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## CONTRACT ACT, 1872

### CONCEPT 1.

#### RIGHTS AVAILABLE TO A PERSON

Human Rights	Constitutional Rights	Contractual Rights
United Nations have adopted Universal Declaration of Human Rights which has been adopted by member countries including India. We have National Human Rights Commission and State Human Rights Commission. Human is above common law	This is available to all citizens as per constitution. Basic rights are called fundamental rights and if Govt. or Govt. organisation violates any right, remedy is available to the citizen by making writ petition to High Court.	These are rights and obligations created voluntarily between parties by making contracts.

### CONCEPT 2.

#### WHAT IS CONTRACT?

The term contract is defined under section 2(h) of the Indian Contract Act, 1872	as- "an agreement	enforceable by law".
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### CONCEPT 3.

#### WHAT IS AGREEMENT?

The term 'agreement' given in Section 2(e) of the Act is defined as-	"every promise and every set of promises,	forming the consideration for each other".
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## CONCEPT 4.

### WHAT IS ENFORCEABILITY BY LAW?

Free Consent	Lawful Consideration	Intention to create legal relationship	Should not be void
Capacity to contract	Legal Object	Certain and capable of performance	Legal formalities

## CONCEPT 5.

### WHAT ARE ESSENTIAL ELEMENTS OF VALID CONTRACT?

Agreement	Lawful Consideration	Intention to create legal relationship
Should not be void	Capacity to contract	Legal Object
Certain and capable of performance	Legal formalities	Free Consent

## FREE CONSENT

### CONCEPT 1. UNDUE INFLUENCE

According to section 16 of the Indian Contract Act, 1872,	“A contract is said to be induced by ‘undue influence’ 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 he uses that position to obtain an unfair advantage over the other”.
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### CONCEPT 2. WHEN CAN WE HAVE THE WILL DOMINATED?

(a) Where he holds a real or apparent authority over the other; or	(b) Where he stands in a fiduciary relationship to the other; or	(c) Where he makes a contract with a person whose mental capacity is temporarily or permanently affected by reason of age, illness or mental or bodily distress for example, an old illiterate person.
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#### Example:

- A father, by reason of his authority over the son can dominate the will of the son.
- A spiritual guru induced his devotee to gift to him the whole of his property in return of a promise of salvation of the devotee. Held, the consent of the devotee was given under undue influence. Here, the relationship was fiduciary relationship between Guru and devotee and Guru was in a position to dominate the will of devotee.
- A having advanced money to his son, B, during his minority, upon B’s coming of age obtains, by misuse of parental influence, a bond from B for a greater amount than the sum due in respect of the advance. A employs undue influence.

- A, a man enfeebled by disease or age, is induced by B's influence over him as his medical attendant, to agree to pay B an unreasonable sum for his professional services. B employs undue influence.
- A, being in debt to B, the money-lender of his village, contracts a fresh loan on terms which appear to be unconscionable. It lies on B to prove that the contract was not induced by undue influence.
- A applies to a banker for a loan at a time when there is a stringency in money market. The banker declines to make the loan except at an unusually high rate of interest. A accepts the loan on these terms. This is a transaction in the ordinary course of business, and the contract is not induced by undue influence.
- A teacher asks her daughter to get marry to one of his brilliant students. Both the girl and boy were smart, settled and intelligent. Here the teacher had a relation which can have influence on both of them. But as no undue advantage of such influence was taken such contract of marriage is said to be made by free consent.

### CONCEPT 3.

#### EFFECTS OF UNDUE INFLUENCE

When consent to an agreement is caused by undue influence, the agreement is a contract voidable at the option of the party whose consent was so caused.

### CONCEPT 4.

#### FRAUD

According to section 17 of the Indian Contract Act, 1872, Fraud' means and includes any of the	following acts committed by a party to a contract, or with his connivance, or by his agent,	with an intent to deceive another party thereto or his agent, or to induce him	to enter into the contract.
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### CONCEPT 5.

#### "FOLLOWING ACTS"

(1) the suggestion, as a fact, of that which is not	(2) the active concealment of a fact by one having	(3) a promise made without any intention of performing it;	(4) any other act fitted to deceive;	(5) any such act or omission as the law specially declares to be
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true, by one who does not believe it to be true;	knowledge or belief of the fact;			fraudulent.
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## CONCEPT 6. WHETHER SILENCE IS FRAUD?

Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud,	unless the circumstances of the case are such that, regard being had to them,	it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech.
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## CONCEPT 7. WHEN IT IS IA DUTY TO SPEAK?

DUTY 1 Fiduciary Relationship	DUTY 2 Contracts of Insurance	DUTY 3 Contracts of marriage	DUTY 4 Contracts of family settlement	DUTY 5 Share Allotment contracts
Here, the person in whom confidence is reposed is under a duty to act with utmost good faith and make full disclosure of all material facts concerning the agreement, known to him.	In contracts of marine, fire and life insurance, there is an implied condition that full disclosure of material facts shall be made, otherwise the insurer is entitled to avoid the contract.	Every material fact must be disclosed by the parties to a contract of marriage.	These contracts also require full disclosure of material facts within the knowledge of the parties.	Persons issuing 'Prospectus' at the time of public issue of shares/debentures.

### EXAMPLE

- A sell, by auction, to B, a horse which A knows to be unsound, A says nothing to B about the unsoundness of the horse. This is not fraud by A.
- B is A's daughter and has just come of age. Here, the relation between the parties would make it A's duty to tell B if the horse is unsound.
- B says to A –“If you do not deny it, I shall assume that the horse is sound”. A says nothing. Here A's silence is equivalent to speech.
- A and B being traders, enter into a contract. A has private information of a change in prices which would affect B's willingness to proceed with the contract. A is not bound to inform B.
- H sold to W some pigs which were to his knowledge suffering from fever. The pigs were sold 'with all faults' and H did not disclose the fact of fever to W. Held there was no fraud.
- A sells by auction to B, a horse which A knows to be unsound, A says nothing to B about the unsoundness of horse. This is not fraud by A.

## CONCEPT 8.

### ELEMENTS OF FRAUD

There must be a representation or assertion and it must be false. However, silence may amount to fraud or an active concealment may amount to fraud.	The representation must be related to a fact.	The representation should be made before the conclusion of the contract with the intention to induce the other party to act upon it.
The representation or statement should be made with a knowledge of its falsity or without belief in its truth or recklessly not caring whether it is true or false.	The other party must have been induced to act upon the representation or assertion.	The other party must have relied upon the representation and must have been deceived.
The other party acting on the representation must have consequently suffered a loss.		

## CONCEPT 9. EFFECTS OF FRAUD

When the consent to an agreement is caused by the fraud, the contract is voidable at option of the party defrauded and he has the following remedies:

- (1) He can rescind the contract within a reasonable time.
- (2) He can sue for damages.
- (3) He can insist on the performance of the contract on the condition that he shall be put in the position in which he would have been had the representation made been true.

## CONCEPT 10. COERCION

“Coercion’ is the committing, or	threatening to commit,	any act forbidden by	the Indian Penal Code.
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## CONCEPT 11. INGREDIENTS OF COERCION

Committing or threatening to commit any act forbidden by the India Penal Code; or	the unlawful detaining or threatening to detain any property to the prejudice of any person whatever,	With the intention of causing any person to enter into an agreement	It is to be noted that is immaterial whether the India Penal Code is or is not in force at the place where the coercion is employed.
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## CONCEPT 12. EFFECTS OF COERCION

**Contract induced by coercion is voidable at the option of the party whose consent was so obtained.**

**Example:**

Where husband obtained a release deed from his wife and son under a threat of committing suicide, the transaction was set aside on the ground of coercion, suicide being forbidden by the Indian Penal Code. The threat of suicide amounts to coercion within Section 15.



An agent refused to give books of accounts to the principal unless he frees him from all his liabilities. The principal had to give the release deed. Held, the contract was under coercion by unlawful detaining of the principal's property.

### CONCEPT 13.

#### MISREPRESENTATION

(1) the positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true;	(2) any breach of duty which, without an intent to deceive, gains an advantage to the person committing it, or any one claiming under him; by misleading another to his prejudice or to the prejudice of any one claiming under him;	(3) causing, however, innocently, a party to an agreement to make a mistake as to the substance of the thing which is the subject of the agreement.
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### CONCEPT 14.

#### ELEMENTS OF MISREPRESENTATION

Statement of fact, which is false, would constitute misrepresentation if the maker believes it to be true but which is not justified by the information he possesses;	When there is a breach of duty by a person without any intention to deceive which brings an advantage to him;	When a party causes, even though done innocently, the other party to the agreement to make a mistake as to the subject matter.
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#### Example:

A makes a positive statement to B that C will be made the director of a company. A makes the statement on information derived, not directly from C but from M. B applies for shares on the faith of the statement which turns out to be false. The statement amounts to misrepresentation, because the information received second-hand did not warrant A to make the positive statement to B.

A while selling his mare to B, tells him that the mare is thoroughly sound. A genuinely believes the mare to be sound although he has no sufficient ground for the belief. Later on, B finds the mare to be unsound. The representation made by A is a misrepresentation.

A buy an article thinking that it is worth ` 1000 when in fact it is worth only ` 500. There has been no misrepresentation on the part of the seller. The contract is valid.

## CONCEPT 15. EFFECTS OF MISREPRESENTATION

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When consent to an agreement is caused by coercion, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was so caused.

The contract is not voidable, if the party whose consent was so caused had the means of discovering the truth with ordinary diligence.

**Example:**

A by a misrepresentation leads B to believe erroneously that 750 tons of sugar is produced per annum at the factory of A. B examines the accounts of the factory, which should have disclosed, if ordinary diligence had been exercised by B, that only 500 tons had been produced. Thereafter B purchases the factory. In the circumstance, B cannot repudiate the contract on the ground of A's misrepresentation.

## CONCEPT 16. MISTAKE

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<p>Mistake may be defined as innocent or erroneous belief which leads the party to misunderstand the others. Mistake may be either Bilateral or Unilateral.</p>	<p>Bilateral mistake is when both the parties to a contract are under a mistake.</p>	<p>Unilateral mistake is when only one party to the contract is under a mistake.</p>
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## CONCEPT 17. EFFECTS OF MISTAKE

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Mistake is some unintentional act, omission or error, arising from unconsciousness, ignorance or forgetfulness, imposition or misplaced confidence. It may be of two kinds-

### 1. MISTAKE OF LAW

A mistake of law does not render a contract void as one cannot take excuse of ignorance of the law of his own country. But if the mistake of law is caused through the inducement of another, the contract may be avoided. Mistake of foreign law is excusable and is treated like a mistake of fact. Contract may be avoided on such mistake.

## 2. MISTAKE OF FACT

Where the contracting parties misunderstood each other and are at cross purposes, there is a bilateral or mutual mistake. Where both the parties to an agreement are under a mistake as to a matter of fact essential to the agreement, the agreement is void.

### Example:

A offers to sell his Ambassador Car to B, who believes that A has only Fiat Car, agrees to buy the car. Here, the two parties are thinking about different subject matter so that there is no real consent and the agreement is void.

## LAWFUL CONSIDERATION

### CONCEPT 1. CONSIDERATION

Sec.2(d) defines consideration as, 'When at the desire of the promisor,	the promisee or any other person	has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something,	such act or abstinence or promise is called a consideration for the promise.'
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### CONCEPT 2. LEGAL RULES REGARDING CONSIDERATION

1. Consideration must move at the desire of the promisor
2. Consideration may move from the promisee or any other person
3. Consideration must be something of value
4. It may be an act, abstinence or forbearance or a return promise
5. It may be past, present or future
6. It must not be something which a person is already bound to do
7. It must not be unlawful

### CONCEPT 3. UNLAWFUL CONSIDERATION

It is forbidden by law	It would defeat the provisions of any law	Is fraudulent	Involves or implies injury to the person or property of another	The Court regards it as immoral, or opposed to public policy
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### CONCEPT 4. TYPES OF CONSIDERATION

PAST CONSIDERATION	PRESENT CONSIDERATION	FUTURE CONSIDERATION
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### CONCEPT 5. NO CONSIDERATION NO CONTRACT

The general rule is *ex-nudopacto non oritur action* i.e. an agreement made without consideration is void.

### CONCEPT 6. EXCEPTIONS TO THE RULE OF NO CONSIDERATION NO CONTRACT

Promise made on account of natural love and affection. [Sec. 25(1)]	Promise to compensate for voluntary services. [Sec. 25(2)]	Promise made to pay a time barred debt. [Sec. 25(3)]	Completed Gifts [Explanation 1 to Sec. 25]	Creation of agency [Sec. 185]	Contract of Guarantee [Sec. 127]	Remission [Sec. 63]
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### CONCEPT 7. PROMISE MADE OUT OF NATURAL LOVE AND AFFECTION

- It is expressed in writing.
- It is registered under the law.

- It is made on account of natural love and affection.
- It is between parties standing in near relation to each other

### **CONCEPT 8.**

#### **PROMISE TO COMPENSATE FOR VOLUNTARY SERVICES**

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- The service should have been done voluntarily.
- The service should have been done for the promisor.
- The promisor must have been in existence at the time when the service was done.
- The intention of promisor must have been to compensate the promisee.
- The service rendered must also be legal.

### **CONCEPT 9.**

#### **PROMISE TO PAY TIME-BARRED DEBT**

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- The promise must be in writing.
- Signed by the promisor or his authorised agent.
- May be to pay the whole or part of the debt.

### **CONCEPT 10.**

#### **CREATION OF AGENCY**

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According to Section 185 of the Contract Act, no consideration is necessary to create an agency.

### **CONCEPT 11.**

#### **COMPLETED GIFTS**

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Gifts once made cannot be recovered on the ground of absence of consideration.

### **CONCEPT 12.**

#### **CONTRACT OF GUARANTEE**

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Under section 127, no consideration is needed for a contract of guarantee.

### **CONCEPT 13.**

#### **REMISSION**

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Remission means lesser performance of the contract than what is actually to be performed.

## CAPACITY OF PARTIES

### CONCEPT 1. CAPACITY OF PARTIES

As per Section 11 every person is competent to contract		
who is of the age of majority	and who is of sound mind,	and is not disqualified from contracting by any law

### CONCEPT 2. MAJORITY

GENERAL RULE	SPECIAL RULE
As per section 3 of the Indian Majority Act of 1875, every person in India is a minor if he has not attained the age of 18 years of age.	In case of a minor for whose property guardian has been appointed under Guardian and Wards Act, 1890 or whose property is under the superintendence of any court of wards before he attains 18 years of age is 21 years.

### CONCEPT 3. POSITION OF MINOR'S AGREEMENT

1. An agreement with a minor is void ab-initio.
2. A minor can always his plead his minority despite earlier misrepresenting to be a major.
3. Doctrine of Restitution does not apply against a minor
4. A minor cannot confirm an agreement made by him during minority on attaining majority.
5. A minor is entitled to enforce a contract which is of some benefit to him.
6. A minor can be appointed an agent, but he is not personally liable

7. If somebody has supplied a minor or his dependents with necessities, minor's property is liable
8. A minor cannot be adjudged insolvent
9. Where a minor and an adult jointly enter into an agreement with another person the minor is not liable

## CONCEPT 4. SOUND MIND PERSON

A person is said to be of sound mind for the purposes of making a contract if, at the time when he makes it, he is capable of understanding it and of forming a rational judgment as to its effect upon his interests.	A person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind	A person who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind.
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## CONCEPT 5. PERSON DISQUALIFIED BY LAW

Alien Enemy	Foreign Sovereign and Ambassadors	Convicts	Insolvents	Company or Statutory bodies	Drunken or intoxicated person
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## LEGALITY OF OBJECT

### CONCEPT 6. LAWFUL OBJECT

The object of an agreement is lawful, unless				
It is forbidden by law;	or is of such a nature that, if permitted, it would defeat the provisions of any law;	or is fraudulent	or involves or implies injury to the person or property of another	or the Court regards it as immoral, or opposed to public policy

### CONCEPT 7. LEGAL RELATIONSHIP

The parties must intend to create a legal relationship.	Agreements of social or domestic nature	do not contemplate legal relationship,	so they are not contracts.
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**Example:** A husband promising his wife to buy her a 'necklace' on occasion of her birthday is not a contract.

### CONCEPT 8. EXPRESSLY DECLARED VOID AGREEMENT

1. Agreement by a minor or a person of unsound mind.
2. [Sec(11) and Sec(12)]
3. Agreement of which the consideration or object is unlawful. [Sec(23)]
4. Agreement made under a bilateral mistake of fact material to the agreement. [Sec(20)]
5. Agreement of which the consideration or object is unlawful in part and the illegal part cannot be separated from the legal part. [Sec(24)]
6. Agreement made without consideration. [Sec(25)]

7. Every agreement in restraint of the marriage of any person, other than a minor, is void. [Sec(26)]
8. Agreement in restraint of trade. [Sec(27)]
9. Agreement in restraint of legal proceedings. [Sec(28)]
10. Agreements the meaning of which is uncertain. [Sec(29)]
11. Agreements by way of wager. [Sec(30)]
12. Agreements contingent on impossible events. [Sec(36)]
13. Agreements to do impossible acts. [Sec(56)]
14. In case of reciprocal promises to do things legal and also other things illegal, the second set of reciprocal promises is a void agreement [Sec(57)]

## CONCEPT 9.

### LEGAL FORMALITIES

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Where nature of agreement is such that it requires compliance of certain formalities,

such requirements should be fulfilled. A contract may require registration in addition of being in writing.

## AGREEMENT

### CONCEPT 1. AGREEMENT

Agreement has been defined in section 2(e) as	“every promise and every set of promises	forming consideration for each other”
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### CONCEPT 2. PROMISE

Promise has been defined in section 2(b) as	“When the person to whom the proposal is made	signifies his assent thereto, the proposal is said to be accepted.	A proposal, when accepted, becomes a promise”
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### CONCEPT 3. OFFER

Proposal has been defined in section 2(a) as	“when one person signifies to another his willingness	to do or abstain from doing anything,	with a view to obtaining the assent of that other to such act or abstinence,	he is said to make a proposal.”
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### CONCEPT 4. OFFEROR & OFFEREE

The person making proposal or offer is called the promisor or offeror	and the person to whom offer is made is called the offeree and the person accepting the offer is called the promisee or acceptor.
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## **CONCEPT 5.**

### **RULES REGARDING OFFER**

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1. Offer may be expressed or implied
2. Offer may be specific or general
3. Offer must give rise to legal obligation
4. Terms of an offer must be definite and certain
5. Offer must be communicated
6. Communication of Special Terms
7. Offer must be made with a view to obtaining the consent of the other party to do or to abstain from doing the act
8. Offer should not impose an unnecessary obligation to communicate non acceptance

## **CONCEPT 6.**

### **RULES REGARDING ACCEPTANCE**

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1. Acceptance must be absolute and unqualified
2. Acceptance must be communicated
3. Acceptance must be in a prescribed or reasonable mode
4. Acceptance must be given within a reasonable time and before the offer lapses
5. Acceptance cannot precede an offer
6. Acceptance must be given only by the person to whom the offer is made
7. Rejected offer can be accepted only on renewal
8. Revocation of acceptance is not possible

## COMMUNICATION OF OFFER AND ACCEPTANCE

### CONCEPT 1.

#### COMMUNICATION OF OFFER

As per section 4, the communication of a proposal is complete	when it comes to the knowledge	of the person to whom it is made.
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**Example :** X sends a proposal of selling his car to Y by letter which was received by Y on 12.10.2014. The communication of offer is complete when it came to the knowledge of Y on 12.10.14.

### CONCEPT 2.

#### COMMUNICATION OF ACCEPTANCE

Communication of an acceptance is complete as against the proposer	when it is put into a course of transmission to him, so as to be out of the power of the acceptor.	Communication of acceptance as against the promisee or acceptor is complete	when it comes to the knowledge of the proposer.
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**Example :** Y accepts the proposal by a letter sent by post on 15.10.14 which is received by X on 18.10.14. In the instant case the communication of acceptance against X is complete as soon as Y dispatches the letter to be out of his control. So communication of acceptance is complete as against X on 15.10.2014.

