

Accounts: Special Conceptual Questions: Home Assignment: Set 1

165 Questions **165** Marks **200** Minutes

1: BRS

1.A bank reconciliation statement is statement prepared to reconcile

(a) Trial Balance (b) Profit as per books of account with the profit as per income-tax return (c) Cash balance as per cash book with bank balance as per pass book (d) Bank balance as per cash book with bank balance as per bank pass book

2.A bank reconciliation is prepared by the

(a) Bank (b) Creditors (c) Business (d) Supplier

3.While adjusting the cash balance which one of the following is not taken into account

(a) Payment directly received by bank as per instructions. (b) Payment directly made by the bank as per standing instruction. (c) Mistakes in cash book. (d) Mistakes in pass book.

4.Which one of these prepare bank reconciliation statement

(a) Business enterprises (b) Statutory Auditor (c) Customers (d) Reserve Bank of India

5.Debit balance as per pass book means

(a) Bank Overdraft (b) Debit balance in pass book (c) Cash balance with bank (d) None of these

6.Which one of these is true about a bank reconciliation statement?

(a) It is a part of memorandum statement (b) It is a part of cash book (c) It is a part of ledger (d) It is a part of bank document

7.Which one of these will require adjustment of cash book balance?

(a) Overcasting bank column of cash book (b) Cheque issued but not presented for payment (c) Cheque deposited but not cleared (d) Errors in pass book

8.An amount of Rs.2,500 is debited twice in the bank column of cash book. When credit balance as per pass book is the starting point which one of these adjustment would be done at the time of reconciliation.

(a) Add Rs.2,500 to balance as per pass book (b) Deduct Rs.2,500 to balance as per pass book (c) Add Rs.5,000 to balance as per pass book (d) Deduct Rs.5,000 to balance as per pass book

9. Which one of these is not a cause of difference in balance as per pass book & as per cash book?

(a) Errors in cash book (b) Errors in pass book (c) Cheques deposited & cleared (d) Cheques issued but not presented for payment

10. Mr. X issued cheques worth Rs.15,000 in March 2005 out of which cheque worth Rs.10,000 only were presented for payment by 31st March 2005. While reconciling bank & cash book balance as on 31st March 2005, how much would be added to balance as per cash book to arrive at balance as per pass book.

(a) Rs.15,000 (b) Rs.10,000 (c) Rs.5,000 (d) Rs.7,500

11. Mr. Y presented three cheques Rs.3,000, Rs.4,500 & Rs.3,600 with the bank on 28th March,2005 out of these cheques, cheques amounting to Rs.4,500 & Rs.3,000 were shown in the pass book in the month of April 2005. While reconciling the balance on 31.3.2005 which of these cheques would be taken in reconciliation.

(a) Rs.3,600 (b) Rs.3,000 (c) Rs.4,500 & Rs.3,000 (d) Rs.3,600 & Rs.3,000

12. Which of these bank balance are shown in Trial Balance

(a) Balance as per cash book (b) As per bank pass book (c) As certified by st. Auditor (d) As per bank statement

13. Mr. X had two accounts one current account & another saving bank A/c in a nationalized bank he drew a cheque of Rs.5,000 on saving bank but credited to Current A/c in his cash book. Similarly a cheque of Rs.2,000 deposited in current A/c was debited to Saving Bank A/c what would be effect of these errors in Bank pass book/ Bank statement of these two A/c.

(a) Current A/c balance would be less by Rs.2,000 & Saving A/c balance more by Rs.5,000. (b) Current A/c balance would be more by Rs.2,000 & Saving A/c balance less by Rs.5,000. (c) Current A/c balance would be less by Rs.5,000 & Saving A/c balance more by Rs 2,000. (d) Current A/c balance would be more by Rs.5,000 & Saving A/c less by Rs.2,000.

14. The cash book shows a balance of Rs.11,000 which was different from the pass book balance. The difference is found to be due to a credit entry in pass book amounting to Rs.2,000 for direct payment by a customer & a debit of Rs.250 for bank charges on collection of outstation cheques & other services. What would be the balance as per bank pass book?

(a) Rs.12,750 (b) Rs.12,250 (c) Rs.13,750 (d) Rs.13,500

Accounts: Special Conceptual Questions: Home Assignment: Set 1

15. The bank pass book shows Rs.3,600 but the cash book shows a different balance while analyzing the cause of difference it was noticed that total of debit side of cash book was carried forwarded to next page as in the cash book. What would be the balance as per cash book?

- (a) Rs.2,100 (b) Rs.3,100 (c) Rs.2,000 (d) Rs.2,200

16. Which of these statements is true about a bank pass book.

- (a) Pass book contains a copy of bank column of the customer cash book (b) Pass book is a copy of customers account in bank book (c) Pass book contains a copy of cash column of customer of cash book (d) Pass book contains a copy of customers current account in cash book

17. Unfavorable balance as per bank pass book means which of these

- (a) Bank Overdraft (b) Debit balance in pass book (c) Debit balance in cash book (d) (a & b)

18. Bank reconciliation statement is prepared to

- (a) Reconcile cash at bank balance as per cash book with bank balance as per bank pass book (b) Reconcile petty cash in hand with cash balance as per cash book (c) Reconcile total of debit side of cash book (d) All the three

19. Bank reconciliation is prepared by

- (a) Sole Proprietor concern (b) Partnership firm (c) Corporate bodies (d) All the three

20. Entry in credit side of bank pass book implies

- (a) Cash withdrawn (b) Cash/ Cheque deposited in Bank (c) Business expenses (d) Personal expenses

21. Entry in debit side of Bank pass book implies

- (a) Cash withdrawn (b) Cash/ Cheque deposited in Bank (c) Business receipts (d) Personal receipts

22. Credit balance in bank pass book means

- (a) Bank overdraft (b) Bank Balance (c) Balance as per cash book (d) Total of bank A/c

23. Debit balance in bank pass book means

- (a) Bank Overdraft (b) Bank Balance (c) Balance as per cash book (d) Total of Bank A/c

24. Which of these types of errors are not detected during bank reconciliation

- (a) Cash embezzlement by the Cashier (b) Cheque deposited but not credited by bank (c) Casting mistakes in bank column of cash book (d) Interest or commission charged by the bank but not accounted for in cash book.

25. Mr. T issued cheques worth Rs.25,000 in March 2005 out of which cheques worth Rs.10,000 only were presented for payment by 31st March 2005. Balance as per pass book was Rs.45,000. What would be balance as per cash book

- (a) 30,000 (b) 20,000 (c) 25,000 (d) 15,000

Select the right option to fill in the blanks:

26. Overdraft means the _____ balance in the Pass Book.

- (a) Debit (b) Credit (c) Excess (d) Nil

27. Credit Balance of the bank column of cash book means _____.

- (a) Bank Balance (b) Cash on hand (c) Nothing in particular (d) Bank Overdraft.

28. Bank Reconciliation is a _____ & not on _____.

- (a) account, statement (b) statement, account (c) ledger, journal (d) letter, account

29. The bank balance in the Cash Book _____ by cheque drawn & _____ by cheque deposited.

- (a) increases, decreased (b) does not change, increases (c) decreases, increases (d) decreases, does not change.

30. If transactions of different months in the cash book & pass book are given, the _____ transaction will appear in the Bank Reconciliation Statement.

- (a) uncommon (b) No (c) common (d) All

Q.6 to 11: Indicate whether the following statements are true or false:

31. Bank Reconciliation statement is prepared by the bank

- (a) True (b) False

32. Bank Reconciliation statement shows the profit during the year

- (a) True (b) False

33. Bank Reconciliation statement is written in the Bank column of the Cash Book

- (a) True (b) False

34. The amount written on the credit side of the cash book (Bank Column) increases the bank balance

- (a) True (b) False

35. The amount written on the debit side of the Pass Book increases Bank Overdraft

- (a) True (b) False

36. Bank Reconciliation Statement shows the common transactions found in both the Cash Book & the Pass Book during the same month.

- (a) True (b) False

37. Bank Reconciliation Statement is

- (a) a part of the Cash Book (b) a ledger account (c) a statement showing the causes of difference between the cash book & pass book balances. (d) Neither of the three

Accounts: Special Conceptual Questions: Home Assignment: Set 1

- 38.** Bank Reconciliation Statement is prepared by
(a) Bank (b) customers of a bank (c) creditors of a business (d) neither of the three
- 39.** Debit balance in the Cash Book means
(a) overdraft as per Pass Book (b) credit balance as per Pass Book (c) overdraft as per Cash Book (d) neither of the three
- 40.** Credit balance in the Cash Book means:
(a) overdraft as per Pass Book (b) favorable balance as per Pass Book (c) Favorable balance as per Cash Book (d) neither of the three
- 41.** A bank reconciliation statement is prepared to find out the causes of the difference between
(a) the balance as shown by the cash column of the cash book with the balance shown by its bank column (b) the balance as shown by the cash column of the cash book with the balance shown by the pass book (c) the balance shown by the bank column of the cash book with the balance shown by the pass book.
- 42.** A bank pass book is a copy of
(a) the cash of a customers cash book (b) the bank column of customers cash book (c) the customers account in the bank's ledger.
- 43.** A bank reconciliation statement reconciles the
(a) ledger with the journal (b) petty cash book with the bank account (c) day books with the bank statement (d) bank statement with the cash book
- 44.** A bank reconciliation statement is prepared to reconcile the difference in
(a) cash balance & bank balance (b) cash balance & pass book balance (c) bank balance as per bank column of cash book
- 45.** Cheques issued but not yet presented for payment.
(a) add (b) deduct
- 46.** A bill of exchange must be-
a) In writing
b) Signed by the drawee
c) A conditional order to pay
d) An unconditional promise to pay
- 47.** A bill of exchange-
a) Requires no acceptance
b) Must be accepted
c) Can be drawn only on a bank
d) Is drawn by a debtor
- 48.** There are parties to a bill of exchange-
a) The seller, the buyer and the bank
b) The debtors, the creditor and the endorsee
c) The payer, the payee and the bank
d) The drawer, the drawee and the payee
- 49.** A bill of exchange is payable-
a) At any time in the future
b) Only on presentation
c) On presentation or at a time in the future
d) Only to a bank
- 50.** Noting is a procedure adopted if a bill of exchange has been dishonoured by
a) Acceptance
b) non-acceptance
c) non-payment
d) non-acceptance or non-payment
- 51.** upon retirement, the drawer of the bill
a) requires the payment on the due date
b) does not get the payment
c) receives the payment before the due date
d) receives the payment after the due date.
- 52.** The rebate on bill retired is actually calculated at a fixed percentage per annum on the face value of the bill for
a) Unexpired period of the bill
b) Expired period of the bill
c) Tenor of the bill
d) None of the above
- 53.** Upon renewal, the indebtedness of the drawee is not restricted to the-
a) Value of the bill
b) Face value of the bill
c) Discounted value of the bill
d) Present value of the bill
- 54.** When a bill of exchange is endorsed the amount is payable to the-
a) Original holder
b) Bank
c) Endorsee
d) Notary public

