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Exam : **BA4**

Title : **Fundamentals of Ethics -
Corporate Governance and
Business Law**

Vendor : **CIMA**

Version : **DEMO**

QUESTION NO: 1

You are concerned that your boss may have been putting together misleading financial statements for some time. As a well known and well respected accountant, you are concerned that your boss might bring the profession into disrepute. Which TWO of the CIMA Code of Ethics fundamental principles does this affect?

- A. Objectivity and impartiality
- B. Objectivity and professional competence and due care
- C. Professional behavior and integrity
- D. Integrity and reliability

Answer: C

QUESTION NO: 2

B agreed in his contract that he would not work for a competitor of Gee Ltd for a period of 12 months after leaving the company's employment. On leaving Gee Ltd, B worked for Zed Ltd, a competitor of Gee Ltd. If the restriction in B's contract with Gee Ltd should be found to be reasonable, which of the following remedies is Gee Ltd entitled to?

- (i) A decree of specific performance forcing B to comply with his contract with Gee Ltd.
- (ii) Damages in respect of any loss caused by B's breach of contract.
- (iii) An injunction to stop B working for Zed Ltd.

- A. (i) only
- B. (i) and (ii) only
- C. (i), (ii) and (iii)
- D. (ii) and (iii) only

Answer: D

QUESTION NO: 3

'Remuneration' is one of the main principles in the Corporate Governance Code. Which of the following is NOT best practice under the 'Remuneration' principle?

- A. There should be a formal and transparent procedure for developing policy on executive remuneration
- B. Remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but should not be excessive
- C. Remuneration should be structured in order to link a significant proportion of the rewards to corporate and individual performance
- D. The board of directors are able to set the remuneration of non-executive directors

Answer: D

QUESTION NO: 4

Which of the following is incorrect?

- A. A shadow director is a person in accordance with whose directions or instructions the directors of the company are accustomed to act.
- B. Subsequent directors are appointed according to the rules set down in the company's Memorandum of Association.
- C. The first directors are appointed upon the incorporation of the company.

D. A director is a person who occupies the position of director by whatever name called.

Answer: B

QUESTION NO: 5

Which of the following most accurately describes obiter dicta?

A. It is a statement of law made "by the way" which is binding on future courts which are called upon to decide a similar case.

B. It is the legal principle used by a court to decide a case which is binding upon lower courts called upon to decide a similar case.

C. It is the legal principle used by a court to decide a case.

D. It is a statement of law made "by the way" which is not binding on future courts which are called upon to decide a similar case.

Answer: D

QUESTION NO: 6

Which of the following is correct in relation to the UK Corporate Governance Code?

(i) The Code gives rise to a disclosure requirement

(ii) Breach of the Code gives rise to criminal penalties

(iii) Breach of the Code gives rise to civil liability

A. (ii) and (iii) only

B. (iii) only

C. (i) only

D. (i) and (ii) only

Answer: C

QUESTION NO: 7

Which of the following statements are correct in relation to a misrepresentation?

1. A misrepresentation is a false statement of fact or law but not a mere expression of opinion by someone having no expertise in the subject matter of the contract

2. A misrepresentation renders a contract voidable

3. As a general rule silence can amount to a misrepresentation.

A. 2 and 3 only

B. 2 only

C. 1 and 2 only

D. 1 only

Answer: D

QUESTION NO: 8

Which of the following are situations in which the accountant is permitted to disclose confidential information?

Select ALL that apply.

A. The company is being investigated for legal infringement.

B. A similar firm wants to take a look at the company's most recent financial report.

C. A family member wants to know the details of the company's clients' finances.

D. One of the company's clients permits the disclosure of their financial records.

Answer: A,D

QUESTION NO: 9

R and P are the only shareholders in RP Ltd, each holding 100 ordinary £1 shares. They have both paid half the nominal value of the shares. The company has been placed in creditors' voluntary liquidation on the ground that it is unable to pay its debts.

Which of the following is correct?