### CONCEPT 3.

## COMMUNICATION OF REVOCATION

“the communication of a revocation is complete”- against the person (i) who makes it,	when it is put into a course of transmission to the person to whom it is made, so as to be out of the power of the person who makes it;	(ii) as against the person to whom it is made,	when it comes to his knowledge.
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**Example :** If X decides to revoke his proposal and send an ordinary letter to Y on 14.10.14 which is received by Y on 17.10.14. In the instant, revocation of offer is complete as against X on 14.10.14 and as against Y on 17.10.14.

### CONCEPT 4.

## REVOCATION OF OFFER & ACCEPTANCE

Revocation of Offer	Revocation of Acceptance
A proposal may be revoked at any time before the communication of its acceptance is complete as against the proposer, but not afterwards.	An acceptance may be revoked at any time before the communication of the acceptance, is complete as against the acceptor, but not afterwards.

**Example :** A proposes, by a letter sent by post, to sell his house to B. B accepts the proposal by a letter sent by post. A may revoke his proposal at any time before or at the moment when B posts his letter of acceptance, but not afterwards. B may revoke his acceptance at any time before or at the moment when the letter communicating it reaches A, but not afterwards.

### CONCEPT 5.

## HOW IS REVOCATION DONE?

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By the communication of notice of revocation by the proposer to the other party. The offer or may revoke his proposal any time before the letter of acceptance is posted to him and not afterwards. Similarly acceptance can be revoked any time before the letter of acceptance is received by the offeror.

By the lapse of the time prescribed in such proposal for its acceptance, or, if no time is so prescribed, by the lapse of a reasonable time, without communication of the acceptance; What is a reasonable time is a question of fact in each case.

By the failure of the acceptor to fulfill a condition precedent to acceptance.

By the death or insanity of the proposer, if the fact of the death or insanity comes to the knowledge of the acceptor before acceptance. Where an offeree writes his acceptance but dies before posting, the offer lapse and posting of the letter after his death will not create a contract.

If a counter offer is made to it. Where the offer is accepted with some modification in terms of the offer or with some other condition not forming part of the offer, such qualified acceptance amounts to a counter offer.

If an offer not accepted according to prescribed or usual mode. However, the offeror gives notice to the offeree within the reasonable time that the acceptance is not according to the prescribed or usual mode of acceptance.

An offer comes to an end if the law is changed so as to make the contract contemplated by the offer illegal or in capable of performance

## CONTINGENT AND QUASI CONTRACTS

### CONCEPT 1.

#### WHAT IS CONTINGENT CONTRACT?

"A contract to do or not to do something,

if some event, collateral to such contract,

does or does not happen".

**Example : A contracts to pay B ` 1,00,000 if B's house is burnt. This is a contingent contract**

**Example : A makes a contract with B to buy his house for ` 5,00,000 if he is able to secure to bank loan for that amount. The contract is contingent contract.**

**Example : A agrees to transfer his property to B if her wife C dies. This is a contingent contract because the property can be transferred only when C dies.**

### CONCEPT 2.

#### ESSENTIALS OF A CONTINGENT CONTRACT

**The performance of a contingent contract would depend upon the happening or non-happening of some event or condition.**

The condition may be precedent or subsequent.

**Example : 'A' promises to pay ` 50,000 to 'B' if it rains on first of the next month.**

**The event referred to as collateral to the contract**

The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.

**Example: Where A agrees to deliver 100 bags of wheat and B agrees to pay the price only afterwards, the contract is a conditional contract and not contingent; because the event on which B's obligation is made to depend is part of the promise itself and not a collateral event.**

**Example: Similarly, where A promises to pay B ` 1,00,000 if he marries C, it is not a contingent contract.**



Example: 'A' agreed to construct a swimming pool for 'B' for ₹ 200,000. And 'B' agreed to make the payment only on the completion of the swimming pool. It is not a contingent contract as the event (i.e. construction of the swimming pool) is directly connected with the contract.

**The contingent event should not be a mere 'will' of the promisor.**

The event should be contingent in addition to being the will of the promisor.

Example: If A promises to pay B ₹ 100,000, if he so chooses, it is not a contingent contract. (In fact, it is not a contract at all). However, where the event is within the promisor's will but not merely his will, it may be contingent contract.

Example: If A promises to pay B ₹ 100,000 if it rains on 1st April and A leave Delhi for Mumbai on a particular day, it is a contingent contract, because going to Mumbai is an event no doubt within A's will, but raining is not merely his will.

**The event must be uncertain**

Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.

Example: 'A' agreed to sell his agricultural land to 'B' after obtaining the necessary permission from the collector. As a matter of course, the permission was generally granted on the fulfilment of certain formalities. It was held that the contract was not a contingent contract as the grant of permission by the collector was almost a certainty

## CONCEPT 3.

### RULES RELATING TO ENFORCEMENT

Enforcement of contracts contingent on an event happening:	Only when such event happens.
Enforcement of contracts contingent on an event not happening	Only when such event ceases to happen.
Contingent on happening of specified event within the fixed time	Only if the event happens within specified time.
Contingent on specified event not happening within fixed time	Only if the event does not happen within specified time.
Contingent on an impossible event	Void ab initio

**Example:** A contracts to pay B a sum of money when B marries C. C dies without being married to B. The Contract becomes void.

**Example:** Where 'P' agrees to pay 'Q' a sum of money if a particular ship does not return, the contract becomes enforceable only if the ship sinks so that it cannot return. Where A agrees to pay sum of money to B if certain ship does not return however the ship returns back. Here the contract becomes void.

**Example:** Where 'A' agrees to pay 'B' a sum of money if 'B' marries 'C'. 'C' marries 'D'. This act of 'C' has rendered the event of 'B' marrying 'C' as impossible; it is though possible if there is divorce between 'C' and 'D'.

**Example:** A promises to pay B a sum of money if certain ship returns within a year. The contract may be enforced if the ship returns within the year, and becomes void if the ship is burnt within the year.

**Example:** A promises to pay B a sum of money if a certain ship does not return within a year. The contract may be enforced if the ship does not return within the year, or is burnt within the year.

**Example:** 'A' agrees to pay 'B' one lakh if sun rises in the west next morning. This is an impossible event and hence void.

**Example:** X agrees to pay Y `1,00,000 if two straight lines should enclose a space. The agreement is void.

## CONCEPT 4.

### DIFFERENCE BETWEEN A CONTINGENT CONTRACT AND A WAGERING CONTRACT

BASIS OF DIFFERENCE	CONTINGENT CONTRACT	WAGERING CONTRACT
Meaning	A contingent contract is a contract to do or not to do something with reference to a collateral event happening or not happening.	A wagering agreement is a promise to give money or money's worth with reference to an uncertain event happening or not happening.
Reciprocal promises	Contingent contract may not contain reciprocal promises.	A wagering agreement consists of reciprocal promises.
Uncertain event	In a contingent contract, the event is collateral.	In a wagering contract, the uncertain event is the core factor.
Nature of contract	Contingent contract may not be wagering in nature.	A wagering agreement is essentially contingent in nature.
Interest of contracting parties	Contracting parties have interest in the subject matter in contingent contract.	The contracting parties have no interest in the subject matter.
Doctrine of mutuality of lose and gain	Contingent contract is not based on doctrine of mutuality of lose and gain.	A wagering contract is a game, losing and gaining alone matters.

Effect of contract	Contingent contract is valid.	A wagering agreement is void.
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## CONCEPT 5. QUASI CONTRACTS

Sometimes the law implies a promise imposing obligations on one party and conferring right in favour of the other even when there is no offer, no acceptance, no genuine consent, lawful consideration, etc. and in fact neither agreement nor promise.	Such cases are not contract in the strict sense, but the Court recognises them as relations resembling those of contracts and enforces them as if they were contracts.
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## CONCEPT 6. BASIS OF QUASI CONTRACT

Quasi contracts are based on principles of equity, justice and good conscience.	A quasi or constructive contract rest upon the maxims,  "No man must grow rich out of another person's loss"
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**Example: T, a tradesman, leaves goods at C's house by mistake. C treats the goods as his own. C is bound to pay for the goods.**

**Example: A pays some money to B by mistake. It is really due to C. B must refund the money to A**

**Example: A fruit parcel is delivered under a mistake to R who consumes the fruits thinking them as birthday present. R must return the parcel or pay for the fruits. Although there is no agreement between R and the true owner, yet he is bound to pay as the law regards it a Quasi-contract**

## CONCEPT 7. SALIENT FEATURES OF QUASI CONTRACTS

Such a right is always a right to money and generally, though not always, to a liquidated sum of money.	It does not arise from any agreement of the parties concerned, but is imposed by the law	It is a right which is available not against all the world, but against a particular person
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## CONCEPT 8.

### SITUATIONS DEEMED AS QUASI CONTRACT

1	2	3	4	5
Claims for necessaries supplied [Section 68]	Payment by an interested person [Section 69]	Obligation of a person enjoying benefit of non gratuitous act [Section 70]	Responsibility of finder of goods [Section 71]	Money paid by mistake or under coercion [Section 72]

## CONCEPT 9.

### CLAIM FOR NECESSARIES SUPPLIED TO PERSONS INCAPABLE OF CONTRACTING (SECTION 68)

If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

**Example:** A supplies B, a lunatic, or a minor, with necessaries suitable to his condition in life. A is entitled to be reimbursed from B's property. To establish his claim, the supplier must prove not only that the goods were supplied to the person who was minor or a lunatic but also that they were suitable to his actual requirements at the time of the sale and delivery.

## CONCEPT 10.

### PAYMENT BY AN INTERESTED PERSON (SECTION 69)

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.

**Example:** B holds land in Bengal, on a lease granted by A, the zamindar. The revenue payable by A to the Government being in arrear, his land is advertised for sale by the Government. Under the revenue law, the consequence of the sale will be the annulment of B's lease. B, to prevent the sale and the consequent annulment of his own lease, pays to the government the sum due from A. A is bound to make good to B the amount so paid.

## CONCEPT 11.

### OBLIGATION OF PERSON ENJOYING BENEFITS OF NON-GRATUITOUS ACT (SECTION 70)

In term of section 70 of the Act “where a person lawfully does anything for another person, or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to pay compensation to the former in respect of, or to restore, the thing so done or delivered”.

It thus follows that for a suit to succeed, the plaintiff must prove:

- (i) that he had done the act or had delivered the thing lawfully;
- (ii) that he did not do so gratuitously; and
- (iii) that the other person enjoyed the benefit.

**Example:** A, a tradesman, leaves goods at B’s house by mistake. B treats the goods as his own. He is bound to pay A for them.

## CONCEPT 12.

### RESPONSIBILITY OF FINDER OF GOODS (SECTION 71)

‘A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee’

Thus, a finder of lost goods has:

- (i) to take proper care of the property as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

**Example:**

‘P’ a customer in ‘D’s shop puts down a brooch worn on her coat and forgets to pick it up and one of ‘D’s assistants finds it and puts it in a drawer over the weekend. On Monday, it was discovered to be missing. ‘D’ was held to be liable in the absence of ordinary care which a prudent man would have taken.

## CONCEPT 13.

### MONEY PAID BY MISTAKE OR UNDER COERCION (SECTION 72)

“A person to whom money has been paid or anything delivered by mistake or under coercion, must repay or return it”.

**Example:**

A payment of municipal tax made under mistaken belief or because of mis-understanding of the terms of lease can be recovered from municipal authorities. The above law was affirmed by Supreme Court in cases of Sales tax officer vs. Kanhaiyalal A. I. R. 1959 S. C. 835

Similarly, any money paid by coercion is also recoverable. The word coercion is not necessarily governed by section 15 of the Act. The word is interpreted to mean and include oppression, extortion, or such other means [Seth Khanjelek vs National Bank of India].

In a case where 'T' was traveling without ticket in a tram car and on checking he was asked to pay `5/- as penalty to compound transaction. T filed a suit against the corporation for recovery on the ground that it was extorted from him. The suit was decreed in his favour. [Trikamdas vs. Bombay Municipal Corporation A. I. R.1954]

## PERFORMANCE OF CONTRACT

### CONCEPT 1. PERFORMANCE COMPULSORY

The parties to a contract must either perform,	Or offer to perform,
their respective promises	Unless such performance is dispensed with or excused.

### CONCEPT 2. PERFORMANCE after DEATH OF PROMISOR

Promises bind the representatives of the Promisor,	in case of death of such promisor
before performance,	unless a contrary intention appears from the contract.

**Example 1:** A promises to deliver goods to B on a certain day on payment of ` 1,00,000. A die before that day. A's representatives are bound to deliver the goods to B, and B is bound to pay ` 1,00,000 to A's representatives.

**Example 2:** A promises to paint a picture for B by a certain day, at a certain price. A die before the day. The contract cannot be enforced either by A's representatives or by B because it involves use of personal skill. It is a contract of personal nature.

### CONCEPT 3. ACTUAL & ATTEMPTED PERFORMANCE

<b>ACTUAL PERFORMANCE</b>	<b>ATTEMPTED PERFORMANCE</b>
Where a party to a contract has done what he had undertaken.	When the performance becomes due, the promisor offers to perform his obligation but the promisee refuses to accept the performance.

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**Example:** X borrows ` 5,00,000 from Y with a promise to be paid after 1 month. X repays the amount on the due date.

## CONCEPT 4.

### EFFECT OF REFUSAL TO ACCEPT OFFER OF PERFORMANCE

Where a promisor has made an offer of performance to the promisee,	and the offer has not been accepted,
then the promisor is not responsible for non performance,	Nor does he thereby lose his rights under the contract.

**Example :** P promises to deliver certain goods to R. P takes the goods to the appointed place during business hours but R refuses to take the delivery of goods. This is an attempted performance as P the promisor has done what he was required to do under the contract.

**Example :** X, a singer enters into a contract with Y, the manager of a theatre to sing at his theatres two nights in every week during the next two months, and Y engaged to pay her Rs. 10,000 for each night's performance. On the sixth night, X willfully absents herself from the theatre. Y is at liberty to put an end to the contract.

## CONCEPT 5.

### WHO SHOULD PERFORM CONTRACT?

If it appears from the nature of the case that it was the intention of the parties to any contract that any promise contained in it should be performed by the promisor himself,	such promise must be performed by the promisor.
In other cases, the promisor or his representatives	may employ a competent person to perform it.

**Example :** A promises to pay B a sum of money. A may perform this promise, either by personally paying the money to B, or by causing it to be paid to B by another; and if A dies before the time appointed for payment, his representatives must perform the promise, or employ some proper person to do so.

**Example :** A promises to paint a picture for B and this must be performed by the promisor himself.



## CONCEPT 6.

### JOINT PROMISORS

When two or more persons have made a joint promise, all such persons must jointly fulfil the promise.	If any of them dies, his legal representatives must, jointly with the surviving promisors, fulfil the promise.
If all of them die,	the legal representatives of all of them must fulfil the promise jointly.
If one of the joint promisors is made to perform the whole contract,	he can call for a contribution from others.

**Example :** 'A', 'B' and 'C' jointly promised to pay ` 6,00,000 to 'D'. Here 'A', 'B' and 'C' must jointly perform the promise. If 'A' dies before performance, then his legal representatives must jointly with 'B' and 'C' perform the promise, and so on. And if all the three (i.e. 'A', 'B' and 'C') die before performance, then the legal representatives of all must jointly perform the promise.

## CONCEPT 7.

### DISTINCTION BETWEEN SUCCESSION AND ASSIGNMENT

SUCCESSION	ASSIGNMENT
When the benefits of a contract are succeeded to by process of law, then both burden and benefits attaching to the contract, may sometimes devolve on the legal heir.	In the matter of assignment, however the benefit of a contract can only be assigned but not the liabilities thereunder.

## CONCEPT 8.

### RELEASE OF ONE OF THE JOINT PROMISORS

Where two or more persons have made a joint promise, a release of one of such joint promisors by the promisee	does not discharge the other joint promisor or joint promisors,
neither does it free the joint promisors so released	from responsibility to the other joint promisor or promisors.

**Example :** 'A', 'B' and 'C' jointly promised to pay ` 9,00,000 to 'D'. 'D' released 'A' from liability. In this case, the release of 'A' does not discharge 'B' and 'C' from their liability. They remain liable to pay the entire amount of ` 9,00,000 to 'D'. And though 'A' is not liable to pay to 'D', but he remains liable to pay to 'B' and 'C' i.e. he is liable to make the contribution to the other joint promisors.

**Example :** A, in consideration of ` 5,00,000 rupees lent to him by B and C, promises B and C jointly to repay them that sum with interest on a specified day but B dies. In such a case right to demand payment shall rest with B's legal representatives, jointly with C during C's life-time, and after the death of C, with the legal representatives of B and C jointly.

### CONCEPT 9.

#### TIME AND PLACE FOR PERFORMANCE OF THE PROMISE

When nothing prescribed	When time prescribed	When No Place Prescribed	When Place Prescribed
Must be performed within reasonable time.	Promisor must perform at specified time.	Must ask to specify place.	Must perform at specified place.

### CONCEPT 10.

#### PERFORMANCE OF RECIPROCAL PROMISE

##### RULE 1

Promisor not bound to perform, unless reciprocal promise ready and willing to perform-

**Example :** A and B contract that A shall deliver the goods to B to be paid for by B on delivery. A need not deliver the goods, unless B is ready and willing to pay for the goods on delivery.

##### RULE 2

When the order of performance of the reciprocal promises is expressly fixed by the contract, they shall be performed in that order; and where the order is not expressly fixed by the contract, they shall be performed in that order which the nature of the transaction requires.

**Example:** A and B contract that A shall build a house for B at a fixed price. A's promise to build the house must be performed before B's promise to pay for it.

##### RULE 3

When a contract contains reciprocal promises, and one party to the contract prevents the other from performing his promise, the contract becomes voidable at the option of the party so prevented; and he is entitled to compensation from the other party for any loss he may sustain in consequence of the non-performance of the contract.

**Example:** A and B contract that B shall execute some work for A for a thousand rupees. B is ready and willing to execute the work accordingly, but A prevents him from doing so. The contract is voidable at the option of B; and if he elects to rescind it, he is entitled to recover from A compensation for any loss which he has incurred by its non-performance.

**Example:** In a contract for the sale of standing timber, the seller is to cut and cord it, whereupon buyer is to take it away and pay for it. The seller cords only a part of the timber and neglects to cord the rest. In that event the buyer may avoid the contract and claim compensation from the seller for any loss which he may have sustained for the non-performance of the contract.

#### **RULE 4**

When a contract consists of reciprocal promises, such that one of them cannot be performed till the other has been performed, and the promisor of the promise last mentioned fails to perform it, such promisor cannot claim the performance of the reciprocal promise, and must make compensation to the other party to the contract for any loss which such other party may sustain by the non-performance of the contract.

**Example:** A hires B's ship to take in and convey, from Kolkata to the Mauritius, a cargo to be provided by A, B receiving a certain freight for its conveyance. A does not provide any cargo for the ship. A cannot claim the performance of B's promise, and must make compensation to B for the loss which B sustains by the non-performance of the contract.

**Example:** A hires B to make a shoe rack. A will supply the plywood, fevicol and other items required for making the shoe rack. B arrived on the appointed day and time but A could not arrange for the required materials. A cannot claim the performance of B's promise, and must make compensation to B for the loss which B sustains by the non-performance of the contract.

#### **RULE 5**

The impossibility of performance may be of the two types, namely (a) initial impossibility, and (b) subsequent impossibility.

**Example:** 'A', a Hindu, who was already married, contracted to marry 'B', a Hindu girl. According to law, 'A' being married, could not marry 'B'. In this case, 'A' must make compensation to 'B' for the loss caused to her by the non-performance of the contract.