1: Bills of Exchange and Promissory Notes

Select the best choice to answer the following question

Accounts: Special Conceptual Questions: Home Assignment: Set 1

55. The discounting of a bill does not affect the position of the-
- a) Drawer
 - b) drawee
 - c) Bank
 - d) seller
56. Discounted bills receivable is shown in the balance sheet as a
- a) Current asset
 - b) Contingent liability
 - c) Liability
 - d) Contingent assets
57. State which of the following is a promissory note.
- a) 'Mr. Amar, I owe you Rs. 100'.
 - b) 'I promise to pay Rs. 5,000 to Y provided he is ready to go with me to kill X.'
 - c) 'Received from Mr. Y Rs. 4,000 which I promise to pay on demand'.
 - d) 'Deposit with me Rs. 4,000 to be returned on demand'.
58. The liability of the maker of a promissory note is
- a) Secondary but absolute
 - b) Secondary and conditional
 - c) Primary and absolute
 - d) Primary but conditional
59. Accommodation bill is also called-
- a) Trade bill
 - b) promissory note
 - c) Kite bill
 - d) bank note
60. Which of the following is true?
- a) This bill is the acknowledgement of the debt
 - b) This bill is always discounted with bank
 - c) This bill is drawn and accepted for consideration.
 - d) In case of dishonour, legal action can be resorted.
61. Which of the following is true?
- a) A bill of exchange must direct a certain person to receive a certain sum of money.
 - b) A bills payable on demand is not required to be accepted.
 - c) A bill of exchange is not one kind of a post dated cheque.
 - d) A bill payable on demand is estimated to three days of grace.
62. Which of the following is true?
- a) The person to whom a bill is addressed is the creditor.
 - b) A bill from the point of view of a creditor is called a bills payable.
 - c) When the drawer discounts a bill, he credits discount account.
 - d) Refusal by the acceptor to make payment of the bill on the maturity date is called dishonour of the bill.
63. Which of the following is true?
- a) No cancellation entry is required when a bill is renewed.
 - b) A banker holds discounted bills as an agent for collection.
 - c) Discount at the time of retirement of a bill is a gain for the drawee.
 - d) The noting charges are ultimately borne by the drawer.
64. Which of the following is true?
- a) A bill of exchange should be presented on the due date and at the place named.
 - b) A bill can generally be discounted with the banker where the drawee of the bill has an account
 - c) A bill of exchange cannot be transferred by the holder to another party by mere physical delivery
 - d) No entry is passed in the books of the drawer in respect of bills sent for collection.
65. Which of the following is true?
- a) Noting is not a legally acceptable evidence of dishonour.
 - b) When a bill is honoured, notice must be given to the prior parties.
 - c) A renewed bill re-establishes the acknowledgment of the debt of the drawee.
 - d) Upon retirement, the drawer of the bill gets a fixed payment.
66. Which of the following is true?
- a) A bill is generally discounted on the due date.
 - b) A bill can be renewed before or after the due date.
 - c) Days of grace is allowed when the bill is payable on demand.
 - d) A bill can be endorsed by the drawer to the drawer to his creditors in full or part settlement of dues.

Accounts: Special Conceptual Questions: Home Assignment: Set 1

67. Which of the following is true?
- a) The banker realizes the face value of the discounted bill on the due date from the drawee.
 - b) Upon its dishonour, the holder of a bill has no right of action against the drawee or any previous endorser.
 - c) Entries for noting charges are not similar to the entries for dishonour of a bill
 - d) Upon renewal, the drawee of the bill becomes liable to make a part payment.
68. Which of the following is true?
- a) Upon renewal, the indebtedness of the drawee is restricted to the face value of the bill.
 - b) Retiring a bill is the act of withdrawing a bill of exchange from circulation.
 - c) It is necessary that the drawee, the drawer and the payee should be three different persons.
 - d) A bill of exchange cannot be transferred from one place to another in the same way a cheque is remitted.
69. Which of the following is true?
- a) A bill of exchange can be crossed.
 - b) A dishonoured bill of exchange does not require any noting.
 - c) A bill of exchange does not pay the amount the customer owes.
 - d) A term bill is payable on demand.
70. Which of the following is true?
- a) When the period of the bill is stated in days, the calculation of the due date will be made in terms of calendar month.
 - b) Noting charges paid by the bank is in the nature of interest.
 - c) The noting charges cannot legally be recover from the drawee.
 - d) When a bill is discounted, the banker does not make the payment in cash.
71. A bill of exchange comes from a (an) _____ credit arrangement.
- a) Open
 - b) deferred
 - c) Part
 - d) long
72. The drawing of a bill of exchange converts the _____ relationship into a _____ relationship.
- a) Debtor-creditor, drawer-drawee
 - b) Debtor-creditor, payer-payee
 - c) Buyer-seller, debtor-creditor
 - d) Buyer-seller, drawer-drawee
73. A bill of exchange is a legal evidence of an acknowledgment of _____.
- a) Receipt
 - b) loan
 - c) Debt
 - d) payment
74. A bill of exchange can be drawn on any _____ including a bank.
- a) Drawer
 - b) creditor
 - c) Seller
 - d) person
75. For a (an) _____ bill of exchange, noting may be necessary.
- a) Honoured
 - b) dishonoured
 - c) Endorsed
 - d) Discounted
76. Discounting is a device to convert the _____ into _____ at its present value.
- a) Cash, bill
 - b) bill, cash
 - c) Sales, cash
 - d) sale, bill
77. The discount is an expense for the _____ and revenue for the _____.
- a) Seller, buyer
 - b) banker, drawer
 - c) drawer, banker
 - d) drawer, drawee
78. When a bill is dishonoured, notice of dishonour must be given to the prior parties to retain their _____.
- a) Liability
 - b) asset
 - c) Bill
 - d) discount
79. When a bill is dishonoured, it becomes _____
- a) Worthless
 - b) valueless
 - c) Bad
 - d) payable
80. The renewal of a bill re-establishes the acknowledgment of the debt of the _____.
- a) Debtor
 - b) drawer
 - c) Creditor
 - d) drawee
81. There are _____ parties in a promissory note.
- a) Three
 - b) four
 - c) Two
 - d) five

Accounts: Special Conceptual Questions: Home Assignment: Set 1

82. A promissory note is an instrument in writing containing _____.
- An unconditional undertaking to pay
 - An unconditional order to pay
 - A conditional undertaking to pay
 - A conditional order to pay.
83. Promissory note _____.
- Includes bank note
 - Includes currency notice
 - Does not include bank note
 - Does not include bank note or currency note
84. Accommodation bill is drawn and accepted _____.
- For consideration
 - To discharge an obligation
 - Without consideration
 - For love and affection
85. In case of dishonour, accommodation bills are _____.
- Always legally enforceable
 - Legally enforceable under certain circumstances
 - Noted with the notary public
 - Not legally enforceable

3: Partnership: Admission of a Partner

Select the best choice to answer the following question.

86. When a new partner is admitted, he is entitled to a share of _____.
- Past profits
 - Present profits
 - Future profits
 - Reserve appearing in the balance sheet of the firm
87. When a new partner is admitted, unless otherwise agreed, the profit sharing ratio between the existing partners will _____.
- Reduce
 - Increase
 - Remain same
 - None of above
88. Which of the following is not true?
- At the time of admission of a partner if only the incoming partner's profit ratio is given, then it means that the profit sharing ratio between the old partners does not change
 - If the incoming partner purchase his share of profit from the other partners in a particular ratio, then the old partners continue to share profits and losses in the old ratio
 - It is often desired to revalue the assets and liabilities at the time of admission of a partner
 - The contingent liability becoming a certain liability will be debited to revaluation account at the time of admission of a partner
89. Which of the following is true?
- All accumulated profits and losses are to be transferred to revaluation account at the time of admission of a partner
 - If the incoming partner is to bring his share of goodwill in cash the same is taken away by the old partners in their new profit sharing ratio
 - In case of memorandum revaluation account, the balance of its second part is taken to the capital accounts of the old partners only
 - When memorandum revaluation account is prepared then all the assets and liabilities except cash appears in the balance sheet at their old values.
90. Which of the following is not true? A purchased goodwill _____.
- Arises on purchase of a business
 - Is not shown in the balance sheet
 - Is recorded in the books of account
 - Is amortised over its useful economic life
91. Which of the following is not true?
- When a new partner is admitted, he is entitled to share of future profits/losses
 - Calculation of sacrificing ratio is necessary when the new partner will bring in premium for goodwill in cash
 - Goodwill can have an existence separate from the organisation
 - Revaluation is the recording of an asset or a liability at the current value.
92. Which of the following statement is wrong in the admission of a partner?
- Increase in the valuation of asset will increase capital
 - Increase in the valuation of asset will decrease capital
 - Increase in the valuation of liability will decrease capital
 - Decrease in the valuation of liability will increase capital
93. The account that performs the same function as the revaluation account is the _____.
- Profit & loss adjustment account
 - Capital Account
 - Depreciation Account
 - Appreciation Account

Accounts: Special Conceptual Questions: Home Assignment: Set 1

94. Profit or loss on revaluation of assets and liabilities is shared by
 a) The old partners in the new ratio
 b) The old partners in the old ratio
 c) The old partners in the sacrificing ratio
 d) All the partners in the new ratio
95. The premium for goodwill brought in by the new partner in cash is shared by the old partners in the
 a) Old Ratio b) New Ratio
 c) Capital Ratio d) Sacrificing Ratio
96. A partnership does not maintain goodwill account. T recently admitted a new partner. No adjustments were made for goodwill in the partners' capital accounts.

What is the effect of this omission?

Old partners' capital accounts total balances	New partners' capital account balance
a) Overstated	Understated
b) Understated	Overstated
c) Understated	Understated
d) Overstated	Overstated

97. A and B decided to form a partnership. On that date, A's goodwill was Rs. 50,000 and B's goodwill was Rs. 30,000. The partners decided to write off the goodwill immediately. How should this be done?
 a) According to the amount of capital introduced
 b) According to the amount of goodwill introduced
 c) In equal shares
 d) In the profit sharing ratio

Partnership: Retirement of a partner

Select the best choice to answer the following Questions:

98. Which of the following is true?
 a) The retirement of a partner result in a new partnership.
 b) Gaining ratio is the ratio in which the old partners are surrendering their share of profit in favour of the new partner.
 c) When a partner retires, goodwill is to be distributed in the capital ratio.
 d) When a partner retires, profit or loss on revaluation is to be shared in the gaining ratio.

