Skillshort

Self-Study Preparation Pack

CSEET

Paper 4: Business Laws and Management (OMR based)

Mock Test 1 – 100 MCQs with Answer Key & Explanations

Exam pattern: 100 MCQs · 1 mark each · 2 hours (+15 min reading) · OMR · no negative marking · original Skillshort questions in the ICSI syllabus weightage

Part A Business Laws 60 Qs | Part B Business Management 40 Qs | 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 100 questions are compulsory; each carries **1 mark**. There is **no negative marking**, so attempt every question. Time: **2 hours** plus 15 minutes reading time (2:30–4:45 pm in the exam). Mark answers on a separate sheet as you would on the OMR sheet. Score guide: 75+ excellent · 60–74 safe · 40–59 borderline · below 40 – revise from file 01 and redo file 05.

Part A – Business Laws (Q1–60)

1. The maxim "Nemo judex in causa sua" means

(a) hear the other side
(b) the act does not make one guilty unless the mind is guilty
(c) no one should be a judge in his own cause
(d) let the buyer beware

2. In the citation "(1973) 4 SCC 225", SCC stands for

(a) State Court Cases
(b) Supreme Court Citation
(c) Supreme Court Cases
(d) Supreme Court Calendar

3. Codification of law mainly ensures

(a) unlimited flexibility
(b) certainty and predictability
(c) ordinance power
(d) judicial activism

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

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

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

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

6. Decisions of the Supreme Court and High Courts that lay down a rule or principle for future cases are called

(a) customs
(b) ordinances
(c) judicial precedents
(d) statutes

7. The Bharatiya Nagarik Suraksha Sanhita, 2023 deals with the law relating to

(a) offences and punishments
(b) civil procedure
(c) criminal procedure
(d) evidence

8. The register of members is maintained under Section

(a) 88
(b) 134
(c) 149
(d) 92

9. A company formed for promoting commerce, art, science, charity etc., which prohibits payment of dividend to members, is registered under Section

(a) 8
(b) 2(62)
(c) 25
(d) 3

10. A company becomes a body corporate with perpetual succession on

(a) commencement of business
(b) incorporation (registration)
(c) allotment of shares
(d) its first AGM

11. A subsidiary company is one in which the holding company controls the composition of the board or holds more than ___ of the total voting power.

(a) 20%
(b) one-half
(c) one-fourth
(d) one-third

12. Without the approval of shareholders by special resolution, the Board cannot

(a) approve financial statements
(b) sell the whole or substantially the whole of the undertaking
(c) issue debentures within limits
(d) make calls on shares

13. Every director must obtain a

(a) Director Identification Number (DIN)
(b) GSTIN in his name
(c) CIN
(d) PAN of the company

14. The corporate veil may be lifted when the company is formed to

(a) evade legal obligations, such as welfare legislation or taxes
(b) carry on a lawful business
(c) raise capital from the public
(d) do charitable work

15. The quorum for a board meeting is

(a) half of the total strength
(b) one-third of the total strength or two directors, whichever is higher
(c) all directors
(d) five directors

16. Every company must have at least one director who has stayed in India for at least

(a) 120 days during the financial year
(b) 182 days during the financial year
(c) 90 days during the financial year
(d) one year continuously

17. A company's shareholders are its

(a) creditors
(b) members
(c) employees
(d) directors only

18. A board meeting is called by giving at least ___ written notice to every director.

(a) 7 days
(b) 14 days
(c) 3 days
(d) 21 days

19. The Articles of Association contain

(a) the objects of the company only
(b) rules for the internal management of the company
(c) the names of auditors
(d) the list of debenture holders

20. An annual general meeting may be called at shorter notice with the consent of at least ___ of the members entitled to vote.

