ACCA LW Corporate and Business Law

Mock exam: 15 questions in 24 minutes, with an answer key and explanations

How to use this mock

- Set a timer for **24 minutes** and answer every question without notes. Write your answers in the grid on the next page.
- Mark your answers using the answer key, then read the explanation for every question you got wrong or guessed.
- The questions cover every section of the syllabus, in proportion to the GoQualified question bank for LW.
- Prefer to sit it on screen? The **Exam Sim** on **goqualified.co.uk/lw/** times you, marks the paper and shows your weakest section.
- All questions are original GoQualified practice questions, not past exam questions.

Free from GoQualified. Questions start on page 3; the answer key and explanations follow them. Download the latest version from goqualified.co.uk/lw/.

Your answers

1 _____	**4** _____	**7** _____	**10** _____	**13** _____
2 _____	**5** _____	**8** _____	**11** _____	**14** _____
3 _____	**6** _____	**9** _____	**12** _____	**15** _____

Questions

Question 1

In which court would a serious criminal offence, such as one tried on indictment, normally be heard at first instance?

A The County Court
B The Crown Court
C The High Court (King's Bench Division)
D The Magistrates' Court only

Question 2

Which statement reflects the rule that 'consideration must be sufficient but need not be adequate'?

A The consideration must be of equal economic value to the promise it supports
B The consideration must have some recognised value in the eyes of the law, but the courts will not investigate whether it represents a fair bargain
C The consideration must always take the form of a payment of money
D The court will set aside any contract where one party makes a poor bargain

Question 3

In agreements of a domestic or social nature, what does the law generally presume about the intention to create legal relations?

A There is a presumption that the parties do NOT intend to create legal relations
B There is a presumption that the parties DO intend to create legal relations
C Legal relations are always created regardless of context
D The presumption depends solely on the amount of money involved

Question 4

Which factor would a court LEAST likely consider when deciding whether a statement is a contractual term or a mere representation?

A The importance the parties attached to the statement
B The relative knowledge and expertise of the parties
C Whether the statement was later reduced to writing in the contract
D The marital status of the person who made the statement

Question 5

Which of the following is a potentially fair reason for dismissal under statute?

A The employee's membership of a trade union
B Capability or conduct of the employee
C The employee being pregnant
D The employee asserting a statutory right

Question 6

A worker is told not only what to do but exactly how, when and where to do it, and provides none of their own equipment. Which test and likely outcome applies?

A The control test, suggesting they are self-employed
B The integration test, suggesting they are a client of the business
C The economic-reality test, suggesting they run their own business
D The control test, suggesting they are an employee

Question 7

Which of the following best describes the role of an agent?

A A person who buys goods only for their own personal use
B A person who works purely as an employee with no authority to act
C A person authorised to act on behalf of another (the principal) so as to affect the principal's legal relations with third parties
D A person who personally owns the whole of the business outright

Question 8

A principal represents to a third party that a person is the principal's agent, and the third party deals with that person in reliance on the representation. Which type of authority is most relevant?

A Actual express authority conferred in writing
B Actual implied authority
C No authority of any kind can arise in this situation
D Apparent (ostensible) authority, which can bind the principal even though no actual authority was given

Question 9

From what may a company lawfully pay a dividend?

A From its share capital
B From accumulated, realised profits available for the purpose (distributable profits)
C From money borrowed specifically to fund the dividend
D From any cash in the bank, regardless of profits

Question 10

What is the general effect of statutory pre-emption rights when a company proposes to allot new ordinary shares for cash?

A The shares must first be offered to the company's creditors
B The new shares must first be offered to existing ordinary shareholders in proportion to their holdings
C The shares must be sold to the public at large
D The directors may allot them to themselves without restriction

Question 11

Under the Company Directors Disqualification Act 1986, on which ground may a person be disqualified from acting as a director?

A Owning shares in more than one company
B Voting against a board resolution
C Being over the age of seventy
D Unfitness in the management of a company that has become insolvent

Question 12

On what basis may a member petition the court for relief under the unfair prejudice provisions of the Companies Act 2006?

A That the company's affairs are being, or have been, conducted in a manner unfairly prejudicial to the interests of members
B That the company has simply made a trading loss in the year
C That the member dislikes a fellow shareholder
D That the share price has fallen on the market

Question 13

Under the Insolvency Act 1986, which of the following may appoint an administrator of a company without first obtaining a court order?

