Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Module-wise Practice Questions with Answers

All 5 modules · original MCQs that do not repeat the mocks · key with explanation after each module

55 MCQs | Explanation for every answer | Target: 80% per module

Contents

How to practise 2
Module 1: Introduction to Law 2
Module 2: The Indian Contract Act, 1872 3
Module 3: The Sale of Goods Act, 1930 5
Module 4: The Negotiable Instruments Act, 1881 6
Module 5: Business Communication 7

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.

How to practise

Do each module set at exam speed (**about 70 seconds a question**) after revising that module in file 01. Check with the key below the set. Below 70% → revise and repeat after two days.

Module 1: Introduction to Law

1. A law that applies uniformly to all citizens without discrimination reflects

(a) flexibility
(b) universality
(c) codification
(d) delegation

2. A bill passed by both Houses of Parliament becomes an Act only after

(a) approval of the Supreme Court
(b) the President's assent
(c) judicial approval
(d) publication in newspapers

3. Law declared by the Supreme Court is binding on all courts in India under

(a) Article 32
(b) Article 124
(c) Article 143
(d) Article 141

4. Money bills can be introduced only in the

(a) Lok Sabha
(b) Rajya Sabha
(c) either House
(d) joint sitting

5. An Act made to operate only during an emergency or for a fixed period is

(a) temporary legislation
(b) customary law
(c) subordinate legislation
(d) permanent legislation

6. Residuary powers of legislation in India belong to

(a) Parliament
(b) the Supreme Court
(c) the Finance Commission
(d) State legislatures

7. The most important source of modern law in India is

(a) religious texts
(b) legislation
(c) custom
(d) equity

8. India is described as a "quasi-federal" State because it is

(a) a confederation of independent States
(b) a federation with a strong Centre
(c) a unitary State with no States
(d) governed by States having more power than the Centre

9. A deadlock between the two Houses on an ordinary bill is resolved by a

(a) President's ordinance
(b) joint sitting of both Houses
(c) referendum
(d) Supreme Court reference

10. The mischief rule of interpretation was laid down in

(a) Heydon's case
(b) Mohori Bibee v Dharmodas Ghose
(c) Carlill v Carbolic Smoke Ball Co.
(d) Donoghue v Stevenson

Answer key – Module 1

Q	Ans	Explanation / working
1	(b)	Equality before law.
2	(b)	Art. 111.
3	(d)	Binding precedent.
4	(a)	Art. 110; Rajya Sabha may delay by 14 days.
5	(a)	It lapses after the period.
6	(a)	Art. 248.
7	(b)	Acts of Parliament and State legislatures.
8	(b)	Strong central machinery with federal features.
9	(b)	Art. 108.
10	(a)	1584 – remedy the mischief the Act sought to cure.

Module 2: The Indian Contract Act, 1872

1. Legal recognition of electronic signatures is given by

(a) Section 85 of the Companies Act
(b) Section 5 of the IT Act, 2000
(c) Section 13 of the NI Act
(d) Section 10 of the Contract Act

2. A promise in writing to pay a time-barred debt is

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

3. An agent is a person employed to

(a) guarantee the debts of another
(b) do any act for another or represent another in dealings with third persons
(c) keep goods in safe custody only
(d) indemnify another

4. An agreement not enforceable by law is said to be

(a) valid
(b) voidable
(c) illegal in every case
(d) void

5. Which of the following is NOT a wagering agreement?

(a) A transaction only to pay price differences
(b) A lottery
(c) An agreement to buy a lottery ticket
(d) A contract of insurance

6. In which case need the original contract NOT be performed?

(a) All of the above
(b) If the parties agree to alter it
(c) If the parties substitute a new contract
(d) If the parties agree to rescind it

7. A guarantee which extends to a series of transactions is a

(a) retrospective guarantee
(b) fidelity guarantee only
(c) continuing guarantee
(d) specific guarantee

8. Compensation for breach of contract is provided in

(a) Section 74
(b) Section 75
(c) Section 73
(d) Section 70

9. In a contract of guarantee, the person in respect of whose default the guarantee is given is the

(a) indemnifier
(b) principal debtor
(c) creditor
(d) surety

10. Under Indian law consideration may move from

(a) the promisee only
(b) a stranger only with court approval
(c) the promisor only
(d) the promisee or any other person

