Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

Paper 1: Fundamentals of Business Laws and Business Communication (FBLC)

Mock Test 1 – 50 MCQs with Answer Key & Explanations

Exam pattern: 50 MCQs · 2 marks each · 1 hour · no negative marking · original Skillshort questions in the ICMAI module weightage

Module 1: 5 Qs · Module 2: 15 · Module 3: 10 · Module 4: 10 · Module 5: 10

Answer key with explanations at the end

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This subject pack has 6 parts

1 Chapter-wise notes

2 Important topics & weightage

3 Past papers: trends & links

4 Mock tests + solutions

5 Chapter practice questions

6 Last-week plan & strategy

Prepared by Skillshort for self-study. Original explanations and questions; not an official ICAI/ICMAI/ICSI publication. Items marked VERIFY should be checked against the latest official material.

Instructions

All 50 questions are compulsory; each carries **2 marks**. There is **no negative marking**, so attempt every question. Time: **1 hour** (in the exam Papers 1 and 2 share one 2-hour session VERIFY). Score guide: 80+ excellent · 60–78 safe · 40–58 borderline · below 40 – revise from file 01 and redo file 05.

Section A – Fundamentals of Business Laws (Q1–40)

1. An ordinance can be promulgated by the President when

(a) both Houses are in session
(b) the Supreme Court so directs
(c) Parliament is not in session
(d) a State requests it

2. Writ jurisdiction of the Supreme Court is provided under

(a) Article 226
(b) Article 368
(c) Article 141
(d) Article 32

3. The power to amend the Constitution of India lies with

(a) the President alone
(b) the Supreme Court
(c) Parliament
(d) State legislatures independently

4. One of the most important roles of the Indian judiciary is to act as

(a) administrator of cities
(b) manager of elections
(c) watchdog of democracy and guardian of the Constitution
(d) maker of new laws every day

5. "Equality of all persons before law" best reflects the concept of

(a) rule of law
(b) executive supremacy
(c) parliamentary sovereignty
(d) judicial supremacy

6. Under Section 22, a contract caused by a unilateral mistake of fact is

(a) illegal
(b) voidable
(c) not voidable merely because of that mistake
(d) void

7. A contract to do an act which becomes impossible after the contract is made becomes

(a) void
(b) enforceable
(c) voidable
(d) illegal

8. The liability of the surety is

(a) co-extensive with that of the principal debtor
(b) secondary and limited to half
(c) unlimited
(d) more than that of the principal debtor

9. The person who delivers goods as security in a pledge is the

(a) pawnor
(b) agent
(c) pawnee
(d) bailee

10. Acceptance of a lesser sum in satisfaction of the whole debt is called

(a) remission
(b) waiver
(c) novation
(d) rescission

11. When joint promisors are bound and the promisee releases one of them, the others

(a) cause the contract to become illegal
(b) must pay a fine
(c) are not discharged
(d) are also discharged

12. Substitution of a new contract for the old one is called

(a) remission
(b) novation
(c) alteration
(d) rescission

13. "Free consent" is defined in

(a) Section 13
(b) Section 16
(c) Section 15
(d) Section 14

14. Agreements by way of wager are void under

(a) Section 30
(b) Section 29
(c) Section 56
(d) Section 27

15. A written and registered agreement made on account of natural love and affection between near relatives without consideration is

(a) valid
(b) void
(c) illegal
(d) voidable

16. Every promise and every set of promises forming the consideration for each other is an

(a) contract
(b) agreement
(c) offer
(d) acceptance

17. An agreement with a minor is

(a) valid
(b) voidable at the option of the minor
(c) voidable at the option of the other party
(d) void ab initio

18. "A agrees to sell to B a hundred tons of oil" with nothing to show what kind of oil is meant. The agreement is

