103- LEGAL ASPECTS OF BUSINESS

1) Law of contract is—
   a) not the whole of agreements nor is it the whole law of obligations  
   b) the whole law of agreements  
   c) the whole law of obligations  
   d) none of the above.

2) A contract creates
   a) rights in personam  
   b) rights in rem  
   c) only rights and no obligations  
   d) only obligations and no rights.

3) An agreement is a voidable contract when it is—
   a) enforceable if certain conditions are fulfilled.  
   b) enforceable by law at the option of the aggrieved party.  
   c) enforceable by both parties  
   d) not enforceable at all.

4) An agreement not enforceable by law is said to be
   a) void  
   b) voidable  
   c) valid  
   d) unenforceable, d) illegal.

5) A contract
   a) may be void as originally entered into  
   b) may become void subsequent to its formation  
   c) cannot become void under any circumstances  
   d) may become void at the will of party.

6) The transactions collateral to an illegal agreement are
   a) not affected in any manner  
   b) also tainted with illegality  
   c) voidable at the option of the plaintiff  
   d) void.

7) A contract is
   a) a legal obligation  
   b) an agreement plus a legal obligation  
   c) consensus ad idem  
   d) agreement plus a legal object.

8) Flaw in capacity to contract may arise from—
   a) lack of free consent  
   b) lack of consideration  
   c) minority  
   d) absence of legal formalities.

9) Which of following result in an offer—
   a) A declaration of intention  
   b) an invitation to offer.  
   c) an advertisement offering reward to anyone who finds lost 
      dog of the advertise.  
   d) an offer made in a joke.

10) A specific offer can be accepted by
    a) any person  
    b) any friend of offerer  
    c) the person to whom it is made  
    d) any friend of offeree.

11) A letter of acceptance sufficiently stamped and duly addressed is put into course of transmission. There is
    a) a contract voidable at the option of acceptor  
    b) a contract voidable at the option of offerer.  
    c) no contract at all  
    d) a valid

12) Acceptance may be revoked by the acceptor
13) An advertisement to sell a thing by auction is
   a) an offer  b) an invitation to offer  c) no offer at all  d) a contract  e) an obligation.

14) On the face of the ticket for a journey the words “for conditions see back” are printed in small print. The passenger –
   a) is bound by the conditions whether he takes care to read them or not  
   b) is not bound by the conditions  
   c) may not take note of the conditions  
   d) none of the above.

15) An offer is made to Mani in crowd It –
   a) can be accepted by him alone  
   b) may be accepted by any person who hears it  
   c) may be accepted by his brother  
   d) may be accepted by his friends.

16) An acceptance is not according to the mode prescribed but the offerer decides to keep quiet. In such a case there is –
   a) a contract  
   b) no contract  
   c) a voidable contract  
   d) an unenforceable contract.

17) There is a counter-offer when-
   a) the offeree gives conditions for acceptance or introduces a fresh term in acceptance  
   b) the offerer makes a fresh offer  
   c) the offeree makes some query  
   d) the offeree accepts it.

18) A makes an offer to B on 10th by a letter which reaches B on 12th. B posts letter of acceptance on 14th which reaches A on 16th. The communication of acceptance is complete as against A on –
   a) 12th  b) 14th  c) 16th

19) Consideration must move at the desire of –
   a) the promisor  
   b) the promisee  
   c) promisor or any other third party  
   d) both the promisor and the promisee  
   e) any third party.

20) Consideration –
   a) must move from the promisee  
   b) may move from the promisee or any other person  
   c) may move from the third party  
   d) may move from the promisor.

21) Consideration –
   a) must be adequate to the promise made  
   b) need not be adequate to the promise made  
   c) must be of reasonable value  
   d) must be of more value than the value of promise made.

22) Consideration must be something which the promisor –
   a) is already bound to do  
   b) is not already bound to do  
   c) may voluntarily do  
   d) must not do.

23) Compromise of dispute claims –
a) **is a good consideration for a contract**  b) is not a good consideration for a contract  c) results in a void agreement  d) is not permitted by law.

24) A promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor is

a) **enforceable**  b) not enforceable because it is without consideration,  c) void  d) voidable.

