Skillshort

Self-Study Preparation Pack

CMA INTERMEDIATE

Paper 5: Business Laws and Ethics (BLE)

Chapter-wise Practice Questions with Answers

For the December 2026 term · 50 MCQs (5 sets) + 10 descriptive questions with model answers · Original Skillshort questions

50 MCQs with key | 10 descriptive with answers | Provision–Facts–Conclusion format | Solve after each chapter

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This subject pack has 6 parts

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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.

Part A – Chapter-wise MCQs

Each set is followed by its answer key. Attempt a set in 20 minutes after finishing the related chapters.

Set 1 – Chapters 1–3 (Legal system, Contract Act, special contracts)

1. The Right to Constitutional Remedies is contained in

(a) Article 19 (b) Article 21
(c) Article 32 (d) Article 226

2. Rules framed by a Ministry under the powers given by an Act are

(a) Primary legislation (b) Subordinate legislation
(c) Judicial precedent (d) Custom

3. An arbitral award may be set aside on limited grounds under

(a) Section 34 of the Arbitration and Conciliation Act, 1996
(b) Section 89 CPC
(c) Section 138 NI Act
(d) Article 141

4. An offer made to the public at large is a

(a) Specific offer (b) General offer
(c) Cross offer (d) Counter offer

5. Consideration may move from the promisee or any other person. This means

(a) Privity of consideration is not required
(b) Only the promisee can give consideration
(c) Consideration must be adequate
(d) Past consideration is invalid

6. An agreement to do an impossible act is

(a) Voidable (b) Void
(c) Valid (d) Illegal

7. Damages that arise naturally in the usual course of things from a breach are recoverable under

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

8. The person in whose favour a guarantee is given is the

(a) Surety (b) Principal debtor
(c) Creditor (d) Indemnifier

9. Bailment of goods as security for payment of a debt is

(a) Pledge (b) Mortgage
(c) Hypothecation (d) Lien

10. An agent appointed by the principal's conduct is an agent by

(a) Ratification (b) Estoppel
(c) Necessity (d) Express appointment

Set 1 – Answer key

Q	Ans	Explanation / working
1	(c)	Art. 32 – the right to move the Supreme Court; Art. 226 is the High Courts' writ power.

Q	Ans	Explanation / working
2	(b)	Delegated or subordinate legislation.
3	(a)	s. 34 – application for setting aside an award.
4	(b)	Carlill v Carbolic Smoke Ball Co.
5	(a)	s. 2(d) – "the promisee or any other person"; a stranger to consideration may sue (Chinnaya v Ramayya).
6	(b)	s. 56 – void.
7	(a)	s. 73 – Hadley v Baxendale; remote or indirect loss is not recoverable.
8	(c)	s. 126.
9	(a)	s. 172.
10	(b)	Agency by estoppel or holding out (s. 237).

Set 2 – Chapters 4–7 (Sale of goods, NI Act, Partnership, LLP)

11. In a contract of sale, if the property in goods is to pass at a future date, it is

(a) A sale
(b) An agreement to sell
(c) A hire purchase
(d) A bailment

12. A stipulation that is collateral to the main purpose of the contract is a

(a) Condition
(b) Warranty
(c) Guarantee
(d) Representation

13. The right of stoppage in transit is available only when the buyer

(a) Refuses delivery
(b) Becomes insolvent
(c) Delays payment
(d) Resells the goods

14. A bill of exchange must contain

(a) A promise to pay
(b) An unconditional order to pay
(c) A conditional order
(d) A request to pay

15. A holder in due course must have obtained the instrument

(a) For consideration, before maturity and in good faith
(b) As a gift
(c) After maturity
(d) Without consideration

16. Interim compensation in a s. 138 case can be ordered up to

(a) 10%
(b) 20%
(c) 25%
(d) 50%

17. The maximum number of partners in a partnership firm is

(a) 20
(b) 50
(c) 100
(d) No limit

18. An unregistered firm cannot

(a) Be sued by third parties
(b) Sue a third party to enforce a contract
(c) Defend a suit
(d) Claim set-off below ₹100

19. Every LLP must have an LLP agreement filed in

(a) Form 2
(b) Form 3
(c) Form 8
(d) Form 11

20. Which of the following is NOT a ground for winding up of an LLP by the Tribunal?

(a) Partners fall below two for more than six months
(b) LLP is unable to pay debts
(c) Failure to file statements for five consecutive years
(d) A partner dies

