Skillshort

Self-Study Preparation Pack

CMA FOUNDATION

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

Mock Test 3 – 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. Rules framed by local authorities and government departments under an Act derive their validity from
(a) custom
(b) the Constitution directly
(c) delegated authority given by the parent Act
(d) judicial discretion

2. A key benefit of delegated legislation in a modern welfare State is that it
(a) allows flexibility, speed and experimentation
(b) takes away all power of the executive
(c) makes law-making slower
(d) forces the legislature to decide every detail

3. Subordinate legislation cannot go beyond
(a) the directive principles
(b) the State List
(c) the Constitution only
(d) the ambit of the parent Act

4. The subjects on which both Parliament and State legislatures can make laws are listed in the
(a) Concurrent List
(b) Union List
(c) Residuary List
(d) State List

5. Codification of law mainly ensures
(a) certainty and predictability
(b) judicial activism
(c) ordinance power
(d) unlimited flexibility

6. A minor's agreement was held void ab initio in
(a) Balfour v Balfour
(b) Mohori Bibee v Dharmodas Ghose
(c) Carlill v Carbolic Smoke Ball Co.
(d) Lalman Shukla v Gauri Dutt

7. Display of goods with price tags in a shop is
(a) an offer
(b) an invitation to offer
(c) a counter-offer
(d) an acceptance

8. A contract formed electronically shall not be deemed unenforceable merely because electronic means were used. This is provided in
(a) Section 10 of the Indian Contract Act
(b) Section 10A of the Information Technology Act, 2000
(c) Section 4 of the Sale of Goods Act
(d) Section 138 of the NI Act

9. A contract of indemnity is defined in
(a) Section 126
(b) Section 124
(c) Section 148
(d) Section 172

10. A conditional acceptance amounts to

(a) a counter-offer
(b) a standing offer
(c) a valid contract
(d) an acceptance

11. Where consent is caused by coercion, undue influence, fraud or misrepresentation, the contract is

(a) valid
(b) void
(c) illegal
(d) voidable at the option of the aggrieved party

12. Refusal by a party to perform his promise in its entirety entitles the promisee to

(a) only claim specific performance
(b) nothing until the due date
(c) put an end to the contract
(d) a criminal remedy

13. The rule that only natural and proximate damages are recoverable was laid down in

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

14. Section 70 (benefit of non-gratuitous act) applies only when the act was done lawfully AND the other person enjoyed its benefit. Which option states this?

(a) Only lawful doing is needed
(b) Both conditions must be satisfied
(c) Neither condition is needed
(d) Only enjoyment of benefit is needed

15. An offer does NOT lapse if

(a) the offeree dies before acceptance
(b) acceptance is made in ignorance of the death of the offeror
(c) the offeror dies and the offeree knows before acceptance
(d) a reasonable time expires

16. An offer made to the world at large is a

(a) cross offer
(b) standing offer
(c) general offer
(d) specific offer

17. An agreement whose object is unlawful is

(a) void
(b) voidable
(c) enforceable by the innocent party
(d) valid

18. A person who finds goods belonging to another and takes them into custody is subject to the responsibility of a

(a) bailee
(b) agent
(c) pledgee
(d) surety

19. Bailment of goods as security for payment of a debt or performance of a promise is

(a) pledge
(b) lien
(c) hypothecation
(d) mortgage

20. A contingent contract is defined in

(a) Section 56
(b) Section 31
(c) Section 32
(d) Section 73

21. The unpaid seller's right of lien is lost when

(a) the goods are perishable
(b) the buyer or his agent lawfully obtains possession
(c) the seller obtains a decree for price
(d) the buyer becomes insolvent

22. Goods identified and agreed upon at the time the contract of sale is made are

(a) future goods
(b) contingent goods
(c) specific goods
(d) generic goods

23. Where the seller reserves the right of disposal of the goods, property does not pass until

(a) the goods are delivered to the carrier
(b) the conditions imposed by the seller are fulfilled
(c) the buyer inspects the goods
(d) the contract is signed

24. In a sale by sample, there is an implied condition that

(a) the seller is a manufacturer
(b) the goods are fit for every purpose
(c) the price is reasonable
(d) the bulk shall correspond with the sample in quality

25. A stipulation essential to the main purpose of the contract is a

(a) term only
(b) condition
(c) guarantee
(d) warranty

26. Which is an implied condition in a contract of sale?

(a) Warranty as to disclosure of dangerous nature
(b) Warranty against encumbrances
(c) Condition as to title
(d) Warranty of quiet possession

27. An agreement to sell becomes a sale when

(a) the buyer inspects the goods
(b) the price is fixed
(c) the goods are manufactured
(d) the time elapses or the conditions are fulfilled subject to which property is to be transferred

28. The implied condition that goods are of merchantable quality applies where goods are bought

(a) by description from a seller who deals in goods of that description
(b) by auction only
(c) from a private person
(d) after full examination revealing defects

29. Unless otherwise agreed, goods remain at the seller's risk until

(a) the goods are insured
(b) delivery is made
(c) the price is paid
(d) the property is transferred to the buyer

30. An unpaid seller's right of lien is a right to
(a) retain possession of the goods until payment
(b) resume possession of goods in transit
(c) sue the carrier
(d) resell the goods in every case

