

Business Law  
Semester III  
Objective Question Bank  
Semester III (Term I)

1. Which of the following is an offer?
  - (a) A declaration of intention.
  - (b) An invitation to offer.
  - (c) An advertisement offering reward to anyone who finds the lost dog of the advertiser.
  - (d) An offer made jokingly.
  
2. An agreement enforceable at law is
  - (a) agreement.
  - (b) offer.
  - (c) promise.
  - (d) contract.
  
3. Every promise and every set of promises, forming the consideration for each other, is an
  - (a) agreement
  - (b) contract
  - (c) offer
  - (d) acceptance
  
4. Promises which form the consideration or part of the consideration for each other are called
  - (a) reciprocal promises
  - (b) cross offers
  - (c) conditional offer
  - (d) conditional promises.
  
5. Contract means an agreement.
  - (a) Between two competent persons.
  - (b) Enforceable by law.
  - (c) In writing and registered.
  - (d) None of these.
  
6. Mr. X agrees to write a book with a publisher. After a few weeks, X dies before completion of the book.
  - (a) contract continues
  - (b) contract voidable at the option of the publisher
  - (c) contract voidable at the option of the legal heirs of X.
  - (d) contract void due to impossibility of performance.

7. When the proposer specifies the mode in which acceptance is to be made:
- (a) acceptance is valid only if in that mode
  - (b) offeree can accept in any mode
  - (c) the proposer may accept even in a different mode
  - (d) proposer cannot insist on the mode of acceptance
8. Acceptance can be:
- (a) express
  - (b) conditional
  - (c) mental
  - (d) qualified
9. In an auction, bidders are:
- (a) are inviting offers
  - (b) offeror
  - (c) acceptor
  - (d) only making a query
10. When two people make identical offer to each other in the ignorance of each other's offer, it is called
- (a) counter offer
  - (b) implied offer
  - (c) implied acceptance
  - (d) cross offer
11. For the consideration to be valid:
- (a) the act must be done at the instance of the promisee.
  - (b) the act must be done at the instance of the promisor.
  - (c) the act can be done at the instance of a third party who is not a contracting party.
  - (d) all the above is valid
12. In India, consideration may move
- (a) from the promisor only
  - (b) from promisee or any other person
  - (c) not from any other person
  - (d) not from third person
13. Consideration to be valid should have
- (a) market value
  - (b) reasonable value
  - (c) some value
  - (d) sufficient value

14. For payment for a time barred debt which statement is correct
- (a) Agreement to pay must be oral
  - (B) signed by the debtor or his agent
  - (c) debt is recoverable legally due to Limitation Act.
  - (d) it must be promise to pay full debt
15. A father promising his daughter a car if she passes the second year degree exam with distinction is
- (a).Not enforceable
  - (b).unenforceable
  - (c) enforceable provided it is in the interest of the daughter
  - (d) enforceable provided it is in writing and registered
16. The number of exceptions to the rule 'no consideration, no contract' given under sec. 25 are :
- (a) 2
  - (b) 3
  - (c) 4
  - (d) 5
17. A minor borrows money by representing himself as a major from a money lender. The money lender:
- (a) can sue for recovery of money
  - (b) cannot recover the money
  - (c) can recover the money on the minor attaining the age of majority
  - (d) guardian is liable
18. The contract entered by a lunatic during the lucid interval is:
- (a) valid
  - (b) void
  - (c) voidable
  - (d) illegal
19. A', a wealthy minor orphan was taken care of by the neighbour. For the education provided to the minor, the neighbour
- (a) cannot claim the expenses as it is charity.
  - (b) the minor can be asked to pay after he becomes major
  - (c) the government can be asked to pay
  - (d) can be claimed from the property of the minor.

20. Which of the statement is true
- (a) a minor contract is void-ab-initio.
  - (b) a minor cannot acquire property.
  - (c) a minor can be an agent
  - (d) a minor cannot acquire shares even if fully paid

21. Who is competent to enter into a contract
- (a) unsound minded person
  - (b) minor
  - (c) disqualified person
  - (d) major

22. An intoxicated person is treated as :
- (a) of sound mind
  - (b) of unsound mind
  - (c) otherwise disqualified
  - (d) qualified

23. A minor is a person below:
- (a). 14 years
  - (b) 16 years
  - (c) 18 years
  - (d) 22 years

24. A person is legally of sound mind provided:
- (a) he is able to understand the terms of the contract
  - (b) cannot form a rational judgement
  - (c) declared to be of sound mind by a doctor
  - (d) he is not able to understand the terms of the contract