Set 2 – Answer key

Q	Ans	Explanation / working
11	(b)	s. 4(3).
12	(b)	s. 12(3); breach gives only a claim for damages.
13	(b)	s. 50.
14	(b)	s. 5; a promissory note contains a promise (s. 4).
15	(a)	s. 9.
16	(b)	s. 143A.
17	(b)	s. 464 of the Companies Act and Rule 10 of the Companies (Miscellaneous) Rules – 50.
18	(b)	s. 69(2).
19	(b)	Form 3 within 30 days of incorporation; Form 11 is the annual return and Form 8 the statement of account and solvency.
20	(d)	s. 64 – death of a partner is not a ground; the LLP has perpetual succession.

Set 3 – Chapter 8 (Industrial laws)

21. A premises with 12 workers working with the aid of power and carrying on a manufacturing process is

(a) Not a factory
(b) A factory
(c) A factory only if 20 workers
(d) An establishment under ESI only

22. The spread-over of an adult worker on any day must not exceed

(a) 9 hours (b) 10 hours
(c) 10½ hours (d) 12 hours

23. Overtime wages under the Factories Act are paid at

(a) The ordinary rate (b) 1½ times the ordinary rate
(c) Twice the ordinary rate (d) Thrice the ordinary rate

24. A canteen must be provided in a factory employing more than

(a) 150 workers (b) 250 workers
(c) 500 workers (d) 1,000 workers

25. Gratuity for monthly-rated employees is computed as

(a) Monthly wages × 15/30 × years (b) Monthly wages × 15/26 × years
(c) Monthly wages × 1 × years (d) Monthly wages × 7/26 × years

26. The maximum gratuity payable under the Payment of Gratuity Act is

(a) ₹10 lakh (b) ₹20 lakh
(c) ₹25 lakh (d) No limit

27. The EPF Act applies to establishments employing

(a) 10 or more persons (b) 20 or more persons
(c) 50 or more persons (d) 100 or more persons

28. Which benefit is NOT provided under the ESI Act?

(a) Sickness benefit
(b) Maternity benefit
(c) Gratuity
(d) Funeral expenses

29. The Code on Wages, 2019 does NOT subsume the

(a) Payment of Wages Act
(b) Minimum Wages Act
(c) Payment of Bonus Act
(d) Factories Act

30. Under the Code on Wages, monthly wages must be paid before the expiry of the

(a) 5th day
(b) 7th day
(c) 10th day
(d) 15th day of the following month

Set 3 – Answer key

Q	Ans	Explanation / working
21	(b)	s. 2(m) – 10 or more with power.
22	(c)	s. 56.
23	(c)	s. 59.
24	(b)	s. 46.
25	(b)	s. 4(2).
26	(b)	s. 4(3) – ₹20 lakh VERIFY.
27	(b)	s. 1(3).
28	(c)	Gratuity is under the Payment of Gratuity Act.
29	(d)	The Factories Act is subsumed by the OSH Code.
30	(b)	s. 17.

Set 4 – Chapters 9–16 (Companies Act – incorporation to dividend)

31. A private company can have a maximum of

(a) 50 members
(b) 200 members
(c) 500 members
(d) No limit

32. The rule that outsiders dealing with a company may assume internal procedures have been complied with is the

(a) Doctrine of constructive notice
(b) Doctrine of indoor management
(c) Doctrine of ultra vires
(d) Doctrine of lifting the veil

33. Shares cannot be issued at a discount except

(a) Bonus shares
(b) Sweat equity shares
(c) Preference shares
(d) Rights shares

34. Preference shares (other than for infrastructure projects) must be redeemed within

(a) 10 years
(b) 20 years
(c) 30 years
(d) 5 years

35. A charge must be registered with the ROC within

(a) 15 days
(b) 30 days of creation
(c) 60 days
(d) 6 months

36. The first AGM of a company must be held within

(a) 6 months of incorporation
(b) 9 months from the close of the first financial year
(c) 15 months of incorporation
(d) 18 months