**Example:** B promises to pay a sum of ` 5,00,000 if he is able to swim across the Indian Ocean from Mumbai to Aden within a week. In this case, there is no real agreement, since both the parties are quite certain in their mind that the act is impossible of achievement. Therefore, the agreement, being impossible in itself, is void.

Example: A contracted B to sell his brown horse for ₹ 50,000 both unaware that the horse was dead a day before the agreement.

Example: 'A' and 'B' contracted to marry each other. Before the time fixed for the marriage, 'A' became mad. In this case, the contract becomes void due to subsequent impossibility, and thus discharged.

## CONCEPT 11.

### APPROPRIATION OF PAYMENTS

#### RULE 1

Application of payment where debt to be discharged is indicated:

Then, the payment, if accepted, must be applied accordingly.

#### RULE 2

Application of payment where debt to be discharged is not indicated:

The creditor may apply it at his discretion to any lawful debt actually due and payable to him from the debtor, where its recovery is or is not barred by the law in force for the time being as to the limitation of suits. However he cannot apply the payment to the disputed debt.

#### RULE 3

Application of payment where neither party appropriates:

Where neither party makes any appropriation, the payment shall be applied in discharge of the debts in order of time, whether they are or are not barred by the law in force for the time being as to the limitation of suits.

## CONCEPT 12.

### CONTRACTS, WHICH NEED NOT BE PERFORMED

#### NOVATION

The parties to a contract may substitute a new contract for the old. If they do so, it will be a case of novation. On novation, the old contract is discharged and consequently it need not be performed.

#### Example:

A owes B ₹ 100,000. A, B and C agree that C will pay B and he will accept ₹ 100,000 from C in lieu of the sum due from A. A's liability thereby shall come to an end, and the old contract between A and B will be substituted by the new contract between B and C.

#### RESCISSION

When the parties to a contract agree to rescind it, the contract need not be performed. In the case of rescission, only the old contract is cancelled and no new contract comes to exist in its place. It is needless to point out that novation also involves rescission. Both in novation and in rescission, the contract is discharged by mutual agreement.

#### ALTERATION OF CONTRACT

The terms of contract may be so altered by mutual agreement that the alteration may have the effect of substituting a new contract for the old one.

#### WAIVER

“Every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance or may accept instead of it any satisfaction which he thinks fit”. In other words, a contract may be discharged by remission.

Example: A owes B ₹5,00,000. A pays to B, and B accepts, in satisfaction of the whole debt, ₹2,00,000 paid at the time and place at which the ₹5,00,000 were payable. The whole debt is discharged.

### CONCEPT 13.

#### Restoration of Benefit under a Voidable Contract

Voidable contract can be terminated at the option of the party who is empowered to do so. If he has received any benefit under the contract, he must restore such benefit to the person from whom he has received it.

##### Example:

An insurance company may rescind a policy on the ground that material fact has not been disclosed. When it does so, the premium collected by it in respect of the policy reduced by the amount of expenses incurred by it in this connection must be repaid to the policy holder.

### CONCEPT 14.

#### Obligations of Person who has Received Advantage under Void Agreement or contract that becomes void

It is clear that in such a case either the advantage received must be restored back or a compensation, sufficient to put the position prior to contract, should be paid.

##### Example:

A pays B ₹1,00,000, in consideration of B's promising to marry C, A's daughter. C is dead at the time of the promise. The agreement is void, but B must repay A ₹1,00,000.

### CONCEPT 15.

## DISCHARGE OF A CONTRACT

### (i) Discharge by performance:

It takes place when the parties to the contract fulfil their obligations arising under the contract within the time and in the manner prescribed.

**Example 40:** A contracts to sell his car to B on the agreed price. As soon as the car is delivered to B and B pays the agreed price for it, the contract comes to an end by performance. **Example 41:** A contracted to supply certain quantity of timber to B. B made the supply of timber at appointed time and place but A refused to accept the delivery. This is called as attempted performance.

### (ii) Discharge by mutual agreement:

Section 62 of the Indian Contract Act provides if the parties to a contract agree to substitute a new contract for it, or to rescind or remit or alter it, the original contract need not be performed.

**Example:** A owes B ₹ 1,00,000. A enters into an agreement with B and mortgage his (A's), estates for ₹ 50,000 in place of the debt of ₹ 1,00,000. This is a new contract and extinguishes the old.

**Example:** A owes B ₹ 5,00,000. A pays to B ₹ 3,00,000 who accepts it in full satisfaction of the debt. The whole is discharged.

### (iii) Discharge by impossibility of performance:

The impossibility may exist from the very start. In that case, it would be impossibility ab initio. Alternatively, it may supervene. Supervening impossibility may take place owing to:

- (a) an unforeseen change in law;
- (b) the destruction of the subject-matter essential to that performance;
- (c) the non-existence or non-occurrence of particular state of things, which was naturally contemplated for performing the contract, as a result of some personal incapacity like dangerous malady;
- (d) the declaration of a war (Section 56).

**Example 44:** A agrees with B to discover a treasure by magic. The agreement is void due to initial impossibility.

**Example:** A and B contract to marry each other. Before the time fixed for the marriage, A goes mad. The contract becomes void.

**Example:** A contracts to act at a theatre for six months in consideration of a sum paid in advance by B. On several occasions A is too ill to act. The contract to act on those occasions becomes void.

**Example:** X agrees to sell his horse to Y for ₹ 5,000 but the horse died in an accident. Here, it become impossible to perform the contract due to destruction of the subject. Thus, a valid contract changes into void contract because of impossibility of performance.

### (iv) Discharge by lapse of time:

A contract should be performed within a specified period as prescribed by the Limitation Act, 1963. If it is not performed and if no action is taken by the promisee within the specified period of limitation, he is deprived of remedy at law.

**Example:** If a creditor does not file a suit against the buyer for recovery of the price within three years, the debt becomes time-barred and hence irrecoverable.

**(v) Discharge by operation of law:**

A contract may be discharged by operation of law which includes by death of the promisor, by insolvency etc.

**(vi) Discharge by breach of contract:**

Breach of contract may be actual breach of contract or anticipatory breach of contract. If one party defaults in performing his part of the contract on the due date, he is said to have committed breach thereof. When on the other hand, a person repudiates a contract before the stipulated time for its performance has arrived, he is deemed to have committed anticipatory breach. If one of the parties to a contract breaks the promise the party injured thereby, has not only a right of action for damages but he is also discharged from performing his part of the contract.

**Example:** A contracted with B to supply 100 kgs of rice on 1st June. But A failed to deliver the same on said date. This is actual breach of contract. If time is not essential essence of contract B can give him another date for supply of goods and he will not be liable to claim for any damages if prior notice for the same is not given to A while giving another date.

**(vii) Promisee may waive or remit performance of promise:**

Every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance or may accept instead of it any satisfaction which he thinks fit. In other words, a contract may be discharged by remission.

**Example:** A owes B ₹ 5,00,000. C pays to B ₹ 1,00,000 and B accepts them, in satisfaction of his claim on A. This payment is a discharge of the whole claim.

**(viii) Effects of neglect of promisee to afford promisor reasonable facilities for performance:**

If any promisee neglects or refuses to afford the promisor reasonable facilities for the performance of his promise, the promisor is excused by such neglect or refusal as to any non-performance caused thereby.

**(ix) Merger of rights:**

Sometimes, the inferior rights and the superior rights coincide and meet in one and the same person. In such cases, the inferior rights merge into the superior rights. On merger, the inferior rights vanish and are not required to be enforced.

**Example 51:** A took a land on lease from B. Subsequently, A purchases that very land. Now, A becomes the owner of the land and the ownership rights being superior to rights of a lessee, the earlier contract of lease stands terminated.

## BREACH OF CONTRACT AND ITS REMEDIES

### CONCEPT 1.

#### WHAT IS BREACH?

Breach means failure of a party	to perform his or her obligation under a contract
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### CONCEPT 2.

#### TYPES OF BREACH

Actual breach of contract	Anticipatory breach of contract
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### CONCEPT 3.

#### ACTUAL BREACH OF CONTRACT

It is a case of refusal to perform the promise	On the scheduled date.
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### CONCEPT 4.

#### MANNER OF PERFORMING ACTUAL BREACH

At the time when the performance of the contract is due.	During the performance of the contract
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**Example :** A agrees to deliver 100 bags of sugar to B on 1st February 2020. On the said day, he failed to supply 100 bags of sugar to B. This is actual breach of contract. The breach has been committed by A at the time when the performance becomes due.

### CONCEPT 5.

#### ANTICIPATORY BREACH OF CONTRACT

An anticipatory breach of contract is a breach of contract occurring	BEFORE the time fixed for performance has arrived.
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### CONCEPT 6.



## MANNER OF PERFORMING ANTICIPATORY BREACH

Expressly by words spoken or written,	Impliedly by the conduct of one of the parties.
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**Example :** Where A contracts with B on 15th July, 2020 to supply 10 bales of cotton for a specified sum on 14th August, 2020 and on 30th July informs B, that he will not be able to supply the said cotton on 14th August, 2020, there is an express rejection of the contract.

**Example :** Where A agrees to sell his white horse to B for ` 50,000/- on 10th of August, 2020, but he sells this horse to C on 1st of August, 2020, the anticipatory breach has occurred by the conduct of the promisor.

## CONCEPT 7. EFFECT OF ANTICIPATORY BREACH

CANCEL RIGHT NOW	WAIT FOR DUE DATE
To either treat the contract as “rescinded and sue the other party for damages from breach of contract immediately without waiting until the due date of performance.	He may elect not to rescind but to treat the contract as still operative, and wait for the time of performance and then hold the other party responsible for the consequences of non-performance.

## CONCEPT 8. REMEDIES FOR BREACH OF CONTRACT

1	2	3	4	5
Suit for Damages	Rescission of Contract	Suit for specific performance	Suit for Injunction	Suit upon quantum meruit

## CONCEPT 9. SUIT FOR DAMAGES

When a contract has been broken, aggrieved party is entitled to	from the defaulter, compensation for any loss or damage caused	which naturally arose in the usual course from such breach,	or which the parties knew, when they made the contract, to be
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receive,	to him thereby,		likely to result.
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## CONCEPT 10.

### KIND OF DAMAGES

#### Ordinary damages

Compensation for any loss or damage cause to him thereby, which naturally arose in the usual course of things from such breach, or which the parties know, when they made the contract, to be likely to result from the breach of it.

Example : A agrees to sell to B bags of rice at ` 5,000 per bag, delivery to be given after two months. On the date of delivery, the price of rice goes up to ` 5,500 per bag. A refuse to deliver the bags to B. B can claim from A ` 500 as ordinary damages arising directly from the breach.

#### Special damages

Where a party to a contract receives a notice of special circumstances affecting the contract, he will be liable not only for damages arising naturally and directly from the breach but also for special damages.

Example: 'A' delivered a machine to 'B', a common carrier, to be conveyed to 'A's mill without delay. 'A' also informed 'B' that his mill was stopped for want of the machine. 'B' unreasonably delayed the delivery of the machine, and in consequence 'A' lost a profitable contract with the Government. In this case, 'A' is entitled to receive from 'B', by way of compensation, the average amount of profit, which would have been made by running the mill during the period of delay. But he cannot recover the loss sustained due to the loss of the Government contract, as 'A's contract with the Government was not brought to the notice of 'B'.

#### Vindictive or Exemplary damages

These damages may be awarded only in two cases –

- (a) for breach of promise to marry because it causes injury to his or her feelings; and
- (b) for wrongful dishonour by a banker of his customer's cheque because in this case the injury due to wrongful dishonour to the drawer of cheque is so heavy that it causes loss of credit and reputation to him.

#### Nominal damages

Nominal damages are awarded where the plaintiff has proved that there has been a breach of contract but he has not in fact suffered any real damage. It is awarded just to establish the right to decree for the breach of contract. The amount may be a rupee or even 10 paise.

#### Damages for deterioration caused by delay

In the case of deterioration caused to goods by delay, damages can be recovered from carrier even without notice. The word 'deterioration' not only implies physical damages to the goods but it may also mean loss of special opportunity for sale.

### Pre-fixed damages

Sometimes, parties to a contract stipulate at the time of its formation that on a breach of contract by any of them, a certain amount will be payable as damage. It may amount to either liquidated damages (i.e., a reasonable estimate of the likely loss in case of breach) or a penalty (i.e., an amount arbitrarily fixed as the damages payable).

## CONCEPT 11. LIQUIDATED DAMAGES and PENALTY

### POSTION IN ENGLISH LAW:

If the sum fixed in the contract represents A GENUINE PRE-ESTIMATE by the parties of the loss, which would be caused by a future breach of the contract it is liquidated damages.

But where the sum fixed in the contract is UNREASONABLE AND IS USED TO FORCE THE OTHER Party to perform the contract; it is penalty. Such a clause of disregarded and the injured party cannot recover more than the actual loss.

### POSTION IN INDIAN LAW:

Indian law makes NO DISTINCTION BETWEEN 'PENALTY 'AND LIQUIDATED DAMAGES'. The Courts in India award only a reasonable compensation not exceeding the sum so mentioned in the contract. Section 74 of the Contract Act lays down if the parties have fixed what the damages will be, the courts will never allow more.

Example: A contracts with B, that if A practices as a surgeon in Kolkata, he will pay B ` 50,000. A practice as a surgeon at Kolkata, B is entitled to such compensation not exceeding ` 50,000 as the court considers reasonable.

Example: A borrows ` 10,000 from B and gives him a bond for ` 20,000 payable by five yearly instalments of ` 4,000 with a stipulation that in default of payment, the whole shall become due. This is a stipulation by way of penalty.

Example: A undertakes to repay B, a loan of ` 10,000 by five equal monthly instalments with a stipulation that in default of payment of any instalment, the whole shall become due. This stipulation is not by way of penalty and the contract may be enforced according to its terms.

## CONCEPT 12. RESCISSION OF CONTRACT

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When a contract is broken by one party, the other party may treat the contract as rescinded. In such a case he is absolved of all his obligations under the contract and is entitled to compensation for any damages that he might have suffered.

### Example:

A promises B to deliver 50 bags of cement on a certain day. B agrees to pay the amount on receipt of the goods. A failed to deliver the cement on the appointed day. B is discharged from his liability to pay the price.

## CONCEPT 13. QUANTUM MERUIT

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Quantum Meruit i.e. as much as the party doing the service has deserved. It covers a case where the party injured by the breach had at time of breach done part but not all of the work which he is bound to do under the contract and seeks to be compensated for the value of the work done.

### Example:

X wrongfully revoked Y's (his agent) authority before Y could complete his duties. Held, Y could recover, as a quantum meruit, for the work he had done and the expenses he had incurred in the course of his duties as an agent.

### Example:

A agrees to deliver 100 bales of cottons to B at a price of ₹1000 per bale. The cotton bales were to be delivered in two instalments of 50 each. A delivered the first instalment but failed to supply the second. B must pay for 50 bags.

## CONCEPT 14. SUIT FOR SPECIFIC PERFORMANCE

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Where damages are not an adequate remedy in the case of breach of contract, the court may in its discretion on a suit for specific performance direct party in breach, to carry out his promise according to the terms of the contract.

## CONCEPT 15. SUIT FOR INJUNCTION

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Where a party to a contract is negating the terms of a contract, the court may by issuing an 'injunction orders', restrain him from doing what he promised not to do.

**Example:**

N, a film star, agreed to act exclusively for a particular producer, for one year. During the year she contracted to act for some other producer. Held, she could be restrained by an injunction.

**Example:**

A, a singer, agreed with B to perform at his theatre for two months, on a condition that during that period, he would not perform anywhere. In this case, B could move to the Court for grant of injunction restraining A from performing in other places.

## **CONCEPT 16.**

### **PARTY RIGHTFULLY RESCINDING CONTRACT, ENTITLED TO COMPENSATION**

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A person who rightfully rescinds a contract is entitled to compensation for any damage which he has sustained through non-fulfilment of the contract.

**Example:**

A, a singer, contracts with B, the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B engages to pay her ` 100 for each night's performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence, rescinds the contract. B is entitled to claim compensation for the damage which he has sustained through the non fulfilment of the contract.

# SALE OF GOODS ACT, 1930

## FORMATION OF THE CONTRACT OF SALE

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### CONCEPT 1.

#### INTRODUCTION

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Sale of Goods Act, 1930 is an Act to define and amend the law relating to the sale of goods.	It extends to the whole of India.	It came into force on 1st July, 1930.
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### CONCEPT 2.

#### APPLICABILITY

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<b>Applicable</b> to the contracts related to the sale of goods	<b>Not applicable</b> for the sale of immovable properties	General provisions of the Indian Contract Act, 1872 apply to a Contract of Sale of Goods	The expressions used but not defined in the Sales of Goods Act, 1930 and defined in the Indian Contract Act, 1872 shall be referred from there.
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### CONCEPT 3.

#### Buyer and Seller

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'Buyer' means a person who buys or agrees to buy goods [Section 2(1)].	'Seller' means a person who sells or agrees to sell goods [Section 2(13)].
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**CONCEPT 4.  
GOODS**

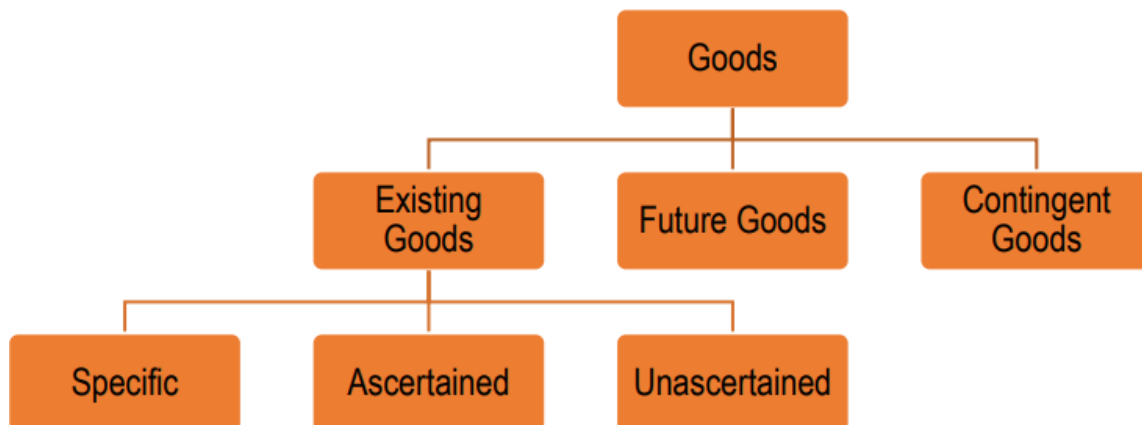
“Goods” means every kind of movable property	<b>other than</b> actionable claims and money;	<b>and includes</b> stock and shares, growing crops, grass, and things attached to or forming part of the land, which are agreed to be severed before sale or under the contract of sale.
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**CONCEPT 5.  
ACTIONABLE CLAIMS**

‘Actionable claims’ are claims, which can be enforced only by an action or suit, e.g., debt.	A debt is not a movable property or goods.
“Goods” include both tangible goods and intangible goods like goodwill, copyrights, patents, trademarks etc. Stock and shares, gas, steam, water, electricity and decree of the court are also considered to be goods.	Even the Fixed Deposit Receipts (FDR) are considered as goods under Section 176 of the Indian Contract Act read with Section 2(7) of the Sales of Goods Act.

**CONCEPT 6.**

**Types of Goods**



**EXISTING GOODS** are such goods as are in existence at the time of the contract of sale, i.e., those owned or possessed or acquired by the seller at the time of contract of sale (Section 6).

**SPECIFIC GOODS** means goods identified and agreed upon at the time a contract of sale is made

**Example:** Any specified and finally decided goods like a Samsung Galaxy S7 Edge, Whirlpool washing machine of 7 kg etc.

**Example:** 'A' had five cars of different models. He agreed to sell his 'Santro' car to 'B' and 'B' agreed to purchase the same car. In this case, the sale is for specific goods as the car has been identified and agreed at the time of the contract of sale.