25. A minor who enters into a contract during minority
- (a) can ratify the same on attaining the age of majority
  - (b) cannot ratify the same on attaining the age of majority
  - (c) the agreement is illegal hence cannot be ratified
  - (d) the choice is of the minor whether he wants to ratify or not

26. When the consent of a party is obtained by coercion, misrepresentation, the contract is:
- (a) valid
  - (b) void

- (c) voidable
- (d) illegal

27. If 'A' exercises coercion against an Indian citizen B', at a place where IPC is not in force

the contract is

- (a) valid
- (b) illegal
- (c) voidable
- (d) void

28. Which of the following acts does not amount to fraud?

- (a) Knowingly making a false statement.
- (b) Promise made without intending to perform
- (c) Active concealment of facts.
- (d) Innocent false statement.

29. In case of an act of coercion, the act:

- (a) is forbidden by Indian Contract Act, 1872.
- (b) is forbidden by Indian Penal Code, 1860
- (c) is forbidden by Criminal Procedure Code. 1973
- (d) is forbidden by the Constitution of India

30. Moral pressure is exercised in case of:

- (a) coercion
- (b) undue influence
- (c) fraud
- (d) misrepresentation

31. Presumption as to foreign law:

- ta) Foreign law is different
- (b) Foreign law is the same as Indian law.
- (c) Indian Law is somewhat equal to foreign law
- (d) We must know the foreign law

32. Does silence amount to fraud?

- (a) Yes, always
- (b) No
- (c) yes, only when equivalent to speech
- (d) Yes, only when not equivalent to speech

33. When the consent to the contract is not free
- (a) the contract is void
  - (b) the contract is voidable
  - (c) the contract is illegal
  - (d) the contract is valid

34. A contract of insurance is a
- (a) contract of guarantee.
  - (b) contingent contract.
  - (c) wagering agreement.
  - (d) unilateral agreement.

35. Generally, a contingent contract is
- (a) valid.
  - (b) void
  - (c) unenforceable,
  - (d) illegal

36. A agrees to find treasure for B, by magic. The agreement is
- (a) valid.
  - (b) void
  - (c) voidable.
  - (d) enforceable

37. A agrees to pay B, INR 2,00,000 if B marries C. B marries D instead of C. contract has become
- (a) enforceable.
  - (b) valid
  - (c) voidable
  - (d) void

38. The webpage is
- (a) offer
  - (b) advertisement
  - (c) invitation to an offer
  - (d) acceptance

39. Which is not included in discharge by an agreement
- (a) novation
  - (b) remission
  - (c) waiver
  - (d) anticipatory breach

40. In case of anticipatory breach of contract, the innocent party:

- (a) can bring an action immediately
- (b) has to wait till the due date of performance
- (c) no action can be brought
- (d) has to bring an action immediately

41. Discharge of a contract means:

- (a) termination of a contract
- (b) postponing the contract
- (c) discharge of parties
- (d) breach of contract

42. The person who gives the indemnity is known as

- a) Indemnity-holder
- b) Surety
- c) Indemnifier
- d) Principal debtor

43. A contract of Indemnity is a

- a) Contingent contract
- b) Wagering contract
- c) Quasi-contract
- d) Void agreement

44. A contract to perform the promise or discharge the liability of a third person in case of his default is called \_\_\_\_\_

- a) Guarantee
- b) Indemnity
- c) Agency
- d) consideration

45. In a contract of guarantee, a person who promises to discharge another's liability, is known as

- a) Principal debtor
- b) Creditor
- c) Surety
- d) Indemnifier

46. The right of subrogation in a contract of guarantee is available to the:

- a) Creditor
- b) Principal debtor
- c) Surety
- d) Indemnifier

47. The delivery of goods by one person to another for some specific purpose is known as:

- a) Bailment
- b) Hypothecation
- c) Pledge
- d) Mortgage

48. A bailee has:

- a) a right of particular lien over the goods bailed.
- b) a right of general lien
- c) a right of both particular and general lien
- d) no lien at all over the goods bailed

49. A gratuitous bailment is one which is

- a) supported by consideration
- b) not supported by consideration
- c) not enforceable by law
- d) void

50. The delivery of goods by one person to another as security for the repayment of a debt, is known as:

- a) Bailment
- b) Hypothecation
- c) Pledge
- d) Mortgage

51. The position of the finder of lost goods is that of a :

- a) Bailor
- b) Bailee
- c) Surety
- d) Principal

52. A person appointed to contract on behalf of another person, is known as

- :a) Principal



- b) Agent
- c) Servant
- d) Contractor

53. A mercantile agent to whom the possession of the goods is given for the purpose of selling the same, is known as:

- a) Broker
- b) Factor
- c) Commission agent
- d) Insurance agent

54. A person appointed by the original agent to act in the business of agency, but under the control of original agent, is known as:

- a) Agent
- b) Del credere agent
- c) Substituted agent
- d) Sub-agent

55. Where one person allows another person to assume an appearance of authority to act on his behalf, such a position is known as

- a) Express authority
- b) Implied authority
- c) Ostensible authority
- d) None of these

56. Where the agent contracts for a principal who is not competent to contract, in such a case, the agent is

- a) Personally liable
- b) Not personally liable
- c) Exceeding authority

d) None of these

57. The Sale of Goods Act is of:

- (a) 1903
- (b) 1923
- (c) 1930
- (d) 1932

58. Meaning of deliverable state

- (a) seller has to do something
- (b) buyer has to do something
- (c) seller has done what is required
- (d) state at which buyer cannot refuse to take possession

59. Property in goods means

- (a) asset
- (b) liability
- (c) ownership
- (d) possession

60. Which of the following is goods

- (a) dog
- (b) house
- (c) valid Indian currency
- (d) actionable claim

61. In an agreement to sell, in the event of destruction of goods loss is to be borne by

- (a) seller
- (b) buyer
- (c) 50% by each of the above parties
- (d) minister of consumer affairs

62. Hire purchase is governed by

- (a) Sale of Goods act, 1972
- (b) Transfer of property Act, 1963
- (c) Hire Purchase Agreement, 1972.
- (d) Indian Contract Act, 1972.

63. Price means

- (a) exchange
- (b) barter
- (c) money consideration
- (d) possession

64. Condition is a stipulation that

- (a) primary
- (b) secondary
- (c) collateral
- (d) irrelevant

65. Express condition may be in:

- (a) writing
- (b) oral
- (c) conduct
- (d) action

66. Implied condition are stipulations:

- (a) assumed to be present
- (b) assumed to be absent
- (c) parties want it
- (d) parties don't want it

67. Breach of a implied condition leads to:

- (a) no action under law
- (b) cancellation of the contract
- (c) compensation
- (d) both (b) and (c)

68. Implied condition of sale by description includes:

- (a) where the buyer does not see the goods but relies on description
- (b) where the buyer sees the goods but relies on the description give
- (c) when buyer sees the sample
- (d) when buyer sees sample and reads description

69. Implied condition of sale by sample and description

- (a) goods must match the sample and description
- (b) goods must match the description
- (c) goods must match the sample
- (d) goods need not match

70. Warranty is a stipulation that is

- (a) primary
- (b) secondary
- (c) incidental
- (d) irrelevant

71. Warranty may be:

- (a) express or implied
- (b) condition
- (c) ambiguous
- (d) irrelevant

72. Breach of a warranty leads to

- (a) repudiation of a contract
- (b) repudiating the contract partially
- (c) claiming damage
- (d) not claiming damages

73. Doctrine of caveat emptor places the burden on the

- (a) buyer
- (b) seller
- (c) third party
- (d) government

74. Risk prima facie passes with property means

- (a) Risk is with the seller
- (b) Risk is with the buyer
- (c) Ownership and risk generally go together
- (d) Risk does not pass at all

75. An unpaid seller has rights against:

- (a) goods and buyer
- (b) land
- (c) government
- (d) carrier only

76. Which right is available to an unpaid seller?

- (a) Right of pledge.
- (b) Right of mortgage
- (c) Right of lien
- (d) No right

77. Transit implies

- (a) seller has lost possession
- (b) seller still has possession

- (c) buyer has not received possession
- (d) (a) & (c)

78. When the seller resells the goods after following the due process of law:

- (a) the second buyer gets a valid title.
- (b) the second buyer will not get a valid title
- (c) First buyer retains possession
- (d) seller retains possession

79. Unpaid seller can bring an action against the buyer personally for:

- (a) Price
- (b) Damages Interest
- (c) Interest
- (d) All the above

80. What rights are available to the buyer against the seller?

- (a) Damages for non-delivery
- (b) Specific performance
- (c) Remedy for breach of warranty
- (d) All

81. Under the Negotiable Instrument Act which of the following refers to "a written document by which a right is created in favor of some person"?