37. Clear days' notice required for a general meeting is

(a) 7 days
(b) 14 days
(c) 21 days
(d) 30 days

38. A special resolution requires votes in favour of at least

(a) A simple majority
(b) Two-thirds
(c) Three times the votes against
(d) Unanimity

39. Dividend must be paid within

(a) 15 days
(b) 30 days of declaration
(c) 45 days
(d) 60 days

40. Unpaid dividend must be transferred to the Unpaid Dividend Account within

(a) 7 days after the 30-day period
(b) 30 days
(c) 3 months
(d) 1 year

Set 4 – Answer key

Q	Ans	Explanation / working
31	(b)	s. 2(68), excluding employee-members.
32	(b)	Royal British Bank v Turquand.
33	(b)	s. 53 and s. 54 (also shares issued to creditors under a debt restructuring scheme).
34	(b)	s. 55.
35	(b)	s. 77 – 30 days (extendable with additional fees).
36	(b)	s. 96(1).
37	(c)	s. 101 (shorter notice with consent of 95% of members for an AGM).
38	(c)	s. 114(2).
39	(b)	s. 127.
40	(a)	s. 124(1).

Set 5 – Chapters 17–20 (Accounts, audit, directors, ethics)

41. Books of account must be preserved for at least

(a) 5 years
(b) 8 years
(c) 10 years
(d) 3 years

42. CSR provisions apply to a company with a net profit of

(a) ₹1 crore or more
(b) ₹5 crore or more
(c) ₹10 crore or more
(d) ₹50 crore or more

43. An individual auditor can be appointed in a listed company for

(a) One term of 5 consecutive years
(b) Two terms of 5 years
(c) 10 years
(d) No limit

44. A director must have stayed in India for at least ___ days in the financial year to be a resident director.

(a) 120 (b) 182
(c) 90 (d) 240

45. A person can be a director in a maximum of

(a) 10 companies (b) 15 companies
(c) 20 companies (d) 25 companies

46. A director convicted and sentenced to imprisonment for 7 years is disqualified

(a) For 5 years after the sentence (b) Permanently
(c) For 2 years (d) Not at all

47. The total managerial remuneration of a public company must not exceed

(a) 5% of net profits (b) 10%
(c) 11% (d) 15%

48. An independent director can hold office for a maximum of

(a) One term of 5 years
(b) Two consecutive terms of up to 5 years each
(c) 15 years
(d) Until 70 years of age

49. "Be truthful" is the Nolan principle of

(a) Integrity (b) Honesty
(c) Openness (d) Accountability

50. Who popularised the concept of emotional intelligence in 1995?

(a) Peter Drucker (b) Daniel Goleman
(c) Abraham Maslow (d) Michael Porter

Set 5 – Answer key

Q	Ans	Explanation / working
41	(b)	s. 128(5).
42	(b)	s. 135(1), alternatively net worth ₹500 crore or turnover ₹1,000 crore.
43	(a)	s. 139(2) – one term of 5 years; an audit firm two terms.
44	(b)	s. 149(3).
45	(c)	s. 165(1), of which not more than 10 public companies.
46	(b)	s. 164(1)(d) proviso.
47	(c)	s. 197(1).
48	(b)	s. 149(10)–(11).
49	(b)	Honesty.
50	(b)	Daniel Goleman's book "Emotional Intelligence".

Part B – Descriptive Practice Questions

QUESTION D1 – Wagering agreement (5 marks)

Distinguish between a wagering agreement and a contract of insurance.

SOLUTION D1

Wagering (s. 30)	Insurance
Void	Valid contract
No insurable interest	Insurable interest is essential
Pure chance – either party may win or lose	Contract of indemnity (except life)
No premium calculation	Premium on actuarial basis
Against public interest	Beneficial to society

QUESTION D2 – Rights of surety (5 marks)

State the rights of a surety against the principal debtor and the creditor.

SOLUTION D2

Against the principal debtor: right of **subrogation** (s. 140) – on payment, he steps into the creditor's shoes; right to **indemnity** (s. 145) for sums rightfully paid. **Against the creditor:** right to **securities** held by the creditor (s. 141), whether known to the surety or not; right of set-off. **Against co-sureties:** contribution in equal shares or in proportion to their liability (s. 146–147).

QUESTION D3 – Exceptions to nemo dat (5 marks)

State the exceptions to the rule "nemo dat quod non habet".

