Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Mock Test 2 – 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. The Indian legal system is primarily based on

(a) religious law alone
(b) Roman law
(c) French civil law
(d) English common law

2. The final authority to interpret the Constitution of India rests with the

(a) President
(b) Parliament
(c) Supreme Court
(d) Law Commission

3. The part of a judgment that is binding as a precedent is

(a) obiter dicta
(b) the dissent
(c) the headnote
(d) ratio decidendi

4. Which source of law develops through long-standing, reasonable and continuous social practices?

(a) Custom
(b) Legislation
(c) Precedent
(d) Ordinance

5. Which Act assigns conciliators the duty to mediate and settle industrial disputes in detail?

(a) MSMED Act, 2006
(b) Industrial Disputes Act, 1947
(c) Arbitration and Conciliation Act, 1996
(d) Companies Act, 2013

6. The time for performance is of the essence of the contract; failure to perform in time makes the contract

(a) voidable at the option of the promisee
(b) illegal
(c) valid with no remedy
(d) void

7. A telegram of revocation sent on 4 April reaches the offeree on 6 April. As against the offeror, revocation is complete on

(a) 5 April
(b) 7 April
(c) 6 April
(d) 4 April

8. Quasi contracts are dealt with in

(a) Sections 31 to 36
(b) Sections 73 to 75
(c) Sections 68 to 72
(d) Sections 124 to 147

9. A contract formed when the user clicks "I agree" on a website is a

(a) browse-wrap contract
(b) click-wrap contract
(c) quasi contract
(d) shrink-wrap contract

10. A stipulated sum named in the contract as payable on breach is dealt with in

(a) Section 74
(b) Section 75
(c) Section 73
(d) Section 65

11. Formal contracts of English law whose validity depends on form and which are valid even without consideration are

(a) contracts under seal and contracts of record
(b) executed contracts
(c) implied contracts
(d) quasi contracts

12. Quotation of the lowest price in reply to an enquiry is not an offer, as held in

(a) Felthouse v Bindley
(b) Harvey v Facey
(c) Hadley v Baxendale
(d) Carlill v Carbolic Smoke Ball Co.

13. An agreement enforceable by law is a

(a) voidable contract
(b) contract
(c) void agreement
(d) wagering agreement

14. Social and domestic agreements are generally not contracts because there is no intention to create legal relations, as held in

(a) Lalman Shukla v Gauri Dutt
(b) Mohori Bibee v Dharmodas Ghose
(c) Chinnaya v Ramaya
(d) Balfour v Balfour

15. Communication of acceptance is complete as against the proposer when

(a) it is put in course of transmission to him
(b) the letter is received
(c) it comes to his knowledge
(d) the acceptor decides to accept

16. An agreement in restraint of marriage of any person other than a minor is

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

17. Section 85C of the Indian Evidence Act states that the court presumes the information in an electronic signature certificate is

(a) false
(b) only true if notarised
(c) true and correct
(d) not reliable

18. An agreement in restraint of trade is generally void under

(a) Section 30
(b) Section 26
(c) Section 27
(d) Section 28

19. Which one of the following statements is correct?

(a) Void agreements are always illegal
(b) Void agreements are always voidable
(c) Illegal agreements are always void
(d) Illegal agreements can be ratified

20. A contract that is enforceable at the option of one party but not of the other is

(a) voidable
(b) unenforceable for both
(c) illegal
(d) void

21. "Price" means
(a) the cost of goods
(b) the money consideration for a sale of goods
(c) any consideration in kind
(d) the market value

22. Breach of warranty gives the buyer the right to
(a) treat the contract as repudiated
(b) claim damages but not to reject the goods
(c) reject the goods
(d) recover the goods free

23. An unpaid seller may resell goods without notice when
(a) the goods are of a perishable nature
(b) the price is fully paid
(c) the goods are with the buyer
(d) the buyer is solvent

24. Where the property in goods passes immediately to the buyer, the contract is a
(a) bailment
(b) agreement to sell
(c) hire purchase
(d) sale

25. The right of stoppage in transit is available to the unpaid seller when
(a) the goods are with the seller
(b) the buyer becomes insolvent
(c) the buyer refuses delivery
(d) the price is partly paid

26. The implied warranty of quiet possession is in
(a) Section 14(b)
(b) Section 16
(c) Section 17
(d) Section 12

27. Unless otherwise agreed, delivery of goods and payment of price are
(a) warranties
(b) concurrent conditions
(c) independent conditions
(d) conditions subsequent

28. In a contract of sale, "nemo dat quod non habet" means
(a) no one can give a better title than he himself has
(b) let the buyer beware
(c) delivery is complete on payment
(d) seller is always liable

29. Exchange of goods for goods is
(a) barter, not a sale
(b) a pledge
(c) a sale
(d) a hire-purchase

30. A contract of sale of goods is defined in
(a) Section 4
(b) Section 2(7)
(c) Section 6
(d) Section 18

31. Offences under the NI Act are made compoundable by
(a) Section 147
(b) Section 142
(c) Section 138
(d) Section 143

32. A cheque which has not been presented within its validity period is a

(a) post-dated cheque
(b) stale cheque
(c) crossed cheque
(d) bearer cheque

33. A negotiable instrument is defined in

(a) Section 4
(b) Section 13
(c) Section 5
(d) Section 6

34. A cheque bearing a date later than the date of issue is a

(a) mutilated cheque
(b) stale cheque
(c) ante-dated cheque
(d) post-dated cheque