**ASCERTAINED GOODS** are those goods which are identified in accordance with the agreement after the contract of sale is made. This term is not defined in the Act but has been judicially interpreted. In actual practice, the term 'ascertained goods' is used in the same sense as 'specific goods.'

**Example:** A wholesaler of cotton has 100 bales in his godown. He agrees to sell 50 bales and these bales were selected and set aside. On selection, the goods becomes ascertained. In this case, the contract is for the sale of ascertained goods, as the cotton bales to be sold are identified and agreed after the formation of the contract. It may be noted that before the ascertainment of the goods, the contract was for the sale of unascertained goods

**UNASCERTAINED GOODS** are the goods which are not specifically identified or ascertained at the time of making of the contract. They are indicated or defined only by description or sample.

**Example:** If A agrees to sell to B one packet of salt out of the lot of one hundred packets lying in his shop, it is a sale of unascertained goods because it is not known which packet is to be delivered. As soon as a particular packet is separated from the lot, it becomes ascertained or specific goods.

**Example:** X has ten horses. He promises to sell one of them but does not specify which horse he will sell. It is a contract of sale of unascertained goods.

**FUTURE GOODS** means goods to be manufactured or produced or acquired by the seller after making the contract of sale. A contract for the sale of future goods is always an agreement to sell. It is never actual sale because a person cannot transfer what is not in existence.

**Example:** 1,000 quintals of potatoes to be grown on A's field, is not illegal, though the actual sale of future goods is not possible. This is an example of agreement to sell.

**Example:** P agrees to sell to Q all the milk that his cow may yield during the coming year. This is a contract for the sale of future goods.

**Example:** T agrees to sell to S all the oranges which will be produced in his garden this year. It is contract of sale of future goods, amounting to 'an agreement to sell.'



**CONTINGENT GOODS:** The acquisition of which by the seller depends upon an uncertain contingency (uncertain event) are called 'contingent goods'. Contingent goods also operate as 'an agreement to sell' and not a 'sale' so far as the question of passing of property to the buyer is concerned.

**Example:** A agrees to sell to B a Picasso painting provided he is able to purchase it from its present owner. This is a contract for the sale of contingent goods

**Example:** P contracts to sell 50 pieces of particular article provided the ship which is bringing them reaches the port safely. This is an agreement for the sale of contingent goods.

## CONCEPT 1.

### DEFINITION OF CONTRACT OF SALE

"A contract of sale of goods is a contract where by the seller transfers or agrees to transfer the	property in the goods	to the buyer	for a price"- [Sec. 4(1) of The Sale of Goods Act, 1930].
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## CONCEPT 2.

### AGREEMENT TO SELL BECOMES SALE

"Where an agreement to sell provides that the ownership of the goods shall be transferred	at some future date, it becomes sale when that date arrives.	If the ownership is to be transferred on the fulfillment of some conditions the agreement to sell becomes a sale when those conditions are fulfilled" - [Sec. 4(3) of The Sale of Goods Act, 1930].
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## CONCEPT 3.

### ESSENTIAL ELEMENTS OF CONTRACT OF SALE

1. Two parties.	2. Subject matter	3. Transfer of Property	4. Delivery	5. Price	6. A contract of sale may be absolute or conditional	7. Essential elements of a valid contract
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**CONCEPT 4.****DIFFERENCES BETWEEN SALE AND AGREEMENT TO SELL**

Sale	Agreement to Sell
1. In case of sale the property transfers from seller to the buyer immediately.	1. The ownership of the goods is transferred to the buyer at some future date.
2. It is an executed contract	2. It is an executory contract.
3. It creates right in rem.	3. It creates right in personam.
4. The buyer is responsible for any loss or destruction of the goods even if the goods are in the possession of the seller.	4. The seller is responsible for any loss or destruction of goods even if the goods are in the possession of the buyer.
5. The seller cannot resale the goods.	5. In this case, if the subsequent buyer takes in good faith and for consideration, he gets a good title. The original buyer may only sue the seller for damages.
6. If goods are destroyed, the loss will be borne by the buyer even though they may be in possession of the seller.	6. The loss will be borne by the seller even though the goods may be in possession of the buyer.
7. If the buyer becomes insolvent before payment is made, the seller has to deliver the goods to the official receiver unless he has lien on them.	7. Seller may refuse to deliver the goods to the official receiver.
8. If the seller becomes insolvent after payment of price, the buyer can claim the goods from the official receiver.	8. The buyer cannot claim the goods. He can only claim rateable dividend for the amount paid by him.
9. Sale is liable for sales tax.	9. Agreement to sell is not liable for sales tax. It is liable for sales tax when it is ripens in to sale.

**CONCEPT 5.****DOCTRINE OF CAVEAT EMPTOR**

The term Caveat Emptor is a Latin word which means <b>'Let buyer be aware'</b> .	It is a fundamental principle of law of sale of goods and implies that the seller is under no obligation to point out the defects in his own goods.	The buyer must take care while purchasing the goods	and if he makes a wrong selection, he cannot blame the seller if the goods turn out to be defective or do not serve his purpose.
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**CONCEPT 6.****EXCEPTIONS to THE DOCTRINE OF CAVEAT EMPTOR**

(i) Where the buyer informs seller the particular purpose of purchase and relies upon skill & judgement of seller.	(ii) Implied condition as to Merchantability	(iii) Condition as to Wholesomeness in case of foodstuffs and other goods meant for human consumption.	(iv) When the seller commits fraud.	(v) When there is a usage of trade.
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**CONCEPT 7.****PERFORMANCE OF THE CONTRACT OF SALE**

Performance of a contract involves two things, which are:	timely delivery on the part of the seller <b>and</b> payment of the price as per the terms of contract by the buyer.	Unless otherwise agreed, delivery of the goods and payment of the price are concurrent conditions
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**CONCEPT 8.****DELIVERY**

Delivery means voluntary transfer	of possession	from one person to another [Section 2(2)].
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**CONCEPT 9.****TYPES OF DELIVERY**

ACTUAL DELIVERY	CONSTRUCTIVE DELIVERY	SYMBOLIC DELIVERY
When the goods are <b>physically</b> delivered to the buyer.	Where the <b>third party</b> , who is in possession of goods of the seller at the time of sale, acknowledges to the buyer that he holds goods on his behalf, the	Where the goods are bulky and incapable of actual delivery “the means of obtaining possession <b>like keys</b> ” of the goods are delivered by

	delivery is constructive delivery.	the seller to the buyer.
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## CONCEPT 10.

### RULES REGARDING DELIVERY OF GOODS

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#### 1. Mode of Delivery

Delivery of goods sold may be made by doing anything which the parties agree shall be treated as delivery

#### 3. Effect of part delivery

A delivery of part of goods, in progress of the delivery of the whole has the same effect, for the purpose of passing the property in such goods, as a delivery of the whole, but a delivery of part of the goods, with an intention of severing it from the whole, does not operate as a delivery of the remainder.

#### 4. Buyer to apply for delivery

The seller of goods is not bound to deliver them until the buyer applies for delivery.

#### 5. Place of delivery

Goods are supposed to be taken by the buyer on “as is where is” basis, unless agreed otherwise. Else, Goods must be delivered at the place and time specified in the contract.

#### 6. Time of delivery

Where under the contract of sale the seller is bound to send the goods to the buyer, but no time for sending them is fixed, the seller is bound to send them within a reasonable time.

#### 7. Goods in possession of a third person

There is no delivery by seller to buyer unless and until such third person acknowledge to the buyer that he holds the goods on his behalf.

#### 8. Cost of delivery

Unless otherwise agreed, the expense of and incidental to putting the goods into a deliverable state are borne by the seller. Similarly, all the expenses relating to taking possession the goods must be borne the buyer.

#### 9. Delivery of wrong quantity

It is not necessary that the delivered quantity always confirm to the ordered quantity. It is the buyer who needs to decide the appropriate course of action upon wrong delivery.

#### 10. Installment delivery

Buyer is not bound to accept installment unless agreed by the parties.

**11. Delivery to carrier or wharfinger**

If the goods are delivered to a carrier for transmission to the buyer or to a wharfinger for safe custody, delivery of goods to them is prima facie deemed to be delivery of goods to the buyer.

**12. Risk where goods are delivered at distant place**

If the seller agrees to deliver the goods at the risk of the buyer at place other than that where they are when sold, the buyer shall take any risk of deterioration in the goods necessarily incident to the course of transit.

**13. Buyer's right of examination of the goods**

Buyer is not deemed to have accepted them unless and until he has a reasonable opportunity of examining them for the purpose of ascertaining whether they are in conformity with the contract.

**CONCEPT 11.****TRANSFER OF OWNERSHIP**

<p><b>(A) Goods must be ascertained</b> The property in the goods does not pass to the buyer unless and until the goods are ascertained.</p>	<p><b>(B) Intention of the parties for such transfer</b> For the sale of specific or ascertained goods the property in them is transferred to the buyer at such time as the parties to the contract intended to be transferred.</p>
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**CONCEPT 12.****TRANSFER OF OWNERSHIP IN CASE OF SPECIFIC GOODS**

(i) Specific goods in a deliverable state	(ii) Specific goods to be put into a deliverable state	(iii) Specific goods in a deliverable state, when the seller has to do something thereto in order to ascertain price
The property in the goods passes to the buyer when the contract is made	If something is to be done to make it deliverable, the property does not pass until such thing is done and the buyer has notice thereof.	If price is to be ascertained by doing something like valuation, the property does not pass until such act or thing is done and the buyer has notice thereof.

**CONCEPT 13.****TRANSFER OF OWNERSHIP IN CASE OF UNASCERTAINED GOODS**

Where there is a contract for the sale of unascertained or future goods by description and goods of that description and in a deliverable state are unconditionally appropriated to the contract,

either by the seller with the assent of the buyer or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer.

**CONCEPT 14.****GOODS ON APPROVAL OR 'ON SALE OR RETURN'**

(a) When he signifies his approval or acceptance to the seller	(b) When he does any other act adopting the transaction.	(c) When he does not return within fixed time or reasonable time.
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**CONCEPT 15.****RISK PRIMA FACIE PASSES WITH PROPERTY**

Risk follows ownership.	Before sale = Risk of Seller After Sale = Risk of Buyer
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**CONCEPT 16.****EFFECT OF DESTRUCTION OF GOODS**

Goods Perishing Before Making Of Contract	Goods Perishing Before Sale But After Agreement To Sell
Void – ab – initio	Void

**CONCEPT 17.****SALE BY PERSON NOT THE OWNER (OR) NEMO DAT QUI HABET**

"Nemo dat qui habet" means that no one can give what he himself does not have.	It means a non owner cannot make valid transfer of property in goods.	If the title of the seller is defective, the buyer's title will also be subject to same defect. If the seller has no title, the buyer does not acquire any title.	This rule is to protect the real owner of the goods.
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**CONCEPT 18.****EXCEPTION TO THE RULE of SALE BY PERSON NOT THE OWNER (OR) NEMO DAT QUI HABET**

Sale by mercantile agent (Sec. 27)	Sale by one of joint owners (Sec. 28)	Sale by person in possession under voidable contract (Sec. 29)	Seller or buyer in possession after sale (Sec. 30)
Sale by estoppel (Sec. 27)	Sale by a finder of goods	Sale by official receiver	Sale by assignee

**CONCEPT 19.****CONDITIONS AND WARRANTIES**

A condition is a stipulation <b>essential to the main purpose</b> of the contract, the breach of which gives rise to right to treat the contract as repudiated.	A warranty is a stipulation <b>collateral to the main purpose</b> of the contract, the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated.
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**CONCEPT 20.****DISTINCTION BETWEEN A CONDITION AND A WARRANTY**

Sl. No.	Basis of Distinction	Condition	Warranty
1	Value	A Condition is a stipulation which is essential to the main purpose of the contract.	A Warranty is a stipulation which is collateral to the main purpose of the contract.
2	Rights	The aggrieved party can repudiate the contract of sale in case there is a breach of a condition	The aggrieved party can claim damages only in case of breach of a warranty.
3	Treatment	A breach of condition may be treated as a breach of a warranty. This would happen where the aggrieved party is contented with damages only.	A breach of a warranty cannot be treated as a breach of a condition.



### CONCEPT 21.

## CONDITIONS AND WARRANTIES MAY BE EITHER EXPRESSED OR IMPLIED

When terms of contract expressly provide for them, they are known as express conditions or warranties.

Implied conditions and warranties are incorporated in every contract of sale unless the circumstances show a different intention.

### CONCEPT 22.

## IMPLIED CONDITIONS

1. Condition as to title	2. Condition as to description	3. Condition as to sample	4. Condition as to description and sample	5. Condition as to fitness or quality	6. Condition as to merchantability	7. Condition as to wholesomeness
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### CONCEPT 23.

## IMPLIED WARRANTIES

1. Warranty of quiet possession.	2. Warranty of freedom from encumbrances	3. Warranty as to fitness.	4. Warranty of disclosing the dangerous nature of goods to the ignorant buyer.
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### CONCEPT 24.

## UNPAID SELLER

According to Section 45, the seller of goods is deemed to be an unpaid seller:

(a) When the whole of the price has not been paid, or

(b) When a bill of exchange or other negotiable instrument has been received as conditional payment, and the same has been dishonoured.

A seller who has been partly paid is also an unpaid seller.

## CONCEPT 25.

### RIGHTS OF UNPAID SELLER

<p><b>A. Rights against the goods:</b></p> <p>An unpaid seller has some rights against the goods sold when the property in the goods has passed to the buyer. They are as follows:</p> <ol style="list-style-type: none"> <li>1. Right of Lien</li> <li>2. Right of stoppage of goods in transit</li> <li>3. Right of Re-sale</li> <li>4. Right of withholding delivery</li> </ol>	<p><b>B. Rights against the buyer personally:</b></p> <p>An unpaid seller in addition to his rights against the goods, has the following rights against the buyer personally.</p> <ol style="list-style-type: none"> <li>1. Suit for price: [Sec. 55]</li> <li>2. Suit for damages for non-acceptance: [Sec. 56]</li> <li>3. Suit for repudiation:</li> <li>4. Suit for interest: [Sec. 61]</li> </ol>
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## CONCEPT 26.

### RIGHT OF LIEN

Lien is a right to retain possession of goods until payment of price, which can be exercised in the following cases:

1. Where the goods have been sold without any stipulation as to credit.	2. Where the goods have been sold on credit, but the period of credit has expired.	3. Where the buyer becomes insolvent.
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The following are the conditions precedent to the exercise of the lien.

1. The ownership must have passed to the buyer.	2. The goods must be in the possession of the seller.	3. The whole or part of the price must remain unpaid.
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## CONCEPT 27.

### RIGHT OF STOPPAGE OF GOODS IN TRANSIT

The right of stoppage in transit is a right of stopping the goods, while they are in transit and retaining the possession until payment of the price. This right is conferred on the seller by Section 50 of the Act. This right can be exercised under the following cases:

i. the seller must be an unpaid seller.	ii. the goods must be in-transit	iii. the buyer must have become insolvent.	iv. the property in the goods must have passed from the seller to the buyer.
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## CONCEPT 28.

### RIGHT OF RE-SALE

An unpaid seller who has exercised either the right of lien or the right of stoppage-in-transit can resell such goods. The right to resell the goods is called 'right of resale'. This right is conferred by section 54. An unpaid seller can exercise the right of resale in the following cases:

i. where the goods are of a perishable nature,	ii. where the seller expressly reserves the right of resale in case the buyer makes a default in the payment of price.	iii. where the seller has exercised his right of lien or stoppage in transit, and gives notice to the buyer of his intention to resell the goods.
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## CONCEPT 29.

### RIGHTS AGAINST THE BUYER PERSONALLY

1. Suit for price	2. Suit for damages for non-acceptance	3. Suit for repudiation	4. Suit for interest
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## CONCEPT 30.

### AUCTION SALES

Auction sale is a model of selling property	by inviting bids publicly	and the property is sold	to the highest bidder
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## CONCEPT 31.

### WARRANTIES IN AUCTION SALES

(a) The auctioneer warrants his authority to sell	(b) He warrants that he has no knowledge of any defect in his principal's title.	(c) He warrants to give quite possession of the goods to the buyer against payment of price.
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## CONCEPT 32.

### RULES REGARDING AUCTION SALES

In case of lots, each lot is a separate contract.	Sale completes upon fall of third hammer or some other	Seller may reserve right to bid and can bid.
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	custom and bid can be taken back before announcement.	
Bid by seller only after pre information.	Reserve price or upset price can be taken.	Pretended bidding is voidable at the option of buyer.

**CONCEPT 33.****IMPORTANT TERMS USED IN AUCTION**

A. Knockout Agreement	B. Damping	C. Puffers	D. Pretended bidding
tacit understanding/agreement among the intending bidders to stifle competition by not bidding against each other	to dissuade the intending buyer from bidding or from raising the price by pointing out defects in the goods or by doing some other acts which prevent persons from forming a fair estimate of the price of the goods	a person who is employed by the seller to raise the price by fictitious bids	The bid is said to be pretended when it is made by the seller or someone on his behalf.

# NEGOTIABLE INSTRUMENTS ACT, 1881

## CONCEPT 1.

### WHAT IS INSTRUMENT?

An instrument is a document	by which right and liability of any person is	created,	modified,	satisfied,	transferred	or documente d.
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## CONCEPT 2.

### WHAT IS NEGOTIABLE INSTRUMENT?

The term 'negotiable' means transferable	and the term 'instrument' means 'Any written document creating a right in favour of some person.'
Thus, by negotiable instrument we mean a written document by which a right is given to a person and which is transferable.	

Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are not Negotiable Instrument's.

## CONCEPT 3.

### NEGOTIABLE INSTRUMENT AS PER LAW

Sec. 13 of the Act defines a negotiable instrument as	'a promissory note, bill of exchange or cheque	payable either to order or to bearer.
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**CONCEPT 4.****CHARACTERISTICS OF A NEGOTIABLE INSTRUMENT**

Free and innumerable Transfers	Free from defects	Holder to sue in his own name	Presumptions
Can be transferred any number of times (Transfer by Delivery & Endorsement + Delivery)	Holder in due course gets the transfer without any defect	Holder/Holder in due course can sue to demand payment	Some presumptions are always taken

**CONCEPT 5.****PRESUMPTIONS**

<b>Consideration</b>	Consideration is always present in dealing with Negotiable Instruments
<b>Date</b>	Specified date is date of drawing the instrument.
<b>Time of Acceptance</b>	Acceptance was done before maturity
<b>Time of Transfer</b>	Transfer was done before maturity
<b>Order of Endorsements</b>	Endorsements were made in the order of appearance
<b>Stamp</b>	Duly Stamped
<b>Holder in due course</b>	Every holder is a holder in due course.
<b>Fact of Dishonour</b>	Protest will be the evidence of dishonour

**CONCEPT 6.****HOLDER IN DUE COURSE**

A Holder in due course is one who receives the instrument -

☑ For Consideration,	☑ Before maturity, and	☑ Without any notice as to the defect in title of the Transferor.
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Holder must prove that he is holder in due course.

**CONCEPT 7.****TYPES OF NEGOTIABLE INSTRUMENTS: NEGOTIABLE BY STATUE**

Negotiable by statue means negotiable instrument as defined by law.	Section 13 of the Act, provides that a negotiable Instrument include <b>promissory note, bill of exchange and cheque</b> , whether payable to bearer or order.
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**CONCEPT 8.****TYPES OF NEGOTIABLE INSTRUMENTS: NEGOTIABLE BY CUSTOM OR USAGE**

Certain other instruments take the character of negotiable instruments by custom or usage.	Dividend warrant, circular notes, bearer debentures are some of them.
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**CONCEPT 9.****BEARER AND ORDER INSTRUMENTS**

BEARER IINSTRUMENT	ORDER INSTRUMENT
(i) It is expressed to be so payable <b>OR</b> (ii) Only or last endorsement is a blank	(i) It is expressed to be so payable <b>OR</b> (ii) Expressed to be payable to a

endorsement	particular person with restricting its transferability.
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**CONCEPT 10.****INLAND AND FOREIGN INSTRUMENTS**

INLAND INSTRUMENT	FOREIGN INSTRUMENT
Drawn and payable in India <b>OR</b> drawn on a person resident in India	A bill which is not an inland bill is deemed to be a foreign bill.

**CONCEPT 11.****DEMAND AND TIME INSTRUMENTS**

DEMAND INSTRUMENT (Also called Payable at sight or at presentment)	TIME INSTRUMENT
When it is expressed to be so payable <b>OR</b> when no time is specified on it.  The words "on demand" are usually found in a promissory note, where the words "at sight" are found in a bill of exchange.	payable after a specified period <b>OR</b> happening of a specified event which is certain

**CONCEPT 12.****GENUINE, ACCOMMODATION AND FICTITIOUS BILL**

GENUINE BILL	ACCOMMODATION BILL	FICTITIOUS BILL
When a bill is drawn, accepted, or endorsed for consideration it is a genuine bill.	When it is drawn, accepted, or endorsed without consideration it is accommodation bill.	When drawer or payee or both are fictitious the bill is called fictitious bill.



**CONCEPT 13.****CLEAN AND DOCUMENTARY BILL**

CLEAN BILL	DOCUMENTARY BILL
When no documents relating to goods are annexed to the bill, it is clean bill.	When documents of title or other documents relating to goods are attached, it is documentary bill.

**CONCEPT 14.****AMBIGUOUS INSTRUMENT**

1. When an instrument due to faulty drafting may be interpreted either as bill or note, it is an ambiguous instrument.
2. It is for holder to decide how he wants the bill to be treated.
3. Ambiguity may also arise when the amount is stated differently in words and figures.
4. In such case, the amount stated in words will be considered.

**CONCEPT 15.****INCHOATE INSTRUMENT**

An instrument incomplete in some respect is known as inchoate instrument.

When a person signs, he authorizes the other person to complete it for any amount not exceeding the amount covered by the stamp.

**CONCEPT 16.****ESCROW INSTRUMENT**

When an instrument is drawn conditionally **or** for a special purpose as a collateral security and not for the purpose of transferring property therein, it is called Escrow instrument.

## CONCEPT 17.

### PARTIES TO THE NEGOTIABLE INSTRUMENT

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#### DRAWER

The Maker of a Promissory Note, Bill of Exchange, or Cheque.

#### DRAWEE

The person on whom the instrument is drawn and thereby directed to pay.

#### DRAWEE IN CASE OF NEED

The person whose name is given in addition to the name of the Drawee, who should be resorted to in case of need.

#### ACCEPTOR

When the Drawee signs his assent upon the Bill and delivers the same to the holder or some other person on his behalf, he becomes the "Acceptor".

#### ACCEPTOR FOR HONOUR

Person accepting a B/E (which has been noted or protested for non-acceptance or for better security) supra protest (after protest) for honour of the Drawer or of any one of endorsers.

#### PAYEE

Payee is the person to whom the amount is payable.

#### HOLDER

Any person entitled in his own name to the possession thereof and to receive or recover the amount.

#### HOLDER IN DUE COURSE

A Holder in due course is a person who becomes the possessor of the instrument

- (a) for consideration,
- (b) before maturity, and
- (c) without any notice as to the defect in title of the Transferor. [Sec.9]

#### ENDORSER

Endorser is the person who endorses a Bill.

#### ENDORSEE

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Endorsee is the person to whom the Bill is negotiated by endorsement.

## CONCEPT 18.

### CAPACITY TO BECOME A PARTY TO NEGOTIABLE INSTRUMENT

A person competent to contract can become a party to a negotiable instrument.

MINOR	CORPORATION	AGENT	LEGAL REPRESENTATIVE
A minor can draw, indorse, deliver, and negotiate an instrument to bind all parties except himself.	Corporation can be a party to a negotiable instrument if authorized by its Article of Association, otherwise, it is ultra vires.	An agent can bind his principal by acting on his behalf only in the way he is duly authorized.	A legal representative of a deceased person who signs his name to a negotiable instrument incurs personal liability unless by clear words he limits his liability to the extent of the assets of the deceased received by him.

## CONCEPT 19.

### DUE DATE OF A BILL OR NOTE

Every instrument payable, otherwise, than on demand is entitled to **three days of grace.**

Instruments <b>not entitled</b> to 'period of grace'	Instruments <b>entitled</b> to 'period of grace'
(i) a cheque (ii) a bill or note payable on demand, (iii) a bill or note in which no time is mentioned	(i) a bill or note payable on a specified day, (ii) a bill or note payable 'after sight', (iii) a bill or note payable at a certain period on happening of a certain event

### PUBLIC HOLIDAY

If the due date falls on a public holiday, the bill becomes due on immediately preceding business day.

### NO CORRESPONDING DAY

If the month in which the period is to terminate has no corresponding day, the period will terminate on the last day of the month.

## CONCEPT 20.

### PAYMENT IN DUE COURSE

A payment is said to be 'payment in due course' if it satisfies the following conditions:

Payment as per apparent tenor, neither before nor after.	Payment made on behalf of Drawee	Payment made to the entitled person.	Payment made in good faith.	There is no ground for believing that possessor is not entitled for payment.
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## CONCEPT 21.

### PROMISSORY NOTE

Section 4 of the Negotiable Instruments act, 1881 defines "Promissory Note":

"A Promissory note is an instrument	in writing (not being a bank note or a currency note)	containing an unconditional undertaking,	signed by the maker,	to pay a certain sum of money	only to, or to the order of, a certain person,	or to the bearer of the instrument".
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Parties to Promissory Note:

Maker	Payee
The person who makes the promissory note and promises to pay is called the maker.	The person to whom the payment is to be made is called the payee.

**Requisites of a Promissory Note:**

Must be in writing.	Must contain an undertaking to pay.	Promise to pay should be unconditional.	Promissory note must be signed	Sum payable must be certain.
Must contain a promise to pay money and money only.	Maker and Payee must be certain.	Stamping of Promissory Note is essential under The Indian Stamp Act, 1899.	Must contain date.	Limitation period for a promissory note to file a suit is three years

**CONCEPT 22.****BILL OF EXCHANGE**

Section 5 of the Negotiable Instruments act, 1881 defines “Bill of Exchange”:

“A bill of exchange 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”.
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**Parties to Bill of Exchange:**

<b>Drawer</b>	<b>Drawee</b>	<b>Payee</b>
The person who gives the order to pay or who makes the bill is called the drawer.	The person who is directed to pay is called the drawee.	The person to whom the payment is to be made is called the payee.

**Requisites of a Bill of Exchange:**

Must be drawn unconditionally, though the acceptor, or the	Consideration of a bill of exchange should be paid	Amount to be paid should be certain.	Time of payment must be indicated in the bill with	Order in BOE does not mean a command, but a request or a
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endorser may make his liability conditional	only by way of money.		certainty.	direction.
The signature of the drawer is necessary and there cannot be a bill, even if the instrument is accepted without the signature of the drawer.	The drawee must be named or otherwise indicated in the bill with reasonable certainty.	It should specifically mention the date and place the payment	Every Bill of Exchange must be stamped according to the provisions of The Indian Stamp Act, 1899.	Must be in writing.

## CONCEPT 23.

### CHEQUE

Section 6 of the Negotiable Instruments act, 1881 defines “Cheque”:

A cheque is a bill of exchange	drawn upon a specified banker	and payable on demand	and it includes the electronic image of a truncated cheque	and a cheque in the electronic form”.
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### A CHEQUE IN THE ELECTRONIC FORM

“cheque which contains the exact mirror image	of a proper cheque,	and is generated, written and signed in a secure system	ensuring the minimum safety standards	with the use of digital signature and asymmetric crypto system.
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### A TRUNCATED CHEQUE

A truncated cheque means a cheque which is truncated	either by the clearing house or by the bank	whether paying or receiving payment,	immediately on generation of an electronic image for	substituting the further physical movement of the cheque in
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during the course of a clearing cycle,			transmission,	writing.
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**A TRUNCATED CHEQUE**

‘Clearing house’ means the clearing house managed by the Reserve Bank of India or a clearing house recognized as such by the Reserve Bank of India.

**ADDITIONAL FEATURES OF CHEQUE**

A cheque is a species of a bill of exchange; but it has the following two additional qualifications:

1. It is always drawn on a specified banker, and	2. It is always payable on demand.
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**PARTIES TO CHEQUE:**

Drawer	Drawee	Payee
The customer who signs the cheque is called “drawer”.	The bank on whom the cheque is drawn is called “drawee”.	The person to whom the payment is to be made is called the payee.

**REQUISITES OF CHEQUE**

A cheque must be an order in writing.	It must contain an unconditional order.	A cheque must be signed by the maker.	The amount must be specifically mentioned in figures and words.
The cheque must contain the date	Payee to be certain.	A cheque may be drawn payable to order or bearer. There are two kinds of cheques prevailing now a days. They are: a. it may be a bearer or order cheque; and b. it may be a self cheque.	

**CONCEPT 24.**

**CROSSING OF CHEQUE**

A cheque may be a ‘OPEN CHEQUE’ or a ‘CROSSED CHEQUE’.
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OPEN CHEQUE	CROSSED CHEQUE
Payment may be obtained in cash	The amount will be credited to the account of the customer of a bank
May be presented across, the counter for payment	It will have to be presented through another banker

### MEANING OF CROSSING

The act of drawing two diagonal or transverse parallel lines on the face of a cheque is called “crossing of the cheque”

### OBJECT OF CROSSING

The main object of crossing is to give protection and safeguard to the owner of the cheque.

If it is mis-utilized, it can be traced very easily, and the fraudulent person can easily be detected.

## CONCEPT 25.

### KINDS OF CROSSING OF CHEQUE

GENERAL CROSSING	SPECIAL CROSSING
<p>Where a cheque bears across its face an addition of the words “and company” or any abbreviation thereof,</p> <p>between two parallel transverse lines, or of two parallel transverse lines simply,</p> <p>either with or without the words “Not negotiable”</p> <p>that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed generally.</p>	<p>Where a cheque bears across its face an addition of the name of a banker,</p> <p>either with or without the words “Not Negotiable”,</p> <p>that addition shall be deemed a crossing, and the cheque shall be deemed to be crossed specially and to be crossed to that banker.</p>

## CONCEPT 26.

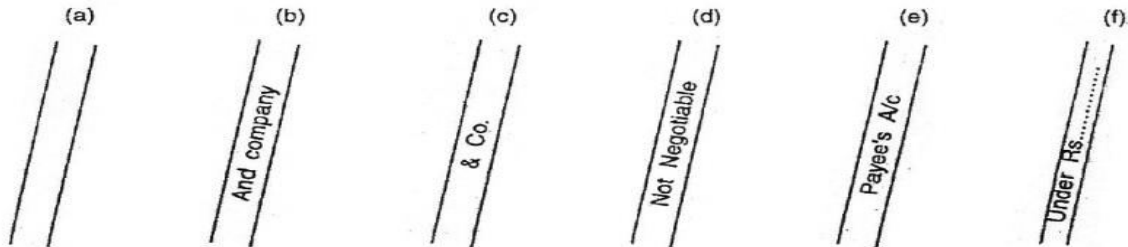
### GENERAL CROSSING

Sec. 126 of the NI Act, 1881 lays down that when a cheque is crossed generally, the banker on whom it is drawn shall not pay it otherwise than to a banker.



Two transverse lines are the essentials of general crossing.	The lines should not occupy printed letters or numbers or any such written matters.	The lines are generally drawn on the left hand side.	The words 'and company' / '& co.' are not compulsory. The crossing itself sufficient.	The words 'Not negotiable' may be added to a crossing.
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**FORMS OF GENERAL CROSSING**



**CONCEPT 27.**

**SPECIAL CROSSING**

It is direction to the paying banker to pay the amount to the account holder of that bank, but not to others.

Special crossing gives more protection than general crossing.

In the case of special crossing, the banker's name and payee's name are mentioned, and the banker is well acquainted with the payee's name and signature. If there is any forgery, he can easily detect it.

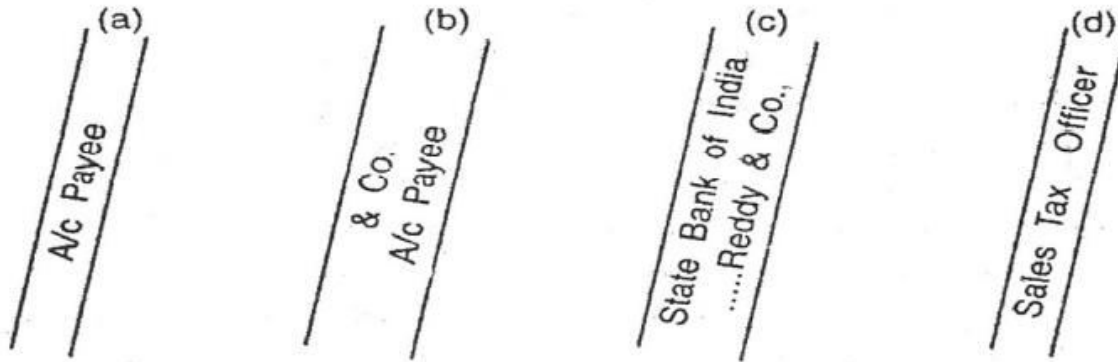
Two parallel transverse lines are not essential.	The name of the bank should be mentioned with or without crossing.  The name of the bank itself constitutes special crossing.	The name of the bank should be written on the left side of cheque.	The name of the bank and the words "Not Negotiable" or "A/c Payee" or "Not Negotiable" or "A/c Payee Only", may also be mentioned.
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**CONCEPT 28.**

**ACCOUNT PAYEE CROSSING**

The terms mean that the amount should not be paid at counter but should be credited into the account of the payee only. It gives further protection to the payee. The collecting banker should credit the cheque only to the mentioned account of the payee.

But **there is no law** mentioned about this type of crossing either in “The Bills of Exchange Act” of Great Britain or in “The Negotiable Instruments Act, 1881” of India.



## CONCEPT 29.

### NOT NEGOTIABLE CROSSING

Sections 123 and 124 of the Act permit the use of the words “Not Negotiable” in the crossing and Section 130 explains the true position.

Section 130: A person taking a cheque crossed generally or specially, bearing in either case the words not negotiable shall not have, and shall not be capable of giving, a better title to the cheque than that which the person from whom he took it had.

The words “Not Negotiable” do not mean “not transferable”.

#### OBJECT OF NOT NEGOTIABLE CROSSING:

The true owner is protected by this type of crossing more perfectly. If it is stolen, the finder cannot cash

it so easily. The good title cannot be passed to him. He will be compelled to return it to the true owner.

The owner’s right is preserved safely against any subsequent holder.

## CONCEPT 30.

### DOUBLE CROSSING

“Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, his agent for collection” is called Double Crossing.

There a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker his agent, for collection.

The private parties are not allowed to utilize double crossing.

STATE BANK OF HYDERABAD  
TO ANDHRA BANK  
(as agent for collection) (a)

Pay to Andhra Bank as agent  
for collection for State Bank of  
Hyderabad.  
(Sd) x x x x x x  
-Manager. (b)

### CONCEPT 31.

### WHO CAN CROSS A CHEQUE?

Generally, the maker of the cheque makes the crossing. If he does not cross, the holder of the cheque can cross it, or in certain occasions the banker may also cross it. Sec. 125 states about crossing after issue.

According to Sec. 125 where a cheque is uncrossed, the holder may cross it generally or specially.

<p>Where a cheque is crossed generally, the holder may cross it specially.</p>	<p>Where a cheque is crossed generally or specially, the holder may add the words “not negotiable”.</p>	<p>Where a cheque is crossed specially, the banker to whom it is crossed may again cross it specially to another banker, his agent, for collection.</p>
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# ETHICS

## INTRODUCTION:

- The study of ethics is a systematic science. Its scope encompasses all human relationships in a society. Ethics also known as moral philosophy is a branch of philosophy that involves systematizing, defending and recommending concepts of right and wrong conduct.
- The study of ethics can be divided into four operational areas namely – meta ethics, normative ethics, descriptive ethics and applied ethics.
- Ethics fundamentally comprises of two elements:
  - Firstly, ethics refers to well founded standards of right and wrong that describe what humans ought to do in terms of rights, obligations, benefits to society, etc.
  - Secondly, ethics refers to the study and development of one's ethical standards. So, it is necessary to constantly examine one's standards to ensure that they are reasonable and well founded.

## Ethics vs Morals:

### Difference between Ethics and Morals

	Ethics	Morals
1.	Root word in Greek is 'ethikos' which means 'Character'.	Root word in Greek is 'mos' which means 'custom'.
2.	Deals with right and wrong conduct.	Deals with principles of right and wrong.
3.	Deals with individual character.	Deals with customs set by groups.
4.	Character is personal attribute.	Customs are determined by groups or some authority like religion or culture.
5.	Ethics is the response of an individual to a specific situation. E.g. whether in that situation, it is ethical to state the truth.	Morals are general principles, e.g. "You should speak truth."

## EVOLUTION OF ETHICS

- Social conduct has evolved along with the evolution of society over hundreds of years.
- The codes of conduct have been passed down from generation to generation, and there is a pattern to the evolution of such codes.
- Acceptable behaviour is promoted and elevated as a social value, and unacceptable behaviour is rejected and condemned. In ancient India, there was no moral problem with the custom of sati-immolating the wife on the funeral pyre or the deceased husband.

- But society has evolved humanely and has condemned the act as unacceptable and morally reprehensible.
- The laws of a country are based on the customs or moral codes of its society. Penalties are prescribed for bad actions-actions that contradict the established laws. The laws are a measure against those people who cross the limits of the code of social conduct, and ensure that good citizens are protected from the negative consequences of the law-breakers.
- Religion is also related to morals and religious leaders propagated human values. In the name of religion, people started believing in God and customs were introduced. The object of the social codes of conduct is to maintain, promote, and elevate harmonious relationships.
- 'Honour your parents' is one such code. It maintains a peaceful relationship between parents and children and promotes respect for each other in the family. It is because of its salutary effects, it is considered as one of the fundamental values to be cultivated.

#### APPLICATION

- The relevance of ethics is in its application.
- Just as when we study the theory of relativity in physics, we ensure that the laws or principles of relativity are applied to the factors and elements being considered, so too in our study of ethics, the universal principles have to be applied to individual contexts and situations.
- We have to abandon the absolutism of universal principles. For instance, killing a man is wrong. But we approve the killing of the enemy in a war and the government honours the act with medals for bravery.
- This is due to the fact that such an act has served a higher principle, that is, the protection of countrymen. Ethics, in the practical sense, is also known as moral action and is an applied discipline that deals with a particular human action and also assesses to what extent it is compatible with the general principles.

#### Value-free Ethics

- It would seem that business is an ethically neutral or value-free activity. In other words, the only value business is concerned with is the monetary value. It is not in the interest of business to mix ethical values.
- An ancient Arabic wisdom states, 'Live together like brothers and do business like strangers.' Business should be kept free from other social relationships and obligations. The only successful relationship that exists in business is that of a vendor and a customer.
- It is also said that 'for the merchant, even honesty is a financial speculation.' Indeed, for a businessman every factor in the business is measured in terms of money.
- The volatility that we see in the stock market is a clear example of the speculative nature of business, which is directly proportional to the prevailing attitude of the people.
- The concept of 'value-free' business ethics appears to be quite appealing to businessmen. It is as though it may be pursued devoid of all rules within a social vacuum.
- The concept of value-free ethics found application in economics in a rather ironical fashion.

- Ludwig von Mises, known as the father of the Austrian School of Economics, proposed the pure theory of economics, stating that economic concepts are a priori, that is, they are not dependent on experience, but are purely virtual concepts.
- The concept of choice, for instance, is a pure concept. It is immaterial whether one chooses water or wine, but the concept in itself is free of such particular elements.
- Hence, choice is value-free (wertfrei). Applied to ethics, it would mean that we should be able to study the principles of this discipline, such as goodness, truth, justice, honour, etc. in their pure form.
- It is obvious that such value-free ethics, when understood in the right sense, leads us to study metaethics or the fundamental principles of ethics as a pure science.
- However, if we are to apply an ethical standard to such a study, it would be called a pure study of values, not value-free ethics.

### Ethics as a Principle

- We have established that social evolution has developed definite principles of civic behaviour, which have attained the status of principles. By principle, we understand that something proceeds and depends on it for its cause. For instance, when one kicks a football, force is the principle that propels it into motion and the ball remains in motion till the force lasts. In other words, the physical world functions strictly according to the laws of physics.
- It is expected that people also submit their behaviour, both in thoughts and in actions, to these principles. An action is valid as long as it reflects the principle, just as the speed of the moving ball depends on the force it receives.
- All moral actions are directed towards their object, the good, which is the principle of all happiness. This is not only the sole purpose of our existence but our co-existence with others as well.
- We cannot be happy alone; we can only be happy together. The universal idea of the good is applied to individual instances. Individuals are good in their own particular way, and are good in so far as they share the essence of goodness.
- The universal good is a pure or general idea. It is formed through a process of abstraction of the essence from individuals or particulars.

### Business Ethics as Professional Code

- Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of a civil society, just as it expects professionals from other areas such as medicine, bureaucracy, politics and sports to do so.
- Thus, instead of a value-free business ethics, we have a value loaded or value-based business practice.

### The Seven Principles of Public Life

#### 1. Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

## 2. Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organizations that might influence them in the performance or their official duties.

## 3. Objectivity

In carrying out public business including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

## 4. Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

## 5. Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

## 6. Honesty

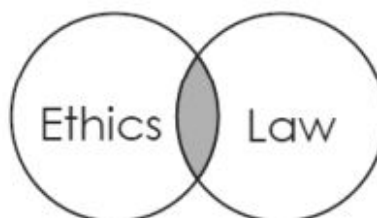
Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

## 7. Leadership

Holders of public office should promote and support these principles by sound leadership and prove to be an example in whatever they perform.

### THE RELATIONSHIP BETWEEN ETHICS AND LAW

- Law is essentially an institutionalisation or codification of ethics into specific social rules, regulations and prescriptions.



- Thus, in one sense, business ethics can be said to begin where law ends. Business ethics is primarily concerned with those issues not completely covered by law, or where there is no definite consensus on whether something is right or wrong. Hence, it is often remarked, that business ethics is about the “grey areas” of business where values are in conflict.

### ETHICS IN BUSINESS

- Business is an extension of the society and hence no business can continue well for a long if it ignores social values. Values of people of individual values result into social values and these values when adopted by business houses, they become business values or corporate values. According to Andrew Crane “ Business ethics is the study of business situations, activities and decisions where issues of right and wrong are addressed”
- Raymond C. Baumhart contend – “The ethics of business is the ethics of responsibility. The businessman must promise that he will not harm knowingly”. Thus, Business Ethics (also called corporate ethics) is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment.
- It applies to all aspects of business conduct, and is relevant to the conduct of individuals and the entire organizations. Business ethics concerns itself with adhering to the social principles of the situations in which business takes place.

### Business for Profit

- It would seem that business ethics does not come within the confines of ethics. As Adam Smith (1779), the father of modern economics says: ‘People of the same trade seldom come together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.’
- People find mechanisms to generate the highest possible returns when conducting business. No one holds it against a worker for demanding higher wages, or a landlord for increasing the rent. Their actions are not considered illegal or unethical.
- Profits are the just wages for invested capital and entrepreneurship. Hence, these should not be resented and should be left alone outside the boundaries of ethics. Business is for profit; the just reward for doing business lies in the excess returns received on the investment.

### Business and Ethics

- No matter how hard one tries, it is impossible to separate life from business. For a businessman, business is life. Mahatma Gandhi (1948) said, ‘It is difficult but not impossible to conduct strictly honest business. What is true is that honesty is incompatible with amassing of large fortune.’
- The business world is an important part of society, as it is concerned with the livelihoods of people. Business activity too is subjected to the code of conduct without any exception. Therefore, there is no separate business ethics for businessmen, as ethics applies to all the activities of people. Consequently, we have to keep business within the bounds of ethics.

### Character of Business

- ‘There are two fools in every market: one asks too little, one asks too much,’ so says a Russian proverb. Is there a concept called balanced profit? The business in a society reflects its character.



Transparency International, in its corruption perception index, gives Finland, Denmark, and New Zealand the first place with 9.4 points. India is way down at 72, with just 3.5 points on a scale of 10.

- We may gloat over our cultural heritage and religious and ethical glories of the past, but we stand exposed before the world as a corrupt society. Corruption prevails in all walks of life, whether political, social, or economic. If we have to improve our business, we have to improve our business behaviour.

### Professional Ethics

- Just as a society functions on the social codes of conduct and a country is governed by its constitution, a business is run on corporate codes. In other words, there is a professional code of conduct for any business. These codes keep evolving as other things around evolve and develop. Therefore, not only should business be defined within the confines of ethics, but it should be practised strictly under its own professional code of conduct. This distinction helps to orient the general principles of ethics and business to a particular activity.
- The principles, however, do not change. For instance, there is a manager who is doing very well in his career because he is both efficient and honest. To his neighbours and friends, he is not only a very successful businessman, but also a very good family man. To a question asked by a journalist on how he divided his time between his family and business despite his busy schedule, he replied, 'Efficiently. 'What is the secret of your success?' asked the journalist. He replied 'Honesty.' The journalist looked inquiringly as if to say, 'Look, business and family are separate.' The businessman said, 'Both efficiency and honesty work equally well at work and at home.' The character of a true professional remains undivided, whether at work or at home. Our roles may change from time to time and from place to place but the integrity of our character should be maintained.
- Business ethics, thus, professionally adheres to a code of conduct that is in accordance with the normative principles further, it may be concretely stated that professionals bear the following marked characteristics:
  - (i) competency of educational qualification,
  - (ii) professional skills, and
  - (iii) compensation (salary/remuneration, etc.).

Three Ps of Sustainability in business: People - Social values - employees, customers, general people. Planet environment - Protecting resources Profit - Return on investment - Creating value of the business in monetary terms. A balance is to be made of all three above. Business will not sustain in the long run if any of the above P is ignored altogether.

### NEED FOR BUSINESS ETHICS

Some of the major reasons why a good understanding of business ethics is important can be stated as follows:-

**1. Stop business malpractices :**

Some unscrupulous businessmen do business malpractices by indulging in unfair trade practices like black-marketing, artificial high pricing, adulteration, cheating in weights and measures, selling of duplicate and harmful products, hoarding, false claims or representations about their products etc. These business malpractices are harmful to the consumers. Business ethics help to stop these business malpractices.

**2. Improve customers' confidence :**

Business ethics are needed to improve the customers' confidence about the quality, quantity, price, etc. of the products. The customers have more trust and confidence in the businessmen who follow ethical rules. They feel that such businessmen will not cheat them.

**3. Survival of business :**

Business ethics are mandatory for the survival of business. The businessmen who do not follow it will have short-term success, but they will fail in the long run. This is because they can cheat a consumer only once. After that, the consumer will not buy goods from that businessman. He will also tell others not to buy from that businessman. So this will defame his image and provoke a negative publicity. This will result in failure of the business. Therefore, if the businessmen do not follow ethical rules, he will fail in the market. So, it is always better to follow appropriate code of conduct to survive in the market.

**4. Safeguarding consumers' rights :**

Consumer sovereignty cannot be either ruled out or denied. Business can survive so long it enjoys the patronage of consumer. The consumer has many rights such as right to health and safety, right to be informed, right to choose, right to be heard, right to redress, etc. But many businessmen do not respect and protect these rights. Business ethics are must to safeguard these rights of the consumers.

**5. Protecting employees and shareholders :**

Business ethics are required to protect the interest of employees, shareholders, competitors, dealers, suppliers, etc. It protects them from exploitation through unfair trade practices.

**6. Develops good relations :**

Business ethics are important to develop good and friendly relations between business and society. This will result in a regular supply of good quality goods and services at low prices to the society. It will also result in profits for the businesses thereby resulting in growth of economy.

**7. Creates good image :**

Business ethics create a good image for the business and businessmen. If the businessmen follow all ethical rules, then they will be fully accepted and not criticised by the society. The society will always support those businessmen who follow this necessary code of conduct.

**8. Smooth functioning :**

If the business follows all the business ethics, then the employees, shareholders, consumers, dealers and suppliers will all be happy. So they will give full cooperation to the business. This will result in

smooth functioning of the business. So, the business will grow, expand and diversify easily and quickly. It will have more sales and more profits.

#### **9. Consumer movement :**

Business ethics are gaining importance because of the growth of the consumer movement. Gone are the days when the consumer can be taken for ride by the unscrupulous business by their false propoganda and false claims, unfair trade practices. Today, the consumers are aware of their rights and well informed as well as well organised. Now they are more organised and hence cannot be cheated easily. They take actions against those businessmen who indulge in bad business practices. They boycott poor quality, harmful, high-priced and counterfeit (duplicate) goods. Therefore, the only way to survive in business is to be honest and fair. Consumer forums and Consumer Associations are more active and vocal now.

#### **10. Consumer satisfaction :**

Today, the consumer is the king of the market. Any business simply cannot survive without the consumers. Therefore, the main aim or objective of business is consumer satisfaction. If the consumer is not satisfied, then there will be no sales and thus no profits too. Consumer will be satisfied only if the business follows all the business ethics, and hence are highly needed.

#### **11. Importance of labour:**

Labour, i.e. employees or workers play a very crucial role in the success of a business. Therefore, business must use business ethics while dealing with the employees. The business must give them proper wages and salaries and provide them with better working conditions. There must be good relations between employer and employees. The employees must also be given proper welfare facilities. There is lower attrition rate and people continue in job for long time with loyalty.

#### **12. Healthy competition :**

The business must use business ethics while dealing with the competitors. They must have healthy competition with the competitors. Healthy competition brings about efficiency, break complacency and leads to optimal utilisation of scarce resources, hence is always welcome. They must not do cut-throat competition. Similarly, they must give equal opportunities to small-scale business. They must avoid monopoly. This is because a monopoly is harmful to the consumers.

# FUNDAMENTALS OF LAWS

## I. Choose the correct answer from the given four alternatives:

1. A void contract
  - (A) is void from the very beginning.
  - (B) is valid in the beginning but becomes void later on.
  - (C) is enforceable at the option of one of the contracting parties only.
  - (D) none of the above
  
2. Which one of the following does not connote 'goods' as defined in the Sale of Goods Act?
  - (A) Money
  - (B) Animals
  - (C) Debt
  - (D) Both (A) and (C)
  
3. Acceptance takes place as against the proposer.
  - (A) when the letter of acceptance is posted by the acceptor.
  - (B) when the letter of acceptance is received by the proposer.
  - (C) when the offeree, writes the letter of acceptance, but doesn't post it.
  - (D) All of the above
  
4. Conditions are stipulations
  - (A) Essential to the main purpose of the contract.
  - (B) collateral to the main purpose of the contract.
  - (C) Either (A) or (B)
  - (D) Neither (A) nor (B)
  
5. Which of the following is an offer?
  - (A) The mere quotation of terms by trader.
  - (B) The quotation of the lowest price in answer to enquiry.
  - (C) Advertisement for sale or auction of goods.
  - (D) Bids in an auction sale.
  
6. The general rule of Sale of Goods Act, is risk prima facie passes with
  - (A) Ownership
  - (B) Possession
  - (C) Delivery
  - (D) Custody
  
7. Which one of the following has the correct sequence?
  - (A) Offer, acceptance, contract, consideration.
  - (B) Offer, acceptance, consideration, contract
  - (C) Contract, acceptance, consideration, offer
  - (D) Offer, consideration, acceptance, contract.
  
8. The exceptions to the rule A stranger to a contract cannot sue are
  - (A) Beneficiaries in the case of trust.
  - (B) Family settlement.
  - (C) Assignment of contract.
  - (D) All of the above
  
9. Delivery of the keys of a godown where goods are kept amounts to
  - (A) Actual delivery
  - (B) Symbolic delivery
  - (C) Constructive delivery

- (D) All of the above
10. In Indian Law consideration must have been done at the desire of the promisor, if it is done at the instance of a third party or without the desire of the promisor, it is:
- (A) Consideration
  - (B) Not Consideration
  - (C) Offer
  - (D) Promise
11. Is a pronote executed in favour of a minor good in law?
- (A) Yes
  - (B) No
  - (C) Not in normal cases
  - (D) Depends
12. Right of stoppage in transit can be exercised by the Unpaid Seller, where the Buyer:
- (A) is solvent
  - (B) becomes insolvent
  - (C) acts fraudulently
  - (D) acts smartly
13. 'A' threatened to commit suicide if his wife did not execute a sale deed in favour of his brother. The wife executed the sale deed. This transaction is
- (A) voidable due to undue influence.
  - (B) voidable due to coercion.
  - (C) void being immoral
  - (D) void being forbidden by law.
14. Which one of the following statements is correct?
- (A) void agreements are always illegal.
  - (B) illegal agreements are voidable.
  - (C) illegal agreements can be ratified by the parties.
  - (D) illegal agreements are always void.
15. In pretended bidding, sale is
- (A) voidable at the option of the seller.
  - (B) valid
  - (C) voidable at the option of the buyer
  - (D) illegal
16. B, having discovered a vein of ore on the estate of A, adopts means to conceal, and does conceal, the existence of the ore from A. Owing to A's ignorance B is enabled to buy the estate at a low price. The contract is:
- (A) Valid
  - (B) Void
  - (C) Voidable at the option of A
  - (D) Invalid
17. A paid ₹ 500 to a Government servant to get him a contract for the canteen. The Government servant could not get the contract. Can A recover ₹ 500 paid by him to the Government servant?
- (A) Yes, the agreement between them is valid and enforceable.
  - (B) Yes, the agreement is not opposed to public policy.
  - (C) No, the agreement is a voidable agreement and can be avoided by A.
  - (D) No, the agreement is void.
18. Under Section 118 of the Negotiable Instruments Act, 1881, it is presumed, until the contrary is proved, that every transfer of a negotiable instrument was made:
- (A) after its maturity

- (B) before its maturity
  - (C) at its maturity
  - (D) none of the above
19. Which of the following statement is false in connection with the contingent contract?
- (A) The event must be collateral.
  - (B) The event must be uncertain
  - (C) The event should not be mere will of the promisor.
  - (D) none of the above.
20. Who is liable for necessaries supplied to a minor?
- (A) The guardian of the minor
  - (B) The minor
  - (C) His property
  - (D) None of the above
21. Cheque is a \_\_\_\_\_
- (A) Promissory note
  - (B) Bill of exchange
  - (C) Both (A) and (B)
  - (D) None of the above
22. A contract stands discharged
- (A) by performance of the contract.
  - (B) by breach of the contract
  - (C) by agreement and novation
  - (D) all of the above
23. The maturity of a promissory note or bill of exchange is the date
- (A) at which it falls due
  - (B) of its presentation
  - (C) of its acceptance
  - (D) none of the above
24. Where the parties to a contract have agreed that a certain sum of money would be paid in case of breach of contract, the court will ensure that
- (A) the exact amount mentioned in the contract is paid to the injured party.
  - (B) an amount not exceeding the stipulated amount is awarded.
  - (C) reasonable compensation not exceeding the amount stipulated is awarded.
  - (D) a sum exceeding the amount stipulated is awarded.
25. \_\_\_\_\_ days grace period is allowed for payment of a Cheque.
- (A) 0
  - (B) 3
  - (C) 2
  - (D) 7
26. A foreigner
- (A) is competent to enter into contract if he fulfills the conditions of section 11.
  - (B) is not competent to enter into contract.
  - (C) can enter into contract with permission of Central Govt.
  - (D) can enter into contract with the permission of court.
27. An agreement to sell is
- (A) an executory contract.
  - (B) an executed contract.
  - (C) Neither (A) or (B)
  - (D) Sometime (A) or (B)

28. Cross offer does not constitute a contract because  
 (A) there is no acceptance.  
 (B) there is implied acceptance.  
 (C) crossing implies cancellation.  
 (D) it amounts to counter offer.
29. Whether a stipulation is a condition or a warranty depends on  
 (A) the construction of the contract.  
 (B) the conduct of the parties.  
 (C) the trade custom.  
 (D) the local law.
30. The communication of an acceptance is complete as against the acceptor  
 (A) when it is posted by him.  
 (B) when it is put in the course of transmission.  
 (C) when it comes to the knowledge of the proposer.  
 (D) None of the above
31. A contractor had to supply the army charpoys in certain quantities by instalments. He failed to supply the requisite number and even after that breach the instalment of charpoys was received by army authorities. Meanwhile, the work orders were however cancelled. The orders cancelling the work order were  
 (A) valid  
 (B) void  
 (C) without authority  
 (D) contractor could claim damages
32. In a Book depot a catalogue of book enlisting the price of each book and specifying the place where the particular book is available is  
 (A) an invitation to offer.  
 (B) an offer.  
 (C) an invitation to visit the book shop.  
 (D) None of the above
33. Voluntary transfer of possession from one person to another is called as  
 (A) Ownership  
 (B) Delivery  
 (C) Gift  
 (D) License
34. A valid consideration includes,  
 (A) executed or executory consideration.  
 (B) past consideration.  
 (C) inadequate consideration.  
 (D) All of the above
35. The term 'Unpaid Seller' includes  
 (A) Buyer's agent to whom the Bill of Lading is endorsed.  
 (B) Buyer's agent to whom the goods have been delivered.  
 (C) Seller's agent to whom the Bill of Lading is endorsed.  
 (D) Seller's agent to whom the goods have been delivered.
36. In India, a person who is stranger to the consideration  
 (A) can sue on the contract, if he is a party.  
 (B) cannot sue the contract.  
 (C) depends on the parties.  
 (D) depends on the circumstances.

37. S sells certain goods to B of Bombay. The goods are handed over to the railways for transmission to B. In the meantime, B sells the goods to a third party T for consideration without the consent of S. B becomes insolvent. In this case—
- (A) S has the right of stoppage in transit.
  - (B) S has lost his right of stoppage in transit.
  - (C) Station Master has the right of stoppage in transit.
  - (D) None of the above
38. M is minor, B, the borrower, approaches M for a loan on the basis of a mortgage of the house owned by B. Hence, M advances the money and B executed a mortgage in favour of M, a minor. In these circumstances
- (A) the mortgage is not enforceable by M, because he is a minor.
  - (B) the mortgage is enforceable but only when he attains majority.
  - (C) the mortgage is enforceable by M even though he is minor.
  - (D) None of the above
39. "Threatening to commit certain acts forbidden by Indian Penal Code" is associated with which one of the following?
- (A) Misrepresentation
  - (B) Fraud
  - (C) Coercion
  - (D) Unenforceable
40. A contract to trade with an enemy is
- (A) an immoral agreement.
  - (B) a valid agreement.
  - (C) an agreement opposed to public policy.
  - (D) an enforceable agreement.
41. \_\_\_\_\_ is a form of combination of buyers to prevent competition among themselves at an auction sale.
- (A) Knock-out agreement
  - (B) Monopoly agreement
  - (C) Oligopoly agreement
  - (D) Puffing agreement
42. A, while filling up the insurance application form, states his age as 25 believing it to be true. His actual age was 27. The Life Insurance Corporation issued a policy in his favour charging a lower premium than what it should have charged if the actual age had been given. This is a case of
- (A) Fraud
  - (B) Misrepresentation
  - (C) Undue influence
  - (D) Mistake of fact
43. In a promissory note, the amount of money payable
- (A) must be certain.
  - (B) may be certain or uncertain.
  - (C) is usually uncertain.
  - (D) None of the above
44. R entered into a contract with L to marry her on a fixed date. However, before the marriage date, R went mad. With reference to the Indian Contract Act which is the valid response?
- (A) L can't marry till R dies.
  - (B) The executors of R can enforce the contract against L.
  - (C) The contract becomes void.
  - (D) All the statements are correct
45. The undertaking contained in a promissory note, to pay a certain sum of money is



- (A) conditional.  
 (B) unconditional.  
 (C) may be conditional or unconditional depending upon the circumstances.  
 (D) None of the above
46. A makes a contract with B to buy his house for ₹50,000 if he is able to secure to bank loan for that amount. The contract is  
 (A) void for vagueness.  
 (B) wagering contract.  
 (C) contingent contract.  
 (D) voidable contract.
47. Ordinary damages will be awarded in cases where  
 (A) the loss naturally flows from the breach of contract.  
 (B) the loss is remotely connected with the breach of contract.  
 (C) the loss is unusual and arises out of special circumstances peculiar to the contract.  
 (D) None of the above
48. Which of the following statement is true in connection with Quasi-contract?  
 (A) It is imposed by law.  
 (B) A Quasi-contract is a revoking contract.  
 (C) Damages cannot be claimed for breach of Quasi-contractual right.  
 (D) It arises out of an agreement.
49. A cheque is always payable on  
 (A) the date mentioned therein.  
 (B) demand.  
 (C) 3 days after presentation.  
 (D) within 24 hrs of presentation
50. Each party to a contract is bound to perform his part of the obligation. After the parties have made due performance, the contract comes to an end. In such a case the contract is said to be discharged  
 (A) by breach of contract.  
 (B) by impossibility of performance.  
 (C) by agreement and novation.  
 (D) by performance of contract.
51. Right in rem implies:  
 (A) A right available against the whole world  
 (B) A right available against a particular individual  
 (C) A right available against the Government  
 (D) None of the above
52. 'Goods' as defined in Sale of Goods Act will include  
 (A) rare coins, goodwill and money.  
 (B) growing crops agreed to be severed before sale, old coins and copyrights.  
 (C) goodwill, copyright, patent and foreign currency.  
 (D) Both (B) and (C)
53. Communication of acceptance is not necessary  
 (A) by performance of conditions of the offer by offeree.  
 (B) by acceptance of consideration by the offeree.  
 (C) by acceptance of benefit/service by the offeree.  
 (D) All of the above
54. Merchantable quality of goods means  
 (A) that the goods are commercially saleable.  
 (B) they are fit for the purpose for which they are generally used.

- (C) Both (A) and (B)  
(D) the quality should be of high standard.
55. According to Indian Contract Act, a promise is  
(A) a communication of intention to do something.  
(B) a proposal which has been accepted.  
(C) a gentleman's word to do something.  
(D) a statement on oath.
56. Contracts contingent upon the non-happening of the future uncertain event becomes void when such event:  
(A) Happen  
(B) Does not happen  
(C) The event becomes impossible  
(D) None of the above
57. A telephonic acceptance is complete when the offer is  
(A) spoken into the telephone.  
(B) heard but not understood by the offeror.  
(C) heard and understood by the offeror.  
(D) received, heard and understood by some person in the offeror's house.
58. If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds  
(A) all parties to the instrument including the minor.  
(B) only the minor and not other parties to the instrument.  
(C) all parties to the instrument except the minor.  
(D) None of the above
59. What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?  
(A) An offer  
(B) An obligation to sell book  
(C) An invitation to offer  
(D) A promise to make available the books at the listed
60. Which of the statement is incorrect in connection with duties of seller and buyer?  
(A) It is the duty of the seller to deliver the goods.  
(B) It is the duty of the buyer to accept and pay for them.  
(C) It is not the duty of the seller to deliver the goods.  
(D) It is the duty of the buyer to take delivery of goods.
61. The inadequacy of consideration may be taken into account by the court  
(A) in determining the question whether the consent of the promisor was freely given.  
(B) always in all cases.  
(C) when the parties complain.  
(D) when the promisor has not performed his promise.
62. A finder of goods can sell the goods if  
(A) the goods are ascertained.  
(B) the goods are un-ascertained.  
(C) the goods are valuable.  
(D) the goods are perishable.
63. Where consideration is illegal or physically impossible, uncertain or ambiguous, it shall not be  
(A) transferable by law.  
(B) unenforceable by law.  
(C) enforceable by law.  
(D) None of the above

64. There are \_\_\_\_\_ modes of delivery.
- (A) three
  - (B) two
  - (C) four
  - (D) five
65. The principle of Estoppel cannot be applied against a minor since
- (A) he has no sound mind.
  - (B) he has no privilege to cheat persons by making any representation.
  - (C) he may be induced by dishonest traders to declare in writing that he is a major at the time of entering into a contract.
  - (D) he has not attained the age of maturity.
66. The term “a cheque in the electronic form” is defined in the Negotiable Instruments Act, 1881-under
- (A) Section 6(a)
  - (B) Section 6(1)(a)
  - (C) Explanation 1(a) of Section 6
  - (D) Section 6A
67. Lending money to a borrower, at high rate of interest, when the money market is tight renders the agreement of loan:
- (A) Void
  - (B) Valid
  - (C) Voidable
  - (D) Illegal
68. Where by the contract, a promisor is to perform his promise without application by the promisee and no time for performance is specified, the engagement must be performed within a reasonable time. The question “What is a reasonable time” in each particular case is
- (A) a question of fact
  - (B) a question of law
  - (C) a question of general custom
  - (D) All of the above
69. Unlawful agreements comprise
- (A) Illegal agreements
  - (B) Immoral agreements only
  - (C) Agreements opposed to public policy only
  - (D) All the agreements mentioned above
70. In an auction sale, the property shall be sold to be
- (A) Lowest bidder
  - (B) Highest bidder
  - (C) Any bidder
  - (D) All bidders
71. A and B agree that A shall pay ₹1000 for which B shall afterwards deliver to either rice or smuggled opium. In this case
- (A) the first agreement is void and the second voidable.
  - (B) the first is voidable and the second is void.
  - (C) the first is valid and the second is void.
  - (D) the first is void and the second is valid.
72. When an Instrument is drawn conditionally or for a special purpose as a collateral security and not for the purpose of transferring property therein, it is called an
- (A) Escrow Instrument
  - (B) Inchoate Instrument

- (C) Ambiguous Instrument  
(D) None of the above
73. A purchases B's business of selling neckties in Delhi. A can restrain B from  
(A) doing the business of selling neckties again in his life.  
(B) doing any business in Delhi.  
(C) doing the business of selling neckties in Delhi for a limited period.  
(D) None of the above
74. In case of contractual obligations where the promisor dies before performance,  
(A) the legal representatives of the promisor must perform the promise irrespective of the promise.  
(B) the legal representatives of the promisor must perform the promise provided it is not one dependent on the personal qualifications of the promisor.  
(C) the legal representatives need not perform the promise.  
(D) the legal representative is not liable to pay damages for non-performance of the promise.
75. A borrows from B ₹500 to bet with C. Can B recover the amount of his loan?  
(A) Yes, the agreement between them is collateral to a wagering agreement and hence enforceable.  
(B) No, the agreement is opposed to public policy.  
(C) No, the agreement is a voidable agreement and can be avoided by A.  
(D) No, the agreement falls under section 23 and hence illegal.
76. Asim unlawfully detains Anil to obtain his vacant flat at Safdarjang enclave (valuing ₹ 50,00,000) at ₹ 40,00,000. This is a case of  
(A) Undue influence  
(B) Coercion  
(C) Fraud  
(D) By Force
77. A contract which ceases to be enforceable by law becomes  
(A) Voidable contract.  
(B) Void agreement.  
(C) Void contract.  
(D) Valid contract.
78. Mr. A promises to Mr. B without any intention of performing it. This is a case of  
(A) Cheating  
(B) Fraud  
(C) Valid case  
(D) None of the above
79. An advertisement for sale of goods by auction. This is a case of  
(A) General offer  
(B) An offer to hold such sale  
(C) An invitation to offer  
(D) Implied offer
80. An offer comes to an end by  
(A) Revocation  
(B) Acceptance  
(C) Communication  
(D) None of the above
81. A stranger to a contract can file  
(A) A suit  
(B) A suit only with the permission of court

- (C) A suit if Contract is in writing  
(D) Cannot file a suit
82. Of the following who is competent to enter into a contract?  
(A) Minor  
(B) Unsound mind  
(C) Lunatic  
(D) Sound mind
83. A minor can be appointed as agent.  
(A) False  
(B) Valid  
(C) Voidable  
(D) Not valid
84. Mr. A delivers a basket of mango to Mr. B mistaking him to be Mr. C and Mr. B consumes those mangos. Hence  
(A) Mr. B is bound to pay compensation to Mr. A for the value of Mango.  
(B) Mr. B is not bound to pay any compensation as there was no agreement and it is 'A's fault.  
(C) Mr. B is bound to pay compensation for value of mango and damages.  
(D) None of the above
85. Agreement of which the consideration is inadequate is  
(A) Void  
(B) Voidable  
(C) Valid  
(D) None of the above
86. Mr. A promises in writing to pay time barred debt to Mr. B. This is  
(A) Not enforceable  
(B) Enforceable  
(C) Voidable  
(D) None of the above
87. When both the parties to an agreement are under a mistake as to matter of fact essential to an agreement, the agreement is  
(A) Valid  
(B) Illegal  
(C) Voidable  
(D) Void
88. Mr. Ajit threatened to commit suicide if his wife did not execute sale deed in favour of his sister. Wife executed the sale deed. This is  
(A) Void  
(B) Voidable  
(C) Enforceable  
(D) None of the above
89. Under Sec. 2 (b) of the Indian Contract Act, 1872 if the person to whom the proposal is made signifies his assent thereto the proposal is said to have been  
(A) Accepted  
(B) Agreed  
(C) Provisionally agreed  
(D) Tentatively accepted
90. An auction sale is complete on the  
(A) Payment of price  
(B) Delivery of goods

- (C) Fall of hammer  
(D) Signing of agreement
91. Seller can raise the price by fictitious bids in an auction sale with the help of  
(A) pretended bidding  
(B) puffers  
(C) agent  
(D) broker
92. Mr. A obtained mobile set from Mr. B by fraud. Mr. A has a voidable title at the option of Mr. B. Before Mr. B could rescind the contract, Mr. A sold the same to Mr. C who purchased from Mr. A in good faith and without knowledge of fraud by Mr. A and paid for it. In this case.  
(A) Mr. C has a good title to the goods  
(B) Mr. B has a good title  
(C) Mr. C has no right  
(D) None of the above
93. Delivery of goods means  
(A) Voluntary transfer of possession  
(B) Compulsory transfer of possession  
(C) Exchange of goods  
(D) Voluntary transfer of ownership.
94. For a valid contract of sale, delivery may be  
(A) Actual delivery  
(B) Symbolic delivery  
(C) Constructive delivery  
(D) All of the above
95. Every instrument payable otherwise than on demand is entitled to \_\_\_\_ days of grace period  
(A) 2  
(B) 3  
(C) 4  
(D) 5
96. Inchoate instrument is  
(A) An instrument incomplete in some respect  
(B) An ambiguous instrument  
(C) A clean bill  
(D) Drawn conditionally as collateral security
97. Which of the following is not a Negotiable Instrument as per the Negotiable Instrument Act, 1881?  
(A) Bill of exchange  
(B) Delivery note  
(C) Cheque  
(D) Share certificate
98. How many parties are involved in a bill of exchange?  
(A) 2  
(B) 3  
(C) 4  
(D) 5
99. A void agreement is one  
(A) which is forbidden by law  
(B) enforceable at the option of one of the parties.  
(C) which is not enforceable by law  
(D) enforceable by law

100. A contract is formed when the acceptor  
 (A) has done something to signify his intention.  
 (B) makes his mind to do so.  
 (C) reads the offer  
 (D) all of the above
101. Express offers and acceptances may be proved by the agreement between the parties but implied offers can be proved only by  
 (A) the words  
 (B) the conduct  
 (C) circumstantial evidence  
 (D) both (B) and (C)
102. Sections 4 and 5 of the Indian Contract Act provide for communication of offer and acceptance and revocation thereof. In this relation, which one of the following is not correct?  
 (A) Communication of offer is complete when it reaches the offeree.  
 (B) Revocation of acceptance is complete when acceptance is posted in favour of the proposer.  
 (C) A proposal may be revoked any time before communication of acceptance.  
 (D) Acceptance may be revoked any time before communication of acceptance.
103. Consider the following statements: Consideration is  
 1. A motive for any promise  
 2. A price for any promise  
 3. Only a moral obligation  
 4. Something of value in the eye of law of these statements.  
 (A) 1, 2 and 3 are correct.  
 (B) 1 and 4 are correct.  
 (C) 2 and 4 are correct  
 (D) 3 alone is correct
104. Two persons have the capacity to contract  
 (A) if both are not of unsound mind.  
 (B) if none is disqualified from contracting by any law to which he is subject.  
 (C) if both have attained the age of majority  
 (D) All of the above
105. Which of the following types of persons are not disqualified from contracting?  
 (A) Foreign Sovereigns  
 (B) Alien Enemy  
 (C) Convicts  
 (D) None of the above
106. A agrees to sell to B a "hundred tons of oil". There is nothing whatever to show what kind of oil was intended. The agreement is  
 (A) valid  
 (B) void for uncertainty  
 (C) voidable  
 (D) illegal
107. A promised B to obtain an employment for him in a public office. B promised to pay ₹ 2,000 to A for this. B gets a job through A but refuses to pay the money. A can  
 (A) challenge B's appointment on the ground of non-payment of money  
 (B) sue B for ₹ 2,000  
 (C) do nothing  
 (D) Both (A) and (B)

108. Which one of the following is not a characteristics of a contingent contract?  
 (A) performance depends upon a future event.  
 (B) the event must be uncertain  
 (C) the event must be collateral to the contract.  
 (D) there must be reciprocal promises
109. A gives a recognizance binding him in a penalty of ₹ 500 to appear in the court on a certain day. He forfeits his recognizance. He is  
 (A) liable to pay the whole penalty.  
 (B) not liable to pay the penalty  
 (C) liable to pay partially  
 (D) none of the above
110. Agreement by way of wager are  
 (A) valid and enforceable by law  
 (B) void  
 (C) voidable at the option of party  
 (D) illegal
111. A valid tender or offer of performance must be  
 (A) made at proper time  
 (B) made at proper place  
 (C) made to the proper person  
 (D) all of the above
112. A, dealing in baby foods, sends samples by train for being exhibited at a Consumer Product's Show which fact was made known to the railway company. The goods reached the destination after the show was over. A sued the railway company for damages. A will be entitled to  
 (A) ordinary damages  
 (B) no damages  
 (C) exemplary damages  
 (D) special damages
113. Goods means  
 (A) every kind of movable property other than actionable claims and money.  
 (B) some kinds of immovable property only.  
 (C) every kind of movable property including actionable claims and money.  
 (D) Both (A) and (B)
114. Future Goods  
 (A) can be the subject matter of sale.  
 (B) cannot be subject matter of sale  
 (C) sometimes may be the subject matter of sale  
 (D) depends on circumstances
115. The doctrine of Caveat emptor is not applicable  
 (A) in case of sale under a patent name.  
 (B) in case of sale under a trade name.  
 (C) where the seller is guilty of fraud  
 (D) where the buyer relies on the skill and judgement of the seller.
116. "Nemo dat quad non habet", means  
 (A) non one is greater than God.  
 (B) none can give who does not himself posses.  
 (C) every one can give everything he has  
 (D) everyone is bound by his habit.
117. Unpaid seller can exercise his right of withholding delivery of goods



- (A) even when property in goods has passed to the buyer  
 (B) only when property in goods has not passed to the buyer  
 (C) either (A) or (B)  
 (D) neither (A) nor (B)
118. Where the sale is not notified to be subject to a right to bid on behalf of seller, and the Auctioneer knowingly takes any bid from the seller or any such person, the sale shall be treated as \_\_\_\_\_ by the buyer.  
 (A) unlawful  
 (B) illegal  
 (C) immoral  
 (D) fraudulent
119. When a cheque is payable across the counter of a bank it is called  
 (A) OTC cheque  
 (B) Open cheque  
 (C) Crossed Cheque  
 (D) Restricted cheque
120. Law of Contract  
 (A) is the whole law of obligation  
 (B) is the whole law of agreements  
 (C) deals with only such legal obligation which arise from agreement.  
 (D) deals with social agreements.
121. For an acceptance to be valid, it must be  
 (A) partial and qualified.  
 (B) absolute and unqualified  
 (C) partial and unqualified  
 (D) absolute and qualified
122. If the communication is made by an unauthorized person, it does not result in a/an  
 (A) Contract  
 (B) Agreement  
 (C) Offer  
 (D) Consideration
123. An offer does not lapse if the  
 (A) offeror dies before acceptance.  
 (B) offeree dies before acceptance  
 (C) acceptance is made by the offeree in ignorance of the death of the offeror.  
 (D) acceptance is made by the offeree with knowledge of the death of the offeror.
124. An agreement without consideration is void under  
 (A) Sec. 25(1) of the Contract Act  
 (B) Sec. 25 (3) of the Contract Act  
 (C) Sec. 25 (2) of the Contract Act  
 (D) None of the above clauses in Sec. 25
125. An agreement without consideration is void except in case of compensation for  
 (A) voluntary services rendered  
 (B) voluntary services rendered at the request of the other party to the agreement.  
 (C) voluntary services rendered at the request of third person.  
 (D) reimbursement of expenses incurred.
126. Which of the following is not competent to contract?  
 (A) a minor  
 (B) a person of unsound mind  
 (C) a person who has been disqualified from contracting by some law

- (D) all of the above
127. 'Active Concealment of fact' is associated with which one of the following?  
 (A) Misrepresentation  
 (B) Undue Influence  
 (C) Fraud  
 (D) Mistake
128. The validity of contract is not affected by  
 (A) Mistake of fact  
 (B) Mistake of Indian Law  
 (C) Misrepresentation  
 (D) Fraud
129. A promises B to pay ₹ 100 if it rains on Monday and B promises A to pay ₹ 100 if it does not rain on Monday. This agreement is  
 (A) a valid agreement  
 (B) a voidable agreement  
 (C) a wagering agreement  
 (D) an illegal agreement
130. A borrows from B ₹ 500 to bet with C. Can B recover the amount of his loan?  
 (A) Yes, the agreement between them is collateral to a wagering agreement and hence enforceable.  
 (B) Yes, the agreement is not opposed to public policy.  
 (C) No, the agreement is a voidable agreement and can be avoided by A.  
 (D) No, the agreement is wagering agreement and falls under Section 23 and hence void.
131. Which of the following statements is true in connection with the contingent contract?  
 (A) The collateral event is contingent  
 (B) The collateral event may be certain or uncertain  
 (C) The contingency even may be the mere will of the promisor.  
 (D) The main event should be contingent.
132. Quasi-Contracts are  
 (A) not contracts in the real sense of the world.  
 (B) relations which create certain obligations resembling those created by a contract  
 (C) implied contracts  
 (D) unenforceable contracts
133. If the performance of contract becomes impossible because the subject matter of contract has ceased to exist then  
 (A) both the parties are liable  
 (B) neither party is liable  
 (C) only offeror is liable  
 (D) only acceptor is liable
134. A valid contract of sale  
 (A) includes 'an agreement to sell'  
 (B) does not include 'an agreement to sell'  
 (C) includes hire purchase contract  
 (D) includes contract for work and labour
135. Transfer of documents of title to the goods sold to the buyer, amounts to  
 (A) actual delivery  
 (B) Symbolic delivery  
 (C) constructive delivery  
 (D) None of the above

136. Right of Stoppage in transit can be exercised by the Unpaid Seller, where he  
 (A) has lost his right of lien  
 (B) still enjoys his right of lien  
 (C) either (a) or (b)  
 (D) neither (a) nor (b)
137. The Sale of Goods Act, 1930 governs the transfer of property in  
 (A) movable property  
 (B) immovable property  
 (C) both movable and immovable property  
 (D) all types of properties
138. Property in the goods in the Sale of Goods Act, 1930 means  
 (A) Ownership of goods  
 (B) Possession of goods  
 (C) Asset in the goods  
 (D) Custody of goods
139. Right of Stoppage in transit may be exercised by the Unpaid Seller, by  
 (A) taking actual possession of goods.  
 (B) giving notice of his claim to the Carrier/Bailee who holds the goods  
 (C) Either (a) or (b)  
 (D) Both (a) and (b)
140. The term 'Negotiable Instrument' is defined in the Negotiable Instruments Act, 1881, under Section.  
 (A) 12  
 (B) 13  
 (C) 13A  
 (D) 2(d)
141. The Negotiable Instruments Act 1881 came into force on  
 (A) 9<sup>th</sup> December 1881,  
 (B) 19<sup>th</sup> December, 1881  
 (C) 1<sup>st</sup> March, 1882  
 (D) None of the above
142. A Promissory Note must be  
 (A) in writing  
 (B) unconditional  
 (C) signed by the maker  
 (D) all of the above

**Answer:**

1.	B	2.	D	3.	A	4.	A	5.	D
6.	A	7.	B	8.	D	9.	B	10.	B
11.	A	12.	B	13.	B	14.	D	15.	C
16.	C	17.	D	18.	B	19.	D	20.	C
21.	B	22.	D	23.	A	24.	C	25.	B
26.	A	27.	A	28.	A	29.	A	30.	C
31.	B	32.	C	33.	B	34.	D	35.	C
36.	A	37.	C	38.	C	39.	C	40.	C
41.	A	42.	B	43.	A	44.	C	45.	B
46.	A	47.	A	48.	A	49.	B	50.	D

51	A	52	B	53	D	54	C	55	B
56	A	57	C	58	C	59	C	60	C
61	A	62	D	63	C	64	A	65	D
66	C	67	B	68	D	69	D	70	B
71	C	72	A	73	C	74	B	75	D
76	B	77	C	78	B	79	A	80	A
81	D	82	D	83	B	84	A	85	C
86	B	87	A	88	B	89	A	90	C
91	B	92	A	93	A	94	D	95	B
96	A	97	D	98	B	99	C	100	A
101	D	102	D	103	C	104	D	105	D
106	B	107	C	108	D	109	A	110	B
111	D	112	D	113	A	114	A	115	C
116	B	117	A	118	D	119	B	120	C
121	B	122	B	123	C	124	D	125	A
126	D	127	C	128	B	129	C	130	D
131	A	132	B	133	B	134	A	135	B
136	B	137	A	138	A	139	C	140	B
141	C	142	D						

**II. Match the following:**

1.

	Column 'A'		Column 'B'
(i)	Consensus-ad-idem	P	As much as is earned
(ii)	Warranty	Q	Mere delivery
(iii)	Quantum of Merit	R	Identity of minds
(iv)	Order of Instrument	S	Contingent Contract
(v)	Insurance Contract	T	Collateral to the main purpose of contract.

2.

	Column 'A'		Column 'B'
(i)	Void contract	P	Threat or Force
(ii)	Condition as to Merchantability	Q	Obligation is imposed by law
(iii)	Coercion	R	Acceptability in the market
(iv)	Bill of Exchange	S	Which ceases to be enforceable by law.
(v)	Quasi Contracts	T	Endorsement and Delivery

3.

	Column 'A'		Column 'B'
(i)	Special Offer	P	Essential to the main purpose of the contract.
(ii)	Wagering Agreement	Q	Cannot be crossed
(iii)	Condition	R	Offer made to an individual or group
(iv)	Condition as to quality or fitness	S	Void
(v)	Promissory Note	T	Let the buyer be aware.

4.

	Column 'A'		Column 'B'
(i)	Void – ab – initio	P	Cheque

(ii)	Puffer	Q	Temporary in capacity
(iii)	Lunatic	R	Delivery
(iv)	Goods	S	Auction Sale
(v)	Crossing	T	Void from very beginning

5.

	Column 'A'		Column 'B'
(i)	Valid Contracts	P	Delivery by attornment
(ii)	Novation	Q	Unconditional order
(iii)	Error in consensus	R	Enforceable at law
(iv)	Constructive Delivery	S	Substitution of a new contract
(v)	Bill of Exchange	T	Absence of contract

6.

	Column 'A'		Column 'B'
(i)	Offeror	P	Agreement to receive less than what is due.
(ii)	General offer	Q	Three days
(iii)	Remission	R	An offer made to a specific person
(iv)	Price	S	The person who makes the proposal
(v)	Grace Days	T	Money Consideration

**Answer:**

1.

(i)	R
(ii)	T
(iii)	P
(iv)	Q
(v)	S

2.

(i)	S
(ii)	R
(iii)	P
(iv)	T
(v)	Q

3.

(i)	R
(ii)	S
(iii)	P
(iv)	T
(v)	Q

4.

(i)	T
(ii)	S
(iii)	Q
(iv)	R
(v)	P

5.

(i)	R
-----	---

(ii)	S
(iii)	T
(iv)	P
(v)	Q

6.

(i)	S
(ii)	R
(iii)	P
(iv)	T
(v)	Q

### III. State whether the following statement is True or False:

1. Communication of offer is complete when the offeror writes the letter but does not post it.
2. 'Caveat Emptor' means buyer be aware.
3. When the mode of acceptance is prescribed in the proposal then acceptance can be given in usual or reasonable mode.
4. Voluntary transfer of possession of goods from one person to another is called delivery of goods.
5. Can the mere writing on bills of medical practitioners that interest at one per cent, per mensem be charged, amounts to a contract?
6. If a finder of lost goods could not trace the owner or the owner refuses to pay the lawful charges of the finder, the finder can resell the goods when the thing is perishable or when his lawful charges for finding the owner amount to 1/3<sup>rd</sup> of value of goods.
7. Where a person is in a position to dominate the will of another person and uses that position to obtain an unfair advantage over the other, it is called undue influence.
8. Negotiable Instruments can be transferred ad infinitum.
9. Can a letter of acceptance to a Proposer, not correctly addressed, although posted, be said to have been 'put in a course of transmission' to him?
10. An instrument incomplete in some respect is known as inchoate instrument.
11. Can there be an acceptance of an offer which has not come to the knowledge of the offeree?
12. Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are Negotiable Instruments.
13. According to Indian Law, 'Consideration' may be past, present or future which the promisor is already bound to deliver.
14. Under Indian Law, 'acceptance' is revocable.
15. In case of a 'Void Contract' there is no legal remedy for the parties to the contract. Even the court will not permit performance of the contract, even if the parties desire.
16. Remaining silent with respect to the known defect is fraudulent.
17. A threatens to shoot B, if B does not agree to sell his property to A at a stated price. If B gives his consent on A's threat, it could be said that his consent has been obtained by 'Undue Influence'.
18. An agreement with insufficiency of consideration is void ab initio.
19. In case of 'agreement of sell', the loss will be borne by the seller even though the goods may be in possession of the buyer.
20. In an Auction sale, the auctioneer warrants that he has no knowledge of any defect in his principal's title.
21. A finder of lost goods can sell the goods when the goods are perishable in nature or when the lawful charges of the finder of lost goods amount to 1/3<sup>rd</sup> of its value.
22. A contract of sale can also be made by the implied conduct of the parties.
23. If a promissory note or bill of exchange bears the expression 'at sight' and 'on presentation', it means on demand.
24. A cheque crossed as 'Not Negotiable' can also be transferred like any other cheque.
25. Risk is associated with possession of goods.

26. All kinds of obligations between the parties form part of the contract.
27. A master asks his servant to sell his cycle to him at less than the market price. This contract can be avoided by the servant on grounds of mistake.
28. An offer need not be made to an ascertained person.
29. Delivery of goods can be actual and constructive.
30. A price list hanging outside the shop is meant for an offer by the owner of the shop.
31. A person is competent to contract if he is a graduate.
32. In the absence of any express or implied directions from the offeror to the contrary, can an offer be accepted by a letter?
33. A pawnee may under certain circumstances sell the goods pledged to him on giving the pawnor reasonable notice of the sale.
34. P renders some service to D at D's desire. After a month D promises to compensate P for the service rendered to him, it is a future consideration.
35. When a bill is drawn, accepted or endorsed for consideration it is a fictitious bill.
36. A buys an article thinking that it is worth ` 100 when in fact it is worth only ` 50. There has been no misrepresentation on the part of the seller. The contract is unenforceable.
37. Quasi contract is not a contract.
38. An agreement in restraint of legal proceedings are void.
39. Amount paid under mistake of law cannot be recovered back.
40. If consent is not free due to coercion, undue influence the agreement is void.
41. Silence is fraud when silence is, in itself equivalent to speech.
42. When there is breach of contract, the aggrieved party has no remedy.
43. When a person who is in a position to dominate the will of other and uses that position to obtain unfair advantage over the other. This is a case of coercion.
44. The unpaid seller has right against the goods sold when the property in the goods has passed on to the buyer.
45. Mr. A tells Mr. B in presence of Mr. C that he (Mr. A) is the agent of Mr. C. Mr. C maintains silence instead of denying it. Later Mr. A sells Mr. C's goods to Mr. B. In this case Mr. C cannot dispute B's title to the goods.
46. In the case of sale by auction if the seller makes use of pretended bidding to raise the price, the sale is void.
47. A minor cannot draw indorse, deliver, negotiate a valid negotiable instrument.
48. The holder in due course of a negotiable instrument can sue on the instrument in his own name.
49. S agreed to sell 10 silver coins for ` 4,000 to B. This is an example of contract of sale.
50. Appointment of agent for the creation of agency without any consideration is valid under Section 185 of the Contract Act.
51. Conditions and warranties can be implied or expressed.
52. Quiet possession, freedom from encumbrance, disclosing dangerous nature of goods etc are expressed conditions in a contract of sale.
53. If a finder of lost goods could not find the true owner with reasonable effort or the true owner refuses to pay the lawful charges of the finder of lost goods, the finder of lost goods can sell such goods when the lawful charges of the finder of lost goods amounts to 1/3<sup>rd</sup> of its value.
54. Void contracts do not provide any legal remedy for the parties to the contract.
55. Remaining silent with respect to the known defects fraudulent.
56. A mows B's lawn without asked by B to do so. B watches A do the work but does not attempt to stop him. Thus A is entitled to get consideration from B.
57. A invites B to dinner in a top class restaurant. B accepts the invitation but fails to turn up. A incurred certain expenses on his account. Under the Contract Act, A can sue B for own damage.
58. In a voidable contract, if a third party who purchased goods in good faith and for consideration before the contract is repudiated, acquires good title to those goods.
59. If in certain special cases of breach of contract, if the court is of opinion that there is no standard for ascertaining the actual damage caused by the non-performance, the court may in such cases, order specific performance of the contract.
60. A negotiable instrument may be payable to two or more persons jointly or it may be made payable in the alternative to one of two or one or some of several payees.
61. All contracts are agreements.

62. An acceptance will be revoked at any time before the communication of acceptance is complete against the acceptor, but not afterwards. Is it true or not?
63. A contract is said to be executed when it has been performed wholly on two sides.
64. Can a mere mental resolve to make an offer unless such intention is also communicated to the other party has agreed to make such statement?
65. After a transaction has ripened into a contract, does it require the consent of both parties to revoke or modify it?
66. If the agreement is made by obtaining consent by doing an act forbidden by the Indian Penal Code, the agreement would be caused by fraud.
67. An officer enters into a contract with his subordinate to sell his (subordinate's) house at a lower price than that of market price. The subordinate may challenge the contract on the ground of mistake.
68. Breach of condition give the aggrieved party right to repudiate the contract.
69. Seller can sue for price only when property in goods has passed on to the buyer.
70. Right of Stoppage of goods in transit can be exercised subject to fulfillment of some conditions.
71. Negotiable Instruments can be transferred *ad infinitum*.
72. Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are Negotiable Instruments.

**Answer:**

1.	False
2.	True
3.	False
4.	True
5.	False
6.	False
7.	True
8.	True
9.	False
10.	True
11.	False
12.	False
13.	True
14.	True
15.	True
16.	True
17.	False
18.	False
19.	True
20.	True
21.	False
22.	True
23.	True
24.	True
25.	Flase
26.	False
27.	False
28.	False
29.	False
30.	False
31.	False
32.	True
33.	True
34.	False



35.	False
36.	False
37.	True
38.	True
39.	False
40.	False
41.	True
42.	False
43.	False
44.	False
45.	True
46.	False
47.	True
48.	True
49.	True
50.	True
51.	True
52.	False
53.	False
54.	True
55.	True
56.	True
57.	False
58.	True
59.	True
60.	True
61.	True
62.	True
63.	True
64.	False
65.	True
66.	False
67.	False
68.	True
69.	True
70.	True
71.	True
72.	False

# FUNDAMENTALS OF ETHICS

## I. Choose the correct answer from the given four alternatives:

1. The word ethics is derived from
  - (A) Latin word 'ethike'.
  - (B) Greek word 'ethik'
  - (C) Greek word 'ethike'
  - (D) Latin word 'ethik'
  
2. 'It is difficult but not impossible to conduct strictly honest business' is famous quote by:
  - (A) Mahatma Gandhi
  - (B) Adam Smith
  - (C) George Bernard Shaw
  - (D) Peter Drucker
  
3. The term 'business ethics' came into common use in year \_\_\_\_\_
  - (A) 1950
  - (B) 1960
  - (C) 1970
  - (D) 1980
  
4. Ethics is a set of \_\_\_\_\_ of human conduct that govern the behavior of individuals or organization.
  - (A) principles
  - (B) standards
  - (C) principles or standards
  - (D) None of the above
  
5. \_\_\_\_\_ is about obeying and adhering to rule and authority.
  - (A) Ethics
  - (B) Code
  - (C) Conduct
  - (D) Compliance
  
6. Which of the following is an unethical business practice?
  - (A) Collusion
  - (B) False Communication
  - (C) Insider Trading
  - (D) All of the above
  
7. Administrative corruption includes 'gifts' to the \_\_\_\_\_
  - (A) factory inspector
  - (B) boiler inspector
  - (C) pollution control board inspectors
  - (D) All of the above
  
8. Business ethics is based on well accepted \_\_\_\_\_
  - (A) moral and social values
  - (B) social values only
  - (C) moral values only
  - (D) none of the above
  
9. Business ethics has a \_\_\_\_\_ application.
  - (A) universal

- (B) natural
  - (C) practical
  - (D) none of the above
10. \_\_\_\_\_ are beliefs about what is right and wrong or good or bad.
- (A) morals
  - (B) motivators
  - (C) cultures
  - (D) ethics
11. Business Ethics is \_\_\_\_\_ in nature.
- (A) absolute
  - (B) not absolute
  - (C) permanent
  - (D) none of the above
12. The relevance of ethics is in its
- (A) Context
  - (B) Principles
  - (C) Application
  - (D) Understanding
13. Business malpractice does not include
- (A) Black marketing
  - (B) Adulteration
  - (C) Advertising
  - (D) Duplication
14. Ethics refers to a \_\_\_\_\_ that guides an individual while dealing with others.
- (A) code
  - (B) conduct
  - (C) code of conduct
  - (D) rules of conduct
15. Ethics in compliance means
- (A) it is about obeying and adhering to rules and authority.
  - (B) it deals with the moral principles behind the operation and regulation of marketing.
  - (C) it deals with the duties of a company to ensure that products and production processes do not cause harm.
  - (D) None of the above
16. \_\_\_\_\_ made it important for businesses to have an ethics code, something in writing about what one ought to do, and what to strive for.
- (A) The Ethics & Code Conduct Act, 2000
  - (B) The Sarbanes-Ethics of Code Conduct Act, 2001
  - (C) The Sarbanes-Oxley Act, 2002
  - (D) None of the above
17. Compliance is about obeying and adhering to \_\_\_\_\_.
- (A) rules an authority
  - (B) discipline
  - (C) laws
  - (D) All of the above
18. An expert who is confidentially available to solve the ethical dilemmas is known as \_\_\_\_\_.
- (A) Ethic coach
  - (B) Ethics trainer
  - (C) Ethics guide

- (D) None of the above
19. Which of the following statements about business ethics is true?
- (A) It concerns the impact of a business activities on society.
  - (B) It refers to principles and standards that determine acceptable behavior in the world of business.
  - (C) It relates to an individual's values and moral standards and the resulting business decisions he or she makes.
  - (D) What is ethical is determined by the public, government regulators, interest groups, competitors and individual's personal moral values.
20. Top managers demonstrate commitment to ethical business practices with
- (A) the adoption of written codes of ethics.
  - (B) employee empowerment.
  - (C) decentralized decision making practices.
  - (D) collusion with other companies.
21. Feature that is NOT present in business ethics are—
- (A) It has universal application.
  - (B) It is absolute in nature.
  - (C) It depends from business to business.
  - (D) It cannot be enforced by law.
22. In setting ethical standards, perhaps the most effective step that a company can take is to
- (A) adopt a code of ethics.
  - (B) demonstrate top management support of ethical standards.
  - (C) engage employees in ethics training.
  - (D) take an accommodative stance.
23. Following is not a professional characteristic:
- (A) Competition (Undercutting)
  - (B) Competency
  - (C) Character
  - (D) Compensation
24. Ethics has become important because of
- (A) Globalization
  - (B) Communication explosion
  - (C) Both (A) and (B)
  - (D) None of the above
25. Corporate codes of ethics
- (A) are always externally audited.
  - (B) create guidelines for employees to work by.
  - (C) are always compliance based.
  - (D) are always integrity based.
26. Ethical and unethical behaviours are determined by
- (A) the individual.
  - (B) the culture.
  - (C) both the individual and the culture.
  - (D) neither the individual nor the culture.
27. The crucial step in understanding business ethics is
- (A) Establishing codes of ethics.
  - (B) Learning to recognize ethical issues.
  - (C) Having efficient operations.
  - (D) Implementing a strategic plan.

28. A set of principles and expectations that are considered binding on any person who is member of a particular group is known as
- (A) Code of ethics
  - (B) Values
  - (C) Ethics
  - (D) None of the above
29. The idea of business ethics caught the attention of academics, media and business firms by the end of the \_\_\_\_\_ .
- (A) First World War
  - (B) Second World War
  - (C) Cold War
  - (D) None of the above
30. Which of the following is not a 'Code of conduct' ?
- (A) Code of ethics
  - (B) Code of practices
  - (C) Code of behaviour
  - (D) Code of management
31. Ethical executives abide by \_\_\_\_\_ relating to their business activities.
- (A) laws
  - (B) rules
  - (C) laws, rules and regulations
  - (D) None of the above
32. \_\_\_\_\_ is a set of principles and expectations that are considered binding on any person who is member of a particular group.
- (A) Code of conduct
  - (B) Code of ethics
  - (C) Code of practice
  - (D) Any of the above
33. Law is \_\_\_\_\_ of ethics.
- (A) No connection
  - (B) Decodification
  - (C) Codification
  - (D) Visualisation
34. Business ethics calls for avoidance of
- (A) Competition
  - (B) Publicity
  - (C) Monopoly
  - (D) Self Interest
35. Ethics has evolved with evolution of
- (A) Culture
  - (B) Value
  - (C) Moral
  - (D) Society
36. Business ethics relates to
- (A) Customers decisions
  - (B) Government decisions
  - (C) Society's decisions
  - (D) An individual's or work group's decisions
37. Morality means:
- (A) What is considered as correct within a society.

- (B) Making the right decision and avoid a wrong decision.
  - (C) Defining what is right and wrong for an individual or a community.
  - (D) It helps an individual to make an ethical decision.
38. Business ethics is
- (A) The study of business situations, activities and decisions where issues of right and wrong are addressed.
  - (B) Defined as decisions organizations make on issues that could be considered right or wrong.
  - (C) Ethics that can be applied to an organization's practices for profit maximization.
  - (D) Ethical processes businesses use in order to achieve a good ethical standard.
39. "We wish to be good citizens of every community in which we operate." This is
- (A) Ethical Code
  - (B