25) A person who is not party to a contract- 

a) cannot sue,  b) can sue,  c) **can sue only in well recognized cases**  d) none of these.

26) Consideration in a contract –

a) **may be past, present or future**,  b) may be present or future only,  c) must be present only,  d) must be future only.

27) An agreement made without consideration is

a) valid,  b) illegal,  c) voidable  d) **void**

28) A promise to subscribe to a charity. The promise is a

a) valid contract,  b) voidable contract,  c) **void agreement**  d) void contract.

29) An agreement with or by minor is –

a) **void**  b) voidable at the option of the minor  c) voidable at the option of the other party  d) valid.

30) On attaining the age of majority a minor’s agreement –

a) can be ratified by him  b) **cannot be ratified by him**  c) becomes void  d) becomes valid.

31) A minor, by misrepresenting his age, borrows some money –

a) he can be sued for the fraud,  b) **he cannot be sued for the fraud**  c) he is liable to return the money  d) None of the above.

32) A minor enters into a contract for the purchase of certain necessaries, in such case –

a) he is not personally liable to pay  b) he is liable to pay  c) **his estate is liable to pay**  d) his guardian is liable to pay.

33) A person is usually of sound mind, but occasionally of sound mind –

a) **he may enter into a contract when he is of sound mind**,  b) he may not make a contract even when he is of sound mind  c) he cannot enter into a contract at all  d) None of the above.

34) A contract by an idiot is –

a) voidable  b) enforceable  c) invalid  d) **void ab initio**

35) Contracts made before war with an alien enemy which are against public policy are –

a) suspended and are revived after the war is over,  b) **dissolved**  c) not affected at all  d) void ab initio

36) The contractual capacity of a company is regulated by –
a) its memorandum of association and the provisions of the companies act, 1956 b) the terms of contract entered into with a third party c) its articles of association d) its prospectus.

37) The case of Mohiri Bibi v. Dharmadas Ghose (1903) deals with-
a) communication of offer b) communication of acceptance c) a minors agreements d) fraud e) a lunatic’s agreement.

38) Flaw in a capacity to contract may arise from –
a) want of consideration b) unsoundness of mind c) illegality of object d) uncertainty of object.

39) Where consent is caused by fraud or misrepresentation, the contract is –
a) voidable at the option of the aggrieved party b) void c) unenforceable d) not affected in any manner.

40) Where both the parties to an agreement are under a mistake as a matter of fact essential to the agreement, the agreement is –
a) void b) voidable c) illegal d) not affected at all.

41) Merely because a contract was caused by one of the parties to it being under a mistake as to a matter of fact, it is not-
 a) voidable b) void c) affected at all d) none of the above.

42) Consent given to a contract under some misrepresentation by the other party makes the contract –
a) void b) invalid c) unenforceable d) voidable

43) When a person positively asserts that a fact is true when his information does not warrant it to be so, though he believes it to be true, there is –
a) misrepresentation b) fraud c) undue influence d) coercion.

44) Fraud exists when it is shown that a false representation has been made-
 a) knowingly b) unknowingly c) unintentionally d) recklessly, not caring whether it is true or false.

45) A mere attempt at deception by a party to a contract –
a) is not fraud unless the other party is actually deceived b) is fraud whether the other party has been deceived or not c) amounts to misrepresentation d) none of the above.

46) When consent to an agreement is obtained by undue influence, the agreement is a –
a) contract voidable at the option of the party whose consent was so obtained b) void contract. C) valid contract d) void agreement.

47) Which of the following relationships raise presumption of undue influence?
a) landlord and tenant b) parent and child c) doctor and patient d) husband and wife e) fiancé and fiancée f) creditor and debtor.

48) If there is error in cause, the contract I
a) void b) voidable c) valid d) illegal.
49) If there is an error in consensus, the agreement is
   a) void b) voidable c) void d) illegal e) not affected at all.