99. Which of the following is true?
 a) When the retiring partner's share of goodwill is credited to his capital account, then the same is to be debited to the capital accounts of the remaining partners in the sacrificing ratio.
 b) The amount due to the retiring partners if not paid in cash is transferred to his loan account.
 c) The account of retiring partner's capital is transferred to a loan account, which carries interest @ 10% p.a. until it is paid.
 d) If a partner retires on a date other than the date of preparing final accounts, then he is not entitled to any share in the profit from the date of preceding final accounts to the date of retirement.

100. Which of the following is true?
 a) The profit or loss disclosed by the revaluation account at the time of retirement of a partner is transferred to the capital account of the partners in the capital ratio.
 b) When a partner retires, all accumulated losses are transferred to the capital accounts in new profit sharing ratio.
 c) When a partner retires, a revaluation account is prepared in the interest of the retiring partner.
 d) Unrecorded asset taken over by a retiring partner should appear in the revaluation account.

101. Which of the following is true?
 a) When a partner retires, a goodwill account may be raised which will find a place in the balance sheet
 b) When a partner retires, a goodwill account may be raised but it should be written off immediately.
 c) When a partner retires, the remaining partners are bring in money to pay off the retiring partner.
 d) Profits and losses on revaluation of assets and liabilities directly affect the partners' current accounts.

102. State which of the following is not true?
 a) A partner can retire from the business with the consent of all the other partners.

Accounts: Special Conceptual Questions: Home Assignment: Set 1

- b) The profit or loss on revaluation of assets and liabilities is transferred to continuing partners in the new ratio.
- c) Upon retirement, adjustment for goodwill is made through the partners' capital A/c
- d) A retiring partner is entitled to his share in the goodwill of the firm as per the agreement between the partners.

103. On retirement of a partner, the combined shares of the continuing partners
- a) Will remain same
 - b) will reduce
 - c) Will increase
 - d) will decrease or increase

104. on retirement of a partner, the assets and liabilities of the firm are
- a) to be revalued upward only
 - b) to be revalued downward only
 - c) to be revalued both upward and downward where necessary
 - d) not to be revalued

105. at the time of retirement of a partner, if there is undistributed profit in the balance sheet of the firm, it
- a) will not be distributed amongst the partners
 - b) will be distributed in the capital ratio
 - c) will be distributed in the old profit sharing ratio amongst all the partners
 - d) will be distributed amongst continuing partners

106. Upon retirement, joint life policy surrender value will be distributed
- a) Amongst all partners in the old ratio
 - b) Amongst continuing partners in the new ratio
 - c) To retiring partners only
 - d) Amongst continuing partners in the old ratio

107. Gaining ratio is generally calculated at the time of ____ of a partner.
- a) Retirement only
 - b) death only
 - c) Admission only
 - d) retirement/death

108. Gaining ratio is calculated only when the retiring partner's share of ____ is to be adjusted.
- a) Goodwill only
 - b) reserve only
 - c) Goodwill and/or reserve
 - d) Goodwill or reserve

109. Gaining ratio is the difference between ____ ratio and ____.

- a) New profit sharing, old profit sharing
- b) New profit sharing, sacrificing
- c) New capital, old capital
- d) Old profit sharing, new profit sharing

110. After retirement of a partner, the combined share of the remaining partners will be ____.

- a) Unchanged
- b) Increased
- c) Decreased
- d) Increased or Decreased

111. A partner can retire with the ____ of all the other partners.

- a) Consent
- b) expressed consent
- c) Implied consent
- d) Expressed or implied consent

Partnership: Death of a Partner

Select the best choice to answer the following questions:

112. The death of a partner:
- a) Will not terminate the partnership
 - b) Will terminate the partnership
 - c) Will compulsorily dissolve the partnership firm
 - d) Will not affect anything of the partnership

113. On death of a partner, the combined shares of the surviving partners

- a) Will remain same
- b) will decrease
- c) Will increase
- d) Will decrease or increase

114. On death of a partner, the assets and liabilities of the firm are

- a) To be revalued upward only
- b) To be revalued downward only
- c) To be revalued both upward and downward where necessary
- d) Not to be revalued.

115. Joint life policy premium will be treated as

- a) A personal expenses of the partners
- b) An operating loss of the firm
- c) An expense of the firm

Accounts: Special Conceptual Questions: Home Assignment: Set 1

d) An appropriation of profit

116. At the time of death of a partner if there is undistributed profit in the balance sheet of the firm, it

- a) Will not be distributed amongst the partners
- b) Will be distributed in the capital ratio
- c) Will be distributed amongst the surviving partners only
- d) Will be distributed in the old profit sharing ratio amongst all the partners

117. Upon death, the amount of joint life policy should be distributed

- a) Amongst all partners in the old ratio
- b) Amongst continuing partners in the old ratio
- c) To the executors of the deceased
- d) Amongst continuing partners in the new ratio

118. The executors of deceased partners are entitled to the share of goodwill as per the

- a) Agreement between the partners
- b) Profit sharing ratio
- c) Capital ratio
- d) Equally

119. Which of the following is true?

- a) Due to death of a partner, the profit sharing ratio between the old partners does not change
- b) The death of a partner dissolves the old partnership firm
- c) A joint life policy matures on the happening of the first death
- d) The premium paid on a joint life policy is charged against capital of the partners

120. Which of the following is true?

- a) The question of surrender value arises only in case of joint life policies
- b) In case of a 'with profit' policy, the holder will get only the amount specified in the policy
- c) Surrender values are very low during the early years of a policy
- d) At any time, the surrender value of a policy represents a liability

121. Which of the following is true?

- a) Joint life policy is created by debiting profit and loss account
- b) Joint life policy reserve is created by debiting profit and loss account

- c) Joint life policy is always shown as an asset
- d) Joint life policy is always shown as a liability

122. Which of the following is true?

- a) A joint life policy is opened in the books only when a partner dies
- b) The final balance of the joint life policy reserve account is shared by the partners in the capital ratio.
- c) At any point of time, the surrender value of a policy is equal to the total amount of premium paid
- d) Any premium is debited to joint life policy account as and when paid

123. Which of the following is true?

- a) When a partner dies, the assets of the firm are not revalued but realized
- b) When a partner dies, the firm receives the surrender value of the policy.
- c) A deceased partner's share may be taken over by the continuing partners in the agreed ratio
- d) In the case of death of a partner, the surviving partners cannot continue the business in the usual manner

124. Which of the following is not true?

- a) When premium payable on the policy taken on the life of partners is treated as an asset, the amount of premium is debited to the joint life policy account and credited to bank account
- b) When the premium paid on the policy taken on the life of partners is treated as an asset and reserve is to be maintained, then at the end of the accounting year, an amount equal to the premium is debited to profit and loss appropriation account
- c) When the premium paid on the policy taken on the life of partners is treated as an asset and a joint life policy reserve is to be maintained, then the reserve account appears on the asset side of the balance sheet
- d) Joint life policy reserve account is in the nature of an accumulated profit

125. Which of the following is true?

- a) A joint life policy is always shown as an asset

Accounts: Special Conceptual Questions: Home Assignment: Set 1

- a) Profit b) Expense
 c) Loss d) Asset

d) Partners' current A/c	Profit & loss appropriation A/c
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138. When premium payable on the life policy taken on the life of partners is treated as an asset, then the amount received on the maturity of the policy in excess of its surrender value is a (an)_____.
- a) Profit b) Expense
 c) Loss d) Asset

142. Which of the following is not incorporated in the Partnership Act?
- a) Profit & loss are to be shared equally
 b) No interest is to be charged on capital
 c) All loans are to be charged interest @ 6% p.a.
 d) All drawings are to be charged interest

Partnership: Profit and Loss Appropriation Account

Select the best choice to answer the following questions:

139. A partner's private petrol bills have been treated as part of the partnership vehicle expenses. Which of the following entries is necessary to correct the error:

Debit	Credit
a. Drawing A/c	Motor vehicle expenses A/c
b. Motor vehicle expenses A/c	Drawing A/c
c. Motor vehicle expenses A/c	Capital A/c
d. Capital A/c	Motor vehicle expenses account

140. What double entry is necessary to reflect interest earned on fixed partners' capital account balances?

Debit	Credit
a) Partners' current A/c	Profit & loss appropriation A/c
b) Profit & loss appropriation A/c	Partners' current A/c
c) Profit and loss appropriation A/c	Cash A/c
d) Profit & loss appropriation A/c	Partners' capital A/c

141. What double entry is necessary to reflect interest payable on partners' drawings?

Debit	Credit
a) Partners' drawings A/c	Partners' current A/c
b) Profit and loss appropriation A/c	Partners' drawings A/c
c) Partners' drawings A/c	Interest payable A/c

143. When is the Partnership Act enforced?
- a) When there is no partnership deed
 b) Where there is a partnership deed but there are differences of opinion between the partners
 c) When capital contribution by the partners varies
 d) When the partner's salary and interest on capital are not incorporated in the partnership deed.

144. Which one of the following items cannot be recorded in the appropriation account?
- a) Interest on capital
 b) Interest on drawings
 c) Rent paid to partners
 d) Partner's salary

145. How should interest charged on partners' drawings be dealt with in partnership final accounts?
- a) Credited as income in profit & loss A/c
 b) Deducted from profit in allocating the profit among the partners
 c) Added to profit in allocating the profit among the partners
 d) Debited as an expense in the profit & loss A/c

146. Which of the following statement is true?
- a) A minor cannot be admitted as a partner
 b) A minor can be admitted as a partner, only into the benefits of the partnership
 c) A minor can be admitted as a partner but his rights and liabilities are same of adult partner
 d) None of the above.

