

# ACCA AS Practice Test Questions and Answers

## 1. Privity of contract means:

- A) All written contracts must be notarised
- B) Only parties to a contract can sue and be sued on it
- C) A contract must be signed by witnesses
- D) Both parties must have equal bargaining power

## 2. Transfer pricing is used when:

- A) A company sells goods to an overseas customer
- B) One division sells goods or services to another division within the same organisation
- C) A company sets prices based on cost-plus methodology
- D) A company negotiates a price with a government contract

## 3. 'Audit risk' is the risk that:

- A) The client commits fraud during the audit period
- B) The auditor expresses an inappropriate opinion when the financial statements are materially misstated
- C) The audit fee will not be recovered from the client
- D) The client changes auditor before the audit is complete

## 4. A company's articles of association:

- A) Define the external capacity of the company
- B) Govern the internal management and administration of the company
- C) Must be registered at Companies House only when the company is wound up
- D) Have no legal effect between shareholders

**Answers: 1-B 2-B 3-B 4-B**

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