50) If there is a unilateral mistake as regards identity of a party caused by fraud of the other party, the contract is –
   a) void, b) voidable, c) valid, d) illegal

51) If there is a fraudulent misrepresentation as to the contents of a document, the contract is –
   a) void, b) voidable, c) valid, d) illegal

52) If there is a fraudulent misrepresentation as to the character of a document, the contract is –
   a) void, b) voidable, c) valid, d) illegal

53) The Case of Cundy v. Lindsay (1878) deals with –
   a) coercion b) undue influence c) mistake as to the nature of transaction d) mistake as regards identity

54) A promise made without the intention of performing it amounts to –
   a) innocent misrepresentation b) fraud c) negligent misrepresentation d) wrongful misrepresentation

55) The unlawful detention of any property of a person to obtain his consent to a contract amounts to –
   a) misrepresentation b) fraud c) undue influence d) coercion.

56) The collateral transactions to an illegal agreement are –
   a) void, b) illegal, c) voidable, d) not affected at all

57) An agreement made with an alien enemy is
   a) unlawful on the ground of public policy b) unlawful because it becomes difficult to be performed c) valid, d) voidable.

58) A person enters into an agreement whereby he is bound to do something which is against his public or professional duty. The agreement is –
   a) void on the ground of public policy b) valid, c) voidable, d) illegal

59) Regulation as to the opening and closing of business in a market are
   a) not unlawful even if they are in restraint of trade b) unlawful because they are in restraint of trade c) void d) not valid

60) An employee, by the terms of his service agreement, is prevented from accepting a similar engagement after the termination of his service. The restraint –
   a) valid b) void c) illegal d) unenforceable

61) The case of Nordenfelt v. Maxim Nordenfelt Gun Co. (1904) deals with
62) A contract of life insurance is-

a) a contract of indemnity  b)not a contract of indemnity  c)a wagering agreement  d) a contingent agreement.

63) An agreement the meaning of which is not certain ,is-

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

64) Which of the following are wagering agreements,-

a) a crossword competition the prizes of which depend upon correspondence of the competitors solution with a previously prepared solution,  b) picture puzzles  c) share market transactions in which delivery of stocks and shares is intended to be given and taken  d) a contract of insurance,  e) an agreement to buy a ticket for a lottery. f) commercial transactions, if the intention is not to deliver the goods but only to pay the difference in price  g) a crossword competition involving a good measure of skill for its successful solution.

65) An agreement to do an impossible act is,

a) void  b) voidable  c) illegal  d) enforceable under certain circumstances.

66) A wagering agreement is .

a) forbidden by law, b) immoral, c) opposed to public policy d) none of the above.

67) A contract of insurance is a –

a) contract of guarantee  b) contingent contract  c) wagering agreement  d) unilateral agreement.

68) Which of the following are contingent contracts?

a) contract of insurance  b) contract of guarantee  c) contracts for the sale of goods on credit d) Wagering agreements

69) A contingent contract is –

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

70) A contract to pay B Rs. 10,000 if B’s house is burnt – This is a

a) wagering agreement  b) void  c) voidable agreement  d) contingent contract  e) contract of guarantee.

71) A agree to pay B Rs. 2000 if a certain ship does not return at Mumbai port within a year. A ‘s promise can be enforced when the ship

a) arrives Mumbai a damaged condition during the years b) is lost during the year  c) is sunk during the years  d) arrives Mumbai in a good condition during the year.

72) Promises forming consideration for each other are known as,

a) independent promises  b) dependent promises  c) reciprocal promises.  d) mutual promises.
73) Each party is a promisor and a promisee in case of –
   a) past consideration b) present consideration c) every contract d) reciprocal promises

74) When promisee refuses to accept performance from the promisor who offers to perform, it is –
   a) attempted performance, b) vicarious performance, c) tender d) frustration of contract.

75) Sale of goods for cash is an example of –
   a) mutual and independent promises b) mutual and dependent promises c) mutual and concurrent promises
   d) conditional and dependent promises.

76) When a party to a contract transfers his contractual rights to another, it is known as –
   a) rescission of contract b) waiver of contract c) discharge of contract, d) assignment of contract.

77) Where the debtor does not expressly intimate or where the circumstances attending on a payment do not indicate any intention, the creditor –
   a) may apply it to any lawful debt due b) may apply it even to a time barred debt.

78) When two or more persons have made a joint promise, then unless a contrary intention appears from the contract, all such persons must fulfill the promise –
   a) jointly b) severally c) jointly and severally d) jointly or severally

79) Assignment by operation of law takes place –
   a) by the mutual consent of parties b) by the will of either party c) when the subject matter of a contract ceases to exist
   d) by the death of a party to a contract.