Accounts: Special Conceptual Questions: Home Assignment: Set 1

147. Non-registration of a partnership gives rise to a number of disabilities such as:
- (i) No partner can bring a suit in any court against the firm or his co-partners.
 - (ii) The firm cannot file a suit against third party for breach of contract.
- Which of the above statement(s) is/are true?
- a) (i) only
 - b) (ii) only
 - c) Both (i) & (ii)
 - d) neither (i) nor (ii)
148. In the absence of partnership deed, interest on partners' loan is payable by the firm @
- a) 12% p.a.
 - b) 6% p.a.
 - c) 10% p.a.
 - d) 16% p.a.
149. Ostensible partners are those who
- a) Do not contribution any capital but get some share of profit for lending their name to the business
 - b) Contribute very less capital but get equal profit
 - c) Do not contribute any capital and without having any interest in the business, lend their name to the business
 - d) Contribute maximum capital of the business
150. Sleeping partners are those who
- a) Take active part in the conduct of the business but provide co capital. However, salary is paid to them.
 - b) Do not take any part in the conduct of the business but provide capital and share profits and losses in the agreed ratio
 - c) Take active part in the conduct of the business but profited no capital. However, share profits and losses in the agreed ratio.
 - d) Do not take any part in the conduct of the business and contribute no capital. However, share profits and losses in the agreed ratio.
151. A commission of 20% on net profit after charging such commission is calculated as
- a) 1/6 of the net profit before charging commission
 - b) 1/5 of the net profit before charging commission
 - c) 1/4 of the net profit before charging commission
 - d) 1/3 of the net profit before charging commission
152. Under fixed capital method
- a) Only capital account is maintained
 - b) Only current account is maintained
 - c) Both capital and current accounts are maintained
 - d) Neither capital nor current accounts are maintained
153. The liability of the partner is
- a) Limited to capital contribution
 - b) Limited to the extent of share of profit
 - c) Unlimited
 - d) Unlimited in some cases
154. An ordinary partnership consists of _____.
- a) 2 to 10 partners
 - b) 2 to 20 partners
 - c) 2 to 30 partners
 - d) 2 to 40 partners
155. The characteristics of a partnership are listed below except for _____.
- a) Mutual agency
 - b) The business must be carried on by all or any of them acting for all
 - c) Co-ownership of property
 - d) Limited liability
156. 'The relationship that subsists between persons carrying on a business in common with a view to profit'. The definition best describes _____.
- a) A partnership
 - b) a corporation
 - c) A sole proprietorship
 - d) A company
157. The number of partners required for a bank partnership is _____.
- a) 2 to 5
 - b) 2 to 10
 - c) 2 to 15
 - d) 2 to 20
158. 'Agreed amount payable to partners in respect of duties discharged by them' is known as _____.
- a) Partners' interest
 - b) Partners' salary
 - c) Partner's drawings
 - d) partner's profit

Accounts: Special Conceptual Questions: Home Assignment: Set 1

159. If there is no partnership agreement and the firm incurs a loss, the loss should be _____

- a) Divided in proportion to the capital invested
- b) Borne by the partner with the highest capital
- c) Borne by the manager of the firm
- d) Dividend equally

160. Registration of partnership firm is _____.

- a) Compulsory
- b) not compulsory
- c) Compulsory if number of partners does not exceed 10
- d) Not compulsory if number of partners exceed 10

161. Interest on capital is chargeable to a firm to the extent of available _____.

- a) Reserve
- b) profit
- c) Profit & reserve
- d) Cash

162. When a partner draws a fixed sum for 12 months at the beginning of each months, interest on drawings (at an agreed rate) will be equal to interest of _____.

- a) 5 months
- b) 5.5 months
- c) 6 months
- d) 6.5 months

163. When a partners draws a fixed sum for 6 months at the beginning of each month, interest on drawings (at an agreed rate) will be equal to interest of _____

- a) 2.5 months
- b) 1.5 months
- c) 1.75 months
- d) 3 months

164. Sourav and Sachin are in partnership, sharing profits and losses in the ratio 3:2. Under the terms of the partnership agreement, Sachin is entitled to a salary of Rs. 80,000.

The partnership Profit & loss A/c for the year to 31st March, 2007 reported a profit of Rs. 1,60,000.

What is Sourav's? share of profit?

- a) Rs. 32,000
- b) Rs. 48,000
- c) Rs. 96,000
- d) Rs. 1,12,000

165. Cue & Rest are partners sharing profit and losses in the ratio of 2:1. They are

allowed interest at 10% per annum on capitals.

Other information is as follows:

	Cue (Rs.)	Rest (Rs.)
Capitals	20,000	8,000

The partnership has made a net profit for the year of Rs. 40,000.

How much is Cue's total share of the profit?

- a) Rs. 24,800
- b) Rs. 25,100
- c) Rs. 26,800
- d) Rs. 27,100

CA CPT Law

Multiple Choice Questions

The Basics of the Indian Contract Act, 1872

1. The Indian Contract Act, 1872 is dividend into..... Chapters.

- a) 3
- b) 8
- c) 10
- d) 12

2. The Law of Contract is noting but

- a) A child of commercial dealing
- b) A child of religion
- c) A child of day to day politics
- d) A child of economics

3. The Contract Act came into force

a) From 1 September, 1872 but with retrospective effect

- b) Before 1 September, 1872
- c) From 1 September, 1872
- d) After 1 September, 1872

4. The Contract Act applies to

- a) Contracts made before 1 September, 1872
- b) Contracts made on 1 September, 1868
- c) Contracts made before 1 September, 1872 and to be enforced after 1 September, 1872
- d) Contracts made on and after 1 September, 1872

5. An Indian mercantile law is based upon

- a) Indian culture
- b) British culture
- c) England law
- d) American law

6. An agreement consists of reciprocal promises between at least

- a) Four parties
- b) Six parties
- c) Three parties
- d) Two parties

7. Contractual rights and duties are created by

- a) State
- b) Statute
- c) Parties
- d) Custom or Usage

8. In India, the express provisions of the Contract Act applies to

- a) Hindus
- b) Mohammedan
- c) Business man
- d) All of the above

9. Who said "Contract is an agreement creating and defining obligations between parties?"

- a) Peter Drucker

b) Salmond

c) Austin

d) Drucker

10. Agreement is defined in Section..... of the Indian Contract Act, 1872.

- a) 2(c)
- b) 2(e)
- c) 2(g)
- d) 2(i)

11. Every promise and every set of promise forming the consideration for each other is a/an

- a) Contract
- b) Agreement
- c) Offer
- d) Acceptance

12. Where there is no express provision in Contract Act, the following prevails and applied for deciding the cases

- a) The provisions of any law of the land
- b) The usage of the trade
- c) The provisions of personal law
- d) Any of the above if not inconsistent with the provisions of the Contract Act

13. Who said, "Every Agreement and Promise enforceable at law is a contract?"

- a) Austin
- b) Benjamin
- c) Pollock
- d) Balfour

14. The provisions of Indian Contract Act override

- a) The provisions of Hindu law
- b) The provisions of Mohammedan law
- c) Usage or customs of trade
- d) All of the above

15. A promises to deliver his watch to B and, in return, B promises to pay a sum of Rs 2,000. This is a/an

- a) Agreement
- b) Proposal
- c) Acceptance
- d) Offer

16. Contract is defined as agreement enforceable by law, vide Section..... of the Indian Contract Act.

- a) 2(e)
- b) 2(f)
- c) 2(h)
- d) 2(i)

17. A contract or an obligation to perform a promise could arise by

- a) Agreement and Contract

- b) Promissory Estoppel
 c) Standard form of contracts by promise
 d) All of the above
18. A sells his car to B. A has a right to recover the price of the car from B. This right is a
 a) Right in rem
 b) Right in personam
 c) Right in rem as well as right in personam
 d) Moral right
19. A owns a residential flat. He is entitled to quiet possession and enjoyment of his property. This is called
 a) Rights in Personam
 b) Rights in Rem
 c) Moral Right
 d) There is no right at all
20. A owes Rs 1 lakh to B. B is entitled to recover this amount from A. This is called
 a) Rights in Personam
 b) Rights in Rem
 c) Constitutional Right
 d) There is no right at all
21. A contract creates
 a) Rights in Personam
 b) Rights in Rem
 c) No obligations
 d) Only obligations and no rights
22. Valid Contracts
 a) Are made by free consent
 b) Are made by competent party
 c) Have lawful consideration and lawful object
 d) All of the above
23. A lends Rs 10 lakh to B for a year, After one year A's right to recover the money from B is a
 a) Right in rem
 b) Right in personam
 c) Moral right
 d) Civil right
24. What comes first in a valid contract is
 a) Enforceability
 b) Money
 c) Force
 d) None of the above
25. A has bought a house for Rs 50,000. Which of the following right is available to A after the purchase?
 a) He has a right against the seller to have quiet possession of the house and enjoy in it
 b) He has a right against the whole world to have quiet possession of the house and enjoy in it
 c) He has moral right over the house
 d) He has a right to live in the house but cannot sell
26. An agreement not enforceable by law is said to be void under section.... Of the Indian Contract Act.
 a) 2 (a)
 b) 2 (b)
 c) 2 (f)
 d) 2 (g)
27. An agreement to commit a tort is
 a) Void
 b) Voidable
 c) Valid
 d) Unenforceable
28. Agreement to murder a person
 a) Cannot be enforceable by law
 b) Is valid in law
 c) In invalid for want of consideration
 d) Has no consensus ad idem
29. Agreements that do not give rise to contractual obligations are not contracts.
 a) True
 b) Partly True
 c) False
 d) None of the above
30. A invites B for his son's wedding. B accepts the invitation. In this case, there is an agreement but no contract, since
 a) There is no consideration
 b) There is no intention to create legal relationship
 c) There is no written document
 d) There is no formal acceptance of the offer
31. A invites B for coffee in coffee-day restaurant and B accepts the invitation. On the appointed date, B goes there but A is not found. In this case
 a) B has no remedy against A
 b) B has to wait for another invitation from A
 c) B has the right to sue A for not honoring his words
 d) A has to invite B again, to perform the promise.
32. A promises to give Rs. 5,000 per month pocket money to his son B. If A does not give the pocket money
 a) B can sue his father
 b) B has no remedy against A
 c) B can accept a lower pocket money also
 d) B has to give Rs. 5,000 to his father