11. "No consideration, no contract" is laid down in

(a) Section 25
(b) Section 23
(c) Section 2(d)
(d) Section 10

12. Silence of the offeree does not amount to acceptance – the case is

(a) Felthouse v Bindley
(b) Harvey v Facey
(c) Hadley v Baxendale
(d) Balfour v Balfour

13. Coercion is defined in

(a) Section 17
(b) Section 18
(c) Section 16
(d) Section 15

14. The doctrine of privity of contract was laid down in

(a) Carlill v Carbolic Smoke Ball Co.
(b) Dunlop Pneumatic Tyre Co. v Selfridge & Co.
(c) Harvey v Facey
(d) Balfour v Balfour

15. Under Section 125, an indemnity-holder who is sued and compelled to pay damages has the right to

(a) recover all such damages from the indemnifier
(b) bear the damages himself
(c) send the indemnifier to prison
(d) recover only half

Answer key – Module 2

Q	Ans	Explanation / working
1	(b)	Sec 4 – electronic records.
2	(a)	Sec 25(3).
3	(b)	Sec 182.
4	(d)	Sec 2(g).
5	(d)	Insurance has insurable interest – a contract of indemnity/guarantee of loss.
6	(a)	Sec 62 – novation, rescission and alteration.
7	(c)	Sec 129.
8	(c)	Hadley v Baxendale – remote damages not allowed.
9	(b)	Sec 126.
10	(d)	Sec 2(d); Chinnaya v Ramaya.
11	(a)	Exceptions in Sec 25 (natural love and affection, past voluntary service, time-barred debt promise).

Q	Ans	Explanation / working
12	(a)	Acceptance must be communicated.
13	(d)	Committing or threatening any act forbidden by the IPC/BNS.
14	(b)	A stranger to a contract cannot sue.
15	(a)	Rights of indemnity-holder.

Module 3: The Sale of Goods Act, 1930

1. A buys a mobile from B by fraud and before B rescinds, sells it to C who buys in good faith for value. C gets
(a) a good title
(b) a title only after B consents
(c) no title
(d) a defective title

2. Where a seller delivers a larger quantity than contracted, the buyer may
(a) only reject the whole
(b) accept the contracted quantity and reject the rest, or reject the whole
(c) only accept the whole
(d) claim the excess free

3. Where specific goods have perished without the seller's knowledge at the time of the contract, the contract is
(a) enforceable for the price
(b) void
(c) valid
(d) voidable

4. In the case of specific goods in a deliverable state, property passes to the buyer
(a) when delivery is made
(b) when the price is paid
(c) when the contract is made
(d) when the goods are used

5. A buyer may treat a breach of condition as a breach of warranty. This is provided in
(a) Section 12
(b) Section 16
(c) Section 62
(d) Section 13

6. When a seller sells goods that could be dangerous and the buyer is unaware of the danger, the seller must
(a) warn the buyer about the danger
(b) wait for the buyer to ask
(c) warn only after a waiver is signed
(d) charge a higher price

7. A seller of goods is called "unpaid" when
(a) any part of the price has been paid
(b) the buyer has accepted the goods
(c) the whole price has not been paid or tendered
(d) the goods are delivered

8. "Goods" under the Sale of Goods Act do NOT include
(a) stock and shares
(b) actionable claims and money
(c) goodwill
(d) growing crops

9. In goods delivered on "sale or return" with a fixed time, property passes to the buyer if he keeps silent
(a) only after written approval
(b) when the fixed time for returning expires
(c) immediately on delivery
(d) never until full cash payment

10. Hire purchase differs from sale because in hire purchase

(a) property passes immediately
(b) there is no option to return
(c) property passes only on payment of the last instalment
(d) the price is not paid in instalments

Answer key – Module 3

Q	Ans	Explanation / working
1	(a)	Sec 29 – sale by person in possession under voidable contract.
2	(b)	Sec 37.
3	(b)	Sec 7.
4	(c)	Sec 20.
5	(d)	Waiver or acceptance of goods.
6	(a)	Implied duty to disclose dangerous nature.
7	(c)	Sec 45.
8	(b)	Sec 2(7).
9	(b)	Sec 24.
10	(c)	Hirer is a bailee until then.

