

Specimen Exam 1

Exam Name: Business Law - England (K3 ENG)

Time Allowed: 2 hours

Pass Mark: 50%

This exam contains

50 questions, each worth 2 marks

100 marks in total

Question 1

Which of the following statements in relation to effective consideration is CORRECT?

- A It must be both adequate and sufficient
- B It must be adequate but need not be sufficient
- C It must be sufficient but need not be adequate
- D It must be either sufficient or adequate

Question 2

Which of the following is indicated by the abbreviation 'Ltd' at the end of a company's name?

- A The shares are not transferable
- B The shares may not be offered to the public
- C The shares are freely transferable on the stock exchange
- D The value of the shares cannot be altered

Question 3

Which of the following statements regarding a reduction of a limited company's issued share capital is CORRECT?

- A On receiving an application, the first concern of the court is creditor protection
- B The company must pass an ordinary resolution in a general meeting
- C An application must always be made to the court to confirm the reduction
- D A solvency statement must always be prepared by the directors

Question 4

Breach of which of the following terms does NOT allow the possibility of the aggrieved party terminating the contract?

- A A condition
- B A warranty
- C An innominate term
- D An implied term

Question 5

Which TWO of the following are recognised phases in money laundering?

- A Relocation
- B Layering
- C Integration
- D Distribution

Question 6

Which of the following is NOT a test for establishing an employment relationship?

- A The subordinate test
- B The control test
- C The integration test
- D The economic reality test

Question 7

A written ordinary resolution requires the approval of which of the following?

- A More than 50% of the total voting rights of eligible members
- B More than 50% of the total voting rights of members actually voting
- C Unanimous approval of those entitled to vote
- D Unanimous approval of those actually voting

Question 8

Which of the following is NOT grounds for the compulsory liquidation of a company under s.122 Insolvency Act 1986?

- A The company has not received a trading certificate within its first 12 months
- B The company has not started trading within the first 12 months
- C The company has suspended its business for 12 months
- D The company has altered its primary business within the first 12 months

Question 9

In the context of case law, which of the following applies to an obiter dictum?

- A It is binding on all future courts
- B It is binding on all lower courts
- C It is not binding on any courts
- D It is not binding outside the court it was issued in

Question 10

Which of the following involve potential breaches of the criminal law in relation to company liquidation?

- (1) Wrongful trading
 - (2) Fraudulent trading
 - (3) Making a false statement of solvency
-
- A 1 and 3
 - B 3 only
 - C 1 and 2
 - D 2 and 3

Question 11

Which TWO of the following may imply terms into contracts?

- A Statute
- B Third parties
- C The parties to the contract
- D Established business practice

Question 12

Which of the following may be found guilty of fraudulent trading under s.213 Insolvency Act 1986?

- (1) Creditors
- (2) Employees
- (3) Shareholders

- A 3 only
- B 1 and 3 only
- C 2 and 3 only
- D 1, 2 and 3

Question 13

Jo's contract of employment states that she is employed in Glasgow. When her employer tells her that she has to work in London, some 500 miles away, Jo immediately resigns.

Which of the following may this be considered an example of?

- A Unfair dismissal
- B Constructive dismissal
- C Summary dismissal
- D Wrongful dismissal

Question 14

Which TWO of the following pieces of information are included on a limited company's certificate of incorporation?

- A A statement that the company is private
- B The names of the company's directors
- C The company's date of incorporation
- D A statement detailing the company's initial share capital

Question 15

In the context of the English legal system, which of the following courts ONLY has criminal jurisdiction?

- A Magistrates' court
- B Crown Court
- C County court
- D Supreme Court

Question 16

Imran claims that Zak owes him £1,000 as a result of a breach of contract.

In which court will Imran start his action against Zak?

- A The magistrates' court
- B The county court
- C The small claims court
- D The High Court

Question 17

Which of the following can establish a relationship of agency?

- (1) Ratification
 - (2) Estoppel
 - (3) Implication
 - (4) Emergency
-
- A 1, 2 and 3 only
 - B 3 and 4 only
 - C 1, 2 and 4 only
 - D 1, 2, 3 and 4

Question 18

Abe issued an invitation to tender for a contract and Bea submitted her terms.