33. A and B of Srinagar entered into a contract on 1st September, 2006 as per the provisions of the Indian Contract Act. Can they enforce the contract?
- Yes, because they made the contract as per the provisions of Indian Contract Act
 - No, because Srinagar is not a part of Indian
 - No, because the Act does not extend to the State of Jammu and Kashmir
 - None of the above
34. A promised to pay his son B a sum of Rs 1 lakh if B passed CA exams in the first attempt. B passed the exam in the first attempt, but A failed to pay the amount as promised. B files a sit for recovery of the amount. State whether B can recover the amount under the Indian Contract Act, 1972.
- B can sue A
 - B has to pay Rs 1 Lakh to A
 - B has no remedy against A
 - B has to write the exam again, to claim the reward
35. A contract creates
- Rights and obligations of the parties to it
 - Obligations of the parties to it
 - Mutual understanding between the parties to it
 - Mutual lawful rights and obligations of the parties to it.
36. In agreements of purely domestic nature, the intention of the parties to create legal relationship is
- To be proved to the satisfaction of the Court
 - Presumed to exist
 - Required to the extent of consideration
 - Not relevant at all
37. An agreement is valid
- Which creates legal and social obligations of the parties
 - Which creates rights of a party
 - Which is written on a piece of paper and signed by the parties
 - Which creates legally binding right and obligations of the parties to it.
38. Voidable contract is one
- Which is lawful
 - Which is invalid
 - Which is valid as long as it is not avoided by the party entitled to do so
 - Which is unlawful
39. When the contract is perfectly valid but cannot be enforced because of certain technical defects. This is called
- Unilateral Contract
 - Bilateral Contract
 - Unenforceable Contract
 - Void Contract
40. is without any legal effect and cannot be enforced in a Court of Law.
- Valid Contract
 - Void Contract
 - Voidable Contract
 - Unenforceable Contract
41. According to provisions of Indian Contract Act, 1872 void agreement and void contract is the same.
- True
 - False
 - Parlty True
 - Parlty False
42. The legal effect of void agreement and void contract is the same.
- True
 - False
 - Parlty True
 - Parlty False
43. A void agreement is void ab intio but a void contract is not void ab intio.
- True
 - False
 - Parlty True
 - Parlty False
44. A contract needs to be written, registered and signed by parties and witnessed
- If any party wishes so
 - If the Contract Act directs so
 - If the law governing the contract requires so
 - If the consideration is of large amount
45. A and B contract to marry each other. Before the time for the marriage, A goes and mad. The contract becomes
- Void
 - Illegal
 - Valid
 - Voidable
46. Is forbidden by law. The Court will not enforce such a contract.
- Valid Contract
 - Illegal agreement
 - Voidable Contract
 - Unenforceable Contract

47. A contracts with B to beat his business competitor. This is an example of
- Valid Contract
 - Illegal agreement
 - Voidable Contract
 - Unenforceable Contract
48. Is made by words spoken.
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
49. is made by words written.
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
50. A appoints B as his agent, by way of a power of attorney. This is an example of
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
51. Implies a contract though the parties never expressed their intention to enter into a contract.
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
52. Where a contract has to be inferred from the conduct of parties, it is called
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
53. Drawing cash form ATM, sale by fall of hammer at an auction sale, etc., are example of
- Express Contract
 - Implied Contract
 - Tacit Contract
 - Unlawful Contract
54. Is a one-sided contract in which only one party has to perform his promise or obligation.
- Void Contract
 - Illegal agreement
 - Unilateral Contract
 - Bilateral Contract
55. An agreement is
- Enforceable by law if it meets the requirements of the law of the land
 - Enforceable by law if any one party want it
 - Enforceable against the law
 - Enforceable by law if it is made by competent parties
56. Where the obligation in a contract is outstanding on the part of both parties, it is called
- Void Contract
 - Illegal agreement
 - Unilateral Contract
 - Bilateral Contract
57. A agrees to sell his DVD player to B promising to deliver it on the date of payment. B promises to pay the amounts within one month. This is an example of
- Void Contract
 - Illegal agreement
 - Unilateral Contract
 - Bilateral Contract
58. Where a particular type of contract is required by law to be in writing and registered, it must comply with necessary formalities as to writing, registration and attestation. Otherwise, such a contract is
- Void Contract
 - Illegal agreement
 - Unilateral Contract
 - Bilateral Contract
59. All illegal agreement are void; but all void agreements are not illegal.
- True
 - Partly True
 - False
 - None of the above
60. An offer and its acceptance is the basic requirement of an agreement and as per this requirement, an offer by one party
- Should be made to the other who is related to him
 - May also be made to himself
 - Should be made to another who may or may not be related to him
 - Should be made to another before the Registrar
61. According to enforceability, the contracts may be classified as
- Valid Contracts
 - Void Contracts
 - Voidable contracts
 - All of the above
62. According to English Law, the contracts may be classified as
- Formal Contract
 - Simple Contract

- c) Contract under seal
 d) All of the above
63. In social agreements, the usual presumption is
 a) That parties do not intend to create social relations
 b) That parties intend to perform them
 c) That parties do not intend to make legal and social relations
 d) That the parties do not intend to create legal relations between them
64. A promised to marry B. Later on B died. This contract of marriage
 a) Becomes void
 b) Is void from very beginning
 c) Is valid
 d) Is illegal now
65. An implied contract is the one which comes into existence on account of
 a) Conduct of the parties
 b) Non-availability of a paper for writing
 c) Inability of the parties to write or speak
 d) Directions given by a court
66. A, a tradesman, left certain goods at B's house by mistake. B treated and used the goods as his own. In this case, B is
 a) Not liable to pay for the goods
 b) Liable to be prosecuted under law
 c) Liable to pay for the goods
 d) Bound to inform police
67. A contract in which, under the terms of a contract, nothing remains to be done by either party is known as
 a) Executed contract
 b) Executory contract
 c) Unilateral contract
 d) None of the above
68. A contract in which, under the terms of a contract, one or both the parties have still to perform their obligations in future, is known as
 a) Executed contract
 b) Executory contract
 c) Unilateral contract
 d) None of the above
69. A contract entered on 31st October, 1872 is governed by the Indian Contract Act, 1872
 a) If it was entered into India
 b) If its performance was after 31st October 1872
 c) If it was not performed at all
 d) Any of the above
70. Contracts classified on the basis of performance are
 a) Executed Contracts
 b) Executory Contracts
 c) Partly Executed or Partly Executory Contracts
 d) All of the above
71. Express contract means a contract made by
 a) Words either spoken or written
 b) Documents
 c) Both words and documents
 d) All of the above
- Offer and Acceptance of the Offer
72. The term "offer" has been defined in
 a) Section 2(a)
 b) Section 2 (b)
 c) Section 2 (C)
 d) Section (d)
73. When a person signifies to another his willingness to do or to abstain from do-ing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to
 a) Enter into a contract
 b) Make a proposal
 c) Entered into agreement
 d) Entere into contract
74. An implied offer means an offer made
 a. By spoken words
 b. By SMS
 c. By body language
 d. By both (a) and (c)
75. A proposal may consist of a promise for
 a) Doing an act
 b) Abstaining from doing an act
 c) Either (a) or (b)
 d) Returning the consideration
76. An offer may be made
 a. By words
 b. By conduct
 c. Either (a) or (b)
 d. Neither (a) nor (b)
77. Offer can be accepted by
 a) Offeror
 b) Offeree
 c) Promisor
 d) Either (a) or (b)
78. An acceptance of offer may be made
 a) By words
 b) By conduct
 c) Either (a) or (b)
 d) Neither (a) nor (b)

79. A specific offer is the one which is made
- By A to B
 - By a father to his only son for sale of his factory to him
 - By a father of a girl, to the father of the only son for her marriage
 - By all of the above
80. If A says to B "I offer to sell my car to you for Rs. 2 Lakhs and B accepts the offer by saying clearly "I accept your offer". It is an
- Implied offer
 - Express offer
 - General offer
 - Counter offer
81. A offers to sell his car on internet, it is
- Express offer
 - Implied offer
 - Particular offer
 - No offer
82. B makes to memorize a proposal to his parrot and sends him to A to recite the proposal. The parrot does so. The proposal is
- Valid
 - Void
 - Unlawful
 - Illegal
83. A bid at an auction sale is
- An implied offer
 - An express offer
 - An invitation to offer
 - An invitation to come
84. Forbearance of party from doing something also constitutes a valid offer.
- True
 - Party True
 - False
 - None of the above
85. An offer which is allowed to remain open, for acceptance over a period of time is known as a/an
- Standing Offer
 - Specific Offer
 - Express offer
 - Implied offer
86. An offer made to a specific person is known as
- Standing Offer
 - Specific offer
 - Special offer
 - Separate Offer
87. An offer made to group of persons is known as
- Standing Offer
 - Specific offer
 - Special offer
 - Separate Offer
88. Can be accepted only by the person or group to whom the offer is made
- Standing Offer
 - Specific offer
 - Special offer
 - Separate Offer
89. A advertises in paper that any person who found his lost dog can get a reward of Rs. 5000. Any person who finds the dog can claim the reward. This is a case of
- General offer
 - Specific offer
 - Implied offer
 - Invalid offer
90. To make a valid General offer, it is necessary for the offeree to be known to the Offerer at the time of Making the offer.
- True
 - Party true
 - False
 - None of the above
91. In a Specific offer, it is necessary for the offeree to be known to the Offerer at the time of Making the offer.
- True
 - Party true
 - False
 - None of the above
92. Communication of a proposal is complete when it comes to the knowledge of
- The person to whom it is made
 - The proposer
 - Either (a) or (b)
 - The central government
93. A proposes by letter, to sell his horse to B at Rs. 10,000. Communication of the proposal is complete when
- A posts the letter
 - B receives the letter
 - B acknowledges to A that he has received the letter
 - Either (b) or (c), whichever is earlier
94. The terms of an offer must be intended to create legal relations.
- True
 - Partly True
 - False
 - None of the above

