fix defects is the warranty "as is." This type indicates that the buyer accepts the product in its current state, along with any faults or deficiencies it may have at the time of the sale. When an item is sold "as is," the seller generally disclaims any responsibilities pertaining to the quality, condition, or functionality of the product, meaning the buyer cannot require the seller to make repairs or provide remedies for defects found after the purchase. In contrast, an express warranty is created when a seller explicitly states certain guarantees about a product's quality or functionality, giving the buyer certain rights if the warranty is not fulfilled. An implied warranty, such as the warranty of merchantability, arises automatically in transactions involving goods, ensuring that the products meet certain standards. The warranty of fitness pertains specifically to a situation where the seller knows the particular purpose for which the goods are being purchased, promising that the goods are suitable for that purpose. Overall, a warranty "as is" clearly indicates that the buyer assumes the risk for any defects, which is why it does not obligate the seller to remedy any issues after the sale.

9. What does "pass through" tax structure mean in the context of S Corporations?

- A. The corporation pays taxes at the corporate level**
- B. Shareholders report income on their individual tax returns**
- C. It refers to a tax exemption for all shareholders**
- D. Profits are reinvested into the corporation without taxes**

In the context of S Corporations, a "pass through" tax structure means that the corporation does not pay taxes at the corporate level. Instead, the income, losses, deductions, and credits of the corporation "pass through" to the shareholders, who report this information on their individual tax returns. This allows the shareholders to avoid double taxation, which occurs when both the corporation and the shareholders are taxed on the same income. This structure is beneficial as it simplifies tax obligations for the S Corporation and its shareholders, enabling them to only report the business's income on their personal returns, where it is then taxed at their individual tax rates. This mechanism encourages small business ownership and investment by allowing for potential tax savings.

10. Which fiduciary duty requires members to avoid gross negligence or intentional misconduct?

- A. Duty of care**
- B. Duty of loyalty**
- C. Fiduciary duty**
- D. Member responsibility**

The duty that specifically requires members to avoid gross negligence or intentional misconduct is known as the duty of care. This fiduciary duty mandates that individuals in a position of trust and responsibility act with a certain standard of care, which includes making informed and diligent decisions in the best interest of the entity or individuals they represent. Under the duty of care, members are expected to act as a reasonably prudent person would in similar circumstances, taking all necessary precautions to safeguard the interests of the organization or individuals involved. This means they should conduct thorough research, seek expert advice when necessary, and generally apply a high level of diligence in their actions. In contrast, the duty of loyalty focuses on ensuring that the members do not engage in self-dealing or conflicts of interest that could harm the interests of the entity they serve. While both duties are crucial in establishing trust in fiduciary relationships, the duty of care specifically addresses the standard of performance and decision-making, hence its emphasis on avoiding negligence or misconduct. Other choices like fiduciary duty and member responsibility are more broad concepts that encompass various obligations, rather than focusing specifically on the performance standard linked to negligence or misconduct.

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://wgu-acct3350-d216.examzify.com>

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