ICAEW ACA CERTIFICATE LEVEL – LAW PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://icaewacalaw.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright 1
Table of Contents 2
Introduction 3
How to Use This Guide 4
Questions 5
Answers 8
Explanations 10
Next Steps 16

SAMPLE

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

SAMPLE

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

SAMPLE

Questions

SAMPLE

1. **What is the minimum notice period required for an AGM unless all members agree to a shorter notice?**

   A. 14 days

   B. 21 days

   C. 28 days

   D. 30 days

2. **Dividends must be paid out of which type of profits?**

   A. Accrued losses

   B. Accumulative profits

   C. Distributable profits

   D. Operational profits

3. **What must public companies do if there is a 'serious loss of capital'?**

   A. Inform all shareholders immediately

   B. Hold a general meeting

   C. File for bankruptcy

   D. Conduct an asset appraisal

4. **What feature distinguishes a limited liability company regarding property ownership?**

   A. Property is owned collectively by all partners

   B. Property is owned in the name of the company

   C. Shareholders must personally guarantee company debts

   D. Property ownership is not applicable to limited liability companies

5. **Which resolution is required to apply for the appointment of an administrator?**

   A. Ordinary resolution

   B. Special resolution

   C. Board resolution

   D. Unanimous resolution

SAMPLE

6. What distinguishes receivership from liquidation?

A. Receivership always leads to business closure

B. Receivership may allow the business to continue operating

C. Receivership is exclusively for solvent companies

D. Liquidation always incurs significant tax benefits

7. What document must Limited Liability Partnerships (LLPs) submit to be formally recognized?

A. Annual financial report

B. Incorporation document

C. Partnership agreement

D. Certificate of compliance

8. Which document is necessary for a public company when reducing share capital?

A. Statement of retained earnings

B. New statement of capital

C. Annual report

D. Business plan

9. What is one condition for a claim of breach of duty to be valid?

A. Conduct of the claimant must be exemplary

B. Claimant must show harm was suffered due to the breach

C. The defendant must have acted with intent

D. The breach must have been publicly reported

10. What are pre-emption rights concerning shares?

A. The right of shareholders to vote on share issues

B. The right of shareholders to first refuse new shares offered

C. The right of shareholders to be offered new shares first

D. The right of shareholders to dictate the price of new share issues

SAMPLE

Answers

SAMPLE

1. B
2. C
3. B
4. B
5. A
6. B
7. B
8. B
9. B
10. C

SAMPLE

Explanations

SAMPLE

1. What is the minimum notice period required for an AGM unless all members agree to a shorter notice?

A. 14 days

B. 21 days

C. 28 days

D. 30 days

The minimum notice period required for an Annual General Meeting (AGM) is 21 days unless all members agree to a shorter notice. This requirement aligns with corporate governance standards that ensure members are given adequate time to prepare for the meeting and consider the matters that will be discussed. Additionally, the 21-day notice period is outlined in company legislation, which is designed to promote transparency and allow for effective participation by all members. The provision for a shorter notice period is contingent upon unanimous agreement among the members, which emphasizes the importance of consensus in matters that affect the company collectively. Understanding this minimum notice period is crucial for compliance with legal requirements and ensures that the rights of members to be informed and participate are upheld.

2. Dividends must be paid out of which type of profits?

A. Accrued losses

B. Accumulative profits

C. Distributable profits

D. Operational profits

Dividends must be paid out of distributable profits, which refers to the portion of a company's retained earnings that can legally be distributed to shareholders. Distributable profits are typically derived from net profits after tax and exclude certain reserves and losses that the company may have incurred. This ensures that a company does not pay dividends if it has not made sufficient profits to justify the payout, thus protecting the interests of creditors and ensuring the company maintains sufficient capital for its operations. Other terms such as accrued losses or operational profits do not accurately represent the funds available for dividend distribution. Accrued losses indicate that the company has incurred more expenses than revenues, which would inhibit the ability to distribute dividend payments. Similarly, while operational profits represent earnings from the core business activities, they do not take into account the overall financial position of the company, including reserves and retained earnings, which determine the actual capacity to distribute dividends. Accumulative profits suggests a total of profits over time but does not specifically address whether those profits are legally distributable or have already been authorized for dividends. Therefore, the concept of distributable profits is crucial as it encompasses the necessary legal and financial context for paying dividends.

