

**Subject BA4**

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**Fundamentals of Ethics, Corporate  
Governance and Business Law**

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**EXAM PRACTICE KIT**



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# SYLLABUS GUIDANCE, LEARNING OBJECTIVES AND VERBS

## A THE CERTIFICATE IN BUSINESS ACCOUNTING (CERT BA)

The Cert BA provides a foundation in the essential elements of accounting and business. This includes the Fundamentals of Business Economics. There are four subject areas, which are all tested by computer-based assessment (CBA). The four subjects are:

- BA1: Fundamentals of Business Economics
- BA2: Fundamentals of Management Accounting
- BA3: Fundamentals of Financial Accounting
- BA4: Fundamentals of Ethics, Corporate Governance and Business Law

The Cert BA is both a qualification in its own right and an entry route to the next stage in CIMA's examination structure.

The examination structure after the Certificate comprises:

- Operational Level
- Managerial Level
- Strategic Level

The CIMA Qualification includes more advanced topics in Accounting and Business. It is therefore very important that you apply yourself to Fundamentals of Business Economics, not only because it is part of the Certificate, but also as a platform for more advanced studies. It is thus an important step in becoming a qualified member of the Chartered Institute of Management Accountants.

## B AIMS OF THE SYLLABUS

The aims of the syllabus are

- to provide for the Institute, together with the practical experience requirements, an adequate basis for assuring society that those admitted to membership are competent to act as management accountants for entities, whether in manufacturing, commercial or service organisations, in the public or private sectors of the economy;
- to enable the Institute to examine whether prospective members have an adequate knowledge, understanding and mastery of the stated body of knowledge and skills;
- to complement the Institute's practical experience and skills development requirements.

## **C STUDY WEIGHTINGS**

A percentage weighting is shown against each topic in the syllabus. This is intended as a guide to the proportion of study time each topic requires.

All topics in the syllabus must be studied, since any single examination question may examine more than one topic, or carry a higher proportion of marks than the percentage study time suggested.

The weightings do not specify the number of marks that will be allocated to topics in the examination.

## **D CIMA'S HIERARCHY OF LEARNING OBJECTIVES**

CIMA places great importance on the definition of verbs in structuring Objective Test Examinations. It is therefore crucial that you understand the verbs in order to appreciate the depth and breadth of a topic and the level of skill required. The CIMA Cert BA syllabus learning outcomes and objective test questions will focus on levels one, two and three of the CIMA's hierarchy of learning objectives (knowledge, comprehension and application). However, as you progress to the Operational, Management and Strategic levels of the CIMA Professional Qualification, testing will include levels four and five of the hierarchy. As you complete your CIMA Professional Qualification, you can therefore expect to be tested on knowledge, comprehension, application, analysis and evaluation.

In CIMA Cert BA Objective Test Examinations you will meet verbs from only levels 1, 2, and 3 of the hierarchy which are as follows:

<b>Skill level</b>	<b>Verbs used</b>	<b>Definition</b>
<b>Level 1 Knowledge</b> What you are expected to know	List State Define Outline	Make a list of Express, fully or clearly, the details/facts of Give the exact meaning of Give a summary of

For example you could be asked to define economic terms such as 'inflation' (BA1), or to define the term 'management accounting' (BA2) or to state the accounting entries required to record the revaluation surplus arising on revaluation of land and buildings (BA3).

<b>Skill level</b>	<b>Verbs used</b>	<b>Definition</b>
<b>Level 2 Comprehension</b> What you are expected to understand	Describe Distinguish Explain Identify Illustrate	Communicate the key features of Highlight the differences between Make clear or intelligible/state the meaning or purpose of Recognise, establish or select after consideration Use an example to describe or explain something

For example you could be asked to explain the components of the circular flow of funds (BA1), or distinguish between financial accounting and management accounting (BA3) or distinguish between express terms and implied terms of a contract of employment (BA4).

Skill level	Verbs used	Definition
<b>Level 3</b> <b>Application</b> How you are expected to apply your knowledge	Apply Calculate Conduct Demonstrate Prepare Reconcile	Put to practical use Ascertain or reckon mathematically Organise and carry out Prove with certainty or exhibit by practical means Make or get ready for use Make or prove consistent/compatible

For example you could be asked to reconcile the differences between profits calculated using absorption costing and marginal costing (BA2), or to calculate the gain or loss on disposal of a noncurrent asset (BA3) or to apply relevant principles to determine the outcome of a law-based or ethical problem (BA4).

