

Chapter 9

THE INDIAN PARTNERSHIP ACT, 1932

THIS CHAPTER COVERS MCQs ON:

- Nature of partnership
- Essentials of a partnership
- True test of partnership
- Classification of partnership
- Actual, active or ostensible partner
- Sleeping or dormant partner
- Nominal partner
- Partner in profits only
- Sub-partner
- Partner by estoppels or holding out
- Minor admitted to the benefits of partnership
- Rights and duties of partners
- Relation of partners to third parties
- Dissolution of partnership

NATURE & CLASSIFICATION OF A PARTNERSHIP

1. The Partnership Act, 1932 deals with.....
 - a) Partnership in general
 - b) Partnerships between individuals
 - c) Joint ventures
 - d) Business collaborations
2. The partnership Act, 1932 came into force on.....
 - a) 1st day of April 1932
 - b) 1st day of October 1932
 - c) 1st day of January 1932
 - d) 31st day of December 1932
3. The partnership Act extends to.....
 - a) The whole of India
 - b) The State of Jammu & Kashmir
 - c) The whole of India except the State of Jammu & Kashmir
 - d) The whole of India except the State of Jammu & Bihar
4. Partnership is the relation between persons who have agreed to share the profits of a business carried on by.....acting for all.
 - a) All
 - b) Any of them
 - c) All or any of them
 - d) None of above
5. In order that persons may become partners, it is essential that.....
 - a) There must be at least two persons
 - b) There must be a relationship arising out of an agreement between two or more person
 - c) The agreement must be to share the profits of a business
 - d) All of above
6. In order that persons may become partners, it is essential that.....
 - a) There must be at least two persons
 - b) The business must be carried on by all or any of them acting for all
 - c) The agreement must be to share the profits of a business
 - d) All of above
7. Which of the following are the essentials of partnership?
 - a) Association of two or more persons
 - b) Agreement/ contract
 - c) Carrying on business
 - d) All of above
8. Persons who have entered into partnership with one another are called individually.....
 - a) Firm
 - b) Co-owner
 - c) Firm name
 - d) Partner
9. Persons who have entered into partnership with one another are collectively called.....
 - a) Firm
 - b) Co-owner

- c) Firm name
- d) Partner
- 10. The name under which partnership business is carried on is called.....
 - a) Firm name
 - b) Firm
 - c) Business name
 - d) Owners name
- 11. A firm is the name of.....
 - a) The partners
 - b) The minors in the firm
 - c) The business under which the firm carries on business
 - d) The collective name under which it carries on business
- 12. Partnership firm is separate legal entity apart of its partners.
 - a) True
 - b) False
 - c) Partly true
 - d) Partly false
- 13. A partnership firm cannot use the word "Limited" as a part of its name.
 - a) True
 - b) False
 - c) Partly true
 - d) Partly false

ESSENTIALS & TRUE TEST OF PARTNERSHIP

- 14. One of the essential elements of partnership is that there must be a contract between.....
 - a) Two persons
 - b) Two or more person
 - c) One or more persons
 - d) None of above
- 15. Unless there are at least two persons there cannot be a partnership.
 - a) True
 - b) False
 - c) Partly true
 - d) Partly false

- 16. Person entering into partnership contract may be
 - a) Natural person
 - b) Artificial person
 - c) Natural person or artificial person or some natural person and other artificial person
 - d) None of above
- 17. Section 5 of the Act states that the relation of partnership arises from.....
 - a) Status
 - b) Contract birth
 - c) All of above
- 18. In which of the following case there is no partnership?
 - a) The members of a HUF carrying on a family business
 - b) Burmese Buddhist Husband and wife carrying on business
 - c) Both (a) & (b)
 - d) None of above
- 19. An agreement between the partners may be
 - a) Express
 - b) Implied
 - c) Express or implied
 - d) Neither (a) nor (b)
- 20. Partnership agreements may be expressed.....
 - a) In writing
 - b) Orally
 - c) Either (a) or (b)
 - d) Neither (a) nor (b)
- 21. Partnership agreement must be.....
 - a) A valid agreement
 - b) For a lawful object
 - c) Between the persons competent to contract
 - d) All of above
- 22. As per Section 2 (b) of the Act the term "business" includes every.....
 - a) Trade
 - b) Occupation

- c) Trade, occupation and profession
d) None of above
23. Which of the following purpose is permissible in a partnership?
a) Business purpose
b) Social purpose
c) Religious purpose
d) Charitable purpose
24. To constitute a partnership, the parties must have agreed to carry on a business and to share profits in common.
a) True
b) False
c) Partly true
d) Partly false
25. Sharing of profits also involves sharing of losses.
a) True
b) False
c) Partly true
d) Partly false
26. Sharing of profits is a..... evidence of the existence of partnership.
a) Conclusive
b) Prima facie
c) Not acceptable
d) Collaborative
27. The sharing of profits arising from property, by persons holding a joint or common interest in that property, does not of itself make such those persons, Partner.
a) True
b) False
c) Partly true
d) Partly false
28. To form a partnership, the parties should share.....
a) Only losses
b) Only profits
c) Both profits and losses
d) Profits and losses but some partners may get a share only in the profits.
29. Sharing of profits implies sharing of losses as well, unless agreed otherwise.
a) True
b) False
c) Partly true
d) Partly false
30. Which of this arrangement indicates a partnership?
a) Ram agrees with Shyam a goldsmith, to buy and furnish gold to Shyam to be worked upon by him and sold, and that they shall share the resulting profit or loss.
b) Ram and Shyam agree to work together as carpenters but Ram shall receive all profit and shall pay wages to Shyam.
c) Ram and shyam are joint owners of a ship.
d) Ram, a publisher, agrees to publish at his own expense a book written by Shyam and to pay Shyam half the net profit.
31. N and Z, the co-owners of a house, use the house as a hotel managed either by themselves or by a duly appointed manage for their common profit. Is there a partnership relation between the parties?
a) Yes
b) No
c) Partly yes
d) Can't say
32. The true test of existence of partnership lies in.....
a) Mutual agency relationship
b) Written contract
c) Sharing of profits & losses
d) None of above
33. As per mutual agency principal each partner is.....
a) Agent for other partner
b) Principal for other partner
c) Agent and principal for other partner
d) None of above

34. In determining whether a group of persons is or is not a firm or whether a person is or is not a partner in a firm, regard shall be had to.....

- a) Sharing of profits
- b) Written contract
- c) Real relation between the parties
- d) Provisions of the partnership Act

35. A minor may be admitted to the benefits of a partnership with the consent of.....

- a) Majority partners
- b) All other partners
- c) 75% partners
- d) None of above

36. As relations of partners interse are that of agency, no consideration is required to create the partnership.

- a) True
- b) False
- c) Partly true
- d) Partly false

37. The partnership deed is also called as.....

- a) Partnership agreement
- b) Constitution of partnership
- c) Articles of partnership
- d) All of above

CLASSIFICATION OF PARTNERSHIP

38. A partnership may be.....

- a) For particular adventure
- b) For fixed period
- c) A partnership at will
- d) Any of the above

39. When two or more person agree to do business in a particular adventure or undertaking, such a partnership is called.....

- a) Partnership at will
- b) Particular partnership
- c) Partnership fixed duration

d) None of above

40. A particular partnership.....

- a) Is void
- b) Is voidable
- c) Will stand dissolved when the adventure is completed.
- d) Should be entered into only between three persons.

41. Where no provision is made by contract between the partners for the duration of their partnership or for the determination of their partnership, the partnership is called.

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- a) Partnership at will
- b) Particular partnership
- c) Partnership for fixed duration
- d) None of above

42. A partnership is deemed to be a partnership at will when.....

- a) No fixed period has been agreed upon for the duration of partnership
- b) There is no provision made as to the determination of partnership in any other way.
- c) Both (a) & (b)
- d) None of above

43. Where the partnership is at will, the firm may be dissolved by.....giving notice in writing to all the other partners of his intention to dissolve the firm.

- a) Any partner
- b) Two partners
- c) Three partners
- d) Four partners

44. Where the partnership is at will, the firm may be dissolved by any partner giving notice in writing toof his intention to dissolve the firm.

- a) Any one of the partner
- b) All the other partners
- c) Two partners
- d) Three partners

45. Where the partnership is at will, the firm is dissolved as from.....
- a) The date mentioned in the notice as the date of dissolution
 - b) If no such date is mentioned, as from the date of communication of the notice
 - c) (a) or (b)
 - d) None of above

CO-OWNERSHIP & PARTNERSHIP

46. Co-ownership is not always the result of an agreement; it may arise.....
- a) By the operation of law
 - b) From status
 - c) By the operation of law or from status
 - d) None of above
47. A co-owner is.....of the other co-owner(s).
- a) Not the agent
 - b) The agent
 - c) Undisclosed agent
 - d) Undisclosed principal
48. A and B are joint owner of a house. They rent it out to C and divide the net rent equally. A & B are
- a) Partners
 - b) Co-owner
 - c) Principal & agent
 - d) Consignor & Consignee

DIFFERENCE BETWEEN HUF & PARTNERSHIP

49. Partnership is created by status i.e. by birth of male child in the family.
- a) False
 - b) True
 - c) Partly true
 - d) Partly false
50. There is no restriction as to maximum number of members for HUF.
- a) Partly true
 - b) Partly false
 - c) False

- d) True
51. Registration is required for HUF.
- a) False
 - b) True
 - c) Partly true
 - d) Partly false
52. All partners are equally entitled to a right of management of the business whereas right of management of joint family business generally vests in
- a) Male member
 - b) Karta
 - c) Major male member
 - d) Minor male member
53. HUF is governed by.....
- a) The Indian Partnership Act, 1932
 - b) Hindu Law
 - c) The companies Act, 1956
 - d) None above
54. Every partner is personally liable for the debts of the firm; in a joint family business only.....is personally liable.
- a) Male member
 - b) Karta
 - c) Major male member
 - d) Minor male member
55. A minor is a member of a joint family firm from the.....by virtue of his status, but he is not personally liable.
- a) Very day of his birth
 - b) Day he becomes major
 - c) Day he complete 21 years
 - d) None of above
56. A partner.....the accounts of the firm.
- a) Can demand
 - b) Cannot demand
 - c) Both (a) & (b)
 - d) (a) or (b)
57. A co-parcener.....ask for accounts
- a) Cannot
 - b) Can
 - c) Both (a) & (b)
 - d) (a) or (b)

DIFFERENCE BETWEEN COMPANY & PARTNERSHIP

58. A partnership firm has no separate existence apart from its members. Whereas a company is a.....distinct from its member.
- a) Do not have separate legal entity
 - b) Separate legal entity
 - c) Non profit making organization
 - d) None of above
59. Partnership is governed by Partnership Act, 1932. Whereas a company is Governed by.....
- a) The Companies Act, 1961
 - b) The Companies Act, 1956
 - c) The Companies Act, 1957
 - d) The Companies Act, 1975
60. Registration of partnership is not compulsory but registration of company is.....
- a) Optional
 - b) Compulsory
 - c) Compulsory in some cases
 - d) Optional but compulsory in some cases
61. Minimum capital for partnership is not specified under Partnership Act, 1932 but minimum capital for private company is Rs. And for public company is Rs. Under the Companies Act, 1956
- a) 5,00,000, 1,00,000
 - b) 1,00,000, 3,00,000
 - c) 1,00,000, 5,00,000
 - d) 3,00,000, 5,00,000
62. Minimum two persons are required to form partnership but minimum numbers of member required to form a company are; in case of private company.....& in case of public company.
- a) 2 & 7
 - b) 7 & 2
 - c) 3 & 8
 - d) 3 & 7

63. Affairs of company are managed by.....
- a) Board of trustee
 - b) Board of committee
 - c) Board of Directors
 - d) Shareholders
64. A partner can transfer his interest so as to substitute the transferee in his place as the partner, without the consent of all the other partners; a member of company cannot transfer his share to any one he likes.
- a) False
 - b) True
 - c) Partly true
 - d) Partly false

CHANGE IN A FIRM

65. A change in the nature of the business can only be brought about by the consent of.....
- a) Majority partners
 - b) All the partners
 - c) Two partners
 - d) Five partners
66. Where a partnership firm is formed for a particular undertaking or undertakings, it proceeds to carry on other undertaking or undertaking, in that event the mutual.....of the partners in respect of the other adventures or undertakings are the same as those in respect of the original adventures of undertaking.
- a) Rights
 - b) Duties
 - c) Rights and duties
 - d) Duties & liabilities

PARTNERSHIP PROPERTY

67. It is open to the partners to agree among themselves as to....., although employed for the purpose of the firm.\
- a) What is to be treated as the property of the firm,

- b) What is to be separate property of one or more partners
 - c) (a) & (b)
 - d) None of above
68. In the absence of any such agreement, express or implied, the property of the firm is deemed to include.....
- a) All property, rights and interests which have been brought into the common stock for the purposes of the partnership by individual partners, whether at the commencement of the business or subsequently added thereto
 - b) Those acquired in the course of the business with money belonging to the firm
 - c) The goodwill of the business
 - d) All of above
69. The property of the firm belongs to the firm and not to the individual partner or partners.
- a) True
 - b) Partly true
 - c) False
 - d) Partly false
70. Property of the firm shall be held by use of the partners.....
- a) Exclusively for business purposes
 - b) For business purposes as well as private purposes of the partners
 - c) For the private purposes of the partners
 - d) For charitable purposes

KINDS OF PARTNER

71.are the ordinary types of partners who invest money into the business of the firm, actively participate in the functioning and management of the business and share its profits or losses.
- a) Active partner
 - b) Sleeping or dormant partner
 - c) Nominal partner
 - d) Partner in profits only

72.are those who invest money in the firm's business and take their share of profits but do not participate in the functioning and management of the business.
- a) Active partner
 - b) Sleeping or dormant partner
 - c) Nominal partner
 - d) Partner in profit only
73. Personal who do not invest or participate in the management of the firm but only give their name to the business or firm are known as.....
- a) Active partner
 - b) Sleeping or dormant partner
 - c) Nominal partner
 - d) Partner in profits only
74. A partner who is entitled to share in the profits of a partnership firm without being liable to share the losses, is called a.....
- a) Active partner
 - b) Sleeping or dormant partner
 - c) Nominal partner
 - d) Partner in profits only
75. Which of the following partner can retire without giving public notice?
- a) Active partner
 - b) Sleeping or dormant partner
 - c) Nominal partner
 - d) Partner in profits only
76. When a partner of a firm agrees to share his own share of profit with an outside, it called.....
- a) Co-partnership
 - b) Undisclosed partnership
 - c) Profit sharing scheme
 - d) Sub-partnership
77. A sub-partner can bind the firm or other partners by his acts.
- a) False
 - b) Partly false
 - c) Partly true

- d) True
78. Sub-partner has no rights or duties towards the firm and does not carry any liability for the debts of the firm.
- a) False
 - b) Partly false
 - c) Partly true
 - d) True
79. Identify the incorrect sentence.
- a) A sub-partner is not connected with the firm.
 - b) A sub-partner has no relationship with other partners in the firm.
 - c) A sub-partner has a right in the firm's business.
 - d) A sub-partner can claim his agreed share from the partner with whom he entered into sub-partnership.
80. If the behavior of a person arouses misunderstanding that he is a partner in a firm (when actually he is not), such a person is stopped from later on denying the liabilities for the acts of the firm. Such person is called.....and is liable to all third parties.
- a) Sleeping partner
 - b) Partner by estoppels
 - c) Working partner
 - d) Sub-partner
81. The law relating to partners by holding out is contained in Section 28, which lays down thus."Anyone who by words,represents himself, or knowingly permits himself to be represented to be a partner in a firm, is liable as a partner in that firm to anyone who has on the faith of any such representation given credit to the firm, whether the person representing himself or represented to be a partner does or does not know that the representation has reached the person so giving credit".
- a) Spoken
 - b) Written
 - c) By conduct
 - d) Any of the above
82. A person, who, by words spoken or written or conduct represents himself or knowingly permits himself to be represented as a partner in the firm is called.....
- a) Sleeping partner
 - b) Working partner
 - c) Sub-partner
 - d) Partner by estoppels
83. A introduces B to C as a partner in his business. B, in fact, was not a partner but he did not deny the statement. C advanced a loan to A. A could not repay the loan. C can hold B responsible for the repayment of loan because.....
- a) B is a sleeping Partner
 - b) B is a Sub-partner
 - c) B is a Dormant Partner
 - d) B is a Partner By Estoppel
84. A partner who has not entered into a partnership agreement and conducts or represents himself as a partner in a firm is called.....
- a) Sleeping partner
 - b) Working partner
 - c) Sub-partner
 - d) Partner by holding out
85. Which of the following partners are not liable in relation to the firm?
- a) Partner by holding out
 - b) Working partner
 - c) Sub-partner
 - d) Partner by estoppels
86. Rohit is not a partner in a particular firm. But, he represents himself or knowingly permits himself to be represented as a partner of that particular firm to Sanjay, who on the faith of such a representation gives credit to the firm. Is Rohit liable as a partner in the firm?
87. A, B and C are partners in a firm. A introduces D to X as a partner in business.

D, in fact, was not a partner in the firm's business. D did not deny this statement. X advanced a loan of Rs. 20 lakhs to the firm. On firm's failure to repay the loan X wants to hold D responsible for the repayment of the above loan. Referring to the provisions of the Indian Partnership Act, 1932 decide whether X would succeed in recovering the loan from D.

- a) No. D is not liable
- b) A has to repay the loan
- c) Yes. D is liable as a partner by holding out
- d) None of above

88. A and B entered into an agreement to carry on a business of manufacturing and selling toys. Each one of them contributed Rs. 35 lakhs as their capital with a condition that A and B will share the profits equally, but the loss, if any is to be borne by A alone.

Referring to the provisions of the Indian Partnership Act, 1932 decide whether there exists a partnership between A and B.

- a) There is no partnership between A and B.
- b) A is sub-partner of B
- c) There is partnership by holding out
- d) There is partnership between A and B. A is partner in profit only.

MINOR AS A PARTNER

89. For admitting a minor into the benefits of the partnership, which of the following is required?

- a) Consent of majority partners
- b) Consent of parent or guardian
- c) Consent of all the partners
- d) None of above

90. Minor partner is entitled to his agreed share and can inspect books of account of the firm.

- a) True

- b) False
- c) Partly true
- d) Partly false

91. Which of the following statement is incorrect as to a minor's position in a partnership firm?

- a) Minor is admitted to a share of partnership profits.
- b) Minor is personally liable to contribute to the losses.
- c) Minor is entitled to a share of the firm's property.
- d) Minor can inspect and copy any of the firm's accounts.

92. Within.....period on his attaining majority or obtaining knowledge that he has been admitted to the benefits of the partnership, whichever is later, a minor may give public notice of his decision to continue or withdraw from the firm.

- a) Three months
- b) Six months
- c) Eight months
- d) Nine months

93. Failure by a minor to give public notice within 6 months will have the following effect.....

- a) The partnership firm stands dissolved.
- b) Minor automatically becomes partner.
- c) Minor automatically ceases to be a partner.
- d) The partnership becomes an illegal association

94. When the minor elects not to become a partner, his rights and liabilities.....

- a) Continue to be those of a minor up to the date of giving public notice.
- b) Are the same as that of all other partner.
- c) Become ineffective since the partnership is invalid.
- d) After the date of dissolution of firm.

95. When the minor elects not to become a partner, his share is not liable for any acts of the firm done.....

- a) After his admission to benefits of partnership
- b) After the date of giving public notice
- c) After the date of attaining majority
- d) After the date of dissolution of firm.

96. A minor is personally liable for the debts of the firm.

- a) Correct
- b) Incorrect
- c) Partly correct
- d) Partly incorrect

97. Where a minor on attaining majority, elects to become a partner, he does not becomes personally liable as other partners to the third parties for all the acts of the firm done since he was admitted to the benefits of partnership.

- a) Correct
- b) Incorrect
- c) Partly correct
- d) Partly incorrect

98. If minor becomes or elects to become a partner, his position will be.....

- a) His rights and liabilities will be similar to those of a full-fledged partner.
- b) He will be personally liable for all the acts of the firm, done since he was first admitted to the benefits of the partnership.
- c) His hare of profits and property remains the same as was before, unless altered by agreement
- d) All of above

99. If minor becomes or elects to become a partner, his position will be.....

- a) His rights and liabilities will not be similar to those of a full-fledged partner.
- b) He will not be personally liable for all the acts of the firm, done since he was first

admitted to the benefits of the partnership.

- c) His hare of profits and property remains the same as was before, unless altered by agreement.
- d) All of above

100. If minor elects not to become a partner, then:

- a) His rights and liabilities shall continue to be those of a minor up to the date of his giving public notice.
- b) His share shall not be liable for any acts of the firm done after the date of the public notice.
- c) He is entitled to sue the partners for his share of the property and profits in the firm.
- d) All of above

RIGHTS OF PARTNERS

101.has a right to take part in the conduct and management of the business.

- a) Every partner
- b) Sub-partner
- c) Partner by holding out
- d) Substituted partner

102., has a right of free access to all records, books and account of the business and also to examine and copy them.

- a) Every partner
- b) Sub-partner
- c) Partner by holding out
- d) Substituted partner

103. Every partner whether active or dormant, has a right of free access to all..... Of the business and also to examine and copy them.

