Skillshort

Self-Study Preparation Pack

CSEET

Paper 4: Business Laws and Management (OMR based)

Mock Test 2 – 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

Contents

Instructions	2
Part A – Business Laws (Q1–60)	2
Part B – Business Management (Q61–100)	7
Answer Key with Explanations	12

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. Law declared by the Supreme Court is binding on all courts in India under
(a) Article 143 (b) Article 141
(c) Article 124 (d) Article 32

2. The part of a judgment that is binding as a precedent is
(a) the dissent (b) ratio decidendi
(c) obiter dicta (d) the headnote

3. The Bharatiya Nyaya Sanhita, 2023 replaced the
(a) Code of Criminal Procedure, 1973
(b) Indian Penal Code, 1860
(c) Indian Evidence Act, 1872
(d) Code of Civil Procedure, 1908

4. The part of a judgment that only states a judge's observations and is not binding is
(a) obiter dicta (b) stare decisis
(c) ratio decidendi (d) res judicata

5. The Indian legal system is primarily based on
(a) English common law (b) religious law alone
(c) French civil law (d) Roman law

6. In a case citation, the abbreviation "AIR" stands for
(a) All India Rulings (b) All India Reporter
(c) Appellate India Records (d) Annual Indian Reports

7. "Ignorantia juris non excusat" means
(a) let the master answer (b) ignorance of fact is excused
(c) ignorance of law is no excuse (d) the law helps the vigilant

8. Secretarial audit of listed companies by a company secretary in practice is required under Section
(a) 204 (b) 205
(c) 203 (d) 177

9. A company inactive for two years may apply to the Registrar for the status of a
(a) small company (b) producer company
(c) one person company (d) dormant company

10. An act of a company beyond the objects in its memorandum is
(a) voidable at the option of members
(b) ultra vires and void
(c) valid if done by directors
(d) valid if ratified by shareholders

11. The property of a company belongs to
(a) its promoters
(b) its directors
(c) the company itself, as a separate legal entity
(d) its shareholders jointly

12. The minimum number of directors in a private company is
(a) 1
(b) 3
(c) 2
(d) 7

13. A company may have up to ___ directors without passing a special resolution.
(a) 12
(b) 20
(c) 10
(d) 15

14. A company registered outside India having a place of business in India is a
(a) small company
(b) dormant company
(c) government company
(d) foreign company

15. The functions of a company secretary are listed in Section
(a) 203
(b) 2(24)
(c) 205
(d) 204

16. A person can be a director in a maximum of ___ companies, of which not more than 10 can be public companies.
(a) 10
(b) 20
(c) 25
(d) 15

17. The first annual general meeting of a company must be held within ___ from the end of its first financial year.
(a) nine months
(b) twelve months
(c) three months
(d) six months

18. Key managerial personnel under Section 2(51) include the
(a) company secretary
(b) statutory auditor
(c) internal auditor
(d) cost auditor

19. If a company does not have a common seal, documents may be authenticated by
(a) any shareholder
(b) the auditor alone
(c) two directors, or one director and the company secretary
(d) the Registrar of Companies

20. The maximum gap between two annual general meetings is
(a) 12 months
(b) 15 months
(c) 18 months
(d) 6 months

21. Outsiders dealing with a company are presumed to know the contents of its memorandum and articles. This is the doctrine of
(a) constructive notice
(b) indoor management
(c) lifting the veil
(d) ultra vires

22. A company whose liability of members is limited to the amount unpaid on their shares is a
(a) company limited by shares
(b) unlimited company
(c) company limited by guarantee
(d) Section 8 company only

23. A company in which at least 51% of the paid-up share capital is held by the Central and/or State Governments is a

(a) government company
(b) public company only
(c) foreign company
(d) holding company