35. The main reason for crossing a cheque is to

(a) cancel the cheque
(b) get cash at the counter
(c) ensure payment only through a bank account, making it safer and traceable
(d) make the cheque look official

36. No days of grace are allowed on

(a) instruments payable on demand
(b) promissory notes payable after a fixed period
(c) usance bills
(d) bills payable after 90 days

37. The person who draws a bill of exchange is the

(a) drawer
(b) payee
(c) endorsee
(d) drawee

38. A person who takes an instrument for consideration, before maturity, in good faith and without notice of defect is a

(a) holder in due course
(b) drawee in case of need
(c) payee only
(d) holder

39. Who may cross a cheque?

(a) Only the payee
(b) Only the drawer
(c) The drawer, the holder or the banker
(d) Only the drawee bank

40. The person to whom payment is to be made under an instrument is the

(a) endorser
(b) drawee
(c) payee
(d) drawer

Section B – Business Communication (Q41–50)

41. Interpreting the message by the receiver is called

(a) encoding
(b) feedback
(c) decoding
(d) transmission

42. Which is a "Don't" for business communication on social media?

(a) Posting confidential or unverified information
(b) Responding quickly to queries
(c) Maintaining a consistent professional tone
(d) Giving credit to sources

43. In one-way communication

(a) many people send to one person at the same time
(b) the receiver speaks first
(c) the message moves from sender to receiver with no feedback
(d) the message moves back and forth

44. The section of a formal report that briefly summarises its purpose, findings and recommendations for busy readers is the

(a) bibliography
(b) executive summary
(c) letter of transmittal
(d) appendix

45. The study of the use of space and distance in communication is

(a) kinesics
(b) haptics
(c) paralanguage
(d) proxemics

46. Use of technical terms that the receiver does not understand is a

(a) semantic (language) barrier
(b) physical barrier
(c) psychological barrier
(d) organisational barrier

47. Too many levels in the hierarchy distorting messages is a

(a) physical barrier
(b) semantic barrier
(c) organisational barrier
(d) cultural barrier

48. Communication between managers of different departments at the same level is

(a) horizontal (lateral) communication
(b) diagonal communication
(c) vertical communication
(d) downward communication

49. Suggestions, grievances and reports sent by employees to managers are examples of

(a) lateral communication
(b) downward communication
(c) upward communication
(d) external communication

50. An internal written message within an organisation with To, From, Date and Subject lines is a

(a) memorandum
(b) business proposal
(c) business letter
(d) press release

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 2

Q	Ans	Explanation / working
1	(d)	Inherited from British rule; precedent-based.
2	(c)	Supreme Court is the guardian and final interpreter.
3	(d)	Obiter is only persuasive.
4	(a)	Customs become law when ancient, certain, reasonable and not opposed to statute.
5	(b)	Conciliation officers and boards.
6	(a)	Sec 55.
7	(d)	Sec 4 – when put in course of transmission.
8	(c)	Certain relations resembling contracts.
9	(b)	Shrink-wrap – opening a software package.
10	(a)	Reasonable compensation not exceeding the amount named.
11	(a)	Indian law has no such class.
12	(b)	It was only information.
13	(b)	Sec 2(h).
14	(d)	Husband's promise of allowance.
15	(a)	Sec 4.
16	(c)	Sec 26.
17	(c)	Presumption as to electronic signature certificates.
18	(c)	Exception: sale of goodwill.
19	(c)	All illegal agreements are void, not vice versa.
20	(a)	Sec 2(i).
21	(b)	Sec 2(10); barter is not a sale.
22	(b)	Sec 12(3), 59.
23	(a)	Sec 54(2).
24	(d)	Sec 4(3).
25	(b)	Sec 50.
26	(a)	Buyer shall have and enjoy quiet possession.
27	(b)	Sec 32.
28	(a)	Sec 27.
29	(a)	Price must be in money.
30	(a)	Sale and agreement to sell.
31	(a)	Can be settled.
32	(b)	Bank will refuse payment.
33	(b)	Promissory note, bill of exchange or cheque payable to order or bearer.
34	(d)	Payable only on or after that date.
35	(c)	Sec 123–131.
36	(a)	Days of grace for time instruments only.
37	(a)	Drawee is directed to pay.

Q	Ans	Explanation / working
38	(a)	Sec 9.
39	(c)	Sec 125.
40	(c)	Sec 7.
41	(c)	Receiver attaches meaning.
42	(a)	Confidential data must be protected.
43	(c)	E.g., notices, broadcasts.
44	(b)	Placed at the start.
45	(d)	Personal space.
46	(a)	Jargon.
47	(c)	Structure-related.
48	(a)	Aids coordination.
49	(c)	Bottom to top.
50	(a)	No salutation or complimentary close.