(a) void for uncertainty
(b) voidable
(c) valid
(d) illegal

19. When both parties are under a mistake as to a matter of fact essential to the agreement, the agreement is

(a) void
(b) voidable
(c) valid
(d) illegal

20. Which of the following is defined in Section 16 of the Indian Contract Act?

(a) Coercion
(b) Consent
(c) Free consent
(d) Undue influence

21. Goods lying in a third party's warehouse are delivered when the warehouseman
(a) receives an e-mail from the seller
(b) moves the goods to the buyer
(c) acknowledges to the buyer that he holds the goods on the buyer's behalf
(d) receives the price

22. Which is NOT an exception to the rule of nemo dat?
(a) Sale by estoppel
(b) Sale by a person in possession under a voidable contract
(c) Sale by a mercantile agent
(d) Sale by a joint owner without possession

23. Delivery of goods means
(a) exchange of goods
(b) transfer of ownership
(c) voluntary transfer of possession from one person to another
(d) compulsory transfer of possession

24. The doctrine of caveat emptor means
(a) let the seller beware
(b) goods once sold cannot be returned
(c) the buyer must pay in advance
(d) let the buyer beware

25. Handing over the key of a godown containing the goods is an example of
(a) symbolic delivery
(b) constructive delivery
(c) actual delivery
(d) no delivery

26. A contract for the present sale of future goods operates as
(a) a sale
(b) a void agreement
(c) an agreement to sell
(d) a hire-purchase agreement

27. Goods to be manufactured, produced or acquired by the seller after making the contract are
(a) ascertained goods
(b) existing goods
(c) specific goods
(d) future goods

28. Which is an exception to caveat emptor?
(a) Buyer purchases second-hand goods without enquiry
(b) Goods sold under their trade name with no reliance
(c) Buyer inspects the goods and ignores obvious defects
(d) Buyer relies on seller's skill and makes the particular purpose known

29. Where goods are sold by auction, each lot is prima facie
(a) an invitation only after payment
(b) the subject of a separate contract of sale
(c) not a sale
(d) part of one contract

30. A stipulation collateral to the main purpose of the contract of sale is a
(a) warranty
(b) condition
(c) guarantee
(d) representation

31. A cheque is a bill of exchange drawn on a specified banker and
(a) payable only in cash
(b) payable only to bearer
(c) not expressed to be payable otherwise than on demand
(d) payable after 3 months

32. A cheque must be presented for payment within
(a) one month
(b) six months
(c) one year
(d) three months from its date or its validity period

33. A stamped instrument signed but left blank, giving authority to fill it up, is an
(a) inchoate instrument
(b) accommodation bill
(c) crossed cheque
(d) ambiguous instrument

34. Acceptance is required in the case of a
(a) promissory note
(b) bill of exchange
(c) currency note
(d) cheque

35. Two parallel transverse lines on the face of a cheque, with or without "& Co.", is a
(a) special crossing
(b) restrictive crossing
(c) general crossing
(d) not negotiable crossing

36. Which is a required feature of a promissory note under Section 4?
(a) The promise may depend on a future uncertain event
(b) It must be in writing and signed by the maker
(c) It must be a currency note
(d) It can be an oral promise

37. Which of these does NOT require acceptance?
(a) Bill payable after sight
(b) Bill payable after date
(c) Promissory note
(d) Usance bill of exchange

38. A cheque crossed "Not negotiable" means the person who receives it
(a) cannot get a better title than the person who transferred it
(b) will be refused payment
(c) can cash it only without a bank account
(d) cannot transfer it at all

39. Section 138 is NOT attracted when a cheque is issued
(a) as a gift or donation
(b) for repayment of a loan
(c) for price of goods supplied
(d) towards an existing liability

40. Dishonour of a cheque for insufficiency of funds is an offence under
(a) Section 147
(b) Section 142
(c) Section 138
(d) Section 139

Section B – Business Communication (Q41–50)

41. Communication from a superior to subordinates is

(a) horizontal communication
(b) diagonal communication
(c) downward communication
(d) upward communication