95. Terms of an offer must be
- Ambiguous
 - Uncertain
 - Definite
 - Vague
96. An offer may be
- conditional
 - Unconditional
 - Both (a) and (b)
 - Either (a) or (b)
97. An offer may be
- Expressed
 - Implied
 - Both (a) and (b)
 - Either (a) or (b)
98. A offers B to sell his house for Rs. 15 lakh and directs him to send his acceptance only by e-mail B sends a letter of acceptance by post. This is
- valid acceptance
 - invalid acceptance
 - valid acceptance if a does not reject
 - no acceptance at all
99. a offered to take a house on lease for a period of 3 years if the house was hand- somely decorated. Here, there is no offer since
- there is no legal obligation
 - there is no communication of offer
 - The terms of offer are too vague
 - The offer is conditional
100. Offer should not contain a term, the non compliance of which would amount to acceptance.
- True
 - Party True
 - False
 - None of the above
101. Which of the following conditions is not necessary for a Valid offer ?
- Intention to create legal relation
 - Unconditional tems
 - Certainty of terms
 - Communication to the person to whom it is made
102. Which of the following conditions is not necessary for a valid offer ?
- intention to obtain consent of the offeree
 - Communication to the person to whom it is made
 - Intention to create legal obligation
 - Expressed in written form
103. When a person invites the other paty to make an offer he is said to make a/an
- Proposal
 - Offer
 - Invitation to offer
 - Acceptance
104. Is expression of initial intention.
- Invitation to offer
 - Offer
 - Proposal
 - Acceptance
105. is expression of final will ingness to perform a promise.
- Invitation to offer
 - Offer
 - Bid
 - Acceptance
106. Application filled in by a prospective applicant to the Company is an example of
- Invitation to offer
 - Offer
 - Bid
 - Acceptance
107. Statement of lowest price at which the seller would sell his goods constitutes
- A valid contract
 - A implied contract
 - An express contract
 - No contract
108. Which of the following results in an offer ?
- A declaration of intention
 - An invitation to offer
 - An advertisement offering reward to anyone who finds the lost dog of the advertiser
 - An offer made in a joke
109. Which of the following is an invitation to offer?
- A tender to supply goods at a certain time
 - A request for a loan
 - Bids in an auction sale
 - A catalogue of goods for sale
110. Price Lists and Catalogues, Advertisements in news papers, and enquiries from customers are
- Offers
 - Invitations to offer
 - Acceptances
 - Cross-offers
111. Goods displayed in a shop with a price label is
- An offer
 - An Invitation to offer
 - A Counter offer
 - A contra-offer
112. A notice inviting tender is an offer.
- True

- b) An Invitation to Offer
 c) A Counter – Offer
 d) A Contra – Offer
113. 'A' invites tenders for the supply of 10 quintals of cotton. 'B', 'C' and 'D' submit their tenders. A contract is concluded when
 a) 'A' invites tenders
 b) 'A' receives tenders of B,C and D
 c) 'A' accepts the tender of any of the parties
 d) There is no contract at all
114. There is a Counter- offer when
 a. The offeree gives conditional acceptance
 b. The Offeree makes a freser
 c. The fferee makes some query
 d. The offeree accepts it
115. When the offers made by two persons to each other containing similar terms of bargain cross each other in post, they are known as
 a) Cross Offers
 b) implied Offers
 c) Direct Offers
 d) Express offers
116. A offers to sell his car for Rs. 50,000 to B.B says he would buy it for Rs. 40,000. This is a case of
 a) Counter offers
 b) Implied offers
 c) Direct offers
 d) Express offers
117. A sends a letter to B Proposing to sell his Land. B Sends his acceptance by post. A can revoke the offer at any time before B posts his letter of acceptance, but not afterwards.
 a) True
 b) Partly True
 c) False
 d) None of the above
118. In which of the following circumstances, does the offer come to an end ?
 a) Lapse of time
 b) Counteroffer
 c) Death of offerer or offeree before acceptance
 d) All of the above
119. In which of the following Circumstances. Does the offer come to an end ?
 a) Non Acceptance of Condition
 b) Acceptance not in the prescribed mode
 c) Change in law or circumstances
 d) All of the above
120. An offer comes to an end after the expiry of
 a) Time stipulated for acceptance
 b) A reasonable time
 c) Either (a) or (b)
 d) Nether (a) nor (b)
121. An offer lapses to an end when the Offeree
 a) Fails to fulfill a condition precedent to acceptance
 b) Does not accept the condition
 c) Either (a) or (b)
 d) Neither (a) nor (b)
122. A proposal is revoked by the death of the Proposer, if the fact of his death comes to the Knowledge of the Acceptor
 a. Before acceptance
 b. After acceptance
 c. During acceptance
 d. Any of the above
123. Death of offeree before acceptance terminates the offer.
 a) True
 b) Partly True
 c) False
 d) None of the above
124. A applied for 1000 shares in a Company on 1st May. The Company allotted shares on 1st November of that year A refused the Shares. Is A's action valid ?
 a) Yes , Shares Cannot be allotted oon the faith of letter Written by A
 b) Yes , Shares Cannot be allotted in the second half of a calendar year
 c) Yes , Offer lapsed as it was not accepted within a reasonable time
 d) No , A has to accept and pay for the shares of revocation of offer have been
125. An offer can be accepted by
 a) Notice of acceptance
 b) Performance of condition specified in the offer
 c) Acceptance of consideration for a reciprocal promise
 d) All of the above
126. Acceptance may be
 a) Express
 b) Impiled
 c) Neither (a) nor (b)
 d) Either (a) or (b)
127. Implied offers can be proved only by
 a. Words
 b. Conduct
 c. Circumstantial evidence
 d. Prima facie evidence

128. An acceptance containing additions, limitations or other modifications shall amount to
- Rejection of the offer
 - A counter offer
 - A valid acceptance
 - Both (a) & (b)
129. specific offer can be accepted by
- any person
 - any friend of offerer
 - only the person to whom it is made
 - any friend of offeree
130. a general offer can be accepted by
- sending a communication of acceptance
 - mental acceptance of offer
 - complying with the conditions of offer
 - making a counter offer
131. in cases of general offer, for a valid contract, the Acceptor
- must have the knowledge of the offer
 - need not have the knowledge of the offer
 - may acquire the knowledge of the offer after the performance of the condition amounting to acceptance
 - should not accept at all
132. acceptance can precede an offer
- true
 - partly True
 - false
 - none of the above
133. A offered a reward to anyone who has returned his lost dog. B brought the dog to A without having heard of the offer which of the following statements is correct ?
- B is entitled to the reward
 - B was not entitled to the reward
 - A has to find the dog himself
 - No reward can be given for return of lost dog
134. An acceptance is valid
- When offeree adds his conditions with acceptance
 - When offeree accepts all the conditions of the offer
 - When it is not against the interest of any person
 - When acceptance is caused by coercion
135. Acceptance to an offer may be given by
- Any person
 - Competent person
 - Authorized person
 - Both by (b) and (c)
136. In order to convert a proposal into a promise the acceptance must be
- Absolute
 - Unqualified
 - Express
 - All of the above
137. Acceptance to an offer may be given by
- Adding conditions
 - Accepting conditions of the offer
 - Accepting consideration sent by the offer
 - Both (b) and (c)
138. Which of the following constitute invalid acceptance?
- Mental acceptance without communicating to Proposer
 - Failure to respond to the Proposer
 - Silence on the part of the Offeree
 - All of the above
139. An offer was sent by post. The Acceptor wrote "Accepted" on the letter, put it in his drawer and forgot about it. The transaction is
- A valid contract
 - Not an agreement as the acceptance was never communicated to the Proposer
 - A voidable Contract
 - A void contract
140. A send a letter of acceptance to an offer made by B. letter is still in the transit of post. The part bound by the acceptance is
- A
 - B
 - Both A and B
 - None
141. When no mode is prescribed by the offer for the acceptance of his offer, such acceptance shall be made.
- By telephone
 - As desired by the offeree
 - In some usual and reasonable manner
 - None of the above
142. An acceptance is not according to the mode prescribed, but the offeror decides to keep quiet. In such a case there is
- A contract
 - No contract
 - A voidable Contract
 - An unenforceable contract
143. Communication of acceptance is complete as against the Proposer
- Only when it comes to the Knowledge of the Proposer

- b) Only when the acceptance is communicated to the Proposer
 c) Only when it is put in the course of transmission to him so as to be out of power of the Acceptor
 d) None of the above
144. Communication of acceptance is complete as against the Acceptor, only
 a) When it is put in the course transmission
 b) When it comes to the knowledge of the Proposer
 c) When it is communicated to the Acceptor that the acceptance has reached the Proposer
 d) All of the above
145. Where a letter of acceptance sent by post is lost in transit there is
 a) No contract as the acceptance has not come to the knowledge of the offeror
 b) No contract as the acceptance has not been communicated to the offeror
 c) A contract as the letter of acceptance is put in the course of transmission
 d) All of the above
146. Which of the following is incorrect?
 a) A valid contract results from identical cross offers
 b) Communication of an offer is complete when the letter of offer is posted though it has not reached the person to whom the offer is made
 c) An offer and invitation to the offer are the same
 d) All of the above
147. Even if the letter is lost in transit acceptance is still valid provided that the Acceptor has
 a) Properly addressed is
 b) Affixed correct value of postage stamps
 c) Either (a) and (b)
 d) Both (a) and (b)
148. In case of special conditions in a contract, it should be communicated to the offeree
 a) At any time
 b) Before entering into contract or at the time of Making offer
 c) After contract is made
 d) Both (a) and (b)
149. Conditions on the reverse of a train ticket, bill issued by service providers, etc, are examples of
 a) Normal business policy
 b) Space saving measure
 c) Special conditions
 d) General rules of contract Law
150. Where the acceptance is given on telephone or fax, the place of contract is
 a) The place from where the telephone call is booked
 b) The place where the acceptance is heard or received
 c) The place from where the offer was made
 d) The place where the offeror resides.
151. An acceptance on telephone should be
 a) Heard by the offeror
 b) Audible to the offeror
 c) Understood by the offeror
 d) All of the above
152. Where a contract is made by post, the place of contract is
 a) The place from where the offer is made
 b) The place where the offer is received
 c) The place where letter of acceptance is posted
 d) The place where offeror resides
153. If an acceptance on phone is owned by noise and is not heard by the proposer
 a) A valid contract is concluded
 b) There is a voidable contract
 c) The contract is void
 d) No contract is concluded
154. When two persons agree to enter into an agreement in the future, there is between them.
 a) A valid contract
 b) No contract
 c) An agreement
 d) A consensus
155. The person making the offer is known as 'offeror' or promisor' and to whom it is made is known as
 a) Acceptor
 b) Acceptor for honour
 c) Offeree or promise
 d) Contracting party
156. The mode of the revocation of proposal other than by communication is / are
 a) Verbal notice
 b) Lapse of time
 c) Death or insanity of the offeror
 d) Both (b) and (c) above
157. Which of the following statement is incorrect ?
 a) An offer may be made to the world at large
 b) An offer may be positive or negative
 c) An offer may be expressed or limplied
 d) An offer must be made to a specific person