SAMPLE

3. What must public companies do if there is a 'serious loss of capital'?

A. Inform all shareholders immediately

B. Hold a general meeting

C. File for bankruptcy

D. Conduct an asset appraisal

When a public company experiences a 'serious loss of capital,' it is required to hold a general meeting. This regulatory requirement is in place to ensure that shareholders are informed and involved in significant financial decisions concerning the company. A serious loss of capital typically raises concerns about the company's sustainability and ability to continue operating effectively. Holding a general meeting allows the board of directors to present the situation to the shareholders, discuss the implications of the capital loss, and explore options for resolving the financial difficulties. It is a vital part of corporate governance and ensures that shareholders have a platform to express their views and, if necessary, take actions that could influence the future direction of the company. In contrast, while informing shareholders might seem intuitive, it is not a mandated action in the same way that holding a general meeting is. Filing for bankruptcy is generally a last resort and not a direct consequence of capital loss, as companies might explore other means of addressing financial issues first. Conducting an asset appraisal, while potentially useful for internal purposes or future decisions, is not a legal requirement that must occur in response to a serious loss of capital as stipulated in corporate governance regulations.

4. What feature distinguishes a limited liability company regarding property ownership?

A. Property is owned collectively by all partners

B. Property is owned in the name of the company

C. Shareholders must personally guarantee company debts

D. Property ownership is not applicable to limited liability companies

A limited liability company (LLC) is distinguished by the feature that property is owned in the name of the company itself. This means that any assets, including real estate, equipment, or intellectual property, are held by the LLC as a separate legal entity. This legal distinction is crucial as it protects the personal assets of the shareholders or members from liabilities incurred by the company. When property is owned in the name of the company, it reinforces the concept of limited liability, meaning that if the company were to incur debts or face legal issues, the personal assets of its shareholders or members would typically not be at risk. This separation enhances the credibility of the business while providing essential protection for individual investors. In contrast, the other options do not accurately reflect the nature of property ownership within an LLC. The idea that property is owned collectively by all partners suggests a partnership structure rather than a company structure. The requirement for shareholders to personally guarantee company debts is more characteristic of sole proprietorships or certain types of corporations where personal guarantees are common. Lastly, stating that property ownership is not applicable to limited liability companies does not align with the legal framework governing LLCs, which allows them to own property just like any other corporate entity. Therefore, the correct understanding lies

SAMPLE

5. Which resolution is required to apply for the appointment of an administrator?

A. Ordinary resolution

B. Special resolution

C. Board resolution

D. Unanimous resolution

To apply for the appointment of an administrator, a board resolution is required. This is a formal decision made by the board of directors of a company, typically without needing the support of shareholders. The process of appointing an administrator is generally considered a management matter and falls under the powers of the board, specifically in situations like insolvency or financial distress. An ordinary resolution, which is often mistaken as the correct answer, involves a simple majority vote and is usually applied to less significant corporate decisions. In contrast, the appointment of an administrator is a more critical step that managers take to protect the company's assets and ensure an orderly resolution to financial difficulties. While special resolutions and unanimous resolutions involve higher thresholds of agreement from either a larger group of shareholders (in the case of special resolutions) or all members (for a unanimous resolution), they are not necessary for administrative appointments. Thus, a board resolution is the most appropriate and sufficient authorizing document for this purpose.

6. What distinguishes receivership from liquidation?

A. Receivership always leads to business closure

B. Receivership may allow the business to continue operating

C. Receivership is exclusively for solvent companies

D. Liquidation always incurs significant tax benefits

Receivership is a legal process involving the appointment of a receiver to manage a debtor's assets. One of the key characteristics of receivership is that it may allow the business to continue operating, at least in the short term, while the receiver works to restore financial order or facilitate the sale of the business. The main aim of a receivership is often to recover as much debt as possible for creditors without necessarily shutting down the business entirely. In contrast, liquidation is a more definitive process in which a company is dissolved, and its assets are sold off to pay debts, ultimately leading to the closure of the business. Thus, option B effectively highlights this fundamental aspect of receivership, where there can be opportunities for restructuring and ongoing operations, rather than an immediate cessation of all business activities. The other options do not correctly capture the essence of receivership versus liquidation. For example, receivership doesn't always lead to business closure, nor is it reserved exclusively for solvent companies, as it can also apply to insolvent ones. Additionally, liquidation does not inherently provide tax benefits, as it primarily focuses on asset distribution and debt settlement rather than tax implications.