31. Crossing a cheque with the name of a banker is
(a) special crossing
(b) general crossing
(c) double crossing
(d) account payee crossing

32. An endorsement in which the endorser signs only his name is a
(a) restrictive endorsement
(b) conditional endorsement
(c) special endorsement
(d) blank endorsement

33. Under Section 138, after receipt of the notice the drawer has to make payment within
(a) 7 days
(b) 15 days
(c) 3 months
(d) 30 days

34. A promissory note cannot be made payable to
(a) the order of a specified person
(b) a bank
(c) bearer on demand
(d) a specified person

35. A promissory note is defined in
(a) Section 4
(b) Section 13
(c) Section 6
(d) Section 5

36. A bill drawn payable "three months after date" dated 1 January matures (including days of grace) on
(a) 31 March
(b) 3 April
(c) 1 April
(d) 4 April

37. The liability of the maker of a promissory note and the acceptor of a bill is provided in
(a) Section 32
(b) Section 31
(c) Section 29
(d) Section 30

38. A bill of exchange is defined in
(a) Section 5
(b) Section 6
(c) Section 4
(d) Section 7

39. In a promissory note there are
(a) one party
(b) four parties
(c) three parties
(d) two parties

40. Noting of a dishonoured bill is done by a
(a) magistrate
(b) bank manager
(c) drawee
(d) notary public

Section B – Business Communication (Q41–50)

41. Avoiding unnecessary words while keeping the meaning complete is

(a) completeness
(b) courtesy
(c) conciseness
(d) clarity

42. A false written statement that damages a person's reputation is

(a) copyright
(b) libel
(c) plagiarism
(d) slander

43. A meeting held by a company for the public and the media about a new project is an

(a) external meeting
(b) internal meeting
(c) secret meeting
(d) private staff meeting

44. The last step that completes the communication process is

(a) feedback
(b) channel selection
(c) encoding
(d) decoding

45. The law in India that governs processing of personal data collected online is the

(a) Indian Contract Act, 1872
(b) Industrial Disputes Act, 1947
(c) Sale of Goods Act, 1930
(d) Digital Personal Data Protection Act, 2023

46. The grapevine is a form of

(a) downward communication
(b) formal communication
(c) written communication
(d) informal communication

47. Two friends use hand gestures and signs so that a stranger cannot hear them. They are using

(a) written communication
(b) non-verbal communication
(c) digital communication
(d) verbal communication

48. The concept of high-context and low-context cultures was given by

(a) Maslow
(b) Bennett
(c) Hofstede
(d) Edward T. Hall

49. In the full block format of a business letter

(a) all parts start at the left margin
(b) the signature is on the right
(c) the date is centred
(d) paragraphs are indented

50. Converting an idea into words, symbols or gestures is called

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

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 3

Q	Ans	Explanation / working
1	(c)	Subordinate (delegated) legislation.
2	(a)	Parliament lacks time and technical expertise.
3	(d)	Rules beyond the Act are ultra vires.
4	(a)	Seventh Schedule.
5	(a)	Written, systematic law.
6	(b)	Privy Council, 1903.
7	(b)	The customer makes the offer.
8	(b)	Validity of e-contracts.
9	(b)	Promise to save the other from loss caused by the promisor or any other person.
10	(a)	Acceptance must be absolute and unqualified (Sec 7).
11	(d)	Sec 19, 19A.
12	(c)	Sec 39.
13	(d)	Remoteness of damage.
14	(b)	Both are required, plus the act must be non-gratuitous.
15	(b)	Sec 6(4): offer lapses on death only if the fact comes to the acceptor's knowledge before acceptance.
16	(c)	Carlill v Carbolic Smoke Ball Co.
17	(a)	Sec 23.
18	(a)	Sec 71.
19	(a)	Sec 172.
20	(b)	Collateral event – may or may not happen.
21	(b)	Sec 49.
22	(c)	Sec 2(14).
23	(b)	Sec 25.
24	(d)	Sec 17.
25	(b)	Sec 12(2).
26	(c)	Sec 14(a) title is a condition; others are warranties.
27	(d)	Sec 4(4).
28	(a)	Sec 16(2).
29	(d)	Sec 26 – risk prima facie passes with property.
30	(a)	Sec 47.
31	(a)	Sec 124.
32	(d)	Makes it payable to bearer.
33	(b)	Failure gives cause of action.
34	(c)	Sec 31 RBI Act – only RBI/Central Government may issue such notes.
35	(a)	Written, signed, unconditional undertaking by the maker to pay.
36	(d)	1 April + 3 days of grace.
37	(a)	Liable to pay at maturity.

Q	Ans	Explanation / working
38	(a)	Written, signed, unconditional order.
39	(d)	Maker and payee.
40	(d)	Sec 99.
41	(c)	Brief and to the point.
42	(b)	Slander is spoken defamation.
43	(a)	Involves outsiders.
44	(a)	Feedback tells the sender the message was understood.
45	(d)	Relevant to legal aspects of business communication.
46	(d)	Fast but may spread rumours.
47	(b)	Gestures and signs.
48	(d)	Japan high-context; USA low-context.
49	(a)	Common modern layout.
50	(b)	Done by the sender.