A Any creditor who is owed more than £750 by the company
B The holder of a qualifying floating charge over the company's property
C A member holding at least 10% of the company's shares
D The Official Receiver

Question 14

Under the Proceeds of Crime Act 2002, which of the following is a principal money laundering offence?

A Filing accounts late at Companies House

B Concealing, acquiring, using or possessing criminal property, and arrangements facilitating its acquisition or control

C Paying a genuine supplier by cheque in the ordinary course of business

D Holding a board meeting without a quorum

Question 15

Under the corporate offence of failure to prevent fraud, a large organisation may be criminally liable where:

A An employee negligently miscalculates a routine figure without any intent to deceive

B An associated person commits a specified fraud offence intending to benefit the organisation, and it lacked reasonable fraud-prevention procedures

C The organisation files its confirmation statement late

D A junior employee commits a fraud purely for their own private benefit, with no benefit to the organisation

Answer key

1 B	**4** D	**7** C	**10** B	**13** B
2 B	**5** B	**8** D	**11** D	**14** B
3 A	**6** D	**9** B	**12** A	**15** B

Score: count your correct answers out of 15. Then work through the explanations below.

Answers and explanations

Question 1: B The Crown Court

Serious criminal offences tried on indictment are heard in the Crown Court, usually before a judge and jury. The County Court (option A) deals with civil matters. The King's Bench Division of the High Court (option C) hears serious civil claims, not indictable criminal trials at first instance. The Magistrates' Court (option D) deals with summary offences and sends indictable cases to the Crown Court for trial.

Section A, Civil versus criminal courts · Ref A1b · lw011

Question 2: B The consideration must have some recognised value in the eyes of the law, but the courts will not investigate whether it represents a fair bargain

Consideration must be 'sufficient' — real and recognised by law — but need not be 'adequate', meaning the courts will not weigh whether the bargain was economically fair (Chappell v Nestlé). Option A is wrong — equal value is not required. Option C is wrong — consideration can take many forms, not only money. Option D is wrong — the courts do not generally rescue a party from a bad but freely made bargain.

Section B, Consideration — sufficiency · Ref B1f · lw021

Question 3: A There is a presumption that the parties do NOT intend to create legal relations

In social and domestic agreements there is a rebuttable presumption that the parties do not intend to create legal relations (Balfour v Balfour), though this can be rebutted by evidence (Merritt v Merritt). Option B states the presumption applying to commercial agreements, the reverse situation. Option C is too absolute. Option D is wrong — the sum involved is only one factor and not the sole test.

Section B, Intention to create legal relations · Ref B1h · lw024

Question 4: D The marital status of the person who made the statement

The maker's marital status is irrelevant to whether a statement is a term or a representation. The courts do consider the importance attached to the statement, the relative expertise of the parties, the timing of the statement, and whether it was put into a written contract. Options A, B and C are all genuine factors the courts weigh; only option D plays no part in the distinction.

Section B, Terms versus representations · Ref B2a · lw026

Question 5: B Capability or conduct of the employee

Potentially fair reasons for dismissal include capability or qualifications, conduct, redundancy, statutory illegality, and some other substantial reason. Options A, C and D are all automatically unfair reasons for dismissal: dismissing for trade-union membership, pregnancy, or asserting a statutory right is automatically unfair regardless of the procedure followed.

Section C, Unfair dismissal — fair reasons · Ref C2d · lw048

Question 6: D The control test, suggesting they are an employee

A high degree of control over how, when and where the work is done points towards employment under the control test. Option A reaches the wrong conclusion — extensive control indicates employment, not self-employment. Option B misuses the integration test and the label 'client'. Option C is wrong — being directed exactly how to work is inconsistent with being in business on one's own account.

Section C, Control test for employment status · Ref C1a · lw056

Question 7: C A person authorised to act on behalf of another (the principal) so as to affect the principal's legal relations with third parties

An agent is a person authorised to act on behalf of a principal, creating or affecting legal relations between the principal and third parties; company directors and partners are common examples. Option A describes a consumer. Option B contradicts the essence of agency, which is acting with authority. Option D describes a sole proprietor, not an agent.