158. A general offer made to the public at large is valid and binding contract is made with person who is having the knowledge of the offer
- Comes forward and acts accordingly
 - Acts accordingly and his act is ratified by the offeror
 - Seeks offeror's permission to accept the offer
 - Informs the public that he is willing to accept the offer
159. In which of the following cases, the principle of an offer to public at large was recognized?
- Balfur vs Balfour
 - Harvey vs Facie
 - Carlill vs carbolic smoke ball co
 - Both (a) and (b)
160. On the acceptance of an offer by the offeree, which of the following persons becomes legally bound by the contract ?
- Only the acceptor as he has accepted the offer
 - Only the offeror, as his terms are accepted
 - Both the acceptor and the offeror
 - None of the above
161. Which of the following is the legal rule of a valid acceptance ?
- An acceptance must be given within prescribed or reasonable time
 - An acceptance must be given before the lapse of offer
 - An acceptance may be expressed or implied
 - All of the above
162. Which of the following statement is incorrect?
- Death of the proposer automatically revokes the proposal
 - Cross offers constitute valid agreement
 - The acceptor cannot revoke his acceptance even if the letter of acceptance sent by him to the offeror is lost in the transit
 - All of the above
163. Which of the following is not the mode of the lapse of offer ?
- Lapse of time
 - Case against the offeror
 - Insanity of offeror
 - Failure to accept condition precedent
164. An acceptance of offer, in ignorance of the fact of death or insanity of the offeror, is
- Valid acceptance
 - Not valid
- Illegal acceptance
 - Fraudulent acceptance
165. Which of the following is correct ?
- Acceptance can be made even without the knowledge of the offer
 - An agreement with intention to create legal liability is not enforceable in law
 - If the offeree does not accept the offer according to the mode prescribed by the offeror, the offer does not lapse automatically
 - Communication of offer is complete when the letter of offer is posted
166. A proposes, by letter, to sell a house to B for Rs 10,000. The communication of the proposal is complete
- When B receives the letter
 - When A dispatches the letter
 - When A sign the letter
 - When B knows about the letter
167. B accepts A's proposal by a letter sent by post. The communication of the acceptance is complete as against A
- When A receives the letter of acceptance
 - When B acknowledges it
 - When it comes to the knowledge of A
 - When the letter is posted
168. Which of the following is correct ?
- Acceptance is to an offer what a lighted match to a train of gun powder
 - Two identical cross offers two are not independent and separate offers
 - A counter offer is conditional acceptance
 - All of the above statements
169. A revokes his proposal to B by telegram. The revocation is complete as against A
- When the telegram is dispatched
 - When B receives the telegram
 - When B confirms
 - When A receives confirmation from B
170. A revokes his proposal by telegram to B. it is complete as against B
- When the telegram is dispatched by A
 - When B confirms it
 - When B receives it
 - When A dispatches the telegram
171. B revokes his acceptance by telegram. B's revocation is complete as against B
- When the telegram is dispatched
 - When the proposer receives the telegram
 - When the proposer confirms
 - When B receives the confirmation

172. B revokes his acceptance to A by telegram. B's revocation is complete as against A
 a) When B dispatches the telegram
 b) When it reaches him when B confirms it
 c) When B confirms it
 d) When A notifies it to B

173. Which of the following statements is correct?

- a) A valid contract cannot result from identical cross offers
- b) A proposal when accepted becomes a promise
- c) A rejected offer cannot be accepted
- d) All of the above statements

174. Which of the following is correct ?

- a) An offer may be made to a particular individual
- b) An offer may be made to the public of the whole world at large
- c) An offer may be made to a section of a public at large
- d) All of the above

175. Which of the following is correct ?

- a) Acceptance must precede an offer
- b) Acceptance may be given in any manner unless the offeror insists acceptance in the prescribed manner
- c) Silence always amounts to acceptance
- d) Acceptance may be valid even if the offeree adds certain conditions

176. Which of the following is incorrect ?

- a) A rejected offer cannot be accepted
- b) Cross offers cannot be constructed as an agreement
- c) Counter offer constitute valid acceptance
- d) All of the above

Capacity of the Party

177. Capacity to contract means

- a. The parties are financially sound to make contract
- b. The parties are physically able to enter into contract
- c. The parties are legally competent to enter into contracts
- d. All of the above

178. Capacity to contract has been defined in

- a) Section 10
- b) Section 11
- c) Section 12
- d) Section 25

179. Competence to contract mans

- a) Age of the parties
- b) Soundness of mind of the parties
- c) Both (a) and (b)
- d) Intelligence of the parties

180. These two person can enter into a valid contract

- a) Convict
- b) Person of sound mind
- c) Divorcee lady
- d) Both (b) and (c)

181. These two persons can enter into a valid contract

- a) One minor and a major person
- b) One minor and a person of sound mind
- c) Husband and Wife
- d) One major person and an insolvent person

182. A convict when undergoing imprisonment

- a) Is capable of entering into a contract
- b) Is incapable of entering into a contract
- c) Is capable of entering into a contract, if it is permitted by the court
- d) Is capable of passing the consideration

183. A convict can enter into contract when

- a) He is on bail
- b) He is released from imprisonment
- c) All of the above
- d) None of the above

184. Peron who is not an indian citizen is known as

- a) alien enemy
- b) Alien friend
- c) Either (a) or (b)
- d) Both (a) and (b)

185. Contracts with an alien friend, subject to certain restrictions are

- a) Void
- b) Unenforceable
- c) Valid
- d) Invalid

186. Only the official Receiver can enter into contracts on behalf of the insolvent.

- a) True
- b) Partly True
- c) False
- d) None of the above.

187. A corporation cannot enter into contracts that are

- a) Ultra vires its Memorandum of association
- b) Strictly of a personal nature as t is only an artificial person
- c) Either (a) or (b)
- d) Neither (a) nor (b)

188. Minor's agreement is void but the minor can enforce the agreement against the other major party if minor is
- A third party in the agreement
 - Promisor in the agreement
 - A promise in the agreement and he has performed his part of promise under the agreement
 - Relative of M.P
189. A minor's agreement is void. This was held in the case of
- Mohiri Bibee Vs Dharmadas Ghosh
 - Salma begam Vs Jan Mohamed Khan
 - Balfour vs balfour
 - Chinnaiya vs Ramaya
190. On attaining the age of majority, a Minor's agreement
- Is void
 - Cannot be ratified
 - Becomes void
 - Can be ratified
191. Which of the following statements are correct? A minor cannot
- Become a Partner
 - Be liable even in case of fraudulent representation of age
 - Ask for specific performance of a contract
 - All of the above
192. A minor cannot be declared insolvent.
- True
 - Partly True
 - False
 - None of the above
193. Guardian shall For breach of contract by Minor.
- be held liable
 - Not be held liable
 - Be imprisoned
 - Not be questioned
194. Parents shall ----- for breach of con. Tact by minor.
- Be held liable
 - Not be held liable
 - Be imprisoned
 - Not be questioned
195. A , a Minor, entered into a contract for borrowing a sum of Rs 40,000 out of which lender paid him a sum of Rs 18,000A executed mortgage of property in favour of the lender. The mortgage is
- Valid for any amount
 - Valid to the extent of Rs. 40,000
 - Invalid
 - Validated on attaining majority
196. A ia a minor, b approaches A for a loan on the basis of a mortgage of the house owned by B Hence, A advances the money and b executed a mortgage in favour of A, a minor. In these circumstances
- The mortgage is not enforceable by A, because he is a minor
 - The mortgage is enforceable but only when a attains majority
 - The mortgage is enforceable by A even though he is a Minor
 - There is no mortgage at all
197. Minor can be
- A partner in a firm
 - An agent
 - A principal of his agent
 - All of the above
198. A minor can
- Ratify his agreement after attaining majority
 - Be directed by the Court for specific performance of the contract
 - Always plead his minority
 - Be held liable for cheques issued by him
199. A contract to take a loan by boy of 17 years of age from a money lender of 34 years is
- Valid contract
 - Void contract
 - Quasi Contract
 - Void agreement
200. A minor can be held personally liable
- For chques issued by him
 - For promises made by him with other joint promisors
 - For guarantee given by him
 - None of the above
201. A, a Minor draws cheque in favour of B. on attaining majority, A makes out a fresh cheque in lieu of the old one. In this case
- The original cheque is invalid but the fresh cheque is valid
 - The original cheque is valid but the fresh cheque is invalid
 - Both the original and fresh cheque are valid
 - Both the original and Fresh cheque are invalid.
202. Which of the following is incorrect ?
- A minor can entr into contract
 - A minor cannot validly appoint an agent
 - A minor is liable for a chque issued by him
 - All of the above
203. Which of the following is correct ?

- a) An agreement with a minor is always void
 b) A drunken person can never enter into a contract
 c) A married woman can never make a contract
 d) All of the above
204. Which of the following is correct position for minor under valid contract ?
 a) A minor can be a beneficiary
 b) A minor can be a promisee
 c) Either (a) and (b)
 d) A minor can be a full fledged partner in partnership firm
205. A minor, by misrepresenting his age, borrows some money. He
 a) Can be sued for fraud
 b) Cannot be sued for fraud
 c) Is liable to return the money
 d) Is liable to return the money on attaining majority
206. Which of the following is correct ?
 a) A minor can make a valid contract for necessities of life
 b) A married woman cannot enter into contract with her husband
 c) A minor can never become partner of any firm
 d) A minor can appoint an agent and is liable as principal
207. A minor's guardian are not liable to Creditor for breach of contract by the minor, if the contract is for -----
 a) Supply of necessities
 b) Supply of non-necessaries
 c) Supply of services
 d) All of the above
208. A minor, though incompetent to contract
 a) can act as an Agent
 b) Can bind his principal
 c) Either (a) or (b)
 d) Both (a) and (b)
209. A minor enters into a contract for the purchase of certain necessities. In such a case
 a) He is liable to return the necessities
 b) He is liable to pay
 c) His estate is liable to pay
 d) His guardian is liable to pay
210. Which of these has not been held as a "Necessary"?
 a) Food
 b) Clothing
 c) Shelter
 d) Mobile Phone
211. Which of these has been held as a "Necessary"?
 a) Mobile Phone
 b) Clothing to suit the person's social status
 c) Intoxicating drinks
 d) Internet Connection
212. Education and Marriage of a Female have also been held to be necessities in India.
 a) True
 b) Partly True
 c) False
 d) None of the above
213. Necessaries consist of
 a) Tangible Goods
 b) Services
 c) Either (a) or (b)
 d) Neither (a) nor (b)
214. Which of these is not a "necessary" for a Minor?
 a) Provision of education
 b) Provision of medical and legal advice
 c) Provision of a house on rent for the purpose of living and Continuing his studies
 d) Provision of alcoholic drinks
215. A person is permanently incompetent to contract, if he is
 a) Lunatic
 b) Idiot insolvent
 c) All of the above
216. A, a minor bought 11 expensive coats from B. he was, at that time, adequately provided with clothes, but B did not know this fact. In such a case
 a) Minor is personally liable to pay for the coat
 b) Minor's property can be attached for payment
 c) Minor is liable since he has Misled into supply of coats
 d) Minor is not liable at all
217. A minor having ample supply of clothes according to his position, bought number of new dresses including eleven fancy waist-coats. In which of the following case, these were held not to be necessities?
 a) Chapel Vs Cooper
 b) Balfour Vs Balfour
 c) Nash Vs Inman
 d) None of these
218. A person is said to be of Sound Mind, if at the time of contracting
 a) He is able to understand the terms of Contract