- a) Records
- b) Books
- c) Records, books and account
- d) None of above

104. Every partner is entitled to share in the profits....., unless different proportions are stipulated.
- In proportion to capital
 - Equally
 - In proportion to balance in current accounts
 - None of above
105. Where a partner has advanced any loan to the firm and the agreement provides for interest, but does not specify any rate, the rate shall be.....
- 6%
 - 8%
 - 9%
 - 5%
106. A partner claim interest on capital.....
- If there is loss
 - If there is profit
 - If there is profit and there is an agreement to pay it
 - None of above
107. Subject to contract between the partners, where a partner is entitled to interest on his capital, such interest shall be payable.
- Only out of profits
 - Only out of capital
 - First out of profits and then out of capital
 - Firs out of capital and then out of profit
108. Subject to contract between the partners, for taking part in the conduct of the business, a partner is.....
- Not entitled to receive any remuneration.
 - Entitled to reasonable remuneration.
 - Entitled to remuneration based on profits
 - Entitled to remuneration in the ration of their capital.
109. Every partner shall indemnify the firm for any loss caused to it by him willful neglect in the conduct of the firm's business. However, the Partners may agree that some partners need not indemnify the firm.
- True
 - Partly true
 - False
 - None of the above
110. Partner shall indemnify the firm for any loss caused to it by his.....in the conduct of the firm's business.
- Negligence
 - Interference
 - Willful neglect
 - None of the above
111. A partner has no power to act in an emergency for protecting the firm from loss.
- True
 - Partly true
 - False
 - None of the above
112. Every partner has a right to retire by giving notice where the partnership is at will.
- True
 - Partly true
 - False
 - None of the above
113. Which of the following is not a right of partner?
- Every partner has a right to continue in the partnership and not to be expelled from it.
 - A partner has power to act in an emergency for protecting the firm from loss.
 - Every partner is entitled to share in the profits equally
 - Every partner is entitled to the introduction of a new partner into the firm without consent other partner.
114. An incoming partner will be liable for debts or liabilities of the firm before he becomes a partner.
- True

- b) Partly true
 - c) False
 - d) None of the above
115. In good faith and based on the contract between partners, a partner may be expelled from the firm by.....
- a) Unanimous consent of all the partners.
 - b) Majority of the partners
 - c) Any of the working partners
 - d) Any of the dormant partners.
116. When a partner is expelled otherwise than in good faith, it is.....
- a) Valid
 - b) Voidable
 - c) Null and void
 - d) None of above
117. The invalid expulsion of a partner gives him a right to claim damages.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
118. ABC & Co., a firm consists of three partners A, B and C having one-third share each in the firm. Advise A and B whether they can do so.
- a) Yes
 - b) No
 - c) A & B have to retire from the firm.
 - d) None of the above
119. When a partner is expelled otherwise than in good faith, it is null and void. He continues to be a partner.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
120. The outgoing partner cannot carry on a competing business or advertise such business.
- a) True
 - b) Partly true
 - c) False

- d) None of the above
121. Where the outgoing partner carries on a competing business, which of the following is permissible?
- a) Use of firm's name
 - b) Holding out as carrying on the business of the firm.
 - c) Soliciting the custom of the firm's customers/ suppliers etc.
 - d) Advertising such competing business.

DUTIES OF PARTNERS

122. Every partner is bound to carry on the business of the firm to the.....
- a) To the advantage of the working partner.
 - b) For reasonable advantage
 - c) For the advantage of society
 - d) To the greatest common advantage
123. Which of the following is not covered by general duties of partners?
- a) To carry on the business of the firm to the greatest common advantage of the firm.
 - b) To be just and faithful to each other.
 - c) To arrange for audit of accounts of the firm.
 - d) To keep and render true, proper and correct accounts of the partnership.
124. Which of the following is not covered by the general duties of partners?
- a) To claim remuneration for the services rendered to the firm.
 - b) To render true accounts and full information of all things affecting the firm to any partner or his legal representative.
 - c) To carry on the business of the firm to the greatest common advantage.
 - d) To be just and faithful to each other.
125. A partner can make secret profits.
- a) True

- b) Partly true
c) False
d) None of the above
126. Every partner must account for any benefits derived from the partnership business without the consent of the other partners.
a) True
b) Partly true
c) False
d) None of the above
127. Which of the following statement is incorrect?
a) Every partner must be just and faithful to other partners.
b) A partner is bound to keep and render true, proper and correct accounts of the partnership.
c) A partner can compete with the firm, without the consent of the other partners.
d) To carry on the business of the firm to the greatest common advantage.
128. Every partner is bound to attend.....to his duties, in the conduct of the business.
a) Systematically
b) Diligently
c) Sincerely
d) Effectively
129. In the absence of an agreement to the contrary, every partner is bound to share losses.....
a) Equally
b) In proportion to capital
c) In proportion to their private assets
d) None of above
130. Property of the firm shall be held by use of the partners.....
a) Exclusively for business purposes.
b) For business purposes as well as private purposes of the partners.
c) For the private purposes of the partners.
d) For charitable purposes.
131. Every partner is bound to indemnify the firm for any loss caused by.....in the conduct of the business.
a) Fraud
b) Misrepresentation
c) Mistake
d) Undue influence
132. For loss caused to the firm by his fraud in the conduct of the business, every partner shall.....
a) Indemnify the firm
b) Indemnify the other partner
c) Indemnify all the retiring partners
d) Indemnify only the working partners
133.can assign or transfer his partnership interest to any other person, so as to make him a partner in the business.
a) No partner
b) Every partner
c) Working partner
d) Nominal partner
134. A partner may assign the profits and share in the partnership assets.
a) True
b) Partly true
c) False
d) None of the above
135. Which of the following statement is correct in relation to assignment of profit by partner?
a) The assignee will have no right to ask for the accounts or to interfere in the management of the business.
b) The assignee would be entitled only to share the actual profits from the partners.
c) On dissolution of the firm, the assignee will be entitled to the share of the assets and also to accounts but only from the date of dissolution.
d) All of above

136. A and B, who work in partnership, deal in purchase and sale of cloth. B starts cloth manufacturing business individually. A files a suit against B for sharing of profits of cloth manufacturing business with him. Will he succeed?
- a) A partner can carry on business which is of the same nature as and competing with that of the firm. Hence, A will succeed.
 - b) A can also separately start cloth manufacturing business and he can earn the profit. Hence he cannot recover.
 - c) A partner shall not carry on business which is of the same nature as and competing with that of the firm, he shall account for the same and pay all such profits to the firm. Cloth manufacturing is different activity and not similar to purchase and sale of cloth. Hence, A will not succeed.
 - d) None of above

RELATION OF PARTNERS TO THIRD PARTIES (EXPRESS & IMPLIED AUTHORITY)

137. Every partner is an agent of the.....for the purpose of the business of the firm.
- a) Firm
 - b) Other partners
 - c) Firm and of other partners
 - d) None of above
138. Every partner is an agent of the firm and of other partners for
- a) The purpose of the management of the firm.
 - b) The purpose of other partners.
 - c) The purpose of liability to third parties
 - d) The purpose of the business of the firm.
139. The acts of every partner who does any act for carrying on in the usual way the

- business of the kind carried on by the firm bind the firm and his partners unless:.....
- a) The partner so acting has no authority to act for the firm in that matter
 - b) The person with whom he is dealing knows that he has no authority
 - c) Does not know or believe him to be a partner.
 - d) All of above
140. This authority of partner may be.....
- a) Express
 - b) Implied
 - c) (a) or(b)
 - d) None of above
141. Authority is said to be express when it is given by words,.....
- a) Spoken
 - b) Written
 - c) (a) or (b)
 - d) None of above
142. Where authority of a partner is conferred by mutual agreement, it is called as.....
- a) Implied authority
 - b) Express authority
 - c) Ostensible authority
 - d) Apparent authority
143. The implied authority of a partner is also know as.....
- a) Ostensible authority
 - b) Apparent authority
 - c) (a) or (b)
 - d) None of above
144. Where authority of a partner is not conferred by mutual agreement, but acts of partner which are exercised in ordinary course of business and which bind the firm are known.....of partner.
- a) Implied authority
 - b) Ostensible authority
 - c) Apparent authority
 - d) (a) or (b) or (c)

145. Which of the following conditions is necessary for the exercise of implied authority?
- The act must relate to the business of the firm.
 - The act must be done in the firm's business name.
 - The act must be done in the usual way of carrying on the firm's business.
 - All of above
146. To bind the firm under implied authority, the act must be done in the.....of carrying on the firm's business.
- Regular way
 - Usual way
 - Routine way
 - Extraordinary way
147. Nitin, a partner of a firm dealing in computers gives an order for wine worth Rs. 10,000 in firm's name. Discuss the liability?
- The firm is liable to pay Rs. 10,000.
 - The firm can sale the wine to other.
 - It does not relate to normal business of the firm. The firm will not be bound by it as act is not within implied authority of a partner.
 - None of above
148. Which of these acts falls outside the implied authority?
- Purchase goods dealt or used by the firm on behalf of the firm.
 - Sale of the goods of the firm.
 - Receiving payments of debts due to the firm and issuing receipt for it.
 - Withdraw any suit or proceeding filed on behalf of the firm.
149. Which of these acts falls outside the implied authority?
- Appointment of employees to carry on the firm's business.
 - Admit any liability in a suit or proceedings against the firm.
 - Pledging goods of the firm as security.
 - Borrowing money on behalf of the firm.
150. Which of these acts falls outside the implied authority?
- Pledging goods of the firm as security.
 - Drawing, accepting and endorsing negotiable instruments.
 - Acquire immovable property on behalf of the firm.
 - Hiring solicitors to defend actions against the firm.
151. Which of these acts are within the implied authority?
- Settlement of accounts with third parties.
 - Open a bank account on behalf of the firm in the partner's own name.
 - Compromise or relinquish any claim or portion of claim by the firm.
 - Submit to arbitration, a dispute relating to the business of the firm.
152. Which of these acts are within the implied authority of a partner?
- Acquire immovable property on behalf of the firm.
 - Borrowing money on behalf of the firm.
 - Enter into partnership on behalf of the firm.
 - Transfer immovable property belonging to the firm.
153. Which of these acts are within the implied authority of a partner?
- Enter into partnership on behalf of the firm.
 - Submit to arbitration, a dispute relating to the business of the firm.
 - Pledging goods of the firm as security.
 - Open a bank account on behalf of the firm in the partner's own name.
154. Which of these acts are within the implied authority of a partner?
- Receiving payments of debts due to the firm and issuing receipt for it.

- b) Open a banking account in his own name on behalf of the firm
 - c) Withdraw a suit or proceeding filed on behalf of the firm
 - d) Transfer immovable property belonging to the firm
155. The partners, by mutual agreement, can.....the implied authority of any partner.
- a) Restrict
 - b) Extend
 - c) (a) or (b)
 - d) None of above
156. The implied authority of any partner may be.....
- a) Restricted by contract between the partners.
 - b) Extended by contract between the partners.
 - c) Either extended or restricted by contract behalf of the firm.
 - d) Can be extended but not restricted by contract between the partners.
157. Where there is no restriction on implied authority, any act done by a partner which falls within his implied authority, binds the firm, except.....
- a) When there is a fraud
 - b) When there is a willful neglect
 - c) When the third party dealing with the firm knows of the restriction.
 - d) When the third party induced the partner into such act.
158. N & Z are partners in a firm dealing in stationery. N placed order in the firm's name and on the firm's letter pad for 10 bags of wheat to be supplied at his residence.
- a) The firm is not liable for N's act
 - b) The firm is liable for N's act.
 - c) A has acted within his implied authority
 - d) None of above
159. All partners are liable jointly and severally for all.....binding on the

- firm including liabilities arising from contracts as well as torts (Section 25).
- a) Acts
 - b) Omissions
 - c) Acts or omissions
 - d) None of above
160. All partners are liable jointly and severally for all acts or omission binding on the firm including liabilities arising from.....(Section 25).
- a) Offers
 - b) Contracts
 - c) Acceptance
 - d) Contracts as well as torts
161. An act to be binding on the firm, it is necessary that the partner doing the act on behalf of the firm must have done that act.....
- a) In the name of the firm
 - b) On behalf of the firm
 - c) Not in his personal capacity
 - d) All of above

LIABILITY OF THE FIRM FOR TORTS

162. Every partner is liable for the.....of the other partners in the course of the management of business.
- a) Negligence
 - b) Fraud
 - c) Negligence and fraud
 - d) Mistakes

LIABILITY OF AN INCOMING PARTNER

163. As a general rule, an incoming partner is.....for the debts incurred before he joined the firm as a partner
- a) Liable
 - b) Not liable
 - c) (a) or (b)
 - d) (a) & (b)
164. As a general rule, an incoming partner is not liable for the debts incurred.....

- a) After he joined the firm as a partner
 - b) Before he joined the firm as a partner
 - c) Before some other partner joins with as a partner
 - d) None of above
165. As a general rule, an incoming partner is not liable for the debts incurred, however, he may liable for past debts if it is agreed between.....
- a) The creditor of the firm
 - b) The partners existing at the time the debt was incurred
 - c) The incoming partner
 - d) All of above
166. The liability of a new partner generally commences from.....
- a) The date of his admission.
 - b) The first date of the financial year in which he was admitted.
 - c) Any day after his admission as he so decides.
 - d) Any day to be decided by the Registrar of Firm.
167. Normally, a incoming partner is liable for all acts done by the firm even before his admission.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
168. Where a new partner specifically agrees to bear past liabilities, third parties cannot hold a new partner liable since there is.....
- a) No consideration
 - b) No mutual agency
 - c) No valid partnership agreement
 - d) No privity of contract between the new partner and such third parties.
169. Where a incoming partner specifically agrees to bear past liabilities, he will be liable for such liabilities to.....
- a) All creditors of the firm

- b) All debtors of the firm
- c) Other partners of the firm
- d) Government

LIABILITY OF AN OUTGOING / RETIRING PARTNER

170. An outgoing partner remains liable for the partnership debts.....
- a) Contracted while he was a partner
 - b) For past & future debts
 - c) Incurred after he ceased to be a partner
 - d) None of above
171. An outgoing partner remains liable for the partnership debts contracted while he was a partner. He may, however be discharged if it is agreed between.....
- a) The creditor of the firm
 - b) The other partners existing at the time the debt was incurred
 - c) The outgoing partner
 - d) All of above
172. Retiring partner continues to be liable for acts of the firm done.....
- a) Up to the date of giving public notice of retirement.
 - b) Up to the close of the financial year in which he retires.
 - c) Up to the date of admission of a new partner.
 - d) All of the above
173. Public notice of retirement should be given by.....
- a) All the partners of the reconstituted firm.
 - b) By the retiring partner or any partner of the reconstituted firm.
 - c) Any partner of the reconstituted firm.
 - d) Retiring partner only.
174. Where the continuing partners carry on the business of the firm, the outgoing partner whose claim is not settled, is entitled to.....

- a) Share of profits since date of cessation as partner.
- b) 6% interest p.a. on the unsettled amount.
- c) Both (a) and (b)
- d) Either (a) or (b) at his option.

DEATH OR INSOLVENCY

175. The estate of a partner who dies or who becomes insolvent, is not liable for partnership debts contracted.....
- a) after the date of the death or insolvency
 - b) Before the date of the death or insolvency
 - c) After the 1st day of financial year in which he dies or becomes insolvent
 - d) All of above
176. The estate of a deceased partner is liable for any act the firm done after his death.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
177. P,Q and R as are in partnership Q dies on 15th June, which of the following statement is true?
- a) Q's estate is not liable at all.
 - b) Q's estate is not liable for any acts of the firm done after 15th June.
 - c) Q's estate is liable for all acts up to the end of the financial year when the death occurred.
 - d) Q's estate is liable only up to the previous financial year.

DISSOLUTION

178. Dissolution of partnership between all the partners of a firm is called.....
- a) Dissolution of partnership
 - b) Dissolution of firm
 - c) Reconstitution of firm

- d) Dissolution of firm name
179. Any change in the relations of partners is called.....This may happen due to admission, retirement or death of partner.
- a) Dissolution of partnership
 - b) Dissolution of firm
 - c) Reconstitution of firm
 - d) Dissolution of firm name
180. Business of firm is completely stopped, its assets are realized, liabilities paid off and surplus distributed among partners according to their share in firm's property. This is known as.....
- a) Dissolution of partnership
 - b) Dissolution of firm
 - c) Reconstitution of firm
 - d) Dissolution of firm name
181. A,B,C are partners on death of B, A and C continue the firm's business. This is a case of.....
- a) Dissolution of partnership
 - b) Dissolution of firm
 - c) Death of partnership
 - d) All of above
182. In which of the following case the dissolution of partnership takes place? (even when there is no dissolution of the firm)
- a) By the expiry of the fixed term for which the partnership was formed.
 - b) By the completion of the adventure.
 - c) By the death of a partner.
 - d) All of above
183. In which of the following case the dissolution of partnership takes place? (even when there is no dissolution of the firm)
- a) By the retirement of a partner.
 - b) By the insolvency of a partner.
 - c) By the death of a partner.
 - d) All of above

184. A firm may be dissolved where.....agree that it shall be dissolved.
- a) All the partners
 - b) Majority of partners
 - c) Partners by majority
 - d) 3/4th partners
185. A partnership firm with one partner can continue.
- a) False
 - b) Partly false
 - c) True
 - d) None of above
186. If all partners, or all but one partner, of the firm are declared insolvent.....
- a) Firm is also declared insolvent
 - b) Solvent partner has to repay the debts of the firm
 - c) Firm is automatically dissolved
 - d) None of the above
187. A firm is compulsorily dissolved if.....
- a) All partners are adjudicated insolvent
 - b) All of the partners but one, are adjudicated insolvent.
 - c) Both (a) & (b)
 - d) Either (a) or (b)
188. A, B and C are in partnership A and C are adjudicated insolvent, while B wants to continue the firm.
- a) Firm is also declared insolvent.
 - b) B has to repay the debts of the firm.
 - c) Firm is automatically dissolved and hence B cannot continue.
 - d) The Court has to give order for dissolution.
189. A firm is compulsorily dissolved if.....
- a) All partners are adjudicated insolvent
 - b) All of the partners but one, are adjudicated insolvent.
 - c) If the business of the firm becomes illegal because of some subsequent events, such as change of law
 - d) All of above
190. Where the partnership is at will, the firm may be dissolved at any time, by any partner giving notice in writing of his intention to dissolve the firm, to.....
- a) All the other partners
 - b) Majority other partners
 - c) 3/4th partners
 - d) None of above
191. In which of the following case, the Court may, at the suit of a partner, dissolve a firm?
- a) If a partner has become of unsound mind, the firm is dissolved on a petition made by any of the other partners or by the next friend of the insane partner.
 - b) a partner becomes permanently incapable of performing his duties as a partner.
 - c) If a partner is found guilty of conduct which is likely to affect the carrying on of business of the firm then application to Court shall be made by any partner who is not guilty of misconduct for dissolution of firm.
 - d) All of above
192. In which of the following case, the Court may, at the suit of a partner, dissolve a firm?
- a) partner willfully and persistently commits breach of partnership agreement as management
 - b) Partner conduct himself in such a way that it is not reasonably practicable for the other partners to carry on business in partnership with him.
 - c) The firm has been continuously suffering losses and in future also the business cannot be carried on expect a t a loss

- d) all of above
193. In which of the following case, the Court may, at the suit of a partner, dissolve a firm?
- a) If it can be proved to the satisfaction of the court that it is just and equitable to dissolve the firm
 - b) If a partner has become of unsound mind, the firm is dissolved on a petition made by any of the other partners or by the next friend of the insane partner.
 - c) Partner conducts himself in such a way that it is not reasonably practicable for the other partners to carry on business in partnership with him.
 - d) All of above
194. The Court may dissolve a firm if a partner.....commits breach of agreements relating to management of the affairs of the firm or the conduct of the firm's business.
- a) Wilfully
 - b) Persistently
 - c) Either (a) or (b)
 - d) Both (a) and (b)
195. Firm may be dissolved.....
- a) With the consent of all the partners
 - b) In accordance with the contract between them
 - c) (a) or (b)
 - d) None of above
196. The Court may dissolve a firm if a partner conduct himself in such a way that it is not reasonably practicable for the other partners to carry on business in partnership with him.
- a) With the consent of all the partners
 - b) In accordance with the contract between them
 - c) (a) or (b)
 - d) None of above
197. If the firm has been continuously suffering losses and it is apparent that in future also the business cannot be carried on except at a loss, the Court cannot order dissolution of the firm.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
198. Firm is automatically/compulsory dissolved, if
- a) All partners, or all but one partner, of firm are declared insolvent.
 - b) Some event happens which makes it unlawful for business of the firm to be carried on or for the partners to carry it on in partnership.
 - c) (a) or (b)
 - d) None of above
199. In which of the following situations the firm will not be compulsorily dissolved?
- a) All partners or any one of the partners is declared insolvent.
 - b) The business of the firm becomes unlawful.
 - c) The partnership has various adventures & one such adventure become illegal.
 - d) The decision is taken by all the partners to dissolve the firm.
200. If at the time of admission partner pays premium then on dissolution, he is entitled to demand the return of a proportion of the premium if the partnership was for a fixed term and was dissolved before the expiry of that term, unless dissolution was caused by.....
- a) Agreement
 - b) Misconduct of the party seeking return of the premium
 - c) Death of a partner
 - d) All of above