24. An agent appointed by the agent of a principal, working under the control of the original agent, is a

(a) sub-agent
(b) special agent
(c) substituted agent
(d) del credere agent

25. When joint promisors are bound and the promisee releases one of them, the others

(a) must pay a fine
(b) cause the contract to become illegal
(c) are not discharged
(d) are also discharged

26. Coercion is defined in

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

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

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

28. When both parties are under a mistake as to a matter of fact essential to the agreement, the agreement is

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

29. A contract by which one party promises to save the other from loss caused by the conduct of the promisor or of any other person is a contract of

(a) indemnity
(b) guarantee
(c) bailment
(d) pledge

30. When a surety pays off the debt of the principal debtor, he steps into the shoes of the creditor. This is the right of

(a) lien
(b) stoppage in transit
(c) subrogation
(d) contribution

31. In a contract of guarantee, the person who gives the guarantee is called the

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

32. Ratification of an act done by an agent without authority

(a) relates back to the date of the act
(b) is never allowed
(c) needs court approval
(d) is valid only from the date of ratification

33. An agreement enforceable by law is a

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

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

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

35. The right of a bailee to retain goods until his charges are paid is the right of

(a) rescission
(b) subrogation
(c) contribution
(d) lien

36. A partnership at will may be dissolved by

(a) only the court
(b) a majority vote
(c) any partner giving notice in writing to all other partners
(d) only the Registrar

37. The minimum number of partners in an LLP is

(a) 2
(b) 7
(c) 3
(d) 1

38. The court may dissolve a firm when a partner

(a) becomes of unsound mind
(b) marries
(c) changes residence
(d) takes a holiday

39. In a Hindu Undivided Family business, the business is managed by the

(a) karta
(b) managing partner
(c) director
(d) designated partner

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

(a) 100
(b) 10
(c) 50
(d) 20

41. Registration of a firm under the Partnership Act is

(a) optional, but non-registration has adverse effects
(b) done by the Supreme Court
(c) prohibited for small firms
(d) compulsory before starting business

42. A new partner can be introduced into a firm

(a) with the consent of all existing partners
(b) by a majority of partners
(c) by the senior partner alone
(d) by the Registrar

43. A minor admitted to the benefits of a firm must decide, on attaining majority, whether to become a partner within

(a) six months
(b) thirty days
(c) three months
(d) one year

44. Partnership is defined in Section ___ of the Indian Partnership Act, 1932.

(a) 5
(b) 6
(c) 2
(d) 4

45. Every LLP shall ensure that decisions taken by it are recorded in the minutes within
(a) 60 days
(b) one year
(c) 30 days of taking the decisions
(d) 7 days

46. Every LLP must have at least two designated partners, of whom at least one is
(a) a chartered accountant
(b) a woman
(c) resident in India
(d) a company

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

48. Goods to be manufactured, produced or acquired by the seller after making the contract are
(a) ascertained goods
(b) specific goods
(c) existing goods
(d) future goods

49. Which is an exception to caveat emptor?
(a) Goods sold under their trade name with no reliance
(b) Buyer purchases second-hand goods without enquiry
(c) Buyer relies on seller's skill and makes the particular purpose known
(d) Buyer inspects the goods and ignores obvious defects

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

51. 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 price is partly paid
(d) the buyer refuses delivery

52. An agreement to sell becomes a sale when
(a) the goods are manufactured
(b) the buyer inspects the goods
(c) the time elapses or the conditions are fulfilled subject to which property is to be transferred
(d) the price is fixed

53. Delivery of goods means
(a) transfer of ownership
(b) compulsory transfer of possession
(c) exchange of goods
(d) voluntary transfer of possession from one person to another

54. The person who draws a bill of exchange is the
(a) endorsee
(b) payee
(c) drawee
(d) drawer

55. In a promissory note there are

(a) three parties (b) one party
(c) four parties (d) two parties

56. Who may cross a cheque?

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

57. Which is a required feature of a promissory note under Section 4?

(a) The promise may depend on a future uncertain event
(b) It must be in writing and signed by the maker
(c) It must be a currency note
(d) It can be an oral promise

