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Fundamentals of Ethics, Corporate Governance and Business Law

Cima BA4

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QUESTION NO: 1

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, the board reports on corporate governance issues, whereas in the UK it does not.
- D. In Germany, boards are responsible for both management and governance, whereas in the UK they are responsible only for one or the other.

ANSWER: A B

QUESTION NO: 2

Which TWO of the following are NOT directly relevant to a system of professional ethics?

- A. Religious morality
- B. Political morality
- C. Career development
- D. Personal friendships
- E. Family commitments

ANSWER: A B

QUESTION NO: 3

In relation to contractual performance, which of the following is incorrect?

- A. A person who has substantially performed the contract is entitled to the contract price less so much as is necessary to repair the defects.
- B. If one party is prevented from performing the contract by the other party, he or she may claim compensation on a "quantum meruit" basis.
- C. A person who has carried out part of the contract is always entitled to a part of the contract price.
- D. A person who has carried out all of his contractual obligations is entitled to all of the contract price.

ANSWER: C

QUESTION NO: 4

Which of the following is incorrect?

- A. A floating charge is a charge over a class of company assets which the company is unable to deal with freely in the ordinary course of business.
- B. A floating charge must be registered at Companies House within 21 days of its creation, otherwise the charge is void against the other creditors.
- C. A floating charge must be registered at the company's registered office, but a failure to do so does not affect the validity of the charge.
- D. A floating charge is a charge over a class of assets which change from time to time.

ANSWER: A

QUESTION NO: 5

Which of the following terms can be defined as follows?

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

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

ANSWER: B

QUESTION NO: 6

According to the CIMA Code of Ethics, which of the following categories describe common threats to compliance with the fundamental principles? Please select all that apply.

- A. Self-interest threats
- B. Self-review threats
- C. Familiarity threats
- D. Intimidation threats

ANSWER: A B C D

QUESTION NO: 7

Which of the following is incorrect?

- A. A private company must have at least two directors.
- B. The board usually has the power to appoint a managing director.
- C. A board usually reaches its decisions by majority vote.
- D. The first directors of the company are those persons who are named as directors on Form IN01.

ANSWER: A

QUESTION NO: 8

How can values become part of a company's DNA? Choose TWO of the following options.

- A. Through leadership and example from the top
- B. Guidance and training for all staff
- C. Through corporate scandals
- D. Through proxy indicators

ANSWER: A B

QUESTION NO: 9

Intimidation threats to compliance with fundamental principles are described as threats that may occur

- A. as a result of the financial or other interests of a professional accountant or of an immediate or close family member
- B. when a previous judgment needs to be re-evaluated by the professional accountant responsible for that judgment
- C. when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised
- D. when a professional accountant may be deterred from acting objectively by threats, actual or perceived

ANSWER: D

QUESTION NO: 10

Which TWO of the following options describe safeguards that the CIMA Code of Ethics states may eliminate or reduce threats to compliance with fundamental principles to an acceptable level?

- A. Safeguards created by the Financial Reporting Council

- B. Safeguards created by the profession, legislation or regulation
- C. Safeguards in the governance environment
- D. Safeguards in the work environment

ANSWER: B D

QUESTION NO: 11

Which TWO of the following are true of the CIMA Code of Ethics?

- A. It covers every possible dilemma that an accountant might face
- B. It is based on values rather than compliance
- C. It is a financial requirement of accountants
- D. It establishes the fundamental principles of professional ethics for professional accountants

ANSWER: B D

QUESTION NO: 12

You work for a company based in a capital city that leases office space to other organizations. Which of the following corporate issues is not related to ethics or social responsibility?

- A. The energy efficiency of the buildings that you rent out
- B. Honest and transparent contracts with your customers
- C. Whether your buildings provide a safe and secure environment for workers and visitors
- D. Having the prestige of renting out some of a capital city's most famous landmarks

ANSWER: D

QUESTION NO: 13

If a professional accountant believes that he or she will not be able to comply with all the legal frameworks, regulations and standards for business in a particular circumstance, what does he or she have a duty to do? Please select TWO of the following:

- A. Obey the law
- B. Disregard conflicting standards
- C. Act in the interests of his or her employer

D. Raise his or her concerns by speaking up

ANSWER: A D

QUESTION NO: 14

Which of the following type of committee is NOT required by the UK Combined Code?

- A. Investment committee
- B. Audit committee
- C. Remuneration committee
- D. Nominations committee

ANSWER: A

QUESTION NO: 15

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

- A. Acting in the interests of one's employer
- B. Seeking to maximize a company's shareholder return on investment
- C. Playing a role within global, local, professional or other communities
- D. Fulfilling public duty

ANSWER: C D

QUESTION NO: 16

The Professional Accountant should always:

- A. Think objectively; act professionally; continue to learn and develop
- B. Think subjectively; act professionally; continue to question
- C. Think professionally; act personably; continue to question
- D. Think accurately; act purposefully; continue to learn and develop

ANSWER: A

QUESTION NO: 17

Which of the following statements are part of CIMA's definition of professional behavior? Please select the TWO statements that apply.

- A. Compliance with laws and regulations
- B. Compliance with guidelines and standards
- C. Avoid any action that discredits the profession
- D. Avoid any action that discredits one's employer or client

ANSWER: A C

QUESTION NO: 18

You are happy to be held accountable for your actions and hope that others can trust and depend upon you. Which TWO of the personal qualities identified by the CIMA Code of Ethics does this demonstrate?

- A. Respect
- B. Responsibility
- C. Reliability
- D. Timeliness

ANSWER: B C

QUESTION NO: 19

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

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

ANSWER: A

QUESTION NO: 20

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

- A. If the Code is ignored by any company, no action may be taken as it has no legal status

B. If any company fails to comply with the Code, the directors may be sued for breach of duty by the company on behalf of the shareholders

C. If a public company fails to comply with the Code, it may be sued for breach of statutory duty by those who have suffered loss as a result

D. If a listed public company fails to produce a report explaining why it has not implemented the Code's recommendations, it has acted in breach of the Code

ANSWER: D