201. In setting the accounts of a firm after dissolution, losses, including deficiencies of capital, shall be paid.....
- Out of profits
 - Out of capital
 - By the partners individually in the proportions in which they were entitled to share profits
 - First out of profits, next out of capital, and, lastly, if necessary, by the partners individually in the proportions in which they were entitled to share profits
202. Upon dissolution, the firm's assets shall be first applied in.....
- In paying the debts of the firm to third parties
 - Payment of partners loan
 - Payment of partners capital
 - Distribution of surplus to partners in profit sharing ration.
203. Upon dissolution, the firm's assets shall be firm applied in paying the debts of the firm to third parties, shall thereafter be applied in.....
- In paying the debts of the firm to third parties
 - Payment of partners loan
 - Payment of partners capital
 - Distribution of surplus to partners in profit sharing ration.
204. Upon dissolution, the firm's assets shall be first applied in paying the debts of the firm to third parties, shall thereafter be applied in payment of partners loan, shall then be applied in payment of partners capital.
- In paying the debts of the firm to third parties
 - Payment of partners loan
 - Payment of partners capital
 - Distribution of surplus to partners in profit sharing ratio.
205. Upon dissolution, the firm's assets shall be first applied in paying the debts of the firm to third parties, shall thereafter be applied in payment of partners loan, shall then be applied in payment of partners capital and still surplus remains it should used for.....
- In paying the debts of the firm to third parties
 - Payment of partners loan
 - Payment of partners capital
 - Distribution of surplus to partners in profit sharing ration.
206. Upon dissolution, which is the proper order for application of the Firm's assets?
- Payment of partners loan
 - In paying the debts of the firm to third parties
 - Distribution of surplus to partners in profit sharing ratio
 - Payment of partners capital
- I, IV, III, II
 - II, I, IV, III
 - II, I, III, IV
 - I, II, III, IV
207. The private property of a partner should be used to.....
- Pay his private debts first and.
 - If there is any surplus it can be used to pay firms liabilities
 - (a) and (b)
 - None of above
208. Firm's assets should be first used to pay.....
- Firm's liabilities
 - Private liabilities
 - Firm's liabilities and if surplus remains then it can be used to pay his private liabilities of partner.
 - (a) or (b)
209. Which of the following is prepared only at the time of dissolution of the firm?
- Revaluation Account

- b) Realization account
 - c) Profit & Loss Adjustment Account
 - d) All of the above
210.rule is applicable at the time of any partner becoming insolvent.
- a) Garner vs. Murray
 - b) Derry vs. Peek
 - c) Salomon vs. A. Salomon & Co. Ltd.
 - d) Mohiri Bibi vs. Dhamodas Ghose
211. Garner vs. Murray requires.....
- a) That the solvent partners should bear the loss arising due to insolvency of a partner in their last agreed capital ratio
 - b) That the solvent partners should bring in cash equal to their respective shares of the loss on realization
 - c) Both (a) & (b)
 - d) None of above
212. In which of the following case Garner vs. Murray rule is not applicable?
- a) Only one partner is solvent
 - b) All partners are insolvent.
 - c) Partnership deed provides for a specific method to be followed in case of insolvency of a partner
 - d) All of the above
213. When the partners capital accounts are fixed, as per the decision in the Garner vs. Murray case, any loss arising due to the capital deficiency in the insolvent partners' capital accounts is to be borne by solvent partners in the ration of
- a) Profit sharing ratio
 - b) Scarifying ratio
 - c) Gaining ratio
 - d) Last agreed capital ratio

GOODWILL

214.may be described as the aggregate of those intangible attributes of a business which contribute to its superior

earning capacity over a normal return on investment.

- a) Image of firm
 - b) Goodwill
 - c) Work quality
 - d) None of the above
215. Which of the following is the right of buyer of goodwill?
- a) Represent himself in continuing the business
 - b) Maintain his exclusive rights to the use of the firm name
 - c) Solicit former customers of the business and restrain the seller or the goodwill from doing so.
 - d) All of above
216. The vendors (partnership firm) may enter into competition with the purchaser unless he is prevented by a valid restraint clause in the contract of sale.
- a) True
 - b) False
 - c) Partly true
 - d) None of above

REGISTRATION OF THE FIRM

217. Registration of firm does not create partnership.
- a) True
 - b) Partly false
 - c) False
 - d) None of above
218. A partnership firm has to be compulsorily registered in order to commence its business.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
219. Registration of firm may be effected at any time during the continuance of partnership.

- a) True
 - b) Partly true
 - c) False
 - d) None of the above
220. Which of the following is not required to be given in an application for registration of a firm?
- a) Firm name
 - b) Place of business or principal place of business
 - c) Names of any other places where the firm carries on business.
 - d) Details of capital contribution of partners.
221. Which of the following is not required to be given in an application for registration of a firm?
- a) Firm name
 - b) Date when each partner joined the firm.
 - c) Date of birth of each partner of the firm.
 - d) Duration of the firm.
222. Application for registration of firms should be signed by.....
- a) All the partners or their agents.
 - b) Majority of the partners or their agents.
 - c) All working partners of their agents.
 - d) All minor partners.
223. Application for registration of firms should be signed by.....
- a) All the partners.
 - b) Specially authorized agents of all the partners.
 - c) Both (a) and (b)
 - d) Either (a) or (b)

EFFECTS OF NON-REGISTRATION

224. A partner of an unregistered firm can sue the firm or any other partner of the firm to enforce a right arising from a contract or a right conferred by the partnership Act.
- a) True
 - b) Partly true

- c) False
 - d) None of the above
225. A partner of an unregistered firm cannot sue the firm or any other partner of the firm to enforce a right.....
- a) Arising from a contract
 - b) Conferred by the Partnership Act
 - c) Either (a) or (b)
 - d) Both (a) and (b)
226. An unregistered firm cannot file a suit against a third party to enforce any right arising from a contract.
- a) True
 - b) Partly true
 - c) False
 - d) None of the above
227. An unregistered firm suffers from the following disabilities-
- a) No suit between partners and firm
 - b) No suit by firm on a third party
 - c) No claim of set-off
 - d) All of the above
228. In which of the following case there is no bar on the right of third-parties to sue the firm or any partner.
- a) A suit for the dissolution of a firm
 - b) A suit for rendering of accounts of a dissolved firm
 - c) A suit for realization of the property of a dissolved firm.
 - d) All of the above.
229. In which of the following case there is no bar on the right of third-parties to sue the firm or any partner.
- a) A suit or claim of set-off, the value of which does not exceed Rs. 100.
 - b) A proceeding in execution or other proceeding incidental to or arising from a suit or claim for not exceeding Rs. 100.
 - c) A suit by a firm which has no place of business in the territories to which the Indian Partnership Act extends

- d) All of the above
230. Non-registration of a firm does not affect the rights of the firm to institute a suit or claim of set-off not exceeding.....
- a) Rs. 100.
 - b) Rs. 1,000
 - c) Rs. 10,000
 - d) Rs. 50,000
231. An unregistered firm can bring a suit to enforce a right arising otherwise than out of contract e.g., for an injunction against a person for wrongful infringement of trade mark etc.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
232. A firm is merely a collection of partners and cannot bring a suit for libel or slander.
- a) True
 - b) False
 - c) Partly true
 - d) None of above

Chapter 10

THE INDIAN CONTRACT Act, 1872

THESE CHAPTER COVERS MCQs ON:

- Meaning and nature of contract
- Agreement
- Obligation
- Rights and obligation
- Essential elements of a valid contract
- Flaws in contract
- Void agreement
- Voidable contract
- Illegal agreement
- Discharge or termination of contracts
- Illegal agreement
- Discharge or termination of contracts

- Contract of indemnity and guarantee
- Contract of bailment and pledge
- Law of agency

MEANING & NATURE OF CONTRACT

1. The law relating to contracts is contained in

 - (a) The Indian Contract Act, 1862
 - (b) The Indian Contract Act, 1952
 - (c) The Indian Contract Act, 1872
 - (d) The Indian Contract Act, 1972

2. The Indian Contract Act extends to

 - (a) Whole of India
 - (b) Whole of India excluding State of Delhi & Maharashtra
 - (c) Whole of India excluding State of Jammu & Kashmir
 - (d) Whole world

3. The Indian Contract Act, 1872 came into force on the first day

 - (a) 1st of September, 1872
 - (b) 1st of October, 1930
 - (c) 1st of July, 1932
 - (d) 1st of September, 1972

4. A contract is an agreement creating and defining obligations between the parties. This definition of contracts is given by

 - (a) Sir Fredrick Pollock
 - (b) Salmond
 - (c) Anson
 - (d) Sibble

5. A contract is an agreement enforceable at law, made between two or more persons, by which rights are acquired by one or more to acts or forbearances on the part of the other or others. This definition of contract is given by

 - (a) Sir Fredrick Pollock
 - (b) Salmond
 - (c) Anson
 - (d) Sibble

6. Every agreement and promise enforceable at law is a contract. This definition of contract is given by
- (a) Sir Fredrick Pollock
 - (b) Salmond
 - (c) Anson
 - (d) Sibble
7. As per Section 2(h), a contract is an agreement enforceable by
- (a) Third party
 - (b) Law
 - (c) One party
 - (d) Both parties
8. Law of contract covers
- (a) Personal obligation
 - (b) Private obligation
 - (c) Contractual obligation
 - (d) Obligation imposed by third parties

AGREEMENT

9. As per Section 2(e) of the Indian Contract Act, 1872 forming the consideration for each other, is an agreement.
- (a) Every promise
 - (b) Every offer
 - (c) Every promise and every set of promises
 - (d) None of above
10. Contract = Agreement +
- (a) Enforceability by law
 - (b) Enforceability by parties
 - (c) Enforceability by Parliament
 - (d) All of above
11. Agreement = + Acceptance
- (a) Consent
 - (b) Silence
 - (c) Offer
 - (d) None of above
12. According to Section 2(b) of the Indian Contract Act, 1872 when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be
- (a) Accepted

- (b) Rejected
 - (c) Avoided
 - (d) Rounded
13. Section 2(b) of the Indian Contract Act, 1872, defines
- (a) Offer acceptance
 - (b) Proposal
 - (c) Acceptance
 - (d) Invitation to make an offer
14. A proposal, when accepted, becomes a
- (a) Offer
 - (b) Agreement
 - (c) Contract
 - (d) Promise
15. The meeting of the minds is called
- (a) Jus in rem
 - (b) Consensus-ad-idem
 - (c) Jus in personam
 - (d) Void ab initio
16. As per Consensus-ad-idem both the parties to an agreement must agree about the subject matter of the agreement
- (a) In the same sense
 - (b) At the same time
 - (c) Both (a) & (b)
 - (d) (a) or (b)
17. Mr. Chetan owns two horses named Rajhans and Hansraj, is selling horse Rajhans to Mr. Pavan. Mr. Pavan thinks that he is purchasing horse Hansraj. The following is missing
- (a) Jus in rem
 - (b) Consensus-ad-idem
 - (c) Jus in personam
 - (d) Void ab initio
18. Which of the following is not contract?
- (a) Social obligation
 - (b) Obligation imposed on Mr. A by Mr. B under an agreement enforceable under law

- (c) Obligation imposed on Mr. A by Mr. A under an agreement enforceable under law
(d) All of above
19. Mr. Parag invites Ms. Dhanshri to a dinner. It is
- (a) Social obligation only
(b) Social obligation enforceable by law
(c) Social obligation not enforceable by law
(d) Ms. Dhanshri must go to dinner
20. Mr. Invites Mr. B for his son's wedding. Mr. B accepts the invitation. In this case, there is
- (a) Legal agreement
(b) Social agreement
(c) Legal obligation on the part of Mr. B to attend wedding ceremony
(d) (a) & (c)
21. Mr. A invites Mr. B for coffee in a restaurant and Mr. B accepts the invitation. On the appointed date, Mr. B goes there but Mr. A is not found. In this case
- (a) Mr. B has no remedy against Mr. A
(b) Mr. B has to wait for another invitation from Mr. A
(c) Mr. B can sue Mr. A for honoring his words
(d) Mr. A has to invite Mr. B again, to perform the promise.
22. All agreements are not contract but all Are agreements.
- (a) Offer
(b) Acceptance
(c) Obligation
(d) Contracts
23. Every contract is an agreement but every agreement is not a contract.
- (a) True
(b) False
(c) Partly true
(d) None of above
24. A husband promised to pay his wife a household allowance of Rs2,500 every

- month. Later parties separated and the husband failed to pay the amount. This is
- (a) Contract
(b) Not a contract
(c) Agreement enforceable by law
(d) None of above

ESSENTIAL ELEMENTS OF A VALID CONTRACT

25. Which of the following is essential element of valid contract
- (a) There must be offer and acceptance
(b) There must be intention to create legal relationship
(c) There must lawful consideration
(d) All of above
26. Which of the following is /are essential element of valid contract
- (a) The parties must have legal capacity to contract
(b) There must be free & genuine consent
(c) There must lawful object
(d) All of above
27. Which of the following is / are essential element of valid contract
- (a) There must be free & genuine consent
(b) There must be offence
(c) There must not be intention to create legal relationship
(d) All of above
28. This of the following is / is essential of valid contract
- (a) Consideration
(b) Free consent
(c) Capacity of parties
(d) All of above
29. This of the following is essential element of valid contract
- (a) The parties must have legal capacity to contract
(b) There must be free & genuine consent

- (c) There must be lawful object
- (d) All of above

OFFER OF PROPOSAL

30. The term "Proposal" used in the Indian Contract Act, 1872 is synonymous with the term

- (a) Contract
- (b) Offer
- (c) Agreement
- (d) None of above

31. Proposal or offer is defined in

- (a) Section 2(a)
- (b) Section 2(b)
- (c) Section 2(c)
- (d) Section 2(d)

32. Indian Contract Act, 1872 defines the term proposal (offer) as

- (a) A person is said to have made a proposal, when he, "signifies to another his willingness to do a particular thing only".
- (b) A person is said to have made a proposal, when he, "signifies to another his willingness to do or to abstain from doing a thing, with a view to obtaining the assent of that other, to such act or abstinence he is said to make a proposal".
- (c) A person is said to have made a proposal, when he, "signifies to another his unwillingness for not doing a particular thing".
- (d) None of above

33. Mr. A says to Mr. B, "will you purchase my car for Rs.5,000?" In this case a Mr. A is making

- (a) Offer
- (b) Acceptance
- (c) Asking question to B
- (d) None of above

34. The person making the offer is known as

- (a) Offeror
- (b) Proposer
- (c) Promiser
- (d) All of above

35. The person making the offer / proposal is known as

- (a) Promisee
- (b) Promisor
- (c) Participator
- (d) Principle

36. The person to whom the offer is made is known as

- (a) Offeree
- (b) propose
- (c) Promise
- (d) All of above

37. An offer may be

- (a) Express offer
- (b) Implied offer
- (c) (a) or (b)
- (d) None of above

38. An offer inferred from the circumstances or conduct of the parties is known as

- (a) Express offer
- (b) Implied offer
- (c) (a) or (b)
- (d) None of above

39. When offer is made to a definite person or group of person is known as

- (a) Express offer
- (b) Implied offer
- (c) Specific offer
- (d) General offer

40. Which of the following is implied offer?

- (a) A says to B will you purchase my car for Rs.20,000
- (b) A advertises in newspaper offering Rs.500 to anyone who returns his lost dog.
- (c) Transport Company runs a bus on particular route.
- (d) Husband promises to wife to pay Rs.500 p.m.

41. Specific offer can be accepted by
- (a) Any person
 - (b) Only by person to whom it is made
 - (c) Any person who hears the offer
 - (d) All of above
42. A general offer can be accepted by
- (a) Any person to whom communication reaches
 - (b) Only by person to whom it is made
 - (c) A person who lives nearer to person making offer
 - (d) All of above
43. Offer must be such as in law is capable of being
- (a) Accepted
 - (b) Unambiguous
 - (c) Certain
 - (d) All of above
44. Terms of offer must be
- (a) Definite
 - (b) Unambiguous
 - (c) Certain
 - (d) All of above
45. Which of the following can be treated as offer?
- (a) A declaration of intention & an announcement
 - (b) An invitation to make an offer or to do business
 - (c) Newspaper advertisement
 - (d) None of above
46. Offer to be completed must be
- (a) Communicated
 - (b) Not required to be communicated
 - (c) Declared
 - (d) None of above
47. Offer must be made with a view to
- (a) Obtaining the assent of party to whom it likely to be make.
 - (b) Rejected by other party
 - (c) Make trouble to other party
 - (d) All of above
48. Offer should not contain a term of which may be assumed to amount to acceptance.
- (a) Non compliance
 - (b) Compliance
 - (c) Which is positive condition
 - (d) Negative condition
49. An offer may be distinguished from
- (a) A declaration of intention
 - (b) An announcement
 - (c) Both (a) & (b)
 - (d) None of above
50. An offer may be distinguished from
- (a) An invitation to make an offer
 - (b) To do business
 - (c) Both (a) & (b)
 - (d) None of above
51. Which of the following is / are example of invitation to make an offer?
- (a) Distribution of price list by a seller
 - (b) Menu card of a restaurant showing the rates of food items
 - (c) Employment advertisement
 - (d) All of above
52. Which of the following is / are example of invitation to make an offer?
- (a) Railway time table showing the timing of trains and respective fares.
 - (b) Issue of prospectus by a public company inviting the public to subscribe for share or debenture
 - (c) Distribution of price list by a seller
 - (d) All of above
53. An auctioneer advertised in the newspaper that a sale of office furniture will be held at Bangalore Ajay, a broker of Mumbai, reached Bangalore on the appointed date and time. But the auctioneer withdrew all the office furniture from the auction sale. The broker sued for his loss of time and expenses. Will be succeed?
- (a) Yes. Such an auction is an offer hence Ajay will succeed in getting compensation from the auctioneer

- (b) No. Such an auction is not an offer; it is only an invitation to offer. Ajay will not succeed in getting compensation from the auctioneer.
(c) Both (a) & (b)
(d) None of above
54. When two parties make identical offers to each other, in ignorance of each other's offer, the offers are
- (a) Counter offers
(b) Cross offers
(c) Specifics offers
(d) General offers
55. Making cross offers does result into valid contract.
- (a) True
(b) False
(c) Partly true
(d) Partly false
56. Offer to an original offer is know as
- (a) Counter offer
(b) Cross offer
(c) Specific offer
(d) General offer
57. When counter offer is made, original offer
- (a) Becomes effective
(b) Comes to an end
(c) Becomes valid contract
(d) All of above

LAPSE OF OFFER & REVOCATION OF OFFER

58. An offer that has been communicated properly continues as such until
- (a) It lapses
(b) It is revoked
(c) It is rejected or accepted
(d) Any of the above
59. An offer comes to an end
- (a) If offer is accepted within the specified time

- (b) If offer is accepted in the mode prescribed or of no mode is prescribed in some usual and reasonable manner
(c) If acceptor fails to fulfill a condition precedent
(d) None of the above
60. An offer comes to an end
- (a) By communication of notice of revocation by the offeror
(b) Lapse of time
(c) By non-fulfillment of a condition precedent by the offer
(d) All of above
61. An offer comes to an end
- (a) By death or insanity of the offeror.
(b) If a counter offer is made.
(c) If an offer is not accepted according to the prescribed or usual mode.
(d) All of above
62. An offer comes to an end
- (a) By change in law
(b) By non-fulfillment of condition precedent by offeree
(c) By communication of notice of revocation by the offeror
(d) All of above

ACCEPTANCE

63. Which of the following definition of acceptance is correct as per Section 2(b)?
- (a) A proposal or offer is said to have been accepted when the person to whom the proposal to do something
(b) A proposal or offer is said to have been accepted when the person to whom the proposal is made signifies his assent to the proposal to do or not to do something subject to certain condition.
(c) A proposal or offer is said to have been accepted when the person to whom the proposal is made or any other person

- signifies his assent to the proposal to do or not to do something.
- (d) None of above
64. Acceptance may be
- (a) Express only
(b) Implied only
(c) Express or implied
(d) None of above
65. Offer is a train of gun power while acceptance is lighted match
- (a) True
(b) False
(c) Partly true
(d) None of above
66. When offer is made to particular person it can be accepted by
- (a) Any person from public
(b) Any member of his family
(c) Him alone
(d) Any of above
67. General offer can be accepted by
- (a) Any person from public to whom the communication offer reaches
(b) Particular person
(c) Family members of person making offer
(d) None of above
68. Which of the following statement false? An acceptance
- (a) Must be communicated
(b) Must be absolute & unconditional
(c) Must be accepted by a person having authority to accept
(d) May be presumed from silence of offeree.
69. Acceptance must be given within
- (a) One year from the date of receiving offer
(b) Prescribed time
(c) If no time limit is prescribed, it must be given within a reasonable time
(d) (b) or (c)
70. Which of the following sentences is true?
- (a) Acceptance must not be communicated to the offer
- (b) Acceptance must not be according to prescribed mode
(c) Acceptance must be within a reasonable time
(d) All of above
71. Which of the following statement is true?
- (a) An offer cannot precede acceptance
(b) Acceptance must be given before the offer lapses or before offer is withdrawn
(c) Acceptance can be implied from silence
(d) All of above
72. Which of the following statement is true?
- (a) Acceptance must be qualified
(b) Acceptance need not be communicated to the offer or
(c) Acceptance must be according to the mode prescribed / usual and reasonable mode.
(d) All of above
73. Which of the following statement is true?
- (a) Acceptance must be given within a prescribed time
(b) Acceptance cannot precede an offer.
(c) Acceptance must show an intention on the part of the acceptor to fulfill terms of the promise
(d) All of above
74. Which of the following statement is true?
- (a) Acceptance must be given by the party to whom the offer is made
(b) Acceptance must be given before the offer lapses or offer comes to an end.
(c) Acceptance cannot be implied from silence
(d) All of above
75. Which of the following statement is incorrect?
- (a) Acceptance can precede an offer
(b) Acceptance must be given before the offer lapses or before offer is withdrawn
(c) Acceptance can be implied from silence
(d) (a) & (c)