80) A who owes Rs. 10000 to B dies leaving an estate of Rs. 6000. The legal representation of A are –
   a) liable for Rs. 10000 b) liable for Rs. 6000 c) not liable at all d) liable for Rs. 3000.

81) Owing to a strike in the factory of A, he is not able to supply the goods to B as per the terms of the agreement >
   The agreement in such a case
   a) is discharged b) is not discharged c) becomes void d) is voidable at the option of A.

82) If a contract contains an undertaking to perform an impossibility, the contract is –
   a) void ab initio b) void c) voidable at the option of the plaintiff d) illegal

83) An agreement to do an act impossible in itself –
   a) is void, b) is voidable c) is void ab initio d) becomes void when impossibility is discovered

84) If a new contract is substituted in place of an existing contract, it is called –
   a) alteration b) rescission c) novation d) waiver, e) remission

85) The case of Taylor v. Caldwell (1883) deals with –
a) **discharge of contract by destruction of subject matter**, b) anticipatory breach of contract c) discharge of contract by death of a party d) breach of contract.

86) A lends Rs. 500 to B. He later tells B that he need not repay the amount, the contract is discharged by –

a) breach  b) **waiver**  c) novation  d) performance

87) A contract has become more difficult of performance due to some un-contemplated events or delays. The contract –

a) is discharged  b) **is not discharged**  c) becomes void  d) becomes voidable.

88) Where a contract could not be performed because of the default by a third person on whose work the promisor relied, it –

a) **is not discharged**  b) is discharged  c) becomes void  d) becomes voidable.

89) A creditor agrees with his debtor and a third party to accept that third party as his debtor. The contract is discharged by, -

a) performance  b) alteration  c) **waiver**  d) remission  e) remission

90) The case of Satyabrata Ghose v. Mugneeram Bangur & Co. (1954) deals with-

a) **agreement opposed to public policy**  b) Supervening impossibility  c) contract of guarantee  d) agency

91) A undertakes to paint a picture of B. He dies before he paints the picture. The contract –

a) **is discharged by death**  b) becomes voidable  c) becomes voidable at the option of the legal representatives of A.

92) The court may grant rescission where the contract is-

a) **voidable at the option of the plaintiff**  b) void  c) unenforceable  d) illegal

93) The foundation of modern law of damages was laid down in, -


94) Specific performance may be ordered by the court when –

a) the contract is voidable  b) damages are an adequate remedy  c) **damages are not an adequate remedy**  d) the contract is uncertain.

95) The measure of damages in case of breach of a contract is the difference between the –

a) **contract price and the market price at the date of breach**  b) contract price and the maximum market price during the term of the contract  c) contract price and the price at which the plaintiff might have sold the goods  d) contract price and the price fixed by court.

96) The case of Hadley v. Baxendale (1854) deals with

a) anticipatory breach of contract  b) **quantum of damages**  c) supervening impossibility  d) quasi contract.
97) Anticipatory breach of a contract takes place –

a) during the performance of the contract b) at the time when the performance is due. c) **before the performance is due** d) at the time when the contract is entered into.

98) In case of a wrongful dishonour of a cheque by a banker having funds to the credit of the customer, the court may award——

a) ordinary damages , b) nominal damages c) **exemplary damages** d) contemptuous damages.

99) Ordinary damages are damages which——

a) arise in the usual course of things from the breach b) which are in the contemplation of the parties at the time when the contract is made c) are agreed in advance d) are given by way of punishment for breach of contract.

100) A agreed to sell 100 shares to B at Rs. 75 per share delivery to be given on the 1\textsuperscript{st} march, B refused to accept delivery on 1\textsuperscript{st} march as price had gone down to Rs. 60 per share. Subsequently A sold these shares at Rs. 92 per share——

a) A cannot recover any damages from B b) A will have to restore to B Rs. 1700 i.e. the profit he made c) **A can recover damages to be determined by the President of the stock exchange.**

101) Exemplary damages are——

a) **allowed in case of dishonour of a cheque by a banker having sufficient funds** b) the difference between the contract price and the market price c) allowed where in case of breach of a contract, the plaintiff has not suffered any loss. D) none of these.