(a) 75%
(b) 95%
(c) 51%
(d) two-thirds

21. The Memorandum of Association is a company's
(a) charter defining its constitution and scope of powers
(b) internal rules for management only
(c) annual report
(d) prospectus

22. A company that has significant influence (at least 20% of total voting power) over another company, but is not its subsidiary, is an
(a) dormant company
(b) associate company
(c) holding company
(d) government company

23. Every listed public company must have at least ___ of the total number of directors as independent directors.
(a) two
(b) one-half
(c) one-fourth
(d) one-third

24. A contract to do an act which becomes impossible after the contract is made becomes
(a) void
(b) illegal
(c) voidable
(d) enforceable

25. An agreement in restraint of marriage of any person other than a minor is
(a) illegal and punishable
(b) voidable
(c) valid
(d) void

26. Communication of acceptance is complete as against the proposer when
(a) it comes to his knowledge
(b) the letter is received
(c) it is put in course of transmission to him
(d) the acceptor decides to accept

27. A guarantee that extends to a series of transactions is a
(a) retrospective guarantee
(b) fidelity bond only
(c) continuing guarantee
(d) specific guarantee

28. A person who finds goods belonging to another and takes them into custody is subject to the responsibility of a
(a) pledgee
(b) agent
(c) surety
(d) bailee

29. A promise in writing to pay a time-barred debt is
(a) void
(b) valid
(c) illegal
(d) voidable

30. Acceptance of a lesser sum in satisfaction of the whole debt is called
(a) remission
(b) rescission
(c) waiver
(d) novation

31. Social and domestic agreements are generally not contracts because there is no intention to create legal relations, as held in
(a) Balfour v Balfour
(b) Lalman Shukla v Gauri Dutt
(c) Mohori Bibee v Dharmodas Ghose
(d) Chinnaya v Ramaya

32. A contract of indemnity is defined in

(a) Section 126
(b) Section 172
(c) Section 148
(d) Section 124

33. Bailment of goods as security for payment of a debt is called

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

34. Compensation for breach of contract is provided in

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

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

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

36. The liability of a partner of an LLP is

(a) unlimited
(b) nil in all cases
(c) limited to his agreed contribution, except in cases of fraud
(d) joint and several for all debts

37. A partner's contribution to an LLP may consist of

(a) only immovable property
(b) money, property, promissory notes, or agreements to contribute cash or services
(c) only shares of a company
(d) only cash

38. The main difference between co-ownership and partnership is that co-ownership

(a) need not involve carrying on a business or mutual agency
(b) requires a deed
(c) is a body corporate
(d) always involves a business

39. An unregistered firm cannot

(a) file a suit against a third party to enforce a right arising from a contract
(b) have more than two partners
(c) be sued by third parties
(d) carry on business

40. Every partner is liable for all acts of the firm done while he is a partner

(a) only in his profit ratio
(b) jointly with all other partners and also severally
(c) only jointly
(d) only up to his capital

41. A minor can be

(a) made a designated partner
(b) a full partner with unlimited liability
(c) admitted to the benefits of partnership with the consent of all partners
(d) a partner without anyone's consent

42. In the absence of an agreement, interest on capital is

(a) payable at bank rate
(b) payable at 12%
(c) not payable
(d) payable at 6%

43. A partner who lends only his name to the firm without investing or sharing profits is a

(a) nominal partner
(b) active partner
(c) sleeping partner
(d) minor partner

44. In the absence of an agreement, a matter relating to an LLP is decided by a resolution passed by

(a) a majority in number of partners
(b) all partners unanimously
(c) the Registrar
(d) designated partners only

45. An LLP is a

(a) body corporate with perpetual succession, separate from its partners
(b) partnership firm without separate entity
(c) company limited by shares
(d) co-operative society

46. In the absence of an agreement, partners are entitled to interest on advances (loans) to the firm at

(a) 9% per annum
(b) no interest
(c) 6% per annum
(d) 12% per annum

47. A stipulation collateral to the main purpose of the contract of sale is a

(a) warranty
(b) condition
(c) guarantee
(d) representation

48. A contract of sale of goods is defined in

(a) Section 2(7)
(b) Section 6
(c) Section 18
(d) Section 4

49. In a contract of sale, "nemo dat quod non habet" means

(a) no one can give a better title than he himself has
(b) delivery is complete on payment
(c) seller is always liable
(d) let the buyer beware