Section D, Role of an agent · Ref D1a · lw063

Question 8: D Apparent (ostensible) authority, which can bind the principal even though no actual authority was given

Apparent or ostensible authority arises from the principal's own representation, by words or conduct, that a person is their agent; where a third party relies on it the principal may be bound even without actual authority (Freeman & Lockyer). Options A and B describe authority actually conferred, which the facts do not show. Option C is wrong — apparent authority can bind the principal in exactly these circumstances.

Section D, Apparent authority · Ref D1c · lw066

Question 9: B From accumulated, realised profits available for the purpose (distributable profits)

A dividend may lawfully be paid only out of profits available for distribution — broadly, accumulated realised profits less accumulated realised losses. Option A is wrong — paying a dividend out of share capital breaches the maintenance-of-capital rules. Option C is wrong — borrowing does not create distributable profits. Option D is wrong — the availability of cash is not the legal test; distributable profits must exist.

Section E, Dividends — distributable profits · Ref E3b · lw089

Question 10: B The new shares must first be offered to existing ordinary shareholders in proportion to their holdings

Statutory pre-emption rights generally require new equity shares allotted for cash to be offered first to existing ordinary shareholders, pro rata to their holdings, so their proportionate stake is not diluted; these rights can be disapplied by the appropriate resolution. Option A is wrong — creditors have no pre-emption right. Option C ignores existing members' priority. Option D is wrong — directors cannot bypass pre-emption rights to allot to themselves.

Section E, Pre-emption rights · Ref E1c · lw104

Question 11: D Unfitness in the management of a company that has become insolvent

Disqualification can be ordered on grounds including conduct showing unfitness as a director of an insolvent company, persistent breaches of companies legislation, fraud in a winding up, or conviction for certain offences. Option A is wrong — holding shares in several companies is normal. Option C is wrong — there is no general upper age disqualification. Option B is wrong — disagreeing with a resolution is legitimate.

Section F, Disqualification of directors · Ref F1b · lw112

Question 12: A That the company's affairs are being, or have been, conducted in a manner unfairly prejudicial to the interests of members

A member may petition where the company's affairs are being, or have been, conducted in a manner unfairly prejudicial to the interests of members generally or some part of them; the court has wide remedies, commonly ordering the purchase of the petitioner's shares. Option B is wrong — ordinary trading losses are not unfair prejudice. Options C and D describe matters that do not, of themselves, amount to unfairly prejudicial conduct.

Section F, Unfair prejudice petitions · Ref F1d · lw118

Question 13: B The holder of a qualifying floating charge over the company's property

An administrator can be appointed by the court, or out of court by the holder of a qualifying floating charge (one that covers the whole or substantially the whole of the company's property) or by the company or its directors. B is therefore correct. A is wrong because an ordinary creditor cannot appoint an administrator out of court; creditors must apply to the court for an administration order. The £750 figure is the debt threshold for a statutory demand, which relates to compulsory liquidation. C is wrong because members as such have no power to appoint an administrator. D is wrong because the Official Receiver usually becomes liquidator when a court makes a compulsory winding-up order; it does not appoint administrators.

Section G, Appointment of an administrator · Ref G1e · lw134

Question 14: B Concealing, acquiring, using or possessing criminal property, and arrangements facilitating its acquisition or control

The principal offences under the Proceeds of Crime Act 2002 include concealing or transferring criminal property, entering into arrangements that facilitate the acquisition, retention, use or control of criminal property, and acquiring, using or possessing criminal property. There are also offences of failing to disclose and tipping off. Options A, C and D describe administrative or routine matters that are not money laundering offences.

Section H, Money laundering offences · Ref H1c · lw140

Question 15: B An associated person commits a specified fraud offence intending to benefit the organisation, and it lacked reasonable fraud-prevention procedures

The failure to prevent fraud offence (Economic Crime and Corporate Transparency Act 2023) makes a large organisation criminally liable where an associated person, such as an employee or agent, commits a specified fraud offence intending to benefit the organisation or its clients, unless the organisation had reasonable fraud prevention procedures in place. Option A is an honest error, not a fraud offence. Option C is a filing default, not fraud. Option D is a fraud, but it was committed purely for the employee's own benefit with no intended benefit to the organisation, so the corporate offence is not committed.

Section H, Failure to prevent fraud · Ref H1e · lw145