For reference, levels 4 and 5 of the hierarchy require demonstration of analysis and evaluation skills respectively. Further detail on levels 4 and 5 of the hierarchy which are tested in the CIMA Professional Qualification can be obtained from the CIMA website, [www.cimaglobal.com](http://www.cimaglobal.com).





# OBJECTIVE TESTS

Objective Test questions require you to choose or provide a response to a question whose correct answer is predetermined.

The most common types of Objective Test question you will see are:

- **multiple choice**, where you have to choose the correct answer(s) from a list of possible answers – this could either be numbers or text.
- **multiple response** with more choices and answers, for example, choosing two correct answers from a list of five available answers – this could either be numbers or text.
- **number entry**, where you give your numeric answer to one or more parts of a question, for example, gross profit is \$25,000 and the accrual for heat and light charges is \$750.
- **drag and drop**, where you match one or more items with others from the list available, for example, matching several accounting terms with the appropriate definition
- **drop down**, where you choose the correct answer from those available in a drop down menu, for example, choosing the correct calculation of an accounting ratio, or stating whether an individual statement is true or false. This can also be included with a number entry style question.
- **hot spot**, where, for example, you use your computer cursor or mouse to identify the point of profit maximisation on a graph

CIMA has provided the following guidance relating to the format of questions and their marking:

- questions which require narrative responses to be typed will not be used
- for number entry questions, clear guidance will usually be given about the format in which the answer is required e.g. 'to the nearest \$' or 'to two decimal places'.
- item set questions provide a scenario which then forms the basis of more than one question (usually 2 and 4 questions). These sets of questions would appear together in the test and are most likely to appear in BA2 and BA3
- all questions are independent so that, where questions are based on a common item set scenario, each question will be distinct and the answer to a later question will not be dependent upon answering an earlier question correctly
- all items are equally weighted and, where a question consists of more than one element, all elements must be answered correctly for the question to be marked correct.

Throughout this Exam Practice Kit we have introduced these types of questions, but obviously we have had to label answers A, B, C etc. rather than using click boxes. For convenience we have retained quite a few questions where an initial scenario leads to a number of sub-questions. There will be questions of this type in the Objective Test Examination but they will rarely have more than three sub-questions.

## **Guidance re CIMA on-screen calculator**

As part of the CIMA Objective Test software, candidates are provided with a calculator. This calculator is on-screen and is available for the duration of the assessment. The calculator is available in Objective Test Examinations for BA1, BA2 and BA3 (it is not required for BA4).

Guidance regarding calculator use in the Objective Test Examinations is available online at: <https://connect.cimaglobal.com/>

## **CIMA Cert BA Objective Tests**

The Objective Tests are a two-hour assessment comprising compulsory questions, each with one or more parts. There will be no choice and all questions should be attempted. The number of questions in each assessment are as follows:

**BA1** Fundamentals of Business Economics – 60 questions

**BA2** Fundamentals of Management Accounting – 60 questions

**BA3** Fundamentals of Financial Accounting – 60 questions

**BA4** Fundamentals of Ethics, Corporate Governance and Business Law – 85 questions

**Information concerning formulae and tables will be provided via the CIMA website:  
[www.cimaglobal.com](http://www.cimaglobal.com).**

# SYLLABUS OUTLINE

## BA4: Fundamentals of Ethics, Corporate Governance and Business Law

### Syllabus overview

The learning outcomes in this subject reflect the professional standards to be demonstrated for the benefit of all stakeholders. With this in mind, the place of ethics and ethical conflict is an essential underpinning for commercial activity. Ethics is more than just knowing the rules around confidentiality, integrity and objectivity. It's about identifying ethical dilemmas, understanding the implications and behaving appropriately. It includes the role of corporate governance, corporate social responsibility and audit; and their increasing impact in the management of organisations.

Wherever business is conducted the legal and administrative framework underpins commercial activity. With this in mind the areas of contract law, employment law, administration and management of companies is considered.

### Assessment strategy

There will be a two hour computer based assessment, comprising 85 compulsory objective test questions.

### Syllabus structure

The syllabus comprises the following topics and weightings:

Content area		Weighting
A	Business ethics and ethical conflict	30%
B	Corporate governance, controls and corporate social responsibility	45%
C	General principles of the legal system, contract and employment law	15%
D	Company administration	10%
		<b>100%</b>

# LEARNING OUTCOMES AND INDICATIVE SYLLABUS CONTENT

## BA4A: Business ethics and ethical conflict (30%)

### Learning outcomes

On completion of their studies, students should be able to:

Lead	Component	Level	Indicative syllabus content
1. Demonstrate an understanding of the importance of ethics to society, business and the professional accountant.	a. Explain the nature of ethics and its application to society, business and the accountancy profession.	2	<ul style="list-style-type: none"> <li>The importance of ethics.</li> <li>The nature of ethics and its relevance to society, business and the accountancy profession.</li> <li>Values and attitudes for professional accountants.</li> <li>Legal frameworks, regulations and standards for business.</li> <li>The role of national 'Professional Oversight Boards for Accountancy' and 'Auditing Practices Boards'.</li> <li>The role of international accounting bodies e.g. IFAC.</li> <li>Rules-based and framework approaches to ethics.</li> <li>Managing responsible businesses.</li> <li>Organisational and personal values.</li> </ul>
	b. Apply the values and attitudes that provide professional accountants with a commitment to act in the public interest and with social responsibility.	3	
	c. Explain the need for a framework of laws, regulations and standards in business and their application and why CIMA and IFAC each have ethical codes.	2	
	d. Distinguish between detailed rules-based and framework/principles approaches to ethics.	2	
	e. Identify the ethical issues significant to organisations and how CIMA partners with strategic bodies to assist its members with ethical tensions/synergies.	2	
	f. Describe how personal and organisational policies and values promote behaviour.	2	
2. Explain the need and requirements for CIMA students and members in adopting the highest standards of ethical behaviour.	a. Explain the need to develop the virtues of reliability, responsibility, timeliness, courtesy and respect.	2	<ul style="list-style-type: none"> <li>The personal qualities of reliability, responsibility, timeliness, courtesy and respect.</li> <li>The fundamental ethical principles, and examples of their use for professional accountants in practice and professional accountants in business.</li> <li>Continual Professional Development (CPD), personal development and lifelong learning.</li> <li>Disclosure required by law (confidentiality).</li> <li>The concepts of independence, scepticism, accountability and social responsibility.</li> <li>The threats and safeguards approach to resolving ethical issues, including whistle-blowing, grievance, regulations and laws.</li> </ul>
	b. Explain the fundamental ethical principles.	2	
	c. Identify concepts of independence, scepticism, accountability and social responsibility.	2	
	d. Illustrate the threats and safeguards to the fundamental ethical principles.	2	

**LEARNING OUTCOMES AND INDICATIVE SYLLABUS CONTENT**

<b>Lead</b>	<b>Component</b>	<b>Level</b>	<b>Indicative syllabus content</b>
3. Explain the various means of regulating ethical behaviour, recognising different parties' perspectives towards ethical dilemmas.	a. Explain the relationship between the CIMA Code of Ethics and the law.	2	<ul style="list-style-type: none"> <li>• The relationship between the CIMA Code of Ethics and the law.</li> <li>• The distinction between CIMA's Code of Ethics, contracts, and the responsibilities of students and members when they conflict.</li> <li>• The consequences of unethical behaviour: reputation, financial, legal and regulatory; and the benefits of good ethical behaviour</li> <li>• The concepts of corporate and personal ethical stances, in relation to multiple stakeholders.</li> </ul>
	b. Describe the consequences of ethical behaviour to society, business, the profession and the professional accountant.	2	
	c. Identify conflicting perspectives of interest when dealing with stakeholders in society, business and the values of professional accountants.	2	
4. Identify ethical dilemmas and how they may be resolved.	a. Identify situations where ethical dilemmas and conflicts of interest occur, based on CIMA's ethical checklist.	2	<ul style="list-style-type: none"> <li>• The nature of ethical dilemmas, tensions and synergies.</li> <li>• Conflicts of interest and how they arise.</li> <li>• Issues of corporate confidentiality.</li> <li>• CIMA's Ethical Checklist.</li> </ul>

## BA4B: Corporate governance, controls and corporate social responsibility (45%)

### Learning outcomes

On completion of their studies, students should be able to:

Lead	Component	Level	Indicative syllabus content
1. Explain the role of corporate governance in meeting the concerns of society and investors over the management of corporations.	a. Describe corporate governance.	2	<ul style="list-style-type: none"> <li>The role and key objectives of corporate governance, agency theory.</li> <li>Objectivity and independence.</li> <li>The interaction of corporate governance, ethics and the law.</li> <li>The purpose, definition and status of the OECD Corporate Governance Code.</li> <li>IFAC's drivers for sustainable organisational success.</li> <li>CIMA's proposals for better reporting of corporate governance.</li> <li>Rules and principles based approaches to governance.</li> </ul>
	b. Explain the interaction of corporate governance with business ethics and company law.	2	
	c. Explain the purpose, definition of the Organisation for Economic Co-operation and Development (OECD) principles of Corporate Governance.	2	
	d. Describe IFAC's main drivers of sustainable corporate success.	2	
	e. Illustrate CIMA's practical proposals for better corporate governance.	2	
	f. Distinguish between detailed rules-based and principles-based approaches to governance.	2	
2. Explain the impact of corporate governance on the directors and management structures of corporations.	a. Describe the role of the board and different board structures.	2	<ul style="list-style-type: none"> <li>The role of the board in establishing corporate governance standards.</li> <li>Types of board structures and the role of the board as independent, objective, sceptical and resourceful.</li> <li>The impact of corporate governance on directors' powers and duties.</li> <li>Policies and procedures for 'best practice' in companies.</li> <li>Audit committee – controls, monitoring and relationships.</li> <li>Appointments Committee.</li> <li>Remuneration Committee.</li> </ul>
	b. Explain the effects of corporate governance on directors' powers and duties.	2	
	c. Describe the types of policies and procedures that constitute 'best practice'.	2	
	d. Describe the respective committees and their roles and responsibilities with regards monitoring and controlling the actions of the Executive.	2	
3. Explain the role of external and internal audit.	a. Identify the requirements for external audit and the basic processes undertaken.	2	<ul style="list-style-type: none"> <li>External audit.</li> <li>Fair presentation.</li> <li>Distinction between external and internal audit.</li> <li>Internal audit.</li> <li>Financial controls, audit checks and audit trails.</li> <li>The role of internal audit in providing a service to management.</li> <li>How internal audit plays an important and value added service throughout the corporation both in financial and non-financial processes.</li> </ul>
	b. Explain the meaning of fair presentation.	2	
	c. Distinguish between external and internal audit.	2	
	d. Explain the purpose and basic procedures of internal audit; the need for financial controls and the purpose of audit checks and audit trails.	2	
	e. Explain the role of internal audit in non-financial monitoring and control activities.	2	
	f. Illustrate the added value internal audit provides to both the board and management of the corporation.	2	

LEARNING OUTCOMES AND INDICATIVE SYLLABUS CONTENT

Lead	Component	Level	Indicative syllabus content
4. explain the nature of errors and frauds.	a. Explain the nature of errors.	2	<ul style="list-style-type: none"> <li>• Errors including those of principle, omission, and commission.</li> <li>• Types of fraud.</li> <li>• Methods for prevention of fraud including levels of authorisation, documentation and staff organisation.</li> <li>• Methods of detection of fraud including spot checks, comparison with external evidence, reconciliations and control accounts.</li> </ul>
	b. Explain the nature of fraud.	2	
	c. Describe the different methods of fraud prevention and detection.	2	
5. Explain Corporate Social Responsibility (CSR) – a political and corporate perspective.	a. Describe the OECD general policies.	2	<ul style="list-style-type: none"> <li>• The OECD general policies.</li> <li>• The role of international frameworks.</li> <li>• The demands of stakeholders, maximising shareholder return and enhancing the supply chain.</li> <li>• Issues within the supply chain.</li> </ul>
	b. Explain the role of national and international laws and regulations.	2	
	c. Describe conflicting demands of stakeholders.	2	
	d. Identify issues with CSR and the supply chain.	2	
6. Explain the role of CSR within company reporting.	a. Describe the guidelines of reporting CSR within annual reports.	2	<ul style="list-style-type: none"> <li>• Disclosure guidelines and sources of best practice.</li> <li>• The link between CSR and a company's brand.</li> </ul>
	b. Identify synergies and tensions with CSR and brand management.	2	

## BA4C: General principles of the legal system, contract and employment law (15%)

### Learning outcomes

On completion of their studies, students should be able to:

Lead	Component	Level	Indicative syllabus content
1. Explain how the law determines the point at which a contract is formed and the legal status of contractual terms.	a. Identify the essential elements of a valid contract and situations where the law requires the contract to be in a particular form.	2	<ul style="list-style-type: none"> <li>The essential elements of a valid contract.</li> <li>The legal status of statements made by negotiating parties. Offers and acceptances and the application of the rules to standard form contracts using modern forms of communication.</li> <li>The principles for establishing that the parties intend their agreement to have contractual force and how a contract is affected by a misrepresentation.</li> <li>Incorporation of express and implied terms, conditions and warranties.</li> <li>Corporate capacity to contract.</li> </ul>
	b. Explain how the law determines whether negotiating parties have reached agreement and the role of consideration in making that agreement enforceable.	2	
	c. Explain when the parties will be regarded as intending the agreement to be legally binding and how an agreement may be avoided because of misrepresentations.	2	
	d. Explain how the terms of a contract are established and their status determined.	2	
	e. Explain the ability of a company to contract.	2	
2. Explain the essential elements of an employment contract and the remedies available following termination of the contract.	a. Explain how the contents of a contract of employment are established.	2	<ul style="list-style-type: none"> <li>The express and implied terms of a contract of employment.</li> <li>The rights and duties of employers and employees.</li> <li>Diversity, discrimination, anti-bribery, gifts, conflicts of interest, whistle-blowing, money laundering, disciplinary, data protection, social media, health and safety.</li> <li>Notice and dismissal, redundancy.</li> <li>Unfair and wrongful dismissal.</li> </ul>
	b. Explain what policies and procedures may be present in the workplace.	2	
	c. Explain the distinction between unfair and wrongful dismissal and the consequences.	2	