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

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

51. A contract for the present sale of future goods operates as

(a) a void agreement
(b) a sale
(c) a hire-purchase agreement
(d) an agreement to sell

52. Which is NOT an exception to the rule of nemo dat?

(a) Sale by a mercantile agent
(b) Sale by a person in possession under a voidable contract
(c) Sale by a joint owner without possession
(d) Sale by estoppel

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

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

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

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

55. Liability of the drawer to compensate the holder in case of dishonour is provided in

(a) Section 30
(b) Section 31
(c) Section 29
(d) Section 32

56. A promissory note is defined in

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

57. A cheque crossed "Not negotiable" means the person who receives it

(a) cannot transfer it at all
(b) cannot get a better title than the person who transferred it
(c) can cash it only without a bank account
(d) will be refused payment

58. 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) foreign bill
(d) ambiguous instrument

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

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

60. No days of grace are allowed on

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

Part B – Business Management (Q61–100)

61. In servant leadership, listening is important because it helps the leader to

(a) give more orders
(b) avoid feedback
(c) reduce communication
(d) understand the needs of followers

62. Servant leadership is often described as a philosophy in which the leader

(a) serves only shareholders
(b) serves first and puts the growth of people first
(c) commands and controls
(d) avoids listening

63. Management is described as an inexact or flexible science because
(a) it deals only with machines
(b) it cannot be learnt
(c) it has no principles at all
(d) its principles are not as exact as those of physical sciences

64. The coaching style of management focuses on
(a) issuing strict orders
(b) developing employees' skills for the long term
(c) short-term output only
(d) avoiding feedback

65. Which level of management is mainly concerned with framing objectives and policies?
(a) Middle level
(b) Top level
(c) Operative level
(d) Supervisory level

66. Management is called an art because it involves
(a) only fixed formulas
(b) only rules made by law
(c) personal skill and creativity in applying knowledge
(d) no practice

67. Transformational leadership works best in organisations that
(a) have no employees
(b) avoid any change
(c) are going through change and need inspiration and innovation
(d) have only routine work

68. A leader who takes all decisions himself and expects obedience follows the
(a) autocratic style
(b) democratic style
(c) participative style
(d) laissez-faire style

69. A leader who sets a clear long-term direction and inspires people to move towards it follows the
(a) visionary style
(b) autocratic style
(c) laissez-faire style
(d) paternalistic style

70. Communication that flows from subordinates to superiors is
(a) horizontal communication
(b) upward communication
(c) downward communication
(d) grapevine only

71. Systematic evaluation of an employee's performance against job requirements is
(a) training
(b) induction
(c) recruitment
(d) performance appraisal

72. Planning is called pervasive because it
(a) is done only in large firms
(b) is done only by the board
(c) exists at all levels of management
(d) is a one-time exercise

73. Mary Parker Follett's principle that coordination is best achieved through face-to-face contact of the people concerned is

(a) continuity
(b) reciprocal relationship
(c) direct contact
(d) early stage

74. A budget that is prepared for one level of activity and does not change with output is a

(a) fixed budget
(b) rolling budget
(c) flexible budget
(d) zero-based budget

75. Systematic dispersal of authority to the lower levels of the organisation is called

(a) delegation to one person
(b) centralisation
(c) decentralisation
(d) span of control

76. Planning premises are

(a) assumptions about the future environment on which plans are based
(b) the final targets of a plan
(c) the budgets of past years
(d) the buildings where planning is done

77. Control that takes place before an activity begins, by anticipating problems, is

(a) feedforward control
(b) concurrent control
(c) feedback control
(d) post-action control

78. The oldest and simplest form of organisation, also called military or scalar organisation, is

(a) matrix organisation
(b) committee organisation
(c) functional organisation
(d) line organisation

79. The expectancy theory of motivation was given by

(a) Maslow
(b) McClelland
(c) Victor Vroom
(d) Herzberg

80. A merit of decentralisation is that it

(a) removes all control
(b) eliminates the need for managers
(c) increases the burden on top management
(d) develops managerial talent and speeds up decisions

81. Management reports can be presented in

(a) handwritten form only
(b) oral form only
(c) written, oral and graphical (dashboard) forms
(d) written form only