58. An endorsement in which the endorser signs only his name is a

(a) conditional endorsement (b) restrictive endorsement
(c) blank endorsement (d) special endorsement

59. Acceptance is required in the case of a

(a) promissory note (b) currency note
(c) cheque (d) bill of exchange

60. A stamped instrument signed but left blank, giving authority to fill it up, is an

(a) ambiguous instrument (b) accommodation bill
(c) crossed cheque (d) inchoate instrument

Part B – Business Management (Q61–100)

61. A management style in which the leader acts like a parent, caring for employees' welfare but keeping decisions with himself, is

(a) laissez-faire (b) paternalistic
(c) democratic (d) transactional

62. Management is a group activity, goal-oriented, pervasive and

(a) limited to factories (b) a one-time activity
(c) an individual hobby (d) a continuous process

63. A manager who seeks the views of subordinates before taking the final decision himself follows the

(a) laissez-faire style (b) paternalistic style
(c) autocratic style (d) consultative style

64. The management style in which the leader takes decisions alone and then convinces employees of their merit is the

(a) persuasive style (b) autocratic style
(c) democratic style (d) laissez-faire style

65. The free-rein style of leadership is also called

(a) bureaucratic (b) laissez-faire
(c) autocratic (d) paternalistic

66. In the laissez-faire style, the manager
(a) acts as a father figure
(b) takes every decision himself
(c) consults but decides alone
(d) gives subordinates complete freedom to take decisions

67. Management is not a full-fledged profession mainly because
(a) there is no restricted entry or compulsory licence to practise
(b) it has no body of knowledge
(c) it has no ethics at all
(d) it is not taught anywhere

68. The style in which subordinates participate in decision making and decisions are taken by the group is
(a) persuasive
(b) democratic
(c) autocratic
(d) paternalistic

69. Management is said to be pervasive because it is
(a) practised only in India
(b) needed only in business firms
(c) needed in all types of organisations and at all levels
(d) done only by top managers

70. Span of control refers to
(a) the number of departments
(b) the number of subordinates a manager can supervise effectively
(c) the time taken to make decisions
(d) the length of the scalar chain

71. A budget is a plan expressed in
(a) legal language
(b) pictures only
(c) only words
(d) numerical terms

72. Which function of management is the base for all other functions?
(a) Staffing
(b) Planning
(c) Organising
(d) Controlling

73. Concentration of decision-making authority at the top level is called
(a) decentralisation
(b) centralisation
(c) delegation
(d) departmentalisation

74. Coordination is achieved most effectively when it begins at the
(a) time of audit
(b) time of closure
(c) end of the year
(d) early stages of planning and policy making

75. Budgeting provides a benchmark against which
(a) actual performance can be measured and controlled
(b) wages are paid
(c) competitors' prices are fixed
(d) taxes are calculated

76. "MOST analysis" in management stands for
(a) Market, Opportunity, Strength, Threat
(b) Management, Organisation, Staffing, Training
(c) Money, Output, Sales, Targets
(d) Mission, Objectives, Strategy, Tactics

77. Leadership exists only when there are
(a) followers
(b) machines
(c) budgets
(d) written rules

78. Staffing is concerned with
(a) filling and keeping filled the positions in the organisation structure
(b) setting objectives
(c) measuring performance
(d) coordinating departments only

79. A single-use plan containing goals, policies, procedures, steps and resources for a specific project is a
(a) rule
(b) policy
(c) programme
(d) mission

80. The process of communication is complete only when
(a) the channel is selected
(b) the sender thinks of an idea
(c) the message is encoded
(d) the receiver gives feedback

81. Objectives are
(a) the budgets for the year
(b) statements of rules
(c) the steps of a routine task
(d) the end results that the organisation wants to achieve

82. The first step in decision making is
(a) implementing the decision
(b) following up
(c) choosing the best alternative
(d) identifying the problem