**BA4D: Company administration (10%)****Learning outcomes**

On completion of their studies, students should be able to:

Lead	Component	Level	Indicative syllabus content
1. Explain the nature, legal status and administration of business organisations.	a. Describe the essential characteristics of the different forms of business organisations and the implications of corporate personality.	2	• The essential characteristics of sole traders, partnerships, companies limited by shares and corporate personality.
	b. Explain the differences between public and private companies.	2	• 'Lifting the corporate veil' both at common law and by statute.
	c. Explain the purpose and legal status of the Articles of Association.	2	• The distinction between public and private companies.
	d. Explain the main advantages and disadvantages of carrying on business through the medium of a company limited by shares.	2	• Company registration and the advantages of purchasing a company 'off the shelf'. • The purpose and contents of the Articles of Association. • The advantages and disadvantages of a company limited by shares.



## Section 1

# OBJECTIVE TEST QUESTIONS

### SYLLABUS SECTION A: BUSINESS ETHICS AND ETHICAL CONFLICT

- 1 Which of these is the most accurate statement of when an accountant should act, having identified a threat to ethical conduct?**
  - A when there is a substantial threat to the profession or their firm?
  - B when there is a possibility of some professional liability?
  - C when there is anything other than an insignificant consequence?
  
- 2 Ethical frameworks can draw both on rules and on framework principles. Which of the following best expresses the complementary role of ethical rules and principles?**
  - A Ethical rules outline the things you must do and the way you should do them, while framework principles provide guidance on things you ought to do, but leave you to determine how to comply
  - B Ethical rules provide for conduct that must be complied with in a particular way, while framework principles provide the reasons why standards and rules must be complied with
  - C Ethical rules provide a clear means to identify what you must do, while framework principles provide the means to identify, evaluate and address ethical problems
  
- 3 Which of the following statements are true?**
  - A An accountant is under no duty to disclose the limitations of their expertise to the client
  - B An accountant is only responsible for his or her own professional qualifications and training
  - C An accountant may need to compromise the most precise attention to detail in preparing work in order to meet a reasonable deadline

**4 Consider the list of safeguards for ethical conduct and choose which are primary workplace (internal) safeguards (A) and which are regulatory (external) safeguards (B).**

Try to match internal safeguards to their external counterparts.

- 1 Appropriate disciplinary processes.
- 2 Code of Ethics.
- 3 Continuing professional development requirements.
- 4 Corporate governance regulations.
- 5 Educational, training and experience requirements for entry into the profession.
- 6 Effective, well-publicised complaints systems operated by the employing organisation, the profession or a regulator, which enable colleagues, employers and members of the public to draw attention to unprofessional or unethical behaviour.
- 7 External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.
- 8 Leadership that stresses the importance of ethical behaviour and the expectation that employees will act in an ethical manner.
- 9 Policies and procedures to implement and monitor the quality of employee performance.
- 10 Professional or regulatory monitoring and disciplinary procedures.
- 11 Professional standards.
- 12 Recruitment procedures in the employing organisation emphasising the importance of employing high calibre competent staff.
- 13 Strong internal controls.
- 14 The employing organisation's ethics and conduct programmes.
- 15 The employing organisation's systems of corporate oversight or other oversight structures.
- 16 Timely communication of the employing organisation's policies and procedures, including any changes to them, to all employees and appropriate training and education on such policies and procedures.
- 17 Policies and procedures to empower and encourage employees to communicate to senior levels within the employing organisation any ethical issues that concern them without fear of retribution.
- 18 An explicitly stated duty to report breaches of ethical requirements.

**5 Which of these are ethical reasons for the need for continuous improvement and lifelong learning?**

- A Because they are essential for career progression
- B Because qualifications are important so the public can see that accountants are capable
- C Because the world of accountancy is constantly developing and it is the accountant's duty to keep up
- D Because otherwise there may be costly mistakes made
- E Because learning is a good thing in itself
- F Because firms are audited for the qualifications of their staff