76. Which of the following statement is incorrect?
- (a) Acceptance must not be given within a prescribed time.
 - (b) Acceptance cannot precede an offer.
 - (c) Acceptance must be not show an intention on the part of the acceptor to fulfill terms of the promise
 - (d) All of above

STANDING OFFERS, TICKETS & CONTRACTS BY POST

77. A tender to supply goods as and when required, amounts to a
- (a) Standing offer
 - (b) Personal offer
 - (c) Private offer
 - (d) None of above
78. A standing offer is also known as
- (a) A definite offer
 - (b) Continuing offer
 - (c) Private offer
 - (d) Personal offer
79. If a passenger on a railway train receives a ticket on the face of which is printed "this ticket is issued subject to the notices, regulations and conditions contained in the current time-tables of the railway". With reference to above which of the following statement is correct?
- (a) The regulations and conditions referred to are not deemed to be communicated
 - (b) The regulations and conditions referred to are deemed to be communicated
 - (c) This may be treated as valid communication if offeree&offeror treats as valid communication
 - (d) None of above
80. Consideration is one of the element to support a contract.
- (a) Non-required
 - (b) Not essential

- (c) Essential
 - (d) None of above
81. An agreement made without consideration is
- (a) Illegal
 - (b) Voidable
 - (c) Void
 - (d) Social
82. Consideration may be form of
- (a) Right
 - (b) Forbearance
 - (c) Detriment
 - (d) Any of the above
83. Consideration may be defined as
- (a) Something for anything
 - (b) Something for nothing
 - (c) Something in return
 - (d) Something for money
84. Consideration must move at the desire of
- (a) Promise
 - (b) Promisor
 - (c) Debtor
 - (d) Third party
85. Consideration need not be
- (a) Inadequate
 - (b) Adequate
 - (c) Less than consideration that other party has received
 - (d) Equal
86. Which of the following statement is false?
- (1) Consideration must move at the desire of the promisor
 - (2) Consideration need to be adequate
 - (3) Consideration must move from promise
 - (4) Consideration may be in form of an act, abstinence or forbearance or a return promise
- (a) 1 & 2
 - (b) 2 & 3
 - (c) 3 & 4
 - (d) 4 & 5

87. Exceptions to rule-No consideration no contracts are contained in
- (a) Section 10 of Indian Contract Act, 1872
 - (b) Section 25 of sale Goods Act, 1930
 - (c) Section 25 of Indian Contract Act, 1930
 - (d) Section 10 partnership Act, 1932
88. Father promised to pay his son a sum of Rs. 1, 00,000 if the son passes CS examination in first attempt. The son passed the examination in first attempt, but father failed to pay the amount as promised. Which of the following statement is correct in relation to this case?
- (a) An agreement is void as it not supported by consideration
 - (b) Agreement does not create legal relations between son & father
 - (c) Son cannot recover Rs.1, 00,000 from father
 - (d) All of above
89. Which of the following statement is true?
- (a) Consideration must result in a benefit to both parties
 - (b) Past consideration is not consideration in India.
 - (c) Consideration must be adequate
 - (d) Consideration must be something, which a promisor is already bound to do.
90. Which of the following statement is false?
- (a) Generally, a Stanger to a contract cannot sue.
 - (b) A verbal promise to pay time barred debt is valid.
 - (c) Completed gifts need no consideration
 - (d) No consideration is necessary to create an agency.
91. Which of the following statement is true?
- (a) There can be stranger to a contract
 - (b) There can be a stranger to a consideration
 - (c) There can be a stranger to a contract & consideration
 - (d) None of above
92. Consideration may be
- (a) An act of abstinence
 - (b) Promise
 - (c) (a) or (b)
 - (d) None of above
93. Consideration must be real.
- (a) True
 - (b) False
 - (c) Partly true
 - (d) None of above
94. Consideration must not be
- (a) Vague
 - (b) indefinite
 - (c) illusory
 - (d) All of above
95. If the consideration is unlawful, the agreement
- (a) Void
 - (b) Valid
 - (c) Enforceable
 - (d) All of above
96. An agreement without consideration is valid if it is, Between parties standing in a near relation to each other
- (a) Expressed in writing
 - (b) Registered
 - (c) Is made out of natural love and affection
 - (d) All of above
97. An agreement without consideration is valid if it is made to compensate a person who has already done something voluntarily for the promisor was legally compellable to do.
- (a) True false
 - (b) Partly true
 - (c) Partly false
 - (d) None of above
98. In the case of gift actually made, consideration is necessary.
- (a) True
 - (b) False
 - (c) Partly true
 - (d) None of above

99. A, for natural love and affection, promises to give his son B Rs.10, 000. A put his promise to B into writing and registered it. This is

- (a) Not a contract
- (b) A contract
- (c) Not valid contract
- (d) None of above

100. As per decision in Rajlucky Deb v. Bhoothnath, where a husband by a registered document, after referring to quarrels and disagreement between himself and his wife, promised to pay his wife a sum of money for her maintenance and separate residence; the promise was

- (a) Enforceable, as it was a registered document.
- (b) Unenforceable, as it was not made for love and affection.
- (c) Enforceable, as it was a duty of husband to maintain his wife
- (d) None of above

101. A gratuitous promise to subscribe to a charitable cause

- (a) Cannot be enforced
- (b) Can be enforced
- (c) Is valid contract
- (d) None of above

102. As per decision in KedarNath v. Gorie Mohan, in case of charitable subscription where the promise on the strength of promise makes a commitment i.e. changes his position to his detriment. Such gratuitous promise

- (a) Cannot be enforced
- (b) Can be enforced (a) or (b)
- (c) None of above

TERMS MUST BE CERTAIN

103. The Court will not enforce a contract the terms of which are uncertain

- (a) True

- (b) False
- (c) Partly true
- (d) None of above

104. An agreement to agree in the future constitutes a binding contract.

- (a) True
- (b) False
- (c) Partly true
- (d) None of above

105. A contract to contract is not a contract.

- (a) True
- (b) False
- (c) Partly true
- (d) Partly false

106. A contract is always based upon

- (a) An unqualified acceptance of a definite offer
- (b) An intent to create legal obligations
- (c) Consideration
- (d) All of above

FLAWS IN CONTRACT

107. The agreement may be treated as of no effect and it will then be known as

- (a) Void contract
- (b) Void agreement voidable contract
- (c) Illegal agreement

108. The law may give the party aggrieved the option of getting out of his bargain. That is to say contract which is enforceable at the option party are known as

- (a) Void contract
- (b) Void agreement
- (c) Voidable contract
- (d) Illegal agreement

109. A Is one which is destitute of all legal effects and not enforceable from the beginning itself.

- (a) Void agreement
- (b) Quasi contract

- (c) Implied agreement
(d) Voidable contract
110. A void agreement
- (a) Cannot be enforced
(b) Confers no rights on either party
(c) Both (a) & (b)
(d) None of above
111. A contract which, ceases to be enforceable by law is known as
- (a) Void agreement
(b) Valid contract
(c) Valid agreement
(d) Voidable contract
112. is an agreement, which involves the transgression of, some rule of basic public policy and is criminal in nature or immoral.
- (a) Valid contract
(b) Implied agreement
(c) Voidable contract
(d) Illegal agreement
113. A is one which a party can put to an end, if his consent was not free.
- (a) Void contract
(b) Void agreement
(c) Voidable contract
(d) Illegal agreement
114. is one which transaction collateral to it also become tainted with illegality and are, therefore, not enforceable
- (a) Void contract
(b) Void agreement
(c) Voidable contract
(d) An Illegal contract
115. is one which transaction's collateral to it also become tainted with illegality and are, therefore, not enforceable
- (a) Capacity
(b) Mistake
(c) Presentation
(d) All of above
116. The chief flaw in contract is / are

- (a) Fraud
(b) Undue Influence
(c) Coercion
(d) All of above
117. The chief flaws in contract is / are
- (a) illegality
(b) Impossibility
(c) Incapacity
(d) All of above

FLAW IN CAPACITY

118. Who are not competent to make a contract?
- (a) Minor
(b) A person of unsound mind (i.e. lunatics, idiots, drunken / intoxicated person)
(c) A person who is disqualified to contract under any law.
(d) All of above
119. Every person is competent to contract if
- (a) He is major
(b) He is of sound mind
(c) He has not been disqualified to contract under any law
(d) All of above
120. Which of the following persons are incompetent to contract?
- (a) Minors
(b) Persons of unsound mind
(c) Persons disqualified to contract under any law
(d) All of above
121. A minor is a person who has not completed
- (a) 16
(b) 18
(c) 14
(d) 25
122. The person continues to be a minor until he completes his age of years

- (a) 16
(b) 18
(c) 21
(d) 25
123. The person continues to be a minor until he completes his age of 21 years.
(a) In case a guardian has been appointed to the minor
(b) Where the minor is under the guardianship of the Court of Wards
(c) (a) or (b)
(d) None of above
124. It was laid down by the Privy Council in that a minor has no capacity to contract and minors contract is absolutely void
(a) NohiriBibi v. DharmodasGhose
(b) Mohiri Rani v. Dharmodas Gore
(c) MohiniBibi v. DharmeshGhose
(d) Mohan Baba v. DharmodasGhose
125. An agreement with or by minor is
(a) Voidable at the option of minor
(b) Void ab initio
(c) Valid
(d) Illegal
126. Minor can be
(a) Principle
(b) Void ab initio
(c) Valid
(d) Illegal
127. Which of the following statement is correct?
(a) Minor can be promise or beneficiary
(b) Minor cannot ratify the agreement entered during minority on attaining the age of majority
(c) There can be no specific performance of the agreement entered into by him.
(d) All of above
128. Which of the following statement is correct?
- (a) Minor can enter into a contract of partnership
(b) Minor cannot be adjudicated as insolvent
(c) Minor can be principle
(d) None of above
129. In case of supply of necessary goods or services, a minor is
(a) Personally liable
(b) Liable through his guardian
(c) Liable to pay out of his property
(d) All of above
130. Which of the following does not constitute necessary goods in relation to contracts with minor
(a) A watch
(b) A bicycle
(c) Clothes
(d) Fancy coats
131. Which of the following constitute necessary service in relation to contract with minor?
(a) Education
(b) Medical service
(c) Legal advice
(d) All of above
132. When loan is taken by minor to obtain necessaries he is
(a) Personally liable
(b) Liable to pay out of his property
(c) Liable through his guardian
(d) None of above
133. A minors liability for 'necessaries' supplied to him;
(a) Arises after he attains majority
(b) Is against only minors property
(c) Does not arises at all
(d) Arises if minor gives a promise for it.
134. Which of the following statement is not true about minor's position in firm?
(a) Minor cannot become a partner in an existing firm

- (b) Minor can become a partner in an existing firm
- (c) Minor can be admitted only to the benefits of any existing firm
- (d) He can become partner on becoming a major
135. A minor is liable for the supplied to him
- (a) Necessaries
- (b) Luxuries
- (c) Necessities
- (d) All the things
136. A contract with the minor, which is beneficial for him, is
- (a) Void ab initio
- (b) Voidable
- (c) Valid
- (d) Illegal
137. An agreement by a parent or guardian entered into on behalf of the minor is binding on him provided it is for his benefit or is for legal necessity.
- (a) True
- (b) False
- (c) Partly true
- (d) None of above
138. As per decision in *Rose Fernandez v. Joseph Gonsalves*, if the parties are of the community among whom it is customary for parents to contract marriage for their children, then
- (a) Such a contract would be bad in law and no action for its breach would lie.
- (b) Such a contract would be bad in law and parents are advised not to enter into contract on behalf of minor.
- (c) Such a contract would be good in law and an action for its breach would lie, if the contract is for the benefits of the minor
- (d) All of above
139. An agreement for service, entered into by a father on behalf of his daughter who is a minor, is valid and enforceable at law.
- (a) True
- (b) False
- (c) Partly true
- (d) None of above
140. Teji, a minor, broke his right leg in a football match. He engaged Curewell, a doctor, to set it. In relation to this case which of the following statement is correct?
- (a) Doctor cannot have valid claim for his service
- (b) Doctor can recover the expenses from Teji's parents
- (c) Contract with minor for rendering necessary service are valid and hence Teji's property will be liable to compensate doctor's services.
- (d) None of above
141. A person of unsound mind can enter into a contract.
- (a) True
- (b) False
- (c) Partly true
- (d) None of above
142. Ramlal, an adult said to Munna, a minor, "I will not pay the commission, I promised you for selling my magazines. You are minor and cannot force me to pay." In this case
- (a) Minor should forge the commission.
- (b) Can recover the commission
- (c) Minor should wait for attending majority
- (d) Minor should learn that, not to make a contract with major
143. A minor can make a contract for his benefit with
- (a) Major
- (b) Another minor
- (c) Lunatic person
- (d) Idiots
144. An agreement by lunatic when he is of unsound mind is

- (a) Valid
(b) Void
(c) Voidable
(d) Enforceable
145. An agreement by lunatic when he is of sound mind is
- (a) valid
(b) void
(c) voidable
(d) enforceable
146. If a contract entered into by a lunatic or person of unsound mind is for his benefit, it
- (a) Can be enforced
(b) Cannot be enforced
(c) Becomes voidable
(d) Becomes illegal
147. A person who is usually of sound mind, but occasionally of unsound mind
- (a) May enter into contract when is is of sound mind.
(b) May enter into contract when he is of unsound mind
(c) Cannot enter into contract at all
(d) Can enter into a contract at all times but can plead innocence.
148. Who among the following is not disqualified by law to enter into contract?
- (a) 1 & 2
(b) 2 & 2
(c) 3 & 4
(d) 1 & 4
149. Which of the following person is / are treated as person of unsound mind?
- (a) Idiots
(b) Drunken
(c) Lunatic
(d) All of above
150. A contract with alien friend is valid.
- (a) True
(b) False
(c) Partly true
(d) None of above
151. A contract with alien enemy is valid.
- (a) True
(b) False
(c) Partly true
(d) None of above
152. A contract with an alien enemy becomes in the outbreak of war.
- (a) Unenforceable
(b) Enforceable
(c) Valid
(d) Acceptable
153. In Indian professional persons like Advocate & Doctors can sue their clients for their professional fees?
- (a) True
(b) False
(c) Partly true
(d) None of above
154. A corporation is an artificial person created by law and its capacity and powers to contract are limited by its
- (a) Charter
(b) Memorandum of association
(c) (a) or (b)
(d) None of above
155. Any contract beyond the power of Charter or MOA is
- (a) Intra vires and valid
(b) Ultra vires and void
(c) Intra vires and valid
(d) Ultra vires and valid
156. In India there is difference between a man and a woman regarding contractual capacity.
- (a) True
(b) False
(c) Partly true
(d) None of above
- MISTAKE**
157. Mistake may be

- (a) mistake of Fact
(b) Mistake of Law
(c) Mistake as to Identify of particular person
(d) Any one of above
158. Mistake may be
- (a) Mistake of Fact
(b) Mistake of Law
(c) Mistakes as to Identify of particular person
(d) Any one of above
159. Mistake may be
- (a) Bilateral mistake
(b) Unilateral mistake
(c) (a) or (b)
(d) None of above
160. A contract made by mistake about Indian law, is
- (a) Void
(b) Valid
(c) Voidable
(d) Enforceable
161. When there is mistake of law of foreign country agreement is
- (a) Void
(b) Valid
(c) Voidable
(d) Illegal
162. Where both the parties to an agreement are under mistake as to matter of fact essential to the agreement there is
- (a) Unilateral mistake
(b) Mistake of foreign law
(c) Bilateral mistake
(d) Mistake as to identify of particular person
163. When in a contract only one of the parties is at mistake it is called as
- (a) Unilateral mistake
(b) Mistake of foreign law
(c) Bilateral mistake
(d) Mistake as to Identify of particular person
164. To be operative so as to render the contract void, the mistake must be
- (a) Of fact, and not of law or opinion
(b) The fact must be essential to agreement
(c) Must be on the part of both the parties
(d) All of above
165. Where both parties believe the subject matter of the contract to be in existence but in fact, it is not in existence at the time of making the contract, there is
- (a) Mistake as to quantity of the subject matter
(b) Mistake as to existence of the subject matter
(c) Mistake as to quality of the subject matter
(d) Mistake as to Identify of particular person
166. Where there is mistake as to existence of the subject matter, the contract is
- (a) Valid
(b) Voidable
(c) Void
(d) Illegal
167. Where the parties are not in agreement to the identity of the subject matter there is
- (a) Mistakes as to quantity of the subject matter
(b) Mistake as to existence of the subject matter
(c) Mistake as to quality of the subject matter
(d) Mistake as to identify of the subject matter
168. Mistake as to identify of the subject matter, the contract is
- (a) Valid
(b) Voidable

- (c) Void
- (d) Illegal

169. The facts of *Henkel v. Pape* were: P wrote to H inquiring the price of rifles and suggested that he might buy as many as 50. On receipt of a reply he wired send 3 rifles. Due to the mistake of the telegraph clerk the message transmitted to H was send the rifles. H dispatched 50 rifles. There was

- (a) No contract between the parties
- (b) Contract between the parties
- (c) Contract between the parties and P is liable to pay for 50 rifles
- (d) None of above

MISREPRESENTATION & FRAUD

170. Is a false statement which the person making it honestly believes to be true.

- (a) Fraud
- (b) Misrepresentation
- (c) Coercion
- (d) Undue influence

171. As per Section 17, which of the following acts committed by a party to a contract with intent to deceive other party or induce him to enter into the contract will be treated as fraud?

- (a) Knowingly making a false statement
- (b) Actively concealing a material fact
- (c) Making a promise without any intention of performing it
- (d) All of above

172. When one of the party to contract commits a misrepresentation or fraud, contract is at the option of party misrepresented or defrauded.

- (a) Voidable
- (b) Void
- (c) Illegal
- (d) Unlawful

173. In order to avoid a contract on the ground of misrepresentation, it is necessary to prove that

174. In order to avoid a contract on the ground of misrepresentation, it is necessary to prove that

175. The aggrieved party, in case of misrepresentation by the other party can:

- (a) A void or rescind the contract
- (b) Accept the contract but insist that he shall be placed in the position in which he would have been if the representation made had been true.
- (c) Both (a) & (b)
- (d) (a) or (b)

176. The aggrieved party, in case of fraud by the other party can:

- (a) A void or rescind the contract
- (b) Accept the contract but insist that he shall be placed in the position in which he would have been if the representation made had been true.
- (c) Both (a) & (b)
- (d) (a) or (b)

177. Ajeet, owner of an apple orchard, believes that all the apple trees in his orchard are fruit-bearing trees. However, he has no sufficient ground for his belief. Even then, Ajeet states to Balajeet that his orchard has all fruit-bearing trees. Induced by this statement, Balajeet purchases the orchard. Later on, it is found that only 50% trees are fruit-bearing. In this case Ajeet has made

- (a) Fraud
- (b) Misrepresentation
- (c) Coercion
- (d) Undue influence

178. K, who is-trying to sell an unsound horse, forges a Veterinary Surgeon's certificate stating the horse to be sound and pins it on the stable door. P comes to

examine the horse but the certificate goes unnoticed by him. P buys the horse and finds later on the horse to be unsound. P wants to avoid the agreement. Will he succeed?