- b) He is capable of forming a rational judgment about contract and about his interests
 c) Either (a) or (b)
 d) Either (a) and (b)
219. A minor can be held liable for
 a) Necessaries of life supplied to him
 b) For a tort committed by him
 c) Cheques endorsed by him
 d) All of the above
220. A drunken person is not competent to contract as he falls in the category of
 a) Persons disqualified by law
 b) Persons of unsound mind
 c) Persons of discarded by society
 d) Enemies of society
221. An intoxicated person is not competent to contract as he falls in the category of
 a) Persons disqualified by law
 b) Persons of unsound mind
 c) Persons of discarded by society
 d) Enemies of society
222. Which of the following are the persons of unsound mind ?
 a) Idiot
 b) Lunatic
 c) Drunken
 d) All of the above
223. Which of the following persons are not competent to Contract being the persons disqualified by law ?
 a) Alien enemies
 b) Insolvents
 c) Convicts
 d) All of the above
224. Which of the following person do not fall in the category of person of unsound mind.
 a) Idiots
 b) Lunatics
 c) Alien
 d) Drunken persons
225. Minority is a personal
 a) Matter
 b) Incompetence.
 c) Talent
 d) Competence
226. The doctrine of restitution refers to the restoration of property or goods obtained by false representation. This doctrine is
 a) Beneficial to minors
 b) Not applicable to minors
 c) Applicable to minors
 d) None of the above
227. A minor
 a) Can be appointed as an agent.
 b) Cannot be appointed as an agent
 c) Can appoint others as his agent
 d) None of these
228. Which of the following is considered to fall in the category of 'necessaries'?
 a) Expenses for funeral ceremonies of minor's father
 b) Money borrowed to save minors property
 c) Expenses for education
 d) All of the above
229. A, a minor borrowed Rs. 30,000 from B as an education loan to compete his education. B can
 a) Recover amount from A
 b) Recover amount from A's guardian
 c) Recover amount from A's property
 d) Not recover at all
230. In a case where a lunatic enters into a contract for the purpose of 'necessaries, then
 a) Lunatic's is personally liable to pay
 b) Lunatic's guardian's is liable to pay
 c) Lunatic's estate is liable to pay
 d) Guardian's estate is liable to pay.
231. A minor can be lawfully Of a cheque.
 a) Drawer
 b) Drawee
 c) Payee
 d) All of the above
232. Contracts with an alien enemy before the declaration of war, which are against the national interest, are
 a) Terminated
 b) Not affected at all
 c) Suspended and revived after war
 d) None of the above
233. The contractual capacity of a company registered under the companies Act, 1956, is regulated by the
 a) Memorandum of association
 b) Provisions of the Companies Act
 c) Both (a) & (b)
 d) May not contract whilst such delirium lasts
234. A sane man, who is delirious from fever
 a) Can contract at any time
 b) Cannot contract whilst such delirium lasts
 c) Cannot contract at all
 d) May not contract whilst such delirium lasts
235. A sane man, who is so drunk that the cannot understand the terms of a contract

- a) Cannot contract while such drunkenness lasts
- b) Cannot contract at all
- c) May not contract while such drunkenness lasts
- d) Can contract at any time

Consideration

236. Consideration means
- a) Quid pro lo
 - b) Quid pro quo
 - c) Qui pro quo
 - d) Quid pro quod
237. Consideration in a contract
- a) May be anything
 - b) Noting in return
 - c) Some thing in return
 - d) May be illusory
238. Section ---- of the Indian Contract Act defines "Consideration"
- a) Section 2(a)
 - b) Section 2 (b)
 - c) Section 2 (c)
 - d) Section 2 (d)
239. "Consideration" means a reasonable equivalent or other valuable benefit passed on
- a) By the Promisor to the beneficiary
 - b) By the Promisee to the Promisor
 - c) By the promisor to the promisee
 - d) By the promise to the beneficiary
240. Consideration means something which is of some value in the eyes of law. it may be some benefit to the plaintiff or some detriment to the defendant. It was held in case of
- a) Fazaladdin vs Panchanan Das
 - b) Thomas Vs Thomas
 - c) Currie vs Misa
 - d) None of the above
241. Out of the following which is/are valid consideration ?
- a) Not to sue any person
 - b) Compromise of dispute
 - c) Composition of creditors
 - d) All of the above
242. An essential feature of consideration is that
- a) It must be cash
 - b) It must be given by the promisee alone
 - c) It must be at the request of the Promisor
 - d) It must be in kind
243. Past consideration means
- a) Voluntary services rendered in the past

- b) Something given by a party to another at the request of the promisor and contract is made thereafter
- c) Something done at the time of making a contract
- d) Something to be given after formation of the contract

244. Consideration may be
- a) past
 - b) present
 - c) future
 - d) either (a) or (b) or (c)
245. past consideration is ____ in England
- a) valid consideration
 - b) no consideration
 - c) illegal consideration
 - d) unlawful consideration
246. past consideration is ----- in India.
- a) Valid consideration
 - b) No consideration
 - c) Illegal consideration
 - d) Unlawful consideration
247. Which of the following is correct ?
- a) Consideration is essential for a contract
 - b) Consideration is required for a contract when parties intend to
 - c) Both (a) or (b)
 - d) Neither (a) nor (b)
248. Consideration must be something which the Promisor
- a) Is already bound to do
 - b) Is not already bound to do
 - c) May voluntarily do
 - d) Must not do
249. If A renders some service to B at B's desire and after a Month B promises to compensate A for the service rendered to him, it is a
- a) Present consideration
 - b) Past consideration
 - c) Future consideration
 - d) Not a consideration at all
250. An Executory consideration
- a) Is an outstanding liability on both the parties
 - b) Consists of a promise in future
 - c) Is a promise for a promise
 - d) All of the above
251. Executory consideration can be
- a) Positive
 - b) Negative
 - c) Neither (a) nor (b)
 - d) Either (a) or (b)

252. An executed consideration
- Can be positive or negative
 - Liability is outstanding in one side only
 - Is an act against future promise
 - All of the above
253. Past consideration means
- The price received in the past without making even a proposal
 - More price is received than expected
 - The service rendered at the request of the promisor in the past followed by a subsequent promise
 - All of the above
254. Executed consideration means
- Past consideration
 - Present consideration
 - Future consideration
 - Both (a) and (b)
255. Executed consideration means
- Present consideration
 - Past consideration
 - Future consideration
 - Voluntary services rendered in the past
256. A promises to pay an existing debt punctually if, B, the creditor, gives him a discount. Is this consideration valid ?
- Yes , it is genuine consideration
 - No , Promisor is already bound to pay punctually
 - No, inadequate consideration
 - Yes , enforceable consideration
257. Present consideration is valid in ----
- India
 - England
 - Both (a) and (b)
 - Either (a) or (b)
258. Consideration may be
- Executory
 - Executed
 - Either (a) or (b)
 - Both (a) and (b)
259. Where a witness who has received summons to appear at a trial, a promise to pay him anything beyond his expenses is
- Void
 - Valid
 - Unlawful
 - illegal
260. a finds B's mobile Phone, and gives it back to him. B promises to give A rs. 500. This is a/an
- agreement
 - contract
 - acceptance
 - offer
261. an agreement not supported by consideration is called
- Nudum Pactum
 - Invalid consideration
 - Ab intio
 - Nam dat quod non habet
262. Promise without consideration is
- Gratuitous
 - Devoid any legal obligation
 - Not binding on the Promisor
 - All of the above
263. The consideration is to be moved some-time after the formation of a contract, it is known as
- present consideration
 - Executor consideration
 - Past consideration
 - Executed consideration
264. A for natural love and affection, promises to give his son B Rs 1,000. A puts his promise to b into writing and registers it. This is a
- Contract
 - Agreement
 - Promise
 - Offer
265. Mere nearness of relation does not necessarily imply natural love and affection for making contracts without consideration is valid.
- True
 - Partly True
 - False
 - None of the above
266. A husband, by a registered agreement promised to pay wife Rs 5,000 p.m. there was no consideration moving from the wife to the husband. This contract is
- Void
 - Illegal
 - Valid
 - Unenforceable
267. The consideration ----- benefit the promisee himself
- Must
 - Need not
 - Must always
 - Must never
268. A supports B's infant Son. B Promises to Pay A's expense. The contract is
- Void
 - Illegal

- c) Valid
d) Unenforceable
269. A owes B Rs 1,000 but the debt is barred by Limitation Act. A signs a written promise to pay B Rs 500 on account of this debt. The contract is
- a) Void
b) Illegal
c) Valid
d) Unenforceable
270. 'No Consideration No Contract' does not apply to completed gifts.
- a) True
b) Partly True
c) False
d) None of the above
271. Consideration must move at the desire of
- a) Promisor
b) Promise
c) Stranger
d) Either (b) or (c)
272. Consideration may move from
- a) Promisor
b) Promise
c) Either (a) or (b)
d) Both (a) and (b)
273. Consideration is not necessary to effect a valid Gratuitous Bailment of goods.
- a) True
b) Partly True
c) False
d) None of the above
274. Inadequacy of consideration does not make the contract
- a) Void
b) Voidable
c) Valid
d) Neither (a) nor (b)
275. Which of the following is correct ?
- a) Consideration may be past, present but not future
b) A contract is void if the consideration is inadequate
c) Acceptance to lesser sum in satisfaction of payment of a larger sum is valid in spite of inadequate consideration
d) A stranger to contract can enforce the contract
276. When the consideration is unlawful, the courts
- a) Allow an action on contract
b) Does not allow an action on contract
c) Takes it for consideration
d) Either (a) or (c)
277. A person who is not a party to a contract
- a) Cannot sue
b) Can sue
c) Can sue only in well recognized cases
d) Can sue the Government
278. Under the Indian contract Act, a third person
- a) Beneficiary under the contract can sue
b) From whom the consideration has proceeded can sue
c) Cannot sue even if the consideration has proceeded from him
d) Cannot sue at all for want of privity of contract
279. Stranger to contract means
- a) First party to contract
b) Second party to contract
c) Third party to contract
d) Either (a) or (b)
280. The term privity of contract means
- a) Stranger of contract
b) Contract is private
c) First party to contract
d) Second party to contract