

# CIMA BA4 - Fundamentals of Business Law

1. How can a company help employees make the right decision when faced with a difficult situation?

A. Offer guiding values and principles to underpin decision-making

B. Threaten them with disciplinary procedures

C. Give them a rule book

D. Have a strong rules-based culture

**Answer(s): A**

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2. Which of the following statements is incorrect?

(i) A term may be implied into a contract on the basis of previous dealings between the parties.

(ii) A term may be implied into a contract by statute.

(iii) A term may be implied into a contract by a court where it would be reasonable to imply it.

A. (i) only

B. (i) and (ii) only

C. (ii) only

D. (iii) only

**Answer(s): D**

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3. Although no-one has reason to suspect, you have taken a violent dislike to a particular assurance client. This could severely affect your independence:

A. Of belief

B. In appearance

C. Of mind

D. In competence

**Answer(s): C**

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4. Which of the following is not valid consideration?

A. Payment to be made upon delivery of the goods.

B. Payment handed over at the time of the contract.

C. Past consideration.

D. A promise to make an early repayment of a debt.

**Answer(s): C**

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5. Which of the following are TWO reasons why new legislation might be introduced in response to corporate scandals?

A. To prevent this type of unethical behavior by making it illegal

B. To punish individuals for adhering to codes of ethics

C. To encourage companies to make their own decisions about ethical matters

D. To enforce minimum standards of behavior

**Answer(s): A D**

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6. Which of the following is NOT one of the main requirements of the UK Corporate Governance Code?

A. The separation of the roles of Chairman and Managing Director

B. The appointment of competent accountants in the finance function

C. The establishment of an audit committee

D. The reporting to shareholders of risks and internal controls

**Answer(s): B**

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7. Which of the following is a 'financial stakeholder' of an organization?

A. Media

B. Employee

C. Non-governmental organizations

D. Competitor

**Answer(s): B**

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8. Which of the following is incorrect?

A. All courts below the Supreme Court may refer a case involving European Law to the European Court of Justice for a preliminary ruling.

B. Supreme Court must refer a case involving European Law to the European Court of Justice for a preliminary ruling.

C. An English court is not bound to give effect to a preliminary ruling of the European Court of Justice.

D. A preliminary ruling of the European Court of Justice is sent back to the Court which referred the question and must be given effect by that court.

**Answer(s): C**

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**9.** Maintaining professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service demonstrates the CIMA Code of Ethics fundamental principle of:

A. Integrity

B. Objectivity

C. Professional competence and due care

D. Professional behavior

**Answer(s): C**

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**10.** B agreed in his contract that he would not work for a competitor of Gee Ltd for a period of 12 months after leaving the company's employment. On leaving Gee Ltd, B worked for Zed Ltd, a competitor of Gee Ltd. If the restriction in B's contract with Gee Ltd should be found to be reasonable, which of the following remedies is Gee Ltd entitled to?

(i) A decree of specific performance forcing B to comply with his contract with Gee Ltd.

(ii) Damages in respect of any loss caused by B's breach of contract.

(iii) An injunction to stop B working for Zed Ltd.

A. (i) only

B. (i) and (ii) only

C. (ii) and (iii) only

D. (i), (ii) and (iii)

**Answer(s): C**

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**11.** Which ONE of the following statements is correct in relation to the UK Corporate Governance Code?

A. If the Code is ignored by any company, no action may be taken as it has no legal status

B. If any company fails to comply with the Code, the directors may be sued for breach of duty by the company on behalf of the shareholders

C. If a public company fails to comply with the Code, it may be sued for breach of statutory duty by those who have suffered loss as a result

D. If a listed public company fails to produce a report explaining why it has not implemented the Code's recommendations, it has acted in breach of the Code

**Answer(s): D**

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**12.** Which of the following reasons for dismissal are NOT deemed to be automatically unfair?

A. Serious misconduct

B. Refusing to join an independent trade union.

C. Pregnancy

D. Selection for redundancy because of membership of a trade union.

**Answer(s): A**

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**13.** Which of the following is not financial assistance for the purchase of a public company's own shares?

A. A loan by a company outside the ordinary course of business

B. Allowing the use of a company's assets as security for a loan

C. The payment of a dividend which has the effect of putting a shareholder in funds and enabling him to purchase the company's shares

D. Releasing a shareholder from a debt owed to the company

**Answer(s): C**

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**14.** While working as an accountant, you are asked to overlook certain irregularities in your company's accounts. This is likely to result in tensions described by which TWO of the following four options:

A. Personal and societal values

B. Personal and corporate values

C. Professional and corporate values

D. Professional and societal values

**Answer(s): B C**

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**15.** Wye has borrowed £10,000 from Exe and the loan has now become repayable in full. Exe has received a cheque from Wye for £9,000 stated to be "in full and final settlement of the loan." What is the position if Exe cashes the cheque?

(i) Exe will have accepted £9,000 in full and final settlement and will not be able to claim the other £1,000 from Wye.

(ii) Exe is legally entitled to cash the cheque and pursue Wye for the balance of £1,000.

(iii) Exe will have accepted £9,000, but at law payment of less than the amount due cannot satisfy the full debt.

A. (i) only

B. (ii) only

C. (iii) only

D. (ii) and (iii) only

**Answer(s): D**

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**16.** Which of the following is INCORRECT in relation to business names?

A. The business name of a private company limited by shares must end in "Limited" or "Ltd".

B. Both public and private companies may use a business name.

C. If a business name is used, the name of the proprietor must be stated on business correspondence and at the premises where the business is carried on.

D. If a business name is used which is the same or very similar to that of an existing business, an action in the tort of passing off may be brought by the existing business.

**Answer(s): A**

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**17.** In the UK, the body responsible for taking an appropriate role in the development of statutes, regulations and accounting standards which affect the conduct of auditing and assurance services, both domestically and internationally is:

A. The Professional Oversight Board for Accountancy

B. The International Federation of Accountants

C. The Auditing Practices Board

D. The Financial Review Board

**Answer(s): C**

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**18.** The code of ethics of the professional body to which M belongs is very clear about the importance of non-discrimination on the grounds of race, gender, sexual orientation and religion. But, because of her particular religious convictions, M believes that homosexuality is wrong. This is an example of a tension between:

A. Corporate and professional values

B. Personal and professional values

C. Societal and professional values

D. Personal and corporate values

**Answer(s): B**

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**19.** B is employed by Zed plc and has suffered an occupational injury.

Which of the following is correct?

Zed plc may be liable to B for:

- i) breach of an implied term in B's contract of employment
- ii) breach of the duty to take care in the tort of negligence
- iii) breach of statutory duty

A. (i) only

B. (ii) only

C. (iii) only

D. (i), (ii) and (iii)

**Answer(s): D**

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**20.** Which of the following may be liable to contribute to the assets of the company in the event of the company carrying on business at a time when it appeared that insolvency was inevitable?

A. The current directors and shareholders of the company.

B. The current and former directors of the company.

C. The current directors of the company.

D. The current directors and former shareholders of the company.

**Answer(s): B**

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