82. Supervision, motivation, leadership and communication are elements of

(a) directing
(b) staffing
(c) planning
(d) controlling

83. A key success factor for collaboration is

(a) unclear roles
(b) secrecy between partners
(c) one-way communication
(d) mutual trust and a shared goal

84. Planning is called the primary function of management because
(a) it needs no forecasting
(b) it is done after controlling
(c) it is done only by workers
(d) all other functions follow from it

85. A statement of the basic purpose of an organisation and why it exists is its
(a) rule
(b) procedure
(c) mission
(d) budget

86. The first step in the control process is
(a) comparing performance with standards
(b) setting standards of performance
(c) measuring actual performance
(d) taking corrective action

87. Management by exception means that managers should attend to
(a) only significant deviations from standards
(b) only routine matters
(c) only the work of peers
(d) every small detail

88. Estimating the number and type of employees an organisation will need in the future is
(a) compensation
(b) performance appraisal
(c) manpower (human resource) planning
(d) directing

89. Plans prepared for the whole company, for each business unit and for each department are planned at the
(a) individual level only
(b) government level
(c) shareholder level
(d) corporate, business-unit and departmental levels

90. The informal channel of communication is called the
(a) grapevine
(b) line of authority
(c) gang plank
(d) scalar chain

91. "Management is the art of getting things done through people" was said by
(a) George R. Terry
(b) Mary Parker Follett
(c) Max Weber
(d) Henri Fayol

92. According to Henri Fayol, management principles are mainly meant for
(a) only shop-floor workers
(b) only engineers
(c) managers at all levels to improve administration of the whole organisation
(d) only government departments

93. Scientific management mainly aimed to
(a) increase working hours without method
(b) abolish management
(c) increase efficiency through scientific study of work
(d) ignore workers

94. Which is NOT one of Follett's principles of coordination?

(a) Unity of command
(b) Early stage
(c) Direct contact
(d) Continuity

95. Company Secretaries are recognised under the Companies Act, 2013 as

(a) statutory auditors
(b) independent directors
(c) key managerial personnel
(d) promoters

96. The Secretarial Audit Report of a company is given in Form

(a) MR-3
(b) DIR-12
(c) AOC-4
(d) MGT-7

97. Advising a company on compliance with the Companies Act and SEBI regulations is

(a) tax collection
(b) corporate law advisory service
(c) cost audit
(d) marketing

98. Company Secretaries play an important role in companies as

(a) bankers
(b) engineers
(c) tax collectors
(d) governance professionals

99. The Annual Secretarial Compliance Report of a listed entity is issued by a

(a) practising company secretary
(b) statutory auditor
(c) registrar
(d) cost accountant

100. The Secretarial Standards on Meetings of the Board of Directors (SS-1) and on General Meetings (SS-2) are issued by

(a) ICSI
(b) RBI
(c) ICAI
(d) SEBI

Answer Key with Explanations

EXAM TIP Scoring

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

Answer key – Mock Test 1

Q	Ans	Explanation / working
1	(c)	A rule of natural justice against bias.
2	(c)	SCC is a law report series; 4 is the volume and 225 the page.
3	(b)	Written, systematic law.
4	(b)	Art. 108.
5	(a)	Customs become law when ancient, certain, reasonable and not opposed to statute.
6	(c)	Precedent is a source of law (Article 141 binds all courts to Supreme Court law).
7	(c)	BNSS replaced the CrPC, 1973.
8	(a)	Sec 88.
9	(a)	Sec 8 company.
10	(b)	Sec 9.
11	(b)	Sec 2(87).
12	(b)	Sec 180(1)(a).
13	(a)	Sec 153–154.
14	(a)	Courts look behind the company in cases of fraud or evasion.
15	(b)	Sec 174.
16	(b)	Sec 149(3) VERIFY.
17	(b)	Members are the owners holding shares.
18	(a)	Sec 173(3); shorter notice for urgent business with conditions.
19	(b)	Sec 2(5) and Sec 5.
20	(b)	Sec 101(1) proviso.
21	(a)	Sec 2(56) and Sec 4.
22	(b)	Sec 2(6).
23	(d)	Sec 149(4).
24	(a)	Sec 56 – supervening impossibility.
25	(d)	Sec 26.
26	(c)	Sec 4.
27	(c)	Sec 129.
28	(d)	Sec 71.
29	(b)	Sec 25(3).
30	(a)	Sec 63.
31	(a)	Husband's promise of allowance.
32	(d)	Promise to save the other from loss caused by the promisor or any other person.
33	(c)	Sec 172.
34	(d)	Hadley v Baxendale – remote damages not allowed.
35	(a)	Insurance has insurable interest – a contract of indemnity/guarantee of loss.
36	(c)	LLP partners are not liable for others' misconduct.
37	(b)	Sec 32.