Module 4: The Negotiable Instruments Act, 1881

1. The term "negotiable instrument" means

(a) a document only for bank use
(b) a document whose price can be negotiated
(c) a verbal promise that cannot be sold
(d) a written document transferable by delivery or endorsement that gives a legal right to money

2. An instrument which may be treated as either a bill or a note at the holder's option is an

(a) accommodation bill
(b) inchoate instrument
(c) ambiguous instrument
(d) foreign bill

3. For an offence under Section 138, the payee must give a written notice demanding payment within

(a) 1 year
(b) 30 days of receiving information of dishonour
(c) 3 months
(d) 15 days

4. If the maturity date of an instrument falls on a public holiday, it is payable on the

(a) next business day
(b) same day
(c) third day after
(d) preceding business day

5. Days of grace allowed on an instrument payable after a fixed period are

(a) none
(b) two
(c) three
(d) five

6. The punishment under Section 138 may extend to imprisonment of

(a) two years, or fine up to twice the cheque amount, or both
(b) seven years
(c) one year only
(d) fine only

7. Under Section 143A, the court trying an offence under Section 138 may order the drawer to pay
(a) final compensation
(b) interim compensation to the complainant
(c) full compensation before trial
(d) a penalty to the State only

8. If a person accepts a bill "for honour" without stating for whose honour, the law presumes it is for the honour of the
(a) endorser
(b) banker
(c) payee
(d) drawer

9. Liability of the drawer to compensate the holder in case of dishonour is provided in
(a) Section 30
(b) Section 32
(c) Section 29
(d) Section 31

10. An endorsement "Pay to B only" is a
(a) partial endorsement
(b) special endorsement
(c) restrictive endorsement
(d) blank endorsement

Answer key – Module 4

Q	Ans	Explanation / working
1	(d)	Negotiable = transferable; instrument = written document.
2	(c)	Sec 17.
3	(b)	Then drawer has 15 days to pay.
4	(d)	Sec 25.
5	(c)	Sec 22.
6	(a)	Amended in 2002.
7	(b)	Up to 20% of the cheque amount.
8	(d)	Acceptance for honour not specifying the person – deemed for the drawer.
9	(a)	Sec 32 – liability of maker/acceptor.
10	(c)	Prohibits further negotiation.

Module 5: Business Communication

1. In the "Denial" stage of intercultural sensitivity, members of a group typically
(a) understand differences but argue about them
(b) have mastered many languages
(c) are unaware that cultural differences exist
(d) are excited to learn every new culture

2. According to good professional networking practice, before building new relationships a business should
(a) stop contacting old clients
(b) mix personal and business life completely
(c) nurture the relationships it already has
(d) communicate only by text messages

3. Which of the 7 Cs means "using specific facts and figures rather than vague statements"?
(a) Conciseness
(b) Coherence
(c) Courtesy
(d) Concreteness

4. A business proposal prepared in response to a request from a client is a

(a) unsolicited proposal
(b) solicited proposal
(c) informal report
(d) memo report

5. Which is NOT an internet-based business communication tool?

(a) Webinar
(b) E-mail
(c) Video conferencing
(d) Notice board in the factory canteen

6. Communication across different levels and different departments is

(a) upward communication
(b) diagonal communication
(c) horizontal communication
(d) grapevine only

7. To keep a personal touch and update customers on discounts and new products, a business should

(a) speak only to the media
(b) ignore customers
(c) use letters, e-mails and social media promotions
(d) wait for customers to visit the office

8. Using the active voice and short sentences in business writing mainly improves

(a) clarity
(b) ambiguity
(c) formality
(d) length

9. The study of body movements, gestures and facial expressions in communication is

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

10. Any disturbance that distorts the message in the communication process is called

(a) feedback
(b) medium
(c) noise
(d) channel

Answer key – Module 5

Q	Ans	Explanation / working
1	(c)	Bennett's model – first stage.
2	(c)	Existing contacts are the base.
3	(d)	Concrete messages are vivid and specific.
4	(b)	Unsolicited – sent on own initiative.
5	(d)	A physical notice board is traditional.
6	(b)	Cross-wise.
7	(c)	Regular, personalised communication.
8	(a)	Enhancement of writing skills.
9	(a)	Body language.
10	(c)	May arise at any stage.