SOLUTION D3

(1) Sale by a **mercantile agent** in possession with the owner's consent (s. 27 proviso); (2) sale by one of **joint owners** in sole possession (s. 28); (3) sale by a person in possession under a **voidable contract** not yet rescinded (s. 29); (4) **seller in possession** after sale (s. 30(1)); (5) **buyer in possession** with the seller's consent (s. 30(2)); (6) sale by an **unpaid seller** exercising lien or stoppage (s. 54(3)); (7) **estoppel** (s. 27); (8) sale by finder or pledgee in specified cases (Contract Act s. 169, 176).

QUESTION D4 – Material alteration (4 marks)

What is a material alteration of a negotiable instrument and what is its effect?

SOLUTION D4

An alteration that changes the **identity, operation or legal effect** of the instrument – e.g., change in date, amount, time or place of payment, or adding a party. **s. 87:** a material alteration made without the consent of the parties **discharges** those who were parties before the alteration, unless made to carry out the common intention of the original parties. Exceptions: filling an inchoate instrument, converting a blank endorsement into a full one, and crossing a cheque.

QUESTION D5 – LLP vs partnership (5 marks)

Distinguish between an LLP and a partnership firm.

SOLUTION D5

Basis	LLP	Partnership
Law	LLP Act, 2008	Indian Partnership Act, 1932
Legal status	Body corporate, separate entity	No separate entity
Liability	Limited to contribution	Unlimited, joint and several
Registration	Compulsory	Optional
Partners	Minimum 2, no maximum	Minimum 2, maximum 50
Succession	Perpetual	Dissolved on death unless agreed
Audit	Compulsory above thresholds	No statutory audit under the Act

QUESTION D6 – Forfeiture of gratuity (4 marks)

When can gratuity be forfeited?

SOLUTION D6

s. 4(6): (a) where services are terminated for an act, wilful omission or negligence causing damage or loss to the employer's property – forfeited **to the extent** of the damage; (b) **wholly or partially** if services are terminated for (i) riotous or disorderly conduct or any other act of violence, or (ii) an offence involving **moral turpitude** committed in the course of employment.

QUESTION D7 – Lifting the corporate veil (5 marks)

When can courts lift the corporate veil?

SOLUTION D7

The separate personality (Salomon v Salomon) is ignored where: (1) **fraud or improper conduct**; (2) **evasion of tax** (Dinshaw Maneckjee Petit); (3) company used to evade **legal obligations** (Gilford Motor v Horne); (4) determining **enemy character** (Daimler Co. v Continental Tyre); (5) company is a **sham or agent** of members; (6) protecting **public policy**; (7) statutory cases – s. 7(7) incorporation by fraud, s. 34–35 misstatement in prospectus, s. 339 fraudulent conduct of business.

QUESTION D8 – Retirement by rotation (4 marks)

Explain retirement of directors by rotation.

SOLUTION D8

s. 152(6): at least **two-thirds** of the directors of a public company are liable to retire by rotation (independent directors are excluded when computing this). At every AGM **one-third** of these (or the nearest number) retire – those **longest in office** since their last appointment; between persons appointed on the same day, by lot or agreement. A retiring director is eligible for re-appointment. If the place is not filled and the meeting is not adjourned, the retiring director is deemed re-appointed in specified cases.

QUESTION D9 – Ethics in finance (5 marks)

Explain the application of business ethics in finance.

SOLUTION D9

Accurate and **transparent financial reporting**; no window dressing or creative accounting; no **insider trading** or market manipulation; fair dealing with **lenders and investors**; proper use of funds raised; timely **payment of taxes**; no money laundering; disclosure of **conflicts of interest**; fair pricing of financial products; protection of **confidential information**; whistle-blowing against fraud.

QUESTION D10 – Case: consideration (5 marks)

X promises to pay his brother Y ₹1,00,000 out of natural love and affection, by a registered written document. Later X refuses to pay. Can Y recover?

SOLUTION D10

Provision: s. 25(1) – an agreement without consideration is void unless it is **in writing, registered**, and made on account of **natural love and affection** between parties standing in a **near relation**. **Analysis:** X and Y are brothers (near relation); the promise is written and registered and made out of natural love and affection. **Conclusion:** the agreement is **valid**; Y can recover ₹1,00,000.