83. Coordination between different departments at the same level is
(a) vertical coordination
(b) horizontal coordination
(c) external coordination
(d) downward coordination

84. The need for achievement, affiliation and power is the theory of
(a) Clayton Alderfer
(b) David McClelland
(c) Douglas McGregor
(d) Victor Vroom

85. The first step in the process of organising is
(a) establishing reporting relationships
(b) departmentalisation
(c) identification and division of work
(d) assignment of duties

86. Maslow's need hierarchy places at the top
(a) physiological needs
(b) safety needs
(c) social needs
(d) self-actualisation needs

87. Decisions on new, unstructured problems are

(a) non-programmed decisions
(b) routine decisions
(c) operational decisions only
(d) programmed decisions

88. A rule is a plan that

(a) gives broad guidelines with discretion
(b) lists the sequence of steps
(c) sets long-term objectives
(d) states exactly what must or must not be done, with no discretion

89. The principle of directing that each subordinate should receive instructions from only one superior is

(a) unity of command
(b) follow-through
(c) harmony of objectives
(d) maximum individual contribution

90. The father of scientific management is

(a) Elton Mayo
(b) Henri Fayol
(c) Abraham Maslow
(d) F.W. Taylor

91. Management as "a distinct process consisting of planning, organising, actuating and controlling" was defined by

(a) Mary Parker Follett
(b) George R. Terry
(c) F.W. Taylor
(d) Chester Barnard

92. The Hawthorne experiments, which started the human relations approach, are associated with

(a) F.W. Taylor
(b) Max Weber
(c) Elton Mayo
(d) Henri Fayol

93. The contingency approach to management holds that

(a) management principles never change
(b) only the top manager matters
(c) one best way exists for all situations
(d) there is no one best way; the right method depends on the situation

94. "One head and one plan for a group of activities having the same objective" is Fayol's principle of

(a) unity of command
(b) scalar chain
(c) esprit de corps
(d) unity of direction

95. Arranging board and general meetings and preparing their minutes are

(a) engineering services
(b) audit services of the statutory auditor
(c) marketing services
(d) secretarial services rendered by a company secretary

96. The Institute of Company Secretaries of India was established under the

(a) Chartered Accountants Act, 1949
(b) Company Secretaries Act, 1980
(c) Companies Act, 2013
(d) Partnership Act, 1932

97. Conducting board meetings through video conferencing is covered under the CS's

(a) cost control
(b) marketing services
(c) internal audit
(d) information technology services

98. A company secretary's knowledge of management theories helps mainly in

(a) preparing tax returns only
(b) selling products
(c) designing machines
(d) advising the board on structure, planning and control

99. Representing clients before the National Company Law Tribunal is an example of a company secretary's

(a) management services
(b) purely clerical services
(c) representation services
(d) IT services

100. The duty of a company secretary to report to the board about compliance with laws is laid down in Section

(a) 203
(b) 204
(c) 149
(d) 205

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 2

Q	Ans	Explanation / working
1	(b)	Binding precedent.
2	(b)	Obiter is only persuasive.
3	(b)	BNS is the substantive criminal law from 1 July 2024.
4	(a)	Obiter dicta have persuasive value only.
5	(a)	Inherited from British rule; precedent-based.
6	(b)	AIR is a law report series.
7	(c)	Everyone is presumed to know the law.
8	(a)	Report in Form MR-3.
9	(d)	Sec 455.
10	(b)	Ashbury Railway Carriage v. Riche.
11	(c)	A shareholder has no insurable interest in company property (Macaura's case).
12	(c)	Sec 149(1): public 3, private 2, OPC 1.
13	(d)	Sec 149(1); more than 15 needs a special resolution.
14	(d)	Sec 2(42).
15	(c)	Sec 205.
16	(b)	Sec 165.
17	(a)	Sec 96(1); later AGMs within six months.
18	(a)	KMP: CEO/MD/manager, CS, WTD, CFO and others prescribed.
19	(c)	Sec 22 as amended in 2015.
20	(b)	Sec 96(1).
21	(a)	Public documents are open to inspection.
22	(a)	Sec 2(22).
23	(a)	Sec 2(45).
24	(a)	Sec 191.
25	(c)	Sec 44.
26	(c)	Committing or threatening any act forbidden by the IPC/BNS.
27	(a)	Sec 39.
28	(a)	Sec 20 – bilateral mistake.
29	(a)	Sec 124.
30	(c)	Sec 140.
31	(b)	Parties: surety, principal debtor, creditor.
32	(a)	Sec 196.
33	(c)	Sec 2(h).
34	(a)	Sec 2(g).
35	(d)	Sec 170 (particular lien).
36	(c)	Sec 43.
37	(a)	Sec 6; no maximum.