Q	Ans	Explanation / working
38	(a)	Co-owners merely own property jointly.
39	(a)	Sec 69.
40	(b)	Sec 25.
41	(c)	Sec 30.
42	(c)	Sec 13(c) – only if the deed provides.
43	(a)	He is liable to outsiders.
44	(a)	First Schedule VERIFY.
45	(a)	Sec 3 of the LLP Act, 2008.
46	(c)	Sec 13(d).
47	(a)	Sec 12(3).
48	(d)	Sale and agreement to sell.
49	(a)	Sec 27.
50	(c)	Sec 17.
51	(d)	Sec 6(3).
52	(c)	Joint owner in sole possession with consent is an exception (Sec 28); the others are listed exceptions.
53	(b)	Sec 12(2).
54	(a)	Bank will refuse payment.
55	(a)	Sec 32 – liability of maker/acceptor.
56	(c)	Written, signed, unconditional undertaking by the maker to pay.
57	(b)	Sec 130.
58	(d)	Sec 17.
59	(a)	Payable only on or after that date.
60	(c)	Days of grace for time instruments only.
61	(d)	Listening is a core trait of servant leaders.
62	(b)	Robert K. Greenleaf (1970).
63	(d)	Human behaviour makes management principles flexible.
64	(b)	Coaching builds capability.
65	(b)	Board, CEO and top executives.
66	(c)	Art = practical application of knowledge with skill.
67	(c)	Transformational leaders inspire followers to exceed expectations.
68	(a)	Autocratic = leader-centred authority.
69	(a)	Visionary leaders articulate where the team is going.
70	(b)	Suggestions, reports and grievances flow upward.
71	(d)	Basis for promotion, pay and training.
72	(c)	Top, middle and lower levels all plan.
73	(c)	Her four principles: direct contact, early stage, reciprocal relations, continuity.
74	(a)	A flexible budget adjusts to activity levels.
75	(c)	Decentralisation extends delegation throughout the organisation.
76	(a)	Forecasts of demand, prices and policies.
77	(a)	Preventive control, e.g., inspection of inputs.
78	(d)	Authority flows in a straight vertical line.
79	(c)	Motivation = expectancy × instrumentality × valence.
80	(d)	Decisions taken nearer the action.
81	(c)	Choose the format that suits the user.
82	(a)	Directing initiates action.

Q	Ans	Explanation / working
83	(d)	Collaboration needs trust, shared vision and open communication.
84	(d)	Planning precedes organising, staffing, directing and controlling.
85	(c)	Mission answers "why do we exist?".
86	(b)	Set standards → measure → compare → correct.
87	(a)	Saves managerial time.
88	(c)	First step of staffing.
89	(d)	Planning at different levels.
90	(a)	Grapevine spreads quickly through informal relations.
91	(b)	Follett's classic definition.
92	(c)	Fayol focused on general administration; Taylor on the shop floor.
93	(c)	Taylor: science, not rule of thumb.
94	(a)	Unity of command is Fayol's principle.
95	(c)	Sec 2(51).
96	(a)	Sec 204 read with the rules.
97	(b)	Advisory role of the CS.
98	(d)	ICSI describes CSs as governance professionals.
99	(a)	SEBI LODR Regulation 24A VERIFY.
100	(a)	Sec 118(10) makes them mandatory VERIFY.