Which of the following statements is TRUE?

- A Abe made an offer which Bea accepted
- B Abe made an invitation to treat and Bea made an offer
- C Both Abe and Bea made invitations to treat
- D Abe made an offer and Bea made a counter-offer

Question 19

Which parties are bound by the terms of the tender when one party submits a tender?

- A The person submitting the tender
- B The person requesting the tender
- C Both parties
- D Neither party

Question 20

Which of the following AUTOMATICALLY requires a 75% majority?

- A An ordinary resolution
- B An ordinary resolution with special notice
- C A special resolution
- D A written resolution

Question 21

In accordance with the Money Laundering Regulations 2017, which of the following statements concerning the requirement to perform client due diligence is NOT CORRECT?

- A Client due diligence must be performed before a business relationship comes to an end
- B Any person acting on behalf of a client must also be identified and their identity verified
- C Client due diligence must be conducted for a one-off company formation
- D Enhanced due diligence must be performed where there is a high risk of money laundering

Question 22

Which of the following statements relating to limited liability partnerships is CORRECT?

- (1) They are limited to a maximum of 20 members
 - (2) They must have a minimum of two members
 - (3) They must have at least one unlimited member
 - (4) They must be registered with the Registrar of Companies
-
- A 1 and 3
 - B 2 and 3
 - C 2 and 4
 - D 1 and 4

Question 23

Which of the following statements about the liability of a sleeping partner is CORRECT?

- A They have no liability for partnership debts
- B They have full liability for partnership debts
- C They have limited liability for partnership debts set at a pre-determined level
- D They have limited liability set at the amount they introduced into the partnership

Question 24

How long does copyright in a work of literary fiction last?

- A 50 years from the death of the author
- B 50 years from the death of any inheritor of the author's rights in the work
- C 70 years from the death of the author
- D 70 years from the end of the year in which the author died

Question 25

In the context of contract law, a bid at an auction is which of the following?

- A An invitation to treat
- B An offer
- C A counter-offer
- D An acceptance

Question 26

In limited liability companies, shareholders are liable to which party for any unpaid capital?

- A Creditors
- B The directors
- C The company
- D The liquidator

Question 27

In the context of the Bribery Act 2010 (Act), which TWO of the following statements are TRUE?

- A Receiving money to perform a relevant function improperly is an offence
- B Adequate procedures to prevent bribery can be used by a company as a defence against the actions of an employee
- C Relevant functions must be performed in the UK to be subject to the Act
- D If an agent bribes someone to retain business for a company, the company commits no offence under the Act

Question 28

Which of the following, in the context of entering into a contract, constitutes a binding offer to sell a unique item of furniture?

- A Placing an advert in a newspaper with a price attached
- B Placing it on display inside a shop with a price attached
- C Telling someone the price you may be willing to accept for it
- D Telling someone you will reduce the marked price on it by 10%

Question 29

Which of the following conditions must be met for a company to be classified as a micro-entity?

- (1) Annual turnover should not be more than £500,000
- (2) Annual turnover should not be more than £1,000,000
- (3) Number of employees should not be more than 10
- (4) Number of employees should not be more than 15

- A 1 and 3
- B 1 and 4
- C 2 and 3
- D 2 and 4

Question 30

Which of the following NORMALLY participate in surplus capital?

- A Preference shares
- B Ordinary shares
- C Debentures secured by a fixed charge
- D Debentures secured by a floating charge

Question 31

Which of the following parties may petition to have a company compulsorily liquidated on the basis that it is just and equitable to do so?

- A Shareholders of the company
- B Creditors of the company
- C Debenture holders of the company
- D The Secretary of State

Question 32

In relation to investment forms, which of the following is the MOST secure?

- A Debentures secured by a fixed charge
- B Ordinary shares
- C Preference shares
- D Debentures secured by a floating charge

Question 33

Which of the following applies to non-executive directors?

- A They are involved in the day-to-day business of the company
- B They have contracts of employment with the company
- C They owe fiduciary duties to the company
- D They attend, but do not vote at, meetings

Question 34

Which of the following in relation to a private company is NOT CORRECT?