- (a) Yes. P will succeed as P was influenced by it.
- (b) No. P will not succeed for though K attempted to defraud by putting up the surgeon's forged certificate as to the soundness of the horse, P was not influenced by it.
- (c) Both (a) & (b)
- (d) None of above

179. Generally the injured party can only avoid the contract and cannot get damages for innocent misrepresentation.

- (a) True
- (b) False
- (c) Partly true
- (d) None of above

180. In which of the following case, damages are obtainable if there is misrepresentation.

- (a) From a promoter or director who makes innocent misrepresentation in a company prospectus inviting the public to subscribe for the shares in the company
- (b) Against an agent who commits a breach of warranty of authority
- (c) Negligent representation made by one person to another between whom a confidential relationship, like that of a solicitor and client exists
- (d) All of above

181. is an untrue statement made knowingly or without belief in its or recklessly, carelessly whether it be true or false with the intent to deceive

- (a) Fraud
- (b) Misrepresentation
- (c) Coercion

(d) Undue influence

182. The chief ingredient(s) of a fraud is / are:

- (a) a false representation or assertion
- (b) Made with the intention that it should be acted upon
- (c) The representation must have actually induced the other party to enter into the contract and so deceived him
- (d) All of above

183. As general rule, mere silence amount to fraud?

- (a) True
- (b) False
- (c) Partly true
- (d) None of above

184. In which of following case silence amounts to fraud?

- (a) If having regard to the circumstances of the case, it is the duty of the person keeping silence to speak
- (b) Where silence is, in itself, equivalent to speech
- (c) If seller fails to inform the buyer as to a latent defect his silence amounts to fraud
- (d) All of above

185. Fraud implies intent to, which is lacking if it is
Misrepresentation

- (a) Deceive, innocent
- (b) Innocent, innocent
- (c) Deceive, deceive
- (d) Innocent, Deceive

186. In The plaintiff can avoid or rescind the contract. In, the plaintiff can claim damages as well.

- (a) Fraud, true presentation
- (b) Misrepresentation, fraud
- (c) Fraud, misrepresentation
- (d) None of above

187. May lead to prosecution for an offence of cheating under the Indian Penal Code.
- (a) Fraud
 - (b) Misrepresentation
 - (c) True presentation
 - (d) None of above

COERCION & UNDUE INFLUENCE

188. Is the committing or threatening to commit any act forbidden by the Indian Penal Code, 1868?
- (a) Coercion
 - (b) Fraud
 - (c) Misrepresentation
 - (d) Undue influence

189. A contract is said to be induced by, where the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.

- (a) Coercion
- (b) Fraud
- (c) Misrepresentation
- (d) Undue influence

190. Consent is not said to be free when it is not caused by

- (a) Coercion
- (b) Undue influence
- (c) Fraud
- (d) All of above

191. When a person is compelled to enter into a contract by the use of force Is said to be employed.

- (a) Fraud
- (b) Undue influence
- (c) Coercion
- (d) Mistake

192. Criminal act is involved in

- (a) Mistake
- (b) Misrepresentation

- (c) Coercion

- (d) None of above

193. Threat to commit suicide

- (a) Amounts to coercion
- (b) Amounts to undue influence
- (c) Punishable under Indian Penal Code, 1860
- (d) (a) and (c) above

194. Mr. A threatens to kill Mr. B, if he does not lend Rs.10, 000 to him. Mr. B agreed to lend the amount to Mr. A. in relation to this case which of the following is correct?

- (a) Mr. A employs coercion on Mr. B
- (b) Contract is voidable at the option of Mr. B
- (c) Mr. A must restore back the amount lend to Mr. B
- (d) All of above

195. Which of the following relationship raise presumption of undue influence?

- (a) Parent & child
- (b) Guardian & ward
- (c) Trustee & beneficiary
- (d) All of above

196. Which of the following relationship does not raise presumption of undue influence?

- (a) Religious adviser & disciple
- (b) Doctor & patient
- (c) Solicitor & client
- (d) All of above

197. Which of the following relationship does not raise presumption of undue influence?

- (a) Finance & finance
- (b) Trustee & beneficiary
- (c) Landlord & tenant
- (d) Parent & child

198. Which of the following relationship does not raise presumption of undue influence?

- (a) Debtor & creditor

- (b) Parent & child
 - (c) Finance & finance
 - (d) (a) and (b) of above
199. When there is undue contract is
- (a) Void
 - (b) Voidable at option of one party
 - (c) Voidable at option both parties
 - (d) None of above
200. Coercion is mainly of character
- (a) Moral
 - (b) Physical
 - (c) Illegal
 - (d) Moral as well as physical
201. Undue influence is of character
- (a) Moral
 - (b) Physical
 - (c) Illegal
 - (d) Moral as well as physical
202. The principles to be applied to transaction with parida-nishin woman are founded on equity and good conscience and accordingly a person who contracts with parida-nishin woman has to prove that
- (a) No undue influence was used
 - (b) She had free and independent advice,
 - (c) She had fully understood the contents of the contract and exercised her free will
 - (d) All of above

LEGALITY OF OBJECT

203. One of the requisites of a valid contract is that the object should be
- (a) Lawful
 - (b) Unlawful
 - (c) Illegal
 - (d) Unenforceable
204. Section 23 provides that the consideration or object of an agreement is lawful unless
- (a) It is forbidden by law
 - (b) It is of such nature that if permitted it would defeat the provisions of law

- (c) It is fraudulent
 - (d) All of above
205. If the object of an agreement is the performance of an unlawful act, the agreement is
- (a) Unenforceable
 - (b) Valid
 - (c) Voidable
 - (d) enforceable
206. The consideration or object of an agreement is unlawful
- (a) If it involves or implies injury to the person or property of another
 - (b) If court regards it as immoral
 - (c) If it is opposed to public policy
 - (d) All of above
207. A agrees to pay Rs.1, 00,000 to B, if he procures an employment for A in Income Tax Department. This agreement is
- (a) Void
 - (b) Valid
 - (c) Voidable
 - (d) Contingent
208. Atul, Bhuvan, Chinmay enter into an agreement to cheat the people and to divided the gain acquired, but letter Chinamay refuses to act, which of the following is correct?
- (a) As agreement is already entered, Chinmay must help to Atul & Bhuvan for cheating the people.
 - (b) Atul & Bhuvan can continue to cheat the people and divide the gain between them.
 - (c) Agreement can be enforced against Chinmay.
 - (d) Agreement is void and cannot be enforced, as the object is fraudulent.
209. An agreement which involves or implies injury to the person or property of another is
- (a) Valid
 - (b) Void

- (c) Voidable
(d) Enforceable
210. An agreement as void of the object of agreement is
- (a) Moral
(b) Immoral
(c) Lawful
(d) All of above
211. An married women was given money to enable her to obtain divorce form her husband and then to marry the lender- which of the following is correct?
- (a) If women fail to give the money back he must marry the money lender.
(b) Women should divorce with her husband and should marry the money lender.
(c) Money lender can recover back the amount.
(d) Money lender cannot recover back the amount, as agreement is immoral.
212. Where the consideration is an act of sexual immorality, the agreement is
- (a) Void
(b) Unlawful
(c) Immoral
(d) All of above
213. A void contract is none which is destitute of legal effects altogether
- (a) True
(b) False
(c) Partly true
(d) None of above
214. An illegal contract too has no legal effect as between the immediate parties to the contract, but has the further effect of tainting the collateral contracts also with illegality.
- (a) True
(b) False
(c) Partly true
(d) None of above

215. Consequence of illegal agreements
- (a) An illegal agreement is entirely void
(b) No action can be brought by a party to an illegal agreement.
(c) Money paid or property transferred under an illegal agreement cannot be recovered
(d) All of above

AGREEMENTS OPPOSED TO PUBLIC POLICY

216. Which of the following agreement are void as being against public policy?
- (a) Agreement in restraint of parental rights
(b) Agreement in restraint of marriage
(c) Marriage brokerage agreements
(d) All of following
217. Which of the following agreement are void as being against public policy?
- (a) Agreements in restraint of personal freedom
(b) Agreement in restraint of trade
(c) Agreement in restraint of trade
(d) All of above
218. Every agreement by which any one is restrained from exercising a lawful Of any kind, is, to that extent, void.
- (a) Profession
(b) Trade
(c) Business
(d) All of above
219. Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind is, to that extent
- (a) Voidable
(b) Void
(c) Illegal
(d) None of above
220. If a restraint is reasonable, it will be valid. This was held in famous case

- (a) Nordenfelt V Maxim Nordenfelt Guns Co.
 - (b) Salomon V Salomon & Co. Ltd.
 - (c) Mohiri Bibi V Dharmadas Ghose
 - (d) All of above
221. Agreements in restraint of trade are valid, if restriction imposed are
- (a) Unreasonable
 - (b) Reasonable
 - (c) Conditional
 - (d) None of above
222. Which of the following is correct?
- (a) An agreement in restraint of trade is always void.
 - (b) An agreement in restraint of trade is void even if restriction imposed are reasonable
 - (c) An agreement in restraint of trade is valid even if restriction imposed was unreasonable.
 - (d) None of above

WAGERING AGREEMENTS, CONTINGENT CONTRACTS & VOID AGREEMENTS

223. Wagering agreements are nothing but ordinary
- (a) Trading agreements
 - (b) Betting agreements
 - (c) Marketing agreements
 - (d) Financial agreements
224. The essence of wagering is that
- (a) One party is to win and the other party should also win
 - (b) One party is to win and the other to lose
 - (c) Both party should win
 - (d) Both party should lose
225. In an agreement between two parties one promises to pay money or money's worth on the happenings of some uncertain event in consideration of the other

- parties promise to pay if the event does not happen is known as
- (a) Wagering agreement
 - (b) Contingent contract
 - (c) Insurance contract
 - (d) Contract without consideration
226. One of the essential of wagering agreement is that, event must be
- (a) Certain
 - (b) Happening
 - (c) Not happening
 - (d) Uncertain
227. Which of the following is /are essential of wagering agreement?
- (a) There must be a promise to pay money or money's worth.
 - (b) The event must be certain
 - (c) Each party must win
 - (d) All of above
228. Which of the following is /are essential of wagering agreement?
- (a) Each party should must stand to win or loose
 - (b) Neither party should have any control over the event
 - (c) Neither party should have any other interest in the event
 - (d) All of above
229. Which of the following is wagering agreement?
- (a) Share market transaction
 - (b) Insurance agreement
 - (c) Games of skill
 - (d) A lottery
230. Which of the following is wagering agreements?
- (a) A crossword competition involving a good measure of skill
 - (b) Games of skill
 - (c) Share market transaction
 - (d) A between two persons on result of cricket match.

231. According to Prize Competition Act, 1955, Prize competition in game of skill are not wagers provided the amount of prize does not exceed
- (a) Rs.500
 - (b) Rs.1, 000
 - (c) Rs.1, 500
 - (d) Rs.1, 00,000
232. An agreement to pay prize exceeding to the winner of horse race not a wager.
- (a) Rs.500
 - (b) Rs.1000
 - (c) Rs.1, 500
 - (d) Rs.1, 00, 000
233. Wagering agreements have been expressly declared to be in India.
- (a) Voidable
 - (b) Valid
 - (c) Enforceable
 - (d) Illegal
234. In state of Maharashtra and Gujarat wagering agreements have been declared to be
- (a) Voidable
 - (b) Valid
 - (c) Enforceable
 - (d) Illegal
235. Who of the following can recover the money deposited with stakeholder in case of wagering agreements?
- (a) Winner
 - (b) Looser
 - (c) Winner as well as looser
 - (d) Neither winner nor looser
236. Kalpesh agrees to sell to Umesh a horse for Rs.50, 000 if it wins race and for Rs.5, 000 if it does not. This is
- (a) Contingent contract
 - (b) Uncertain agreement
 - (c) Wagering agreement
 - (d) Valid and enforceable agreement
237. Aniket and Parimal of Mumbai each deposits Rs.5, 000 with Shyam to abide by the result of bet between them. Aniket wins the bet. Who can recover the deposited amount from Shyam if it not paid to winner
- (a) Aniket
 - (b) Parimal
 - (c) Both – Aniket & Parimal
 - (d) Neither Aniket nor Parimal
238. Consider following agreements
- (i) A agrees to sell to B “ a 100 tons of oil”
 - (ii) A who is dealer in coconut oil only agrees to sell to B”100 tons.
 - (iii) A agrees to sell to B “100 tons of oil rice at a price to be fixed by C”
 - (iv) A agrees to sell to B, “My white horse for Rs.15, 000 or Rs.10, 000
- Which of the above agreements are valid?
- (a) 1 & 2
 - (b) 2 & 3
 - (c) 3 & 4
 - (d) 4 & 1
239. Which of the above agreements are valid?
- (a) Which is enforceable by law
 - (b) Which is not enforceable by law
 - (c) Which is voidable at the option of one party
 - (d) Which is voidable at the option of both parties
240. Which of the following agreements have been expressly declared to be void by the Indian Contract Act, 1872?
- (a) Agreements in restraint of trade
 - (b) Agreements the meaning of which is uncertain
 - (c) Agreement by incompetent parties
 - (d) All of above
241. Which of the following agreements have been expressly declared to be void?
- (a) Agreements made under a mutual mistake of a fact.

- (b) Agreement in restraint of marriage
(c) Wagering agreement
(d) All of above
242. Ram agrees to sell to Rahim, "100 tons of Oil". The agreement is
- (a) Void
(b) Enforceable
(c) Illegal
(d) Enforceable
243. Ram agrees to sell Rahim, "100 tons of oil". Ram deals only in coconut oil. The agreement is
- (a) Void
(b) Enforceable
(c) Valid
(d) (b) & (c) above
244. Agreement the meaning of which is uncertain are
- (a) Uncertain contracts
(b) Valid
(c) Void
(d) (b) & (c) above
245. A agrees to sell to B "100 quintals of rice" at a price to be fixed by C. this agreement is
- (a) Voidable at the option of A.
(b) Voidable at the option of B
(c) Voidable at the option of C
(d) Valid & enforceable by both the parties
246. A agrees to sell to B, white horse for Rs.5, 000 or Rs.8,000. The agreement is
- (a) Valid
(b) Void
(c) Voidable
(d) Illegal
247. An agreement between two parties to do or not to do something, if some even collateral to such agreement, does or does not happen, is known as
- (a) Wagering agreement
(b) Contingent contract
(c) Absolute contract
(d) Illegal agreement
248. is one in which, the promisor binds himself to perform in any event without any conditions.
- (a) Wagering agreement
(b) Contingent contract
(c) Absolute contract
(d) Illegal agreement
249. Contingent contract are
- (a) Invalid
(b) Illegal
(c) Valid and enforceable
(d) Void and not enforceable
250. Which of the following can be treated as contingent contract?
- (a) Goods sent on sale or return basis
(b) A contracts to pay Rs.10, 000 if B's house is burnt
(c) A agrees to sell certain piece of land to B, in case he succeeds in his litigation concerning that land.
(d) All of above
251. In contingent contract event is
- (a) Certain
(b) Uncertain
(c) Regular
(d) Must bound to happen
252. In contingent contract performance depends upon in some event.
- (a) Happening
(b) Un-happening
(c) Happening and un-happening
(d) Happening or un-happening
253. In contingent contract event is
- (a) Past
(b) Present
(c) Future
(d) Past or future
254. In contingent contract event must be To the contract
- (a) Collateral
(b) Past
(c) Un-related

- (d) Regular
255. Contingent contract defendant on happening of an uncertain future event cannot be enforced until event has
- (a) Happened
 - (b) Un-happened
 - (c) Become impossible
 - (d) All of above
256. Contingent contract dependent on happening of an uncertain future event cannot be enforced until event has happened and if event becomes impossible, such contracts become
- (a) Enforceable
 - (b) Voidable
 - (c) Void
 - (d) Valid
257. An agreement to pay money worth on the happening or non-happening of a specified uncertain event is a
- (a) Wagering agreement
 - (b) Contingent agreement
 - (c) Quasi contract
 - (d) Uncertain agreement
258. Which of the following contains reciprocal promises?
- (a) Contingent contract
 - (b) Wagering agreement
 - (c) Quasi contract
 - (d) None of above
259. A wagering agreement is, whereas a contingent is
- (a) Void, valid
 - (b) Valid, void
 - (c) Voidable, void
 - (d) Void, voidable
260. A agrees to construct a swimming pool for B for Rs.8, 00,000. The payment is to be made by B only on the completion of the pool. This is
- (a) Contingent contract
 - (b) Absolute contract
 - (c) Wagering agreement

- (d) Quasi contract

QUASI-CONTRACTS & QUANTUM MERUIT

261. Match the following
- A. Contingent contract
 - B. Wagering agreement
 - C. Illegal Agreement
 - D. Void Agreement
- (1) Wagering agreement
 - (2) Collateral agreements are also void
 - (3) Insurance contract
 - (4) One party must win & other must loose.
- (a) A. – (3), B. – (4), C. – (2), D. - (1)
 - (b) A. – (2), B. – (4), C. – (3), D. – (1)
 - (c) A. – (1), B. – (4), C. – (2), D. – (3)
 - (d) A. – (3), B. – (2), C. – (4), D. – (1)
262. are obligation created by law, regardless of agreement.
- (a) Quasi contracts
 - (b) Contingent contracts
 - (c) Deemed contracts
 - (d) Unforeseen contracts
263. In quasi contracts, obligations are also termed as
- (a) Certain relations resembling those created by contracts
 - (b) Law of restitution
 - (c) (a) or (b)
 - (d) None of above
264. Which of the following is quasi-contract?
- (a) Supply of necessaries to persons incapable of contracting
 - (b) Reimbursement of person paying money due by another, in payment of which he is interested.
 - (c) Obligation of a person enjoying benefits of non-gratuitous act.
 - (d) All of above
265. Which of the following is quasi contract?

- (a) Liability for money paid or thing delivered by mistake or under coercion
(b) Responsibility of finder of goods.
(c) Supply of necessaries to person incapable of contracting
(d) All of above
266. If necessaries are supplied to persons incapable of contracting like minor or a person of unsound mind then
- (a) Person supplying such necessaries is entitled to be reimburse from the property of such incapable person
(b) Minor or a person of unsound mind is personally liable to pay for it.
(c) Such contracts are voidable at the option of minor or a person of unsound mind.
(d) All of above
267. A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.
- (a) True
(b) False
(c) Partly true
(d) None
268. A person to whom money has been paid, or anything delivered, by mistake or under coercion is not required to repay or return it.
- (a) True
(b) False
(c) Partly true
(d) None
269. If necessaries are supplied to persons incapable of contracting like minor or a person of unsound mind then person supplying such necessaries is not entitled to be reimburse it.
- (a) True
(b) False
(c) Partly true
(d) None
270. The expression "Quantum Meruti" literally means
- (a) As much as earned
(b) As much as paid
(c) As much as gained
(d) As much as left
271. Quantum meruit means
- (a) No consideration to contract
(b) Where there is right there is remedy
(c) As much as gained
(d) As much as earned
272. When a person has done some work under a contract, and other party either repudiates the contract or some unexpected event happens making further performance of contract impossible; then the party who performed the work, can claim remuneration for work done. This is based on the principle of
- (a) Recession
(b) Quantum Meruit
(c) Injunction
(d) Specific performance
273. To claim remedy under quantum meruti, the original contract
- (a) Should remain intact
(b) Must have been discharged
(c) Must be fully performed
(d) All of above
274. If the original contract exists, the aggrieved party can
- (a) Resort to damages
(b) Claim quantum meruit remedy
(c) Either (a) or (b)
(d) Both (a) and (b)
275. The right to sue on quantum meruit lies with
- (a) The party at fault i.e. who has not performed his promise
(b) The party who is not at fault i.e. who has performed his part of the contract
(c) Either (a) or (b)
(d) Both (a) and (b)

276. The right to claim on quantum meruit arises
- (a) Out of the contract, like the right to damages
 - (b) On the quasi-contractual obligation which the law implies in the circumstance
 - (c) Either (a) or (b)
 - (d) Both (a) and (b)
277. Quantum Meruit is applicable i.e. there is a right to sue in case where
- (a) Contract is discovered to be unenforceable
 - (b) One party abandons performance
 - (c) Act is done without intention of gratuitousness
 - (d) All of above
278. If an agreement is discovered to be void or becomes void, any person who has received any advantages under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it. This is based on the principle of
- (a) Specific performance
 - (b) Rescission
 - (c) Injunction
 - (d) Quantum meruti
279. C, an owner of a magazine, engaged P to write a book to be published by installments in his magazine. After a few installments were published, the magazine was abandoned. In this case
- (a) P does not have any remedy against C
 - (b) P can claim payment on quantum meruit for the part already published
 - (c) P has to complete the book through his own magazine
 - (d) P should not complete the book at all
280. Generally, no remedy is available to defaulting party, but even defaulting party may be entitled to get payment on quantum

- meruit, if following conditions are satisfied
- (a) The contract is divisible
 - (b) The contract is partly performed
 - (c) The party not in default has enjoyed the benefit of the part of the performance
 - (d) All of above
281. If indivisible contract performed completely but badly then party who has performed the contract can claim the lump sum, but other party can make deduction for bad work.
- (a) False
 - (b) True
 - (c) Partly false
 - (d) None of above
282. A agreed to decorate B's flat for a lump sum of Rs.3, 00,000. A did the work but B complained of faulty workmanship. It cost B Rs.50, 000 to remedy the defect. A can recover from B
- (a) Rs.3, 00,000
 - (b) Rs.50, 000
 - (c) Rs.2, 50,000
 - (d) Rs.3, 50,000
283. A, a tradesmen, leaves goods at B's house by mistake and B treats the goods as his own, he is not bound to pay A for them.
- (a) False
 - (b) True
 - (c) Partly false
 - (d) None of above

DISCHARGE OF CONTRACT

284. Discharge of contract means of contractual relationship between the parties.
- (a) Beginning
 - (b) Termination
 - (c) Beginning of ending
 - (d) (a) and (c) of above