A. Rebecca and Paul are each obliged to pay the other half of the nominal value of their shares, and no more.

B. Rebecca and Paul must each pay 50% of the company's debts.

C. As it is a limited company, RP Ltd is not obliged to pay its debts.

D. As the liability of R and P is limited they are not obliged to pay anything towards the company's debts.

Answer: A

QUESTION NO: 10

John works as a management accountant for a law firm. He only got the job because he lied about his qualifications: he told the interviewers that he had the required accountancy qualifications to do the job when he actually didn't.

Now John's boss has found that John lied during the interview. Which of the following will almost certainly happen as a result?

Select ALL that apply.

A. John will be expelled from the professional accountancy organisations he is a member of.

B. John will have problems finding new employment.

C. John will face criminal proceedings.

D. John will lose his employer's trust.

E. John will lose his job.

F. John will face civil proceedings.

Answer: D,E

QUESTION NO: 11

Which of the following are not owed duties by the directors?

(i) The company as whole.

(ii) Individual shareholders.

(iii) All the present and future shareholders.

A. (ii) and (iii) only

B. (ii) only

C. (iii) only

D. (i) and (ii) only

Answer: B

QUESTION NO: 12

A company is considering having an external audit. It knows the benefits of doing so, though

is unsure of the disadvantages.

Which of the following are reasons why the company might not want to have an external audit?

Select ALL that apply.

- A. Reputation with stakeholders will decrease.
- B. Shareholders may become concerned about the state of the company.
- C. It will take a long time.
- D. There is a risk of confidential information leaking.
- E. It will cost a lot of money.
- F. Interests of shareholders and directors may become unaligned if they aren't already.

Answer: C,D,E

QUESTION NO: 13

Which of the following requires the approval of 75% of all the company's shareholders who are entitled to vote?

- A. A written special resolution
- B. An ordinary resolution
- C. A special resolution
- D. A written ordinary resolution

Answer: A

QUESTION NO: 14

Which of the following is INCORRECT in relation to the board of directors of a private company limited by shares?

- A. The board cannot delegate its authority
- B. The board may reach a decision by written resolution
- C. If there are an equal number of votes for and against a proposal before the board the negative views prevail and the proposed resolution is defeated
- D. The board reaches its decisions by majority vote

Answer: A

QUESTION NO: 15

A company's sales team has been told that all planned salary increases and bonuses will be stopped if any member of the team fails to achieve his or her sales target. The team achieves targets but management is surprised by the number of customers who contact the company to complain about aggressive or misleading sales practices. Is this an ethical issue and why?

- A. No - the management has behaved unfairly so the way that the sales team has responded is justified
- B. Yes - the sales team are entirely at fault and should be dismissed
- C. Yes - management has put the sales team under a lot of pressure and members of the team appear to have engaged in unethical sales practices
- D. No - meeting sales targets is a business, not an ethical issue

Answer: C

QUESTION NO: 16

Which of the following is NOT one of the main requirements of the UK Corporate Governance Code?

- A. The identification of an independent director as primary shareholder contact
- B. The appointment of independent non-executive directors to the Board
- C. The establishment of a risk committee
- D. The separation of the roles of Chairman and Chief Executive

Answer: C

QUESTION NO: 17

You work for a publishing company. Which of the following corporate issues is NOT related to ethics or social responsibility?

- A. Whether your company's magazines are more popular than competitor titles
- B. Whether the paper used for the magazines comes from sustainably managed forests or can be recycled
- C. Whether advertisers are given more favorable editorial coverage than other companies that do not advertise in your company's magazines
- D. Whether sales targets are so high that they implicitly encourage salespeople to ignore corporate values and principles

Answer: A

QUESTION NO: 18

B Ltd has an issued share capital of 1,000 ordinary £1 shares. The board of B Ltd has resolved to alter the company's articles of association. Which of the following is correct?

- (i) The articles may be altered by board resolution.
- (ii) The articles may be altered by a written resolution of the shareholders.
- (iii) The articles may be altered by a special resolution of the directors.

- A. (ii) and (iii) only
- B. (ii) only
- C. (i) only
- D. (iii) only

Answer: B

QUESTION NO: 19

Which of the following is presumed not to be intended to create legal relations?

- A. An agreement by Exe Ltd to make a gift to Wye Ltd.
- B. A contract between father and son.
- C. A social arrangement.
- D. A commercial transaction.