- A It may be limited by guarantee
- B Liability may be unlimited
- C It must have a company secretary
- D It has no minimum amount of capital

Question 35

Ade introduces malware onto Bo's computer that prevents Bo from opening the files contained on it and tells him he must pay £x before full access is restored.

The above is an example of which of the following cybercrimes?

- A Phishing
- B Hacking
- C Computer fraud
- D Ransomware

Question 36

Which of the following statements about the declaration of cumulative dividends is CORRECT?

- A They are not paid until profits reach a certain percentage
- B They are paid in the form of a bonus issue
- C They are paid out of capital
- D They are paid when profits are available for that purpose

Question 37

Which of the following statements regarding contractual agreements is TRUE?

- A They must be in writing
- B They must be evidenced in writing
- C They need not be in writing
- D They need not be in writing but must be supported by a witness

Question 38

Which TWO of the following statements in relation to the duty to mitigate losses are CORRECT?

- A It lies with the party in breach of contract
- B It lies with the party who suffers the breach
- C It results in an increase in damages
- D It reduces damages

Question 39

Jas has been continuously employed for six years.

Which of the following states the MINIMUM period of notice she is entitled to?

- A 1 month
- B 6 weeks
- C 9 weeks
- D 12 weeks

Question 40

In the context of employment law, which of the following is an AUTOMATICALLY FAIR ground for dismissing an employee?

- A Unofficial industrial action
- B Redundancy
- C Refusal to join a trade union
- D Legal prohibition

Question 41

Which TWO of the following are crimes in relation to insider dealing?

- A Encouraging someone to engage in insider dealing
- B Failing to report insider dealing
- C Concealing insider dealing
- D Passing on inside information

Question 42

What type of contract does an employee have?

- A A contract for service
- B A contract of service
- C A contract of services
- D A contract for services

Question 43

Which of the following must be used to remove a director from office?

- A An ordinary resolution
- B An ordinary resolution with special notice
- C A special resolution
- D A written resolution

Question 44

Which of the following companies qualify as potentially liable for the offence of failure to prevent fraud under s.199 Economic Crime and Corporate Transparency Act 2023?

- (1) Company W with 100 employees, £40 million turnover, £20 million assets
 - (2) Company X with 100 employees, £30 million turnover, £15 million assets
 - (3) Company Y with 290 employees, £40 million turnover, £12 million assets
 - (4) Company Z with 300 employees, £35 million turnover, £15 million assets
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- A 1 and 3 only
 - B 1, 2, 3 and 4
 - C 2, 3 and 4 only
 - D 2 and 4 only

Question 45

In the context of the English legal system, which of the following defines the ratio decidendi of a judgement?

- A The decision in a previous case
- B The facts of the case
- C The legal reason for deciding the case
- D The future application of the case

Question 46

Which TWO of the following are reasons why a company may decide to reduce its share capital?

- A To reflect the loss in the value of its assets
- B To replace the loan capital with share capital
- C To increase the capital redemption reserve
- D To reduce the interest of some shareholders

Question 47

Ange, the owner of Green Stripe Clothes Ltd, has learned that someone has started a rival business called Green Stripes Clothing Ltd.

Which of the following actions are open to Ange?

- (1) Pursue an action of passing off
 - (2) Pursue an action of wrongful trading
 - (3) Pursue an action of fraudulent trading
 - (4) Report the matter to the Company Names Tribunal
-
- A 1 only
 - B 2 and 3
 - C 1 and 4 only
 - D 1, 3 and 4

Question 48

Which of the following do company auditors owe a duty of care to?

- (1) The company
 - (2) The individual shareholders
 - (3) Outsiders relying on their report
-
- A 1 only
 - B 1 and 2 only
 - C 2 and 3 only
 - D 1, 2 and 3

Question 49

Which TWO of the following statements explain the purposes of awarding damages for breach of contract?

- A They are a punishment for the party in breach
- B They compensate the injured party for any financial loss
- C They put the parties in the position they were in before the contract was formed
- D They put the parties in the position they would have been in if the contract had been performed

Question 50

Which of the following CANNOT petition for the compulsory liquidation of a company on the grounds of insolvency under s.122 Insolvency Act 1986?

- A The board of directors
- B The members of the company
- C The company's creditors
- D The Secretary of State