Q	Ans	Explanation / working
38	(a)	Sec 44 grounds.
39	(a)	HUF membership is by birth (status).
40	(c)	Sec 464 of the Companies Act read with the 2014 Rules.
41	(a)	Sec 58 and 69.
42	(a)	Sec 31.
43	(a)	Sec 30(5).
44	(d)	Sec 4.
45	(c)	First Schedule to the LLP Act VERIFY.
46	(c)	Sec 7.
47	(b)	Sec 45.
48	(d)	Sec 2(6).
49	(c)	Sec 16(1).
50	(d)	Sec 24.
51	(b)	Sec 50.
52	(c)	Sec 4(4).
53	(d)	Sec 2(2).
54	(d)	Drawee is directed to pay.
55	(d)	Maker and payee.
56	(a)	Sec 125.
57	(b)	Unconditional, written, signed.
58	(c)	Makes it payable to bearer.
59	(d)	Drawee accepts.
60	(d)	Sec 20.
61	(b)	Paternalistic = fatherly care with central authority.
62	(d)	Features of management.
63	(d)	Consultation, but the decision stays with the manager.
64	(a)	Persuasive leaders "sell" their decisions.
65	(b)	Subordinates decide with little direction.
66	(d)	Free-rein style.
67	(a)	Doctors and lawyers need licences; managers do not.
68	(b)	Democratic = participative.
69	(c)	Universal application.
70	(b)	Graicunas studied the relationships involved.
71	(d)	A budget is a numerical plan for a future period.
72	(b)	Planning comes first.
73	(b)	Opposite of decentralisation.
74	(d)	Follett: early stage.
75	(a)	Budgets support control.
76	(d)	A strategic planning tool.
77	(a)	Leadership needs followers who accept influence.
78	(a)	Recruitment, selection, training, appraisal and compensation.
79	(c)	E.g., a programme to open 50 new branches.
80	(d)	Feedback confirms understanding.
81	(d)	Ends towards which activity is directed.
82	(d)	Diagnose the problem, then develop and evaluate alternatives.

Q	Ans	Explanation / working
83	(b)	Vertical = between levels.
84	(b)	McClelland's acquired-needs theory.
85	(c)	Identify → departmentalise → assign → establish relationships.
86	(d)	Order: physiological, safety, social, esteem, self-actualisation.
87	(a)	They need judgment and creativity.
88	(d)	Rules allow no flexibility.
89	(a)	Avoids confusion.
90	(d)	Taylor's "Principles of Scientific Management" (1911).
91	(b)	Terry's process definition.
92	(c)	Western Electric, 1924–32.
93	(d)	"It all depends".
94	(d)	Unity of direction applies to activities, unity of command to people.
95	(d)	Core secretarial function.
96	(b)	ICSI is a statutory body.
97	(d)	Use of technology for meetings VERIFY.
98	(d)	Management knowledge supports the governance role.
99	(c)	Practising CSs can appear before NCLT and other tribunals.
100	(d)	Sec 205(1).