Answer: C

QUESTION NO: 20

Which of the following is correct in relation to loans to directors of a public company?

- A. If a public company pays the debts of one of its directors on terms that the payment must

be repaid by the director, the shareholders must approve the payment

B. A public company which provides a loan to one of its directors commits a criminal offence unless the loan is approved by the shareholders

C. A public company cannot make loans to its directors

D. A public company is not subject to any restrictions when making a loan to one of its directors

Answer: A

QUESTION NO: 21

Which of the following is correct in relation to international relations?

(i) International regulations are voluntarily entered into by commercial and professional bodies to standardize practices and procedure to make it easier to enter into international trading agreements.

(ii) International regulations which have been agreed by the professional bodies of different states are only binding on the members of those bodies or those who choose to adopt them.

(iii) International regulations may attain the force of law by being adopted by the legislatures of individual states

A. (i) and (ii) only

B. (ii) only

C. (i), (ii) and (iii)

D. (i) only

Answer: C

QUESTION NO: 22

A professional accountant's social responsibility relates to which TWO of the following?

A. Fulfilling public duty

B. Playing a role within global, local, professional or other communities

C. Seeking to maximize a company's shareholder return on investment

D. Acting in the interests of one's employer

Answer: A,B

QUESTION NO: 23

One of the fellow accountants in your office thinks that she is intellectually superior to the rest of you.

This has made her complacent and she refuses to attend training courses or ongoing professional development. As a result, she may be failing to adhere to the CIMA Code of Ethics fundamental principle of:

A. Courtesy

B. Responsibility

C. Professional competence and due care

D. Integrity

Answer: C

QUESTION NO: 24

Which of the following statements is INCORRECT?

- (i) A counter offer has the legal effect of destroying the original offer and putting another offer in its place.
- (ii) For an agreement to be valid at law, the offer and the acceptance must be in the same form.
- (iii) Agreements made by email are unenforceable at law.

- A. (ii) only
- B. (ii) and (iii) only
- C. (i) only
- D. (iii) only

Answer: B

QUESTION NO: 25

Which ONE of the following resolutions is no longer legally effective?

- A. A special resolution
- B. An elective resolution
- C. A written resolution
- D. An ordinary resolution

Answer: B

QUESTION NO: 26

Which of the following contracts might be specifically enforceable?

- A. E has contracted to sing at a concert organized by F, but E has withdrawn as he has received a more lucrative offer from G.
- B. C has contracted to buy a new Ford motor car but the garage is now refusing to honor the contract.
- C. D has contracted to purchase a number of tins of fruit for her business but the seller has now stated that he no longer wishes to proceed with the contract.
- D. A has contracted to sell his house to B but has changed his mind and no longer wishes to sell it.

Answer: D

QUESTION NO: 27

Which of the following are the TWO main differences between the structure and function of company boards in Germany and the UK?

- A. In Germany, boards often have a two-tier structure, whereas in the UK they are normally unitary.
- B. In Germany, employees are usually represented on the board, whereas in the UK they are not.
- C. In Germany, boards are responsible for both management and governance, whereas in the UK they are responsible only for one or the other.
- D. In Germany, the board reports on corporate governance issues, whereas in the UK it does not.

Answer: A,B

QUESTION NO: 28

Which of the following terms can be defined as follows?

"How an organization manages its relationships in the wider community"

- A. Ethics
- B. Corporate governance
- C. Professional behavior
- D. Social responsibility

Answer: D

QUESTION NO: 29

Exe Ltd includes the following provisions in its Articles of Association. If Exe Ltd acted in breach of these clauses, identify which would not be enforceable against the company as a breach of contract.

- A. Shareholders shall be paid dividends in cash.
- B. Shareholders wishing to sell their shares shall offer them to the company which will purchase them at a fair price as determined by the auditors.
- C. Tom (a shareholder) shall be the company's managing director for life.
- D. All shareholders are entitled to attend and vote at general meetings of the company.

Answer: C

QUESTION NO: 30

When might an ethical dilemma occur?

- A. When an individual is under pressure to do something that does not feel right
- B. When the code of ethics does not specify what action to take
- C. All of the above
- D. When the boundaries between right and wrong are unclear

Answer: C