285. A contract is said to be discharged when the rights & obligations created by parties comes to
- (a) start
 - (b) end
 - (c) either (a) or (b)
 - (d) neither (a) or (b)
286. A contract may be discharged by
- (a) Performance
 - (b) Agreement
 - (c) Impossibility
 - (d) Any of the above
287. A contract may be discharged by
- (a) Lapse of time
 - (b) Operation of law
 - (c) Breach of contract
 - (d) Any of the above
288. Which of the following is usual mode of discharge of contract?
- (a) Performance
 - (b) Agreement
 - (c) Impossibility
 - (d) All of above
289. Performance should be
- (a) Complete
 - (b) Precise
 - (c) According to terms of the agreement
 - (d) All of above
290. When a new contract is substituted for an existing one between the same parties, it is known as
- (a) Rescission
 - (b) Novation
 - (c) Alternation
 - (d) Remission
291. When all or some of the terms of the contract are cancelled. It is known as
- (a) Rescission
 - (b) Novation
 - (c) Alternation
 - (d) Remission
292. When one or more terms of the contract is / are altered by the mutual consent of the parties to the contract
- (a) Rescission
 - (b) Novation
 - (c) Alternation
 - (d) Remission
293. means acceptance of lesser fulfillment of promise made.
- (a) Rescission
 - (b) Novation
 - (c) Alternation
 - (d) Remission
294. When there is abandonment of rights by the parties to the contract by mutual consent, it is known as
- (a) Alternation
 - (b) Waiver
 - (c) Remission
 - (d) Merger
295. When a inferior right accruing to a party under a contract merges into a superior right. It is known as
- (a) Alternation
 - (b) Waiver
 - (c) Remission
 - (d) Merger
296. When Ram accept Rs.20, 000 in discharge of whole debt of Rs.22, 000. It is known as
- (a) Rescission
 - (b) Novation
 - (c) Alternation
 - (d) Remission
297. Discharge by operation of law may include
- (1) Death of parties
 - (2) Insolvency of parties
 - (3) Unauthorized alternation of the terms of written agreement
 - (4) Rights & liabilities becoming vested in the same person
- (a) 1

- (b) 1, 2
(c) 1, 2, 3
(d) 1, 2, 3, 4
298. A agrees to deliver to B 5 bags of wheat on next Monday. He does not deliver the wheat on that day. There is Of a contract.
(a) Anticipatory breach
(b) Actual breach
(c) Partly actual partly anticipatory breach
(d) None of these
299. Anticipatory breach can occur in case of
(a) Executed contract
(b) Executor contract
(c) Either (a) or (b)
(d) Neither (a) nor (b)
300. Which of the following rights can be exercised by party not in a breach in case anticipatory breach of contract?
(a) He can treat the contract as discharged
(b) He can take legal action
(c) He can claim damages
(d) All of above
301. Impossibility which arises subsequent to the formation of contract is called as
(a) Pre-contractual impossibility
(b) Post-contractual impossibility
(c) Supervening impossibility
(d) (b) & (c) of above
302. When there is supervening impossibility subsequent to formation of contract, then contract becomes
(a) Void
(b) Voidable
(c) Illegal
(d) Unlawful
303. As a general rule, impossibility of performance of a contract is for Of a contract
(a) Excuse, performance
(b) No excuse, non-performance
(c) Allowed, performance
(d) Allowed, non-performance
304. Which of the following may be treated as suspending impossibility?
(a) Destruction of subject matter
(b) Death or incapacity in case of personal service
(c) Change in law
(d) All of above
305. Which of the following may be treated as supervening impossibility?
(a) Outbreak of war
(b) Non-occurrence of a particular state of things.
(c) Destruction of subject matter
(d) All of above
306. Which of the following cannot be treated as supervening impossibility?
(a) Difficult of performance
(b) Commercial impossibility
(c) Impossibility arising due to failure of third person
(d) All of above
307. Which of the following can be treated as supervening impossibility?
(a) Commercial impossibility
(b) Destruction of subject matter
(c) Difficulty in performance
(d) All of above
308. Gajodhar hired a shop from Shridhar for 2 years and paid the rent of 2 years in advance. After 1 year the shop was destroyed by fire. Which of the following is correct?
(a) Destruction of shop by fire cannot be treated as supervening impossibility and contract is still alive
(b) Shridhar should arrange same quality of shop in other area.
(c) Contract is discharged due to supervening impossibility and Gajodhar can claim rent for un-expired part of term.

- (d) None of above
309. Match of the following
- (a) Novation
(b) Rescission
(c) Remission
(d) Alteration
- (1) One or more terms of contract are altered by mutual consent of the parties
(2) Substitution of new contract for existing one.
(3) Cancellation of some of the terms of contract.
(4) Acceptance of a lesser fulfillment of the promise made.
- (a) A – (2), B – (3), C – (4), D – (1)
(b) A – (2), B – (1), C – (4), D – (3)
(c) A – (3), B – (2), C – (4), D – (1)
(d) A – (4), B – (3), D – (2), D – (1)
310. When a contract ceases to bind the parties to it, it is said to be
- (a) Discharged
(b) Performed
(c) Obligated
(d) Rescinded
311. A contract can be discharged by
- (a) Performance of the contract
(b) Frustration of the contract
(c) (a) or (b)
(d) Neither (a) nor (b)
312. In which of the ways can a contract be discharged by operation of law?
- (a) Unauthorized alteration of terms of a written document
(b) Vesting of rights & liabilities in the same person
(c) Bothe (a) and (b)
(d) Neither (a) nor (b)
313. A contract becomes more difficult of performance due to some event or delays. The contract is
- (a) Becomes voidable
(b) Becomes void

- (c) Is discharged
(d) Is not discharged
314. A contract is not frustrated by commercial impossibility
- (a) True
(b) Partly true
(c) False
(d) Partly false
315. When war is declared between two countries, parties would be
- (a) Criminally prosecuted
(b) Get discharged due to frustration
(c) Countries are liable to perform their obligation
(d) Discharged from criminal liabilities

REMEDIES FOR BREACH OF CONTRACT

316. Where there is a right, there is
- (a) Asset
(b) Liability
(c) Another right
(d) Remedy
317. Where there is, there is remedy
- (a) Asset
(b) Liability
(c) Another right
(d) Remedy
318. Breaking of an obligation under a contract is known as
- (a) Rescission
(b) Violability
(c) Right
(d) Remedy
319. Which of the following remedy is available when contract is broken by one of the party?
- (a) Rescission of contract
(b) Suit for damages
(c) Suit for quantum meruit
(d) All of above

320. Which of the following remedy is available when contract is broken by one of the party?
(a) Rescission of contract
(b) Specific performance
(c) Either (a) or (b)
(d) (a) & (b)
321. means termination of contract.
(a) Rescission
(b) Injunction
(c) Specific performance
(d) Quantum Meruit
322. When a contract is broken by one party, the other party may sue to treat the contract as
(a) Void
(b) Voidable
(c) Illegal
(d) Rescinded
323. Which of the following remedy is available when contract is broken by one of the party?
(a) Rescission of contract
(b) Suit for damages
(c) Suit for quantum Meruit
(d) All of above
324. means termination of contract
(a) Rescission
(b) Injunction
(c) Specific performance
(d) Quantum meruit
325. When a contract is broken by one party, the other party may sue to treat the contract as
(a) Void
(b) Voidable
(c) Illegal
(d) Rescinded
326. Damages under The Indian Contract Act, 1872 are in the nature of
(a) Penalty
(b) Compensation
(c) Liability
(d) Teaching lesson to defaulting party.
327. Damages are awarded, when
(a) Party not in default makes a profit
(b) Injured party suffers any remote loss.
(c) Injured party suffers direct loss
(d) Injured party does not suffer any loss.
328. The rule relating to damages is based on the leading decision in
(a) mohiti bibi Vs. Dharmodas Ghose
(b) simpson Vs. London & N W Rail Co.
(c) Hadley Vs. Boxendal
(d) Hadley Vs. Booker
329. The object of awarding damages for breach of contract is
(a) To punish guilty party
(b) To teach a lesson to defaulting party, so that he should make default in future
(c) Both (a) and (b) above
(d) To put the injured party in the same position, so far as money can do.
330. Vbi jus ibi remedium means
(a) No consideration no contract
(b) The law does not recognize what is impossible
(c) What is impossible does not create an obligation
(d) Where is right, there is remedy.
331. Damages which naturally and directly arose in the usual course of things from the breach are known as
(a) Special damages
(b) Ordinary damages
(c) Liquidated damages
(d) Penalty
332. Ordinary damages =
(a) Difference between contract price and market price on the date of contract
(b) Difference between contract price and market price on the date of breach
(c) Contract price (+) market price on the date of breach

- (d) Contract price (X) market price on the date of breach
333. Ordinary damages are awarded for such loss suffered by a party which is consequence of breach.
- (a) Direct
 - (b) Indirect
 - (c) Remote
 - (d) All of above
334. Lala contracts to Buy 100 quintal of rice from Bala at Rs.950 per quintal, no time being fixed for delivery. Price to be paid of the time of delivery. Afterward Lala informs to Bala that he will not accept the rice if supplied to him. The market price of rice when Lala informs Bala was Rs.920 per quintal. How much compensation in the form of ordinary damages can be recovered by Bala from Lala
- (a) 95, 000
 - (b) 92, 000
 - (c) 3,000
 - (d) 98, 000
335. Special damages can be claimed only if there exists
- (a) Normal circumstances
 - (b) Special circumstances
 - (c) Normal as well as special circumstance
 - (d) Ordinary circumstance
336. In case of breach of contract, compensation can be claimed for
- (a) Remote consequence of the breach
 - (b) The proximate and natural consequence of breach
 - (c) Indirect consequence of breach
 - (d) All of above
337. Damages, which arise naturally in usual course of things from breach, are called as
- (a) General damages
 - (b) Special damages
 - (c) Liquidated damages
 - (d) Penalty
338. Damages which an aggrieved party can claim in addition to ordinary damages for any loss suffered owing special circumstances known to both the parties of the time of signing the contract are called
- (a) Nominal damages
 - (b) Liquidated damages
 - (c) Ordinary damages
 - (d) Special damages
339. Hadley Vs Baxendable is a famous case on
- (a) Breach of contract
 - (b) Mistake of fact
 - (c) Quantum meruit
 - (d) No consideration, no contract
340. Special damages are awarded when there
- (a) Are special circumstances
 - (b) Is special loss
 - (c) Is a notice of likely special loss
 - (d) All of above
341. are awarded with a view to punish the party in default
- (a) Liquidated damages
 - (b) Exemplary / vindictive damages
 - (c) Nominal damages
 - (d) All of above
342. have no place in law of contract
- (a) Ordinary damages
 - (b) Liquidated damages
 - (c) Nominal damages
 - (d) Exemplary / vindictive dmaages
343. In which of the following circumstances Court may award exemplary damages
- (a) Breach of a promise to marry
 - (b) Dishonor of a Cheque a banker wrongfully when there is sufficient funds to the credit of customer
 - (c) Either (a) or (b)
 - (d) Neither (a) or (b)

344. Damages, which are awarded to merely acknowledge that the plaintiff has proved his case and won are known as
- (a) Liquidated damages
 - (b) Ordinary damages
 - (c) Exemplary damages
 - (d) Nominal damages
345. When there exist special circumstances and their existence is communicated, party not in default can recover from party at default
- (a) Ordinary damages
 - (b) Special damages
 - (c) Ordinary as well as special damages
 - (d) Ordinary and liquidated damages
346. Nominal damages may be very small, say, even a rupee or 0.25 paise
- (a) True
 - (b) False
 - (c) Partly true
 - (d) Partly false
347. When damages are awarded simply to recognize the right of party to claim damages for the breach of the contract are called as
- (a) Liquidated damages
 - (b) Exemplary damages
 - (c) Nominal damages
 - (d) General damages
348. When party has not suffered any loss, but still he wants to prove that he is right. In such case, he can claim
- (a) Liquidated damages
 - (b) Exemplary damages
 - (c) General damages
 - (d) Nominal damages
349. Where a party to the contract has suffered substantial physical discomfort and inconvenience as result of breach of contract, he can file a suit for claiming compensation from party at fault.
- (a) True
 - (b) False
 - (c) Partly false
 - (d) Partly false
350. When contract provides for payment of certain amount in case of breach of contract. These are termed as
- (a) Ordinary damages, special damages
 - (b) Special damages, liquidated damages
 - (c) Liquidated damages, penalty
 - (d) Penalty, ordinary damages
351. The Court in India allow only
- (a) Liquidated damages
 - (b) Penalty
 - (c) Reasonable compensation
 - (d) Either (a) or (b)
352. Liquidated damages represent a sum which is
- (a) Disproportionate to damages likely to accrue as a result of breach
 - (b) Fair & genuine pre-estimate of the probable loss that might ensue as a result of breach, if it take place
 - (c) Naturally and directly arose in usual course of thing.
 - (d) To be given for nay remote or indirect loss of damage sustained by reason of breach
353. Penalty represents a sum which is
- (a) Disproportionate to damages likely to accrue as result of breach
 - (b) Fair & genuine pre-estimate of the probable loss that might ensue as a result of breach, if it take place.
 - (c) Naturally and directly arose in usual course of thing.
 - (d) To be given for any remote or indirect loss or damage sustained by reason of breach.
354. Gita gives Sita a bond for the payment of Rs.1, 000 with interest at 12% at the end of six months, with a stipulation that in case of default, interest shall be payable

- at the rate of 75% from the date of default
This is stipulation by way of
- (a) Liquidated damages
(b) Penalty
(c) Ordinary damages
(d) Special damages
355. A contract with B to pay Rs.1, 000 if he fails to pay B Rs.500. on given day, fails to pay Rs.500 in that day. B is entitled to recover from compensation
- (a) Of at least Rs.1, 000
(b) Of Rs.1, 000
(c) Of Rs.500
(d) Not exceeding Rs.1, 000 as the Court consider reasonable
356. Court grants specific performance when
- (a) Monetary compensation is an adequate remedy
(b) Monetary compensation is not an adequate remedy
(c) When it not possible to calculate damages
(d) It was specifically agreed by the parties, at the time of making contract
357. The law relating to specific relief in India is contained in
- (a) Indian Contract Act, 1872
(b) Indian Contract Act, 1872
(c) Partnership Act, 1932
(d) Specific Relief Act, 1963
358. Where a party is in breach of negative term of a contract and other party gets the order from Court restraining the party in breach from doing what he promised not to do. Such an order of the Court is known as
- (a) Injunction
(b) Order to enforce right
(c) Order to enforce negative right
(d) Order to enforce liability
359. Means an order of the Court restraining a person from doing what he promised not do to do.
- (a) Quantum Meruit
(b) Recession
(c) Novation
(d) Injunction
360. Specific performance may be ordered by the Court
- (a) Contract is voidable in money is not an adequate
(b) Where damages are not an adequate remedy
(c) When damages are an adequate remedy
(d) When party in default is not ready to pay damages
361. In which of the following cases, specific performance may be granted Court?
- (a) Where compensation in money is not an adequate relief
(b) Where there exists no standard for ascertaining the actual damages.
(c) Either (a) or (b)
(d) Neither (a) or (b)
362. The law relating to specific relief in India is contained in
- (a) The Indian Contract Act, 1872
(b) The Companies Act, 1956
(c) The partnership Act, 1932
(d) The specific Relief Act, 1963
363. Where the contracting parties agree in advance the amount payable in the event of breach, the sum payable is called
- (a) Liquidated damages
(b) Nominal damages
(c) Special damages
(d) General damages
364. A delivered goods to the Railway Administration to be carried to a place where an exhibition was being held and told the goods clerk that if the goods did not

reach the destination on the stipulated date he would suffer a special loss. The goods reached late, He was entitled to claim

- (a) Liquidated damages
- (b) Nominal damages
- (c) Special damages
- (d) General damages

365. Exemplary damages are awarded to punish the defendant and are not, as a rule, granted in case of breach of contract. Viz.,

- (a) Breach of promise to marry
- (b) Wrongful dishonor of a customer's Cheque by the banker
- (c) Both (a) & (b)
- (d) None of above

366. Consist of a small token award, e.g., a rupee of even 25 paise

- (a) Liquidated damages
- (b) Nominal damages
- (c) Special damages
- (d) General damages

367. The Courts in England usually give effect to liquidated damages, but they always relieve against penalty

368. specific performance will not be ordered.....

- (a) Where monetary compensation is an adequate
- (b) Where the Court cannot supervise the execution of the contract
- (c) Where the contract is for personal service
- (d) All of above

369., is an order of a Court restraining a person from doing a particular act.

- (a) An injunction
- (b) Specific performance
- (c) Quantum meruit
- (d) None of above

370. Injunction may be

- (a) Prohibitory
- (b) Mandatory

- (c) Prohibitory or mandatory
- (d) None of above

CONTRACT OF INDEMNITY & GUARANTEE

371. As per Section 124 of Indian Contract Act, 1872, a contract of Is a contract by which one party promise to save the other party from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person

- (a) Indemnity
- (b) Guarantee
- (c) Specific performance

372. The person who promises to make the good loss is called as

- (a) Indemnified
- (b) Indemnity holder
- (c) Indemnifier
- (d) Surety

373. The person who loss is to be made good is called as

- (a) Indemnified
- (b) Indemnity holder
- (c) Indemnifier
- (d) (a) or (b)

374. As per Section 125 of Indian Contract Act, 1872, Indemnity-holder acting within scope of his authority is entitled to recover

- (a) All damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies
- (b) All cost for defending or bringing any suit if worked as a prudent person.
- (c) All sums which he may have paid under the terms of any compromise of any such suit.
- (d) All of above

375. A contract of is a contract to perform the promise made or discharge

- liability incurred by a third person in case of his default
- (a) Indemnity
 - (b) Guarantee
 - (c) Specific performance
 - (d) Injunction
376. The person on whose behalf guarantee is given is called as
- (a) Surety
 - (b) Principle debtor
 - (c) Creditor
 - (d) Indemnity holder
377. The person who gives guarantee is called as
- (a) Surety
 - (b) Principle debtor
 - (c) Creditor
 - (d) Indemnity holder
378. The person to whom guarantee is given is called as
- (a) Surety
 - (b) Principle debtor
 - (c) Creditor
 - (d) Indemnity holder
379. A and B go into a shop. A says to the shopkeeper, "Let B have the goods, I will see you paid. This is"
- (a) Contract of guarantee
 - (b) Contract of Indemnity
 - (c) Contract of Specific performance
 - (d) Contract of wagering
380. A and B go into a shop. A says to the shopkeeper, "Let B have the goods, I will see you paid. This is"
- (a) Contract of guarantee
 - (b) Contract of Indemnity
 - (c) Contract of Specific performance
 - (d) Contract of wagering
381. There are To the contract of indemnity while there are to the contract of guarantee
- (a) Three parties, Two parties
 - (b) Two parties, three parties
 - (c) Two parties, Four parties
 - (d) Four parties, two parties
382. The liability of indemnifier is
- (a) Primary
 - (b) Collateral
 - (c) Secondary
 - (d) (b) or (c)
383. The liability of surety is
- (a) Primary
 - (b) Collateral
 - (c) Secondary
 - (d) (b) or (c)
384. The liability of the surety is co-extensive with that of the principle debtor unless the contract otherwise provides.
- (a) True
 - (b) False
 - (c) Partly true
 - (d) None of above
385. When guarantee extends to a single transaction it is known as a
- (a) Continuing guarantee
 - (b) Specific guarantee
 - (c) Unlimited guarantee
 - (d) Fidelity guarantee
386. When guarantee extends to a series of transaction it is called as a
- (a) Continuing guarantee
 - (b) Specific guarantee
 - (c) Unlimited guarantee
 - (d) Fidelity guarantee
387. A specifies guarantee is
- (a) Irrevocable
 - (b) Revocable
 - (c) (a) or (b)
 - (d) None of above
388. A continuing guarantee for transaction which has already taken place.
- (a) Cannot be revoked
 - (b) Can be revoked
 - (c) Cannot be performed
 - (d) None of above

389. A continuing guarantee may be revoked by the surety at any time, as to, by notice to the creditor
- (a) Future transaction
 - (b) Past transaction
 - (c) Existing transaction
 - (d) None of above
390. In which of the following circumstances a continuing guarantee can be revoked?
- (a) By notice of revocation by the surety
 - (b) By the death of the surety
 - (c) Both (a) & (b)
 - (d) None of above
391. A surety is favored debtor
- (a) True
 - (b) False
 - (c) Party false
 - (d) None of above
392. On payment of a guaranteed debt surety is subrogated all the rights of
- (a) Creditor
 - (b) Principle debtor
 - (c) Other co-surety
 - (d) None of above
393. On being sued by the creditor, the surety can rely on any which the debtor has against the creditor
- (a) Set-off
 - (b) Counter claim
 - (c) Set-off or counter claim
 - (d) None of above
394. U/s 141 is entitled to the benefit of every security which the creditor has against the principle debtor at the time when the contract of surety ship is entered into whether the surety knows of the existence of such security or not.
- (a) False
 - (b) True
 - (c) Partly true
 - (d) None of above
395. After discharging the debt, the surety
- (a) Steps into the shoes of the creditor
 - (b) Is subrogated to all the rights of the creditor against the principle debtor
 - (c) (a) or (b)
 - (d) None of above
396. When a surety has paid more than his share of debt to the creditor, he has a right of contribution from the co-securities who are equally bound to pay with him.
- (a) False
 - (b) True
 - (c) Partly true
 - (d) None of above
397. A, B, and C jointly promise to pay D the sum of Rs.3, 000. C is compelled to pay the whole. A is insolvent but his assets are sufficient to pay one-half of his debts. How much is C entitled to receive from A's estate and how much B?
- (a) C is entitled to receive Rs.500 from A's estate and Rs.1, 250 from B.
 - (b) C is entitled to receive Rs.1, 250 from A's estate and Rs.500 from B
 - (c) C is entitled to receive Rs.1, 000 from A's estate and Rs.1, 000 from B
 - (d) C is entitled to receive Rs.500 from A's estate and Rs.1, 000 from B.
398. A surety may be discharged from liability
- (a) By notice of revocation in case of a continuing guarantee as regards future transaction
 - (b) By the death of the surety as regards future transactions, in a continuing guarantee
 - (c) Any variation in the terms of the contract between the creditor and the principle debtor, without the consent of the surety
 - (d) All of above
399. A surety may be discharged from liability