- (a) Promise
- (b) Instrument
- (c) Agreement
- (d) Contract

82. The term 'Negotiable instrument' is defined in the Negotiable Instruments Section

- (a) 12
- (b) 13
- (c) 13A
- (d) 31

83. Which of the presumptions in case of a negotiable instrument is not presumed

- (a) date is the correct date
- (b) amount written is correct
- (c) signature is genuine
- (d) the instrument is invalid

84. If in an instrument the amount undertaken or ordered to be paid is stated differently in figures and in words

- (a) the instrument is void due to uncertainty.

- (b) the amount stated in figure shall be the amount undertaken or ordered to be paid
- (c) the amount stated in words shall be the amount undertaken or ordered to be paid
- (d) Any of the amount can be considered

85. Unless otherwise proved, which presumption is not correct:

- (a) Instrument is made without consideration
- (b) The date mentioned is the date on which the instrument was created.
- (c) Acceptance was done within the prescribed holder is a holder in due course
- (d) holder is a holder in due course

86. Maturity of an instrument is

- (a) date on which the instrument is created.
- (b) date on which the instrument is payable.
- (c) date on which the instrument is signed.
- (d) the date on which instrument expires.

87. Promissory note is

- (a) conditional promise
- (b) unconditional promise
- (c) not a promise.
- (d) partial promise

88. According to Negotiable Instrument Act 1881, which the following is not a promissory note?

- (a) promissory note payable to bearer.
- (b) promissory note payable to order or certain person
- (c) payable to two or more promisees
- (d) is payable to a solid person on demand.

89. A promissory note merely acknowledging a debt is

- (a) valid promissory note
- (b) not a valid promissory note
- (c) may be a valid promissory note
- (d) may not be a valid promissory note

90. Which of the following refers to an instrument in writing containing an unconditional order signed by 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) Bill of exchange
- (b) Promissory note
- (c) Cheque
- (d) Draft

91. In case of bills in sets:

- (a) First copy needs to be signed and stamped
- (b) all copies need to be signed and stamped.
- (c) no copy needs to be signed and stamped.
- (d) only one copy requires a stamp or signature.

92. Which is valid acceptance of a bill of exchange

- (a) oral
- (b) written without signature
- (c) signed by drawee
- (d) implied

93. Foreign bill of exchange are

- (a) Bills drawn in India and payable outside India upon Indian residents.
- (b) Bills drawn outside India but payable in or drawn upon any person resident in India
- (c) Bills drawn in India upon persons non-resident in India and made payable outside India.
- (d) Both (a) & (b)

94. According to Negotiable Instruments Act, 1881, which of the following statement is correct

as regards a cheque?

- (a) It does not bear a stamp.
- (b) It should contain conditional order
- (c) It must not be signed by a drawer.
- (d) Cheque is not payable on demand.

95. Who is not a party to a cheque?

- (a) Drawer
- (b) Drawee
- (c) Payee
- (d) Acceptor

96. If an instrument may be construed either as a promissory note or bill of exchange, it is

- (a) a valid instrument
- (b) an ambiguous instrument
- (c) illegal instrument
- (d) none of the above

97. Which of the following is not a justified ground of dishonouring of cheque by the banker?

- (a) the cheque is post-dated and presented before the ostensible date
- (b) the banker had sufficient funds, but the funds are not properly applicable towards the payment of the cheque
- (c) if the cheque is altered in parts
- (d) if the cheque is duly presented

98. If the words "not negotiable" is used with special crossing in a cheque

- (a) Transferability of the cheque is stopped.
- (b) The cheque should be credited to the payee account.
- (c) On transferring the cheque, the transferee cannot get a better title than that of the transferor.
- (d) None of the above.

99. Which of the following statements are incorrect

- (a) Banker is never liable
- (b) Banker is bound to make payment under certain conditions.
- (c) Banker is justified in dishonouring a cheque.
- (d) Statutory protection is given to banker under certain circumstances.

100. What is the presumption under section 137 of the Negotiable Instruments Act, 1881?

- (a) A negotiable instrument drawn in a foreign country is not genuine.
- (b) The law of any foreign country regarding promissory notes, bills of exchange and cheques is same as that of India
- (c) Both (a) and (b)
- (d) None of the above.

101. For what term of imprisonment an offender under sec. 138 of the Negotiable Instruments

Act can be punished?

- (a) two years
- (b) one year
- (c) three years
- (d) five years

102. A complaint against an offence under section 138 of the Negotiable Instrument Act, 1851:

- (a) must be in writing
- (b) may be oral or in writing
- (c) must be in writing containing a declaration by the drawee that he consent to such filing of the complaint.
- (d) none of the above.



103. Noting is to be done by
- (a) Parties themselves
  - (b) Judge the High Court.
  - (c) Registrar of Government
  - (d) Notary public