102) A quasi contract——

a) is a contract b) as an agreement c) **creates only legal obligation** d) is none of these

103) When an agreement is discovered to be void, any person who has received any advantage under such agreement——

a) **is bound to restore it** b) is not bound to restore it c) is not bound to return it d) may retain it e) none of these

104) A minor has been supplied necessaries on credit——

a) he is not liable b) he is personally liable c) **his estate is liable** d) he is not personally liable

105) A person who finds good belonging to another and takes them into his custody, is subject to the same responsibility as a——

a) bailee b) true owner c) bailor d) pledge.

106) A finder of lost goods is a——

a) bailor b) **Baile** c) true owner d) thief

107) Quantum meruit means——

a) a non gratuitous promise b) an implied promise c) **as much as earned** d) as much as is paid.

108) A contract of indemnity is a——
109) The definition of a contract of indemnity as given in the Indian contract act, 1872 includes:

a) express promises to indemnity  
b) implied promises to indemnity  
c) cases where loss arises from accidents and events not depending on the conduct of the promisor or any other person  
d) cases where the loss is caused by the conduct of the promisor himself or by the conduct of any person

110) S and P go into a shop. S says to the shopkeeper, C let P have the goods and if he does not pay you, I will “This is a –

a) contract of guarantee  
b) contract of indemnity  
c) wagering agreement  
d) quasi contract

111) Any variance made without surety’s consent in the terms of the contract between the principal debtor and the creditor discharges the surety –

a) as to transactions prior to variance  
b) as to transactions subsequent to variance  
c) as to all transactions  
d) from his liability under the guarantee.

112) A guarantee obtained by a creditor by keeping silence as to material circumstances is –

a) valid  
b) voidable  
c) unenforceable  
d) invalid

113) Where there are co-sureties, a release by the creditor of one of them –

a) discharges the other co-sureties  
b) does not discharge the other co-sureties  
c) makes all the co-sureties immediately liable  
d) makes the contract of guarantee void.

114) The right of subrogation in a contract of guarantee is available to the

a) creditor  
b) principal debtor  
c) surety  
d) indemnified

115) The omission of the creditor to sue within the period of limitation –

a) discharges the surety  
b) does not discharge the surety  
c) makes the contract of guarantee void  
d) makes the contract of guarantee illegal.

116) In a sale, the property in goods –

a) is transferred to the buyer  
b) is yet to be transferred to the buyer  
c) may be transferred at a future time  
d) is transferred when goods are delivered to the buyer  
e) is transferred when the buyer pays the price

117) In a sale, if the goods are destroyed, the loss falls on –

a) the buyer  
b) the seller  
c) partly on buyer and partly on seller  
d) the seller if price has not been paid  
e) by the buyer.

118) The term property as used in the sale of goods act 1930 means

a) possession  
b) ownership  
c) ownership and possession both  
d) the subject matter of contract of sale.

119) If a price is not determined by the parties in a contract of sale, the buyer is bound to pay –
a) the price demanded by the seller, b) a **reasonable price** c) the price which the buyer thinks is reasonable d) the price to be determined by a third independent person.

120) The doctrine of caveat emptor applies –

a) **incase of implied conditions and warranties** b) when the buyer does not intimate the purpose to the seller and depends upon his own skill and judgment c) when goods are sold by sample d) when goods are sold by description

121) If a sale is by sample as well as by description, the implied condition is that the goods shall correspond with –

a) sample b) description c) **both sample and description** d) either sample or description.

122) In a sale, there is an implied condition on the part of the seller that he –

a) **has a right to sell the goods** b) is in possession of the goods c) will have the right to sell d) will acquire the goods

123) A condition is a stipulation which is a –

a) **essential to the main purpose of contract of sale** b) not essential to the main purpose of contract of sale, c) collateral to the main purpose of contract of sale d) none of the above.

124) In case of breach of a warranty, the buyer can –

a) repudiate the contract b) **claim damages only** c) return the goods d) refuse to pay the price e) refuse to take delivery of the goods.

125) In case of breach of a warranty, the buyer can –

a) claim damages only b) **repudiate the contract** c) cannot return the goods d) refuse to take delivery of the goods.