- (a) If the creditor releases the principle debtor, or acts or makes an omission which results in the discharge of the principle debtor
- (b) Where the creditor, without the consent of the surety, makes an arrangement with the principal debtor for composition, or promises to give time or not to sue him, the surety will be discharged
- (c) If the creditor does any act which is against the rights of the surety, or omits to do an act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principle debtor is thereby impaired
- (d) All of above

BAILMENT

400. is the delivery of goods, by one person to another, for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of, according to the instructions of the person delivering them.
- (a) Indemnity
 - (b) Bailment
 - (c) Guarantee
 - (d) Sale
401. In contract of bailment, person who delivers the goods is called as
- (a) Bailee
 - (b) Bailor
 - (c) Pledger
 - (d) Pledgee
402. In contract of bailment, the person to whom the goods are delivered is called as
- (a) Bailee
 - (b) Bailor
 - (c) Pledger
 - (d) Pledge

403. The contract of bailment may be
- (a) Express
 - (b) Implied
 - (c) Deemed
 - (d) (a) or (b)
404. In contract of bailment, there is transfer of In goods.
- (a) Ownership
 - (b) Possession
 - (c) Deemed ownership
 - (d) None of above
405. In contract of bailment, delivery may be
- (a) Actual
 - (b) Possession
 - (c) Deemed ownership
 - (d) None of above
406. In contract of bailment, is made by physically handing over the goods.
- (a) Constructive delivery
 - (b) Actual delivery
 - (c) Symbolic delivery
 - (d) Deemed delivery
407. If no consideration passes from bailor to bailee it is known as
- (a) Gratuitous bailment
 - (b) Non-gratuitous bailment
 - (c) Deemed bailment
 - (d) Actual bailment
408. If some consideration passes from bailor to bailee it is known as
- (a) Gratuitous bailment
 - (b) Non-gratuitous bailment
 - (c) Deemed bailment
 - (d) Actual bailment
409. is one in which neither the bailor nor the bailee is entitled to any remuneration
- (a) Gratuitous bailment
 - (b) Non-gratuitous bailment
 - (c) Deemed bailment
 - (d) Actual bailment

410. terminates by the death of either the bailor or the bailee
(a) Gratuitous bailment
(b) Non-gratuitous bailment
(c) Deemed bailment
(d) Actual bailment
411. The bailee must take as much care of the goods bailed to him as a would like under similar circumstances of his own goods of the same bulk, quality and value as the goods bailed
(a) Man of extra-ordinary prudence
(b) Man of ordinary prudence
(c) Man of ordinary economic condition
(d) None of above
412. The bailee is under a duty not to use the goods in an unauthorized manner or for unauthorized purpose.
(a) True
(b) False
(c) Partly true
(d) None of above
413. If bailee uses the goods in an unauthorized manner or for unauthorized purpose, the bailor can
(a) Terminate the bailment
(b) Claim damages for any loss
(c) (a) & (b)
(d) None of above
414. A lends his car to B for a drive by him only. B allows C, an expert driver, to drive the car. C drives the car with care but hits with an electronic pole. The car damaged. A file suit against B claiming damages. Will he succeed?
(a) Yes. B is liable for the damage to A's car
(b) No. B is not liable for the damage to A's car.
(c) Yes. C is liable for the damage to A's car
(d) None of above
415. A hires a car in Delhi from B for going to Varanasi A drives with care but meets with an accident while going to Haridwar. Advise B.
(a) Yes. A is liable for the damage to B's car
(b) No. A is not liable for the damage to B's car.
(c) A should pay extra charges for going to Haridwar
(d) None of above
416. Where the bailee, mixes the goods bailed with his own goods, with the Bailor's consent, both of them shall have interest in
(a) Proportion to their shares in the mixture produced
(b) Proportion to 40:60 in the mixture produced
(c) Proportion to 60:40 in the mixture produced
(d) None of above
417. Where the bailee, mixes the goods bailed with his own goods, without the bailors consent Bound to bear the expenses of separation or division, and also of any damage arising from the mixture
(a) Bailor
(b) Bailee
(c) Third person
(d) Person separating the mixture
418. Bailee must not set up To the goods
(a) Perfect title
(b) An adverse title
(c) Defective title
(d) Deemed title
419. It is the duty of the bailee to return the goods without demand
(a) On the expiry of the time fixed
(b) When the purpose is accomplished
(c) (a) or (b)
(d) None of above

420. If bailee fails to return the goods, he shall be liable for any of the goods even without negligence on his part.
(a) Loss
(b) Destruction
(c) Deterioration
(d) Loss, destruction or deterioration
421. In the absence of any contract to the contrary, the bailee is not required to return to the bailor any increase, or profits which may have accrued from the goods bailed
(a) False
(b) True
(c) Partly true
(d) None of above
422. If Ram leaves a cow in the custody of Shyam be taken care of and the cow a calf, Shyam is bound is deliver To Ram
(a) The cow
(b) The calf
(c) The cow as well as the calf
(d) Nothing
423. is a right to retain the property of another for a general balance of accounts
(a) Particular lien
(b) General lien
(c) Deemed lien
(d) Tangible lien
424. is a right to retain those goods in respect of which bailee have rendered some service involving the exercise of labour or skill
(a) Particular lien
(b) General lien
(c) Deemed lien
(d) Tangible lien
425. Right of general lien can be exercised by
(a) Bankers
(b) Factor
(c) Wharfingers
(d) All of above
426. Right of general lien can be exercised by
(a) Attorneys of High Court
(b) Policy brokers
(c) Bankers
(d) All of above
427. Duties of bailor are
(a) In case of gratuitous bailment – to disclose known faults to bailee
(b) In case of non-gratuitous bailment – liable for damages whether or not he was aware of the existence of faults
(c) To indemnify bailee for loss when bailors title is defective
(d) All of above
428. Duties of bailor are
(a) To receive back goods on termination of bailment
(b) In case of gratuitous bailment – not to disclose known faults to bailee
(c) In case of non-gratuitous bailment – no liability for damages whether or not he was aware of the existence of faults
(d) All of above
429. Duties of bailor are
(a) In case of gratuitous bailment – bailor shall repay all necessary expenses incurred by bailee for the purpose of bailment
(b) In case of non-gratuitous bailment – bailor is liable only extra-ordinary expenses
(c) In case of gratuitous bailment – to disclose known faults to bailee
(d) All of above
430. A hires carriage of B. the carriage is unsafe though B does not know this. A is injured. Is B is liable to A for the injury?
(a) Yes. B is liable to A for the injury
(b) O. B is not liable to A for the injury
(c) Partly yes
(d) None of above
431. The bailment terminates

- (a) Where the bailee wrongfully uses or dispose of the goods bailed
(b) As soon as the period of bailment expires or the object of the bailment has been achieved
(c) When subject matter of bailment is destroyed or by reason of change in its nature, becomes incapable of use for the purpose of bailment.
(d) All of above
432. The position of a finder of lost goods is exactly that of a
- (a) Bailee
(b) Surety
(c) Consignee
(d) Consignor
433. Responsibility of finder of goods:
- (a) He need not to take care of goods as man of ordinary prudence
(b) He must not to appropriate goods for his own use
(c) He can mix the goods with his own goods.
(d) All of above
434. Responsibility of finder of goods
- (a) He must try to find out true owner and to restore goods to the owner when the owner is traced.
(b) He must to appropriate goods for his own use.
(c) He must not mix the goods with his own goods.
(d) All of above
435. Rights of finder of goods
- (a) He has a right to retain the goods until he receives compensation for trouble and expenses incurred in preserving the goods and finding out the owner.
(b) He cannot sue the owner for payment of any specific reward offered by the owner.
(c) He cannot sell the goods found at all
(d) All of above
436. Finder of goods can sell the goods found, if
- (a) Owner cannot be found with reasonable diligence
(b) Owner, if found, does not pay the lawful charges of the finder
(c) Goods are in danger of perishing
(d) All of above
437. Finder of goods can sell the goods found, if the lawful charges of finder, amount to Of the value of goods
- (a) $\frac{2}{3}^{\text{rd}}$
(b) $\frac{1}{3}^{\text{rd}}$
(c) $\frac{1}{4}^{\text{th}}$
(d) $\frac{5}{5}^{\text{th}}$
438. Ravi found a purse in a computer education center. He deposited the purse with proprietor of the center so that the real owner can claim. However, no one claimed the purse. Ravi wants the purse back. Can he succeed?
- (a) Yes
(b) No
(c) Partly yes
(d) None of above
439. A common carrier has same responsibility as that of an ordinary bailee
- (a) False
(b) True
(c) Partly true
(d) None of above
440. A common carrier includes
- (a) Railways
(b) Carriers by inland navigation
(c) Carriers by sea
(d) (a) & (b)
441. A common carrier does include and they can limit their liability
- (a) Railways
(b) Carriers by inland navigation
(c) Carriers by sea

- (d) (a) & (b)
442. The liability of a hotel keeper is governed by Section 151 and 152 of the Contract Act and is that of an ordinary bailee with regard to the property of the guests
- (a) False
(b) True
(c) Partly true
(d) None of above
443. C stayed in a room in a hotel. The hotel-keeper knew that the room was in an insecure condition. While C was dining in the dining room, some articles were stolen from his room. State whether hotel-keeper was liable for the loss?
- (a) Yes. Hotel-keeper is liable for the loss as he should have taken reasonable steps to rectify the unsecured condition of the rooms
(b) No. Hotel-keeper is not liable for the loss even he has not taken reasonable steps to rectify the unsecured of the rooms.
(c) Partly yes
(d) None of above

PLEDGE

444. Pledge is a bailment of goods as security for payment of a
- (a) Debt
(b) Performance of a promise
(c) (a) or (b)
(d) None of above
445. A pledge is bailment for security
- (a) False
(b) True
(c) (a) or (b)
(d) None of above
446. Person who pledges the goods is known as
- (a) Pledger
(b) Pawnor
(c) (a) or (b)
(d) Bailee
447. Person to whom goods are pledge is known as
- (a) Pledge
(b) Pawnee
(c) (a) or (b)
(d) Bailee
448. The essentials ingredients of a pledge:
- (a) The property pledged should be delivered to the Pawnee
(b) Delivery should be in pursuance of a contract
(c) Delivery should be for the purpose of security
(d) All of above
449. Pawnee may retain the goods pledge for
- (a) Payment of the debt or the performance of promise
(b) Interest due on the debt
(c) All necessary expenses incurred by him with respect to possession or for preservation of goods pledged
(d) All of above
450. Where the Pawnee incurs necessary expenses to preserve the goods pledged with him, he is not entitled to receive such amount from the Pawnor.
- (a) False
(b) True
(c) Partly true
(d) None of above
451. Pawnee may retain the goods pledge as collateral security, or sell the goods pledged by giving a reasonable notice to the pawnor.
- (a) False
(b) True
(c) Partly true
(d) None of above

452. When there is a surplus on sale after due notice to the pawnor, the Pawnee shall pay the excess to the pawnor. In case of deficit. Pawnor shall be liable for the balance amount

- (a) False
- (b) True
- (c) Partly true
- (d) None of above

453. Where the Pawnee does not give a reasonable notice to the pawnor, the sale is valid, but Pawnee is liable to pay damages to pawnor

- (a) True
- (b) False
- (c) Partly true
- (d) None of above

454. The general rule is that only owner can create of pledge. However even non-owner can create a valid pledge

- (a) A mercantile agent who is in possession of goods or of document of title to goods, with the consent of owner
- (b) When the pawnor has obtained possession of goods under a voidable contract by way of fraud, coercion, etc.
- (c) Co-owner is in possession of goods with the consent of other co-owner
- (d) All of above

AGENCY

455. is the relationship between two persons where one person is employee by another to act on behalf of that another with the third person.

- (a) Agency
- (b) Bailment
- (c) Indemnity
- (d) Guarantee

456. is a person employed to do any act for another, or to represent another in dealing with third persons

- (a) Bailee
- (b) An agent
- (c) Bailor
- (d) Indemnity holder

457. A contract of agency may be

- (a) Express
- (b) Implied
- (c) (a) or (b)
- (d) None of above

458. Agency may also arise by

- (a) Estoppel
- (b) Necessity
- (c) Ratification
- (d) All of above

459. No consideration is necessary to create an agency

- (a) True
- (b) False
- (c) Partly true
- (d) All of above

460. A contract of agency may be made

- (a) Orally
- (b) In writing
- (c) (a) or (b)
- (d) None of above

461. An authority is said to be when it is to be inferred from the circumstances of the case, and things spoken or written, or the ordinary course of dealings

- (a) Express
- (b) Implied
- (c) (a) or (b)
- (d) None of above

462. Where a principle, by his word or conduct, includes some third person to believe that acts or obligations of his agent were within his authority, he shall be estopped from denying it later. This known as estopped from denying it later. This known as

463. A principle cannot deny the agent's authority when he does some prior positive or affirmative act establishing the agency of the other person. This known as
464. When the husband and wife are living together and the husband does not provide for her necessities, wife has an implied authority as an agent to pledge her husband's credit for bare necessities
465. The husband will not be liable as agent if he shows that
466. In certain circumstances a person who has been entrusted with another's property, may have to incur unauthorized expenses to protect or preserve it. This known as
467. A horse sent by rail was not taken delivery at the destination, The Station Master had to feed the horse. The station Master becomes an And hence the owner shall compensate him.
468. When the relationship arises between the persons as per provisions of the present applicable laws, it is said to be an
469. Where a person having no authority purports to act as agent, or a duly appointed agent exceeds his authority, the principle is not bound by the contract supposedly based on his behalf. But the principle may ratify the agents' transaction and so accept liability. This known as
470. Requisites of valid agency by ratification
471. Requisites of valid agency by ratification
472. Requisites of valid agency by ratification
473. Ratification relates back to the date of the act of agent
474. When agent is appointed to perform a particular transaction, such agent is known as
475. When agent is appointed to do all acts connected with a particular trade, business or employment, such agent is known as
476. When agent is appointed to do all acts for the principle, such agent is known as
477. Agent who is authorized to sell goods or consign goods for the purpose of sale or to buy goods or to raise money on the security of goods is known as
478. A is a person employed by, and acting under the control of, the original agent in the business of agency
479. Where an agent, holding authority to name another person, has named another person accordingly, such person is known as Such agent works under the control and directions of principle
480. A is one who represents to be an agent of another when in reality he has not such authority from him at all.
481. A mercantile agent includes
482. A is a mercantile agent employed to sell goods which have been placed in his possession or contract to buy goods for his principle. He is the apparent owner of the goods in his custody and can sell them in his own name and receive payment for the goods
483. A is a mercantile agent whose ordinary course of business is to make contracts with other parties for the sale and purchase of goods and securities of which he is not entrusted with the possession for a commission called brokerage.
484. A is a mercantile agent, who in consideration of an extra remuneration guarantees to his principle that the purchasers who buy on credit will pay for the goods they take.
485. An is an agent who sells goods by auction

486. Duties of an agent
487. Duties of an agent
488. Duties of an agent
489. Duties of an agent
490. When the principle and his name are disclosed to third parties, act of agent are acts of principal.
491. Where the agent disclose the identity of his principle, he is not personally liable, the principle, on being discovered, will be responsible for the contract made by the agent
492. If an agent contract in the capacity of an agent but principle's name is not given then, principle is not continuous to be liable for all acts of the agent and agent will be held personally liable
493. In case of unnamed principle if agent refuses to name the principle, the agent shall be personally liable.
494. If an agent commits a tort or other wrong (e.g. misrepresentation of fraud) during his agency, whilst acting within the scope of his actual or apparent authority, the principle is not liable
495. An agent personally liable
496. Where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot, in the absence of an express contract, be terminated to the prejudice of such interest. This is known as
- (a) Agency is coupled with interest
- (b) Agency by ratification
- (c) Agency by emergency
- (d) Agency by necessity
497. An agency comes to an end or terminates
- (a) By the performance of the contract of agency
- (b) By an agreement between the principle and the agent

- (c) By expiration of the period fixed for the contract of agency
- (d) All of above
498. An agency comes to an end or terminates
- (a) By the death of the principle or the agency
- (b) By the insanity of either the principle or the agent
- (c) By the insolvency of the principle, and in some cases that of the agent
- (d) All of above

Chapter 11

NEGOTIABLE INSTRUMENTS ACT, 1881

THIS CHAPTER COVERS MCQs ON:

- Definition of a Negotiable Instrument
- Important Characteristics of Negotiable Instruments
- Classification of Negotiable Instruments
- Kinds of Negotiable Instruments
- Promissory Notes
- Bills of Exchange
- Cheques
- Modes of Crossing
- Negotiation
- Importance of Delivery
- Endorsement
- Acceptance of a Bill of Exchange

INTRODUCTION

1. The Negotiable Instruments Act, came into force on the.....
 - a) 1.1.1881
 - b) 1.2.1881
 - c) 1.4.1881
 - d) 1.12.1981
2. The Negotiable Instruments Act, 1881 extends to the.....
 - a) Whole of India excluding State of Jammu

- b) Whole of India excluding State of Jammu & Kashmir
 - c) Whole of India
 - d) Whole of India excluding State of Goa
3. The Negotiable Instruments Act, 1881 define and amend the law relating to.....
- a) Promissory notes
 - b) Bills of exchange
 - c) Cheques
 - d) All of above
4. A “negotiable instrument” means a promissory note, bill of exchange or cheque payable either.....
- a) To order
 - b) To bearer
 - c) (a) or (b)
 - d) (a) and (b)

CHARACTERISTICS OF NEGOTIABLE INSTRUMENTS

5. Which of the following can be considered as characteristics of Negotiable Instruments?
- a) The holder of the instrument is presumed to be the owner.
 - b) They are not freely transferable.
 - c) They are transferable subject to restriction.
 - d) (b) or (c)
6. Which of the following can be considered as characteristics of Negotiable Instruments?
- a) The holder in due course is entitled to sue on the instrument in his own name.
 - b) The instrument is transferable till maturity and in case of cheques till it becomes stale.
 - c) Both (a) & (b)
 - d) None of above
7. Which of the following can NOT be considered as characteristics of Negotiable Instruments?

- a) The holder of the instrument is not presumed to be the owner.
 - b) They are conditionally transferable
 - c) A holder in due course is entitled to sue on the instrument in his own name.
 - d) (a) & (b)
8. Which of the following can NOT be considered as characteristics of Negotiable Instruments?
- a) A holder do not gets the instrument free from all defects of title of any previous holder.
 - b) The instrument is transferable till maturity
 - c) They are freely transferable.
 - d) All of above
9. A negotiable instrument is freely transferable.
- a) No
 - b) Yes
 - c) Partly yes
 - d) None of above

CLASSIFICATION OF NEGOTIABLE INSTRUMENTS

10. A promissory note, bill of exchange or cheque is payable to bearer when.....
- a) It is expressed to be payable to a particular person.
 - b) It is expressed to be so payable
 - c) The only or last endorsement on the instrument an endorsement in blank
 - d) (b) or (c)
11. A promissory note, bill of exchange or cheque is payable to order....., and does not contain any words prohibiting transfer or indicating an intention that it shall not be transferable.
- a) Which is expressed to be so payable
 - b) The only or last endorsement on the instrument is an endorsement in blank

- c) Which is expressed to be payable to a particular person
d) (a) or (c)
12. A promissory note, bill of exchange or cheque drawn or made in India, and made payable, or drawn upon any person, resident in India shall be deemed to be.....
a) Foreign Instruments
b) An inland instrument
c) Demand Instruments
d) Bearer Instruments
13. A promissory note, bill of exchange or cheque drawn or made in....., and made payable, or drawn upon any person, resident in India shall be deemed to be an inland instrument.
a) India
b) Outside India
c) Undivided India
d) None of above
14. A promissory note, bill of exchange or cheque drawn or made in India, and made payable, or drawn upon any person.....shall be deemed to be an inland instrument.
a) Resident in India
b) Not ordinary resident in India
c) Non-resident in India
d) Resident outside India
15. An inland instrument is one which is.....
a) Drawn and made payable in India
b) Drawn in India upon some persons resident therein, even though it is made payable in a foreign country
c) Either (a) or (b)
d) None of above
16. The essentials of a foreign instrument include that:.....
a) It must be drawn outside India and made payable outside or inside India
b) It must be drawn in India and made payable outside India and drawn on a person resident outside India.
c) Either (a) or (b)
d) None of above
17. A promissory note or a bill of exchange payable after a fixed period, or after sight, or on specified day, or on the happening of an event which is certain to happen, is known as a.....
a) Time instrument
b) Demand Instruments
c) Foreign Instruments
d) An inland instrument
18. The expression "after sight" in a promissory note means that.....
a) The payment can be demanded without it has been shown to the maker.
b) The payment cannot be demanded on it unless it has been shown to the maker.
c) The holder may treat the instrument, at his option, either as a bill of exchange or as a promissory note.
d) The payment cannot be demanded
19. In the case of bill of exchange, the expression "after sight" means.....
a) After acceptance
b) After noting for non-acceptance
c) After acceptance, or after noting for non-acceptance or after protest for non-acceptance
d) None of above
20. An instrument, which in form is such that it may either be treated by the holder as a bill or as a note, is.....
a) Inchoate or Incomplete Instrument
b) Order Instruments
c) An inland instrument
d) An ambiguous instrument
21. Bill drawn to or to the order of the drawee or by an agent on his principal, or by one branch of a bank on another or by the

direction of a company or their cashier are also ambiguous instruments.

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

22. When one person signs and delivers to another a paper stamped in accordance with the law relating to negotiable instruments, and either wholly blank or having written thereon an incomplete negotiable instrument, he thereby gives prima facie authority to the holder there of to make or complete, as the case may be, upon it a negotiable instrument, for any amount specified therein, and not exceeding the amount, covered by the stamp. Such an instrument is called.....

- a) Inchoate or Incomplete Instrument
- b) Order Instruments
- c) An inland instrument
- d) An ambiguous instrument

23. A signs, as maker, a blank stamped paper and gives it to B and authorizes him to fill it as a note for Rs. 500 to secure an advance which 'C' is to make to 'B'. 'B' fraudulently fills it up as a note for Rs. 2,000 payable to 'c', who has in good faith advanced Rs. 2,000. Decide, whether 'C' is entitled to recover the amount, and if so, up to what extent?

- a) Rs. 500
- b) Rs. 1,500
- c) Rs. 2,000
- d) Rs. 1,000

KINDS OF NEGOTIABLE INSTRUMENTS

24.is an instrument in writing containing an unconditional undertaking, signed by the maker to pay a certain sum of

money to, or to the order of, a certain person, or only to bearer of the instrument.

- a) A Bank note
- b) A currency note
- c) A promissory note
- d) Bills of Exchange

25. A promissory note is an instrument.....containing an unconditional undertaking, signed by the maker to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.

- a) In writing
- b) Made orally
- c) Partly in writing
- d) None of above

26. A promissory note is an instrument in writing containing....., signed by the maker to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument.

- a) Conditional undertaking
- b) Implied undertaking
- c) An unconditional undertaking
- d) Deemed undertaking

27. A promissory note is an instrument in writing containing an unconditional undertaking, signed by.....to pay a certain sum of money to, or to the order of, a certain person, or only to bearer of the instrument

- a) The payee
- b) The holder
- c) The endorser
- d) The maker

28. A promissory note is an instrument in writing containing an unconditional undertaking, signed by the maker to pay.....to, or to the order of, a certain person, or only to bearer of the instrument.

- a) A certain type of goods
- b) A certain type of old coins
- c) A certain sum of money
- d) Any of above

29. A promissory note is an instrument in writing containing an unconditional undertaking, signed by the maker to pay a certain sum of money.....
- a) To, or to the order of, a certain person
 - b) Only to bearer of the instrument.
 - c) (a) or (b)
 - d) Both (a) & (b)
30. The person who makes or executes the note promising to pay the amount stated there in is called as
- a) The payee
 - b) The holder
 - c) The endorser
 - d) The maker
31. The person to whom the amount is payable is called as.....
- a) The payee
 - b) The holder
 - c) The endorser
 - d) The maker
32. Which of the following is/ are essential(s) of promissory note?
- a) It must be in writing.
 - b) An oral promise to pay will do.
 - c) It must contain oral promise to pay.
 - d) All of above
33. Which of the following is/ are essential (s) of promissory note?
- a) It must be in writing.
 - b) It must contain an express promise or clear undertaking to pay.
 - c) The payee must be certain.
 - d) All of above
34. Which of the following is/ are essential (s) of promissory note?
- a) The maker must sign the promissory note in token of an undertaking to pay to the payee or his order.
 - b) The maker must be a certain person
 - c) The payee must be certain.
 - d) All of above
35. Promissory note must contain.....
- a) An express promise to pay
 - b) Clear undertaking to pay
 - c) (a) or (b)
 - d) None of above
36. The promissory note should be signed by:.....
- a) Drawer
 - b) Drawee
 - c) Payee
 - d) Promise
37.is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of, a certain person or to the bearer of the instrument.
- a) A bill of exchange
 - b) A promissory note
 - c) A cheque
 - d) Hundi
38. The person who draws the bill is known as.....
- a) Drawee
 - b) Drawer
 - c) Payee
 - d) Endorser
39. The person on whom the bill is drawn is known as.....
- a) Drawee
 - b) Drawer
 - c) Payee
 - d) Endorser
40. When the holder endorses the bill to anyone else he becomes the.....
- a) Endorsee
 - b) Drawer
 - c) Payee
 - d) Endorser
41.is the person to whom the bill is endorsed.
- a) Endorsee
 - b) Drawer
 - c) Payee

- d) Endorser
42.is the person to whom the sum stated in the bill is payable
- a) Endorsee
 - b) Drawee
 - c) Payee
 - d) Endorser
43. The bill is drawn as an order to drawee to pay certain amount to payee. If drawee refuses to honour the bill, another person may be named in the bill itself, as.....
- a) Endorsee in case of need
 - b) Endorser in case of need
 - c) Drawee in case of need
 - d) Payee in case of need
44. Essentials of a bill of exchange:.....
- a) It must be signed by the drawer.
 - b) The parties must be certain.
 - c) It must contain an unconditional order to pay money only and not merely a request.
 - d) All of above
45. Essentials of a bill of exchange:.....
- a) The sum payable must also be certain.
 - b) It must comply with other formalities e.g. stamps, date, etc.
 - c) It need not be signed by the drawer.
 - d) (a) & (b)
46. A bill of exchange must contain.....order to pay money only.
- a) A conditional
 - b) An unconditional
 - c) A contingent condition
 - d) An implied
47. A bill of exchange must contain an unconditionalto pay money only.
- a) Request
 - b) Order
 - c) (a) or (b)
 - d) (a) & (b)
48. A bill of exchange must contain an unconditional order to pay.....only.
- a) Money
 - b) Goods
 - c) Property
 - d) Assets
49. Kavita draws a bill on Shyam for Rs 30,000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:.....
- a) Ram
 - b) Kavita
 - c) Shyam
 - d) Rahim
50. A promissory note is a three-party instrument.
- a) True
 - b) False
 - c) Partly true
 - d) Partly false
51. In a bill of exchange there are three parties- drawer, drawee and payee.
- a) True
 - b) False
 - c) Partly true
 - d) Partly false
52. A promissory note can be made payable to the maker himself.
- a) True
 - b) False
 - c) Partly true
 - d) Partly false
53. In a bill of exchange, the drawer and payee may be the same person.
- a) True
 - b) False
 - c) Partly true
 - d) Partly false
54. The liability of the maker of a promissory note is.....
- a) Secondary and conditional
 - b) Primary and absolute
 - c) Primary and conditional
 - d) Secondary and absolute
55. Foreign bill of exchange must be protested for dishonor.

- a) True
b) False
c) Partly true
d) Partly false
56. Normally foreign bills are drawn in sets of.....
a) Four copies
b) Three copies
c) Two copies
d) Ten copies
57. A bill drawn and accepted for a genuine trade transaction is termed as a.....
a) Foreign Bill
b) Accommodation Bill
c) Trade bill
d) Account sale
58.is a bill in which a person lends or gives his name to oblige a friend or some person whom e knows or otherwise.
a) Foreign Bill
b) Accommodation Bill
c) Trade bill
d) Account sale
59. A bill which is drawn, accepted or endorsed.....is called an accommodation bill.
a) With consideration
b) Without consideration
c) (a) or (b)
d) (a) and (b)
60. It is only the.....who can ask for a duplicate bill, promissory note or cheque.
a) Holder
b) Drawee
c) Endorser
d) None of above
61. A bill of exchange is called a.....when a bill of exchange drawn by one bank on another bank, or by itself on its own branch,
a) Cheque
b) Promissory note
c) Bank draft
d) Accommodation bill
62. A bank draft can be drawn only by a bank on another bank, usually its own branch.
a) True
b) False
c) Partly true
d) None of above
63. A bank draft cannot be made payable to bearer.
a) True
b) False
c) Partly true
d) None of above
64. Ais a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand
a) Promissory note
b) Cheque
c) Accommodation bill
d) Trade bill
65.means a cheque which contains the exact mirror image of a paper cheque, and is generated, written and signed in a secure system ensuring the minimum safety standards with the use of digital signature (wit or without biometrics signature) and asymmetric crypto system;
a) A cheque in the electronic form
b) A truncated cheque
c) Bank draft
d) Paper cheque
66.means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank wheter paying or receiving payment, immediately on generation of an electronic image for transmission, substituting the further physical movement of the cheque in writing.
a) A cheque in the electronic form
b) A truncated cheque
c) Bank draft
d) Paper cheque

67. A cheque is a bill of exchange drawn on a bank payable always.....
- a) On request
 - b) On demand
 - c) On order
 - d) Any of above
68. A cheque is a bill of exchange.....
- a) Which is always drawn on a banker
 - b) Which is always payable on demand
 - c) (a) or (b)
 - d) (a) and (b)
69. A cheque does not require acceptance.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
70. Essential of a cheque:.....
- a) It is always drawn on a banker.
 - b) It is always payable on demand.
 - c) It does not require acceptance.
 - d) All of above
71. Stamp is required to be affixed on cheques.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
72. A grace of 3 days is allowed in the case of a cheque.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
73. Notice of the dishonor of a bill is necessary, but not in the case of a cheque.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
74. A bill may be crossed, but not a cheque.
- a) True
 - b) False
 - c) Partly true
 - d) None of above

BANKER

75. In which of the following case banker MUST refuse to honour the cheque?
- a) When a customer countermands payment i.e., where or when a customer, after issuing a cheque issues instructions not to honour it, the banker must not pay it.
 - b) When the banker receives notice of customer's death.
 - c) When customer has been adjudged an insolvent.
 - d) All of above
76. In which of the following case banker MUST refuse to honour the cheque?
- a) When the banker receives notice of customer's insanity.
 - b) When an order of the Court, prohibits payment.
 - c) When the customer has given notice of assignment of the credit balance of his account.
 - d) All of above
77. In which of the following case banker MAY refuse to honour the cheque?
- a) When the banker receives notice of customer's insanity.
 - b) When an order of the Court, prohibits payment.
 - c) When the cheque is post-dated.
 - d) When customer has been adjudged an insolvent.
78. In which of the following case banker MAY refuse to honour the cheque?
- a) When an order of the Court, prohibits payment.
 - b) When the banker has no sufficient funds of the drawer
 - c) When customer has been adjudged an insolvent.
 - d) When a customer countermands payment i.e., where or when a

customer, after issuing a cheque issue instructions not to honour it, the banker must not pay it.

79. A payment will be a payment in due course if:.....
- a) It is in accordance with the apparent tenor of the instrument
 - b) It is made in good faith and without negligence
 - c) It is made to the person in possession of the instrument who is entitled as holder to receive payment
 - d) All of above

OVERDUE, STALE OR OUT-OF-DATE CHEQUES

80. A cheque is overdue or becomes statute-barred after.....from its due date of issue.
- a) Six years
 - b) Three years
 - c) Six months
 - d) Three months
81. In India, a cheque, which has been in circulation for more than....., is regarded by banker as stale.
- a) Six years
 - b) Three years
 - c) Six months
 - d) Three months

CROSSING OF CHEQUES

82.can be presented by the payee to the paying banker and is paid over the counter.
- a) A crossed cheque
 - b) An open cheque
 - c) (a) or (b)
 - d) (a) and (b)
83. cannot be paid across the counter but must be collected through a banker.
- a) A crossed cheque

- b) An open cheque
 - c) (a) or (b)
 - d) (a) and (b)
84.is a direction to the paying banker to pay the money generally to a banker or to a particular banker, and not to pay otherwise.
- a) A requesting
 - b) A passing
 - c) A crossing
 - d) Any of above
85. Crossing is a direction to the paying banker that the cheque should be paid only to.....
- a) A banker
 - b) A specified banker
 - c) (a) or (b)
 - d) A customer
86. To restrain negotiability, addition of words.....is necessary.
- a) Not negotiable
 - b) Account payee only
 - c) (a) or (b)
 - d) None of above
87. Which of following can be crossed?
- a) Bill of exchange
 - b) Promissory note
 - c) Cheque
 - d) All of above
88. In general crossing a cheque bears across its face an addition of.....
- a) Two parallel transverse lines
 - b) Three parallel transverse lines
 - c) Four parallel transverse lines
 - d) Two cross line
89. "Account Payee" crossing warns the collecting banker that the proceeds are to be credited only to the.....
- a) Account of the payee
 - b) Party named or his agent
 - c) Account of the payee, or the party named, or his agent
 - d) None of above

MATURITY

- 1) When period of bill is stated in days, calculation will be in days, which include the date of payment but exclude the date of transaction.
- 2) When period of bill is stated in months, calculation will be in months ignoring the days in months.
- 3) If due date of bill falls on public holiday, the due date will be preceding business day.
- 4) If due date of bill falls on sudden public holiday, the due date will be next business day.
- 5) Days of grace are not allowed on bill payable on demand.
- 6) If bill is drawn using words after sight then calculation will start from the date of acceptance.

90. The date on which payment of an instrument falls due is called its.....

- a) Event
- b) Maturity
- c) Collection date
- d) Accounting date

91. Every instrument payable at.....is entitled to three days of grace.

- a) A specified period after date
- b) After sight
- c) A specified period after date or after sight
- d) Demand

92. Days of grace are allowed for cheques.

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

93. A negotiable instrument dated 31st January, 2011 is made payable at one months after date. The instrument is at maturity on.....

- a) 31st January, 2011
- b) 28th February, 2011
- c) 3rd March, 2011

d) 1st March, 2011

94. A negotiable instrument dated the 31st August, 2001, is made payable three months after date. The instrument is at maturity on.....

- a) 30th August, 2011
- b) 3rd December, 2011
- c) 1st December, 2011
- d) 31st December, 2011

95. If the day of maturity falls on a public holiday, the instrument is payable on the.....

- a) Preceding business day.
- b) Next business day.
- c) Next Monday
- d) Following day

96. If a bill is at maturity on a Sunday. It will be deemed due on.....

- a) Monday
- b) Saturday
- c) Friday
- d) Partly on Saturday and partly on Monday

97. If due date of bill falls on sudden public holiday, the due date will be.....

- a) Preceding business day
- b) Next business day
- c) Next Monday
- d) Next day

98. If due date of bill falls on....., the due date will be preceding business day.

- a) Public holiday
- b) Sudden public holiday
- c) Private holiday
- d) Birthday

99. If due date of bill falls on....., the due date will be next business day.

- a) Public holiday
- b) Sudden public holiday
- c) Private holiday
- d) Birthday

100. On 1.1.2011, X draws a bill on Y for Rs. 20,000 for 3 months maturity date of the bill will be:.....
- 1.4.2011
 - 3.4.2011
 - 4.4.2011
 - 4.5.2011
101. On 15.8.2011, X draws a bill on Y for 3 months for Rs. 20,000. 18th Nov was a sudden holiday, maturity date of the bill will be:.....
- 17th Nov
 - 18th Nov
 - 19th Nov
 - 15th Nov
102. On 16.6.2011 X draws a bill on Y for Rs. 25,000 for 30 days. 19th July is a public holiday, maturity date of the bill will be:.....
- 19th July
 - 18th July
 - 17th July
 - 16th July
103. X draws a bill on Y for Rs. 30,000 on 1.1.2011. X accepts the same on 4.1.2011 for period of 3 months after date. What will be the maturity date of the bill:
- 4.4.05
 - 3.4.05
 - 7.4.05
 - 8.4.05
104. X draws a bill on Y. X endorsed the bill to Z. The payee of the bill will be:.....
- X
 - Y
 - Z
 - None
105. X draws a bill on Y for Rs. 20,000 on 1.1.2011 for 3 months after sight, date of acceptance is 6.1.2011. Maturity date of the bill will be:.....
- 8.1.2011
 - 9.1.2011
 - 10.1.2011
 - 11.1.2011
106. On 1.8.2011, X draws a bill on Y "for 30 days after sight". The date of acceptance is 8.8.2011. The maturity date of the bill will be:.....
- 8.9.2011
 - 10.9.2011
 - 11.9.2011
 - 9.9.2011
107. On 18.2.2011 A draw a bill on B for Rs. 10,000. B accepted the bill on 21.2.2011. the bill is drawn for 30 days after sight. The maturity date of the bill will be:
- 24.3.2011
 - 22.3.2011
 - 26.3.2011
 - 21.3.2011
108. Which of the following person do not incur any liability as parties to negotiable instruments?
- Minors
 - Lunatics
 - Drunken person
 - All of above

NEGOTIATION & ASSIGNMENT

109. A negotiable instrument may be transferred by:.....
- Negotiation
 - Assignment
 - Negotiation or assignment
 - Delivery
110.is the transfer of an instrument a note, bill or cheque for one person to another in such a maner as to convey title and to constitute the transferee the holder thereof.
- Negotiation
 - Assignment
 - Delivery
 - Sale

111. In case of assignment, there is a transfer of ownership by means of adocument.
- a) Written
 - b) Registered
 - c) Written and registered
 - d) Stamped

ENDORSEMENT

112.means and involves the writing of something on the back of an instrument for the purpose of transferring the right, title and interest therein some other person.
- a) Endorsement
 - b) Assignment
 - c) Handing over
 - d) (b) & (c)
113. The person to whom the instrument is endorsed is called the.....
- a) Endorser
 - b) Endorsee
 - c) Transferor
 - d) Debtor
114. An endorsement is to be.....where the endorser merely writes his signature on the back of the instrument, and the instrument so endorsed becomes payable to bearer, even though originally it was payable to order.
- a) blank
 - b) general
 - c) blank or general
 - d) restrictive
115. if the endorser signs his name and adds a direction to pay the amount mentioned in the instrument to, or to the order of a specified person, the endorsement is said to be.
- a) Blank or general
 - b) Special or in full
 - c) Conditional or qualified

- d) Blank or qualified
116. An endorsement is restrictive which prohibits or restricts the further negotiation of an instrument.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
117. An endorsement is conditional or qualified which limits or negatives the liability of the endorser.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
118. An endorser may limit his liability in any of the following ways:.....
- a) By sans recourse endorsement
 - b) By making his liability depending upon happening of a specified even which may never happen
 - c) (a) or (b)
 - d) None of above
119. When a person who has been a party to the negotiable instrument takes it again then an instrument is said to have been.....
- a) Assigned back
 - b) Negotiated back
 - c) Sale back
 - d) Transfer back

FORGED ENDORSEMENT

120. Forgery conveys no title.
- a) True
 - b) False
 - c) Partly true
 - d) None of above
121. If an instrument be negotiated by means of a forged endorsement, the endorsee acquires no title even though he be a purchaser for value and in good faith, for the endorsement is a nullity.

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

NOTING AND PROTEST

122. Noting is necessary in case of.....of bill.

- a) Transfer
- b) Assignment
- c) Endorsement
- d) Dishonor

123. The.....is the formal notarial certificate attesting the dishonor of the bill, and based upon the noting which has been effected on the dishonor of the foreign bill.

- a) Protest
- b) Noting
- c) Writing
- d) All of above

MATERIAL ALTERATION

124. A material alteration renders the instrument.....

- a) Void
- b) Voidable
- c) Legal
- d) Enforceable

125. Alteration of date, sum payable, time of payment, place of payment, name of parties or rate of interest will be treated as material alteration.

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

126. Which of the following act will not be treated as material alteration in relation to negotiable instrument?

- a) Alteration of the date of the instrument
- b) Alteration of the sum payable
- c) Alteration of the place of payment

- d) Correction of a mistake
127. Which of the following act will not be treated as material alteration in relation to negotiable instrument?
- a) Crossing a cheque
 - b) Addition of the words "on demand" in an instrument where no time of payment is staed.
 - c) Alteration of the sum payable
 - d) (a) & (b)

HUNDIS

128.are negotiable instruments written in an oriental language.

- a) Hundis
- b) Bank draft
- c) Cheque
- d) All of above

129. Which of the following is not covered under the Negotiable Instruments Act, 1881?

- a) Promissory note
- b) Cheque
- c) Hundis
- d) Bill of exchange

130. Hundis are governed by the.....in the locality.

- a) Customs
- b) Usages
- c) Both (a) and (b)
- d) None of above

131. The hundis were in circulation in Inda even before the present Negotiable Instruments Act, 1881 came into operation.

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

OFFENCES & PENALTIES

132. Offence of dishonor shall be punishable with.....

- a) With imprisonment for a term which may extend to Two years
 - b) With fine which may extend to twice the amount of the cheque,
 - c) With imprisonment for a term which may extend to Two years, or with fine which may extend to twice the amount of the cheque, or with both.
 - d) None of above
133. Merely because the drawer issued a notice to the drawee or to the Bank for 'stop payment', it would not preclude an action under Section 138 by the drawee or holder in due course.
- a) True
 - b) False
 - c) Partly true
 - d) None of above