42. Organisations use motion graphics (short animated videos) during training or a product launch mainly to

(a) avoid writing reports
(b) replace all human workers
(c) explain, train and summarise information while keeping attention
(d) make meetings longer

43. Good listening is often more important than speaking because it

(a) helps avoid premature evaluation and prevents conflicts
(b) means you never need to speak
(c) lets you ignore others
(d) makes others stop talking

44. Presenting someone else's work or ideas as one's own without acknowledgement is

(a) plagiarism
(b) libel
(c) paraphrasing with citation
(d) defamation

45. The model of intercultural sensitivity with stages from denial to integration was developed by

(a) Milton Bennett
(b) Geert Hofstede
(c) Peter Drucker
(d) Edward Hall

46. Communication through officially designated channels of the organisation is

(a) formal communication
(b) lateral gossip
(c) informal communication
(d) grapevine

47. Tone, pitch, volume and speed of voice are part of

(a) kinesics
(b) proxemics
(c) written communication
(d) paralanguage

48. Which of the following is NOT a feature of communication?

(a) No flow of message
(b) Goal oriented
(c) Two-way process
(d) Continuous process

49. Which communication is essential for mutual co-operation and understanding between departments?

(a) Organisational communication
(b) Oral communication
(c) Sound communication
(d) Persuasive communication

50. The word "communication" is derived from the Latin word "communis", which means

(a) transfer
(b) speak
(c) message
(d) common

Answer Key with Explanations

EXAM TIP Scoring

Score = 2 × correct answers (no negative marking). Note the module of every wrong answer and re-read it in file 01.

Answer key – Mock Test 1

Q	Ans	Explanation / working
1	(c)	Art. 123 – temporary law.
2	(d)	High Courts – Art. 226.
3	(c)	Art. 368.
4	(c)	Judicial review and protection of rights.
5	(a)	Dicey's rule of law.
6	(c)	One party's mistake does not affect validity.
7	(a)	Sec 56 – supervening impossibility.
8	(a)	Sec 128.
9	(a)	Pawnee = pledgee.
10	(a)	Sec 63.
11	(c)	Sec 44.
12	(b)	Sec 62.
13	(d)	Sec 13 – consent; Sec 15 coercion; Sec 16 undue influence.
14	(a)	Lottery is a wager.
15	(a)	Sec 25(1).
16	(b)	Sec 2(e).
17	(d)	Mohori Bibee v Dharmodas Ghose (1903).
18	(a)	Sec 29.
19	(a)	Sec 20 – bilateral mistake.
20	(d)	Sec 15 coercion, Sec 17 fraud, Sec 18 misrepresentation.
21	(c)	Constructive delivery by attornment – Sec 36(3).
22	(d)	Joint owner in sole possession with consent is an exception (Sec 28); the others are listed exceptions.
23	(c)	Sec 2(2).
24	(d)	Sec 16.
25	(a)	Sec 33.
26	(c)	Sec 6(3).
27	(d)	Sec 2(6).
28	(d)	Sec 16(1).
29	(b)	Sec 64.
30	(a)	Sec 12(3).
31	(c)	Sec 6; includes electronic cheque and truncated cheque.
32	(d)	RBI rule on validity.
33	(a)	Sec 20.
34	(b)	Drawee accepts.
35	(c)	Sec 123.
36	(b)	Unconditional, written, signed.
37	(c)	Maker himself promises to pay.

Q	Ans	Explanation / working
38	(a)	Sec 130.
39	(a)	Requires a legally enforceable debt.
40	(c)	Criminal liability of drawer.
41	(c)	Orders, instructions, policies.
42	(c)	Visual aids improve retention.
43	(a)	Listening builds understanding.
44	(a)	Avoid by citing references.
45	(a)	DMIS.
46	(a)	Follows the chain of command.
47	(d)	How something is said.
48	(a)	Communication needs a message flow.
49	(a)	Links all parts of the organisation.
50	(d)	Creating common understanding.