SAMPLE

7. What document must Limited Liability Partnerships (LLPs) submit to be formally recognized?

A. Annual financial report

B. Incorporation document

C. Partnership agreement

D. Certificate of compliance

To be formally recognized, Limited Liability Partnerships (LLPs) must submit an incorporation document. This document, often referred to as the 'LLP incorporation statement,' is crucial as it officially registers the LLP with the appropriate regulatory body and provides necessary details about the partnership, including its name, the registered office, and information about the designated members. This step is essential for obtaining legal status, as it establishes the LLP as a separate legal entity distinct from its members. While annual financial reports and a partnership agreement are important for ongoing compliance and internal governance, they do not fulfill the requirement for initial recognition. A certificate of compliance, while relevant in some contexts, is not the document that initiates the LLP's legal existence. Therefore, the incorporation document is the key requirement for formal recognition of an LLP.

8. Which document is necessary for a public company when reducing share capital?

A. Statement of retained earnings

B. New statement of capital

C. Annual report

D. Business plan

When a public company wishes to reduce its share capital, it is required to prepare a new statement of capital. This document outlines the company's updated share structure, including the total number of shares in issue, the aggregate nominal value of those shares, and the details of any shares that have been cancelled or reduced. It provides important information to shareholders and regulatory authorities about the changes enacted during the reduction process. This statement is integral to maintaining transparency and compliance with legal regulations governing capital reductions. The share capital reduction process must comply with the requirements set out in company law, and the new statement of capital serves as an official record of the company's capital position following the reduction. This ensures that shareholders are aware of the company's financial status and that the company adheres to the necessary legal formalities. In contrast, the other options do not serve this specific purpose. A statement of retained earnings reflects accumulated profits or losses but does not detail changes in share capital. An annual report consolidates a company's overall performance and financial status over a year, including share capital information, but it does not specifically address the share capital reduction process. A business plan, while essential for outlining future strategy and operations, does not pertain directly to share capital matters. Therefore, the new statement of

SAMPLE

9. What is one condition for a claim of breach of duty to be valid?

A. Conduct of the claimant must be exemplary

B. Claimant must show harm was suffered due to the breach

C. The defendant must have acted with intent

D. The breach must have been publicly reported

For a claim of breach of duty to be valid, it is essential that the claimant demonstrates that they suffered harm as a direct result of the breach. This principle is grounded in the law of negligence, where a claimant must prove not only that there was a breach of duty of care by the defendant but also that this breach caused them actual damage or injury. Merely showing that a duty was breached is insufficient; establishing a causal link between the breach and the harm suffered is crucial to holding the defendant liable. In the context of negligence claims, the focus on harm suffered ensures that only those who are truly affected by another's breach can seek legal remedies. This helps to manage the number of claims and confirms that there is a tangible basis for claiming compensation. Other options are not requirements for the validity of a breach of duty claim. For instance, while a claimant's conduct being exemplary might reflect positively on their character, it doesn't have any legal bearing on the fundamental elements of proving a breach of duty. Moreover, the defendant's intent is not a necessary component for establishing negligence, as many breaches occur without malicious intent—negligence itself usually arises from a failure to take reasonable care rather than intentional wrongdoing. Lastly, the requirement for a breach to be

10. What are pre-emption rights concerning shares?

A. The right of shareholders to vote on share issues

B. The right of shareholders to first refuse new shares offered

C. The right of shareholders to be offered new shares first

D. The right of shareholders to dictate the price of new share issues

Pre-emption rights concerning shares refer to the rights that give existing shareholders the opportunity to purchase additional shares before the company offers them to outside investors. This ensures that current shareholders have the chance to maintain their proportional ownership in the company and prevent dilution of their shares. The correct answer highlights that these rights specifically allow shareholders to be offered new shares first. This is crucial as it provides them a priority claim to buy shares, based on the principle that they should have the chance to buy into the company at the same terms as new investors before any offering is made publicly. Understanding this aspect of pre-emption rights is significant because it safeguards the interests of existing shareholders, promoting fairness in the share issuance process. It also supports retention of control within the current shareholder base, as they can prevent their ownership percentage from decreasing if new shares are issued.

SAMPLE

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://icaewacalaw.examzify.com

We wish you the very best on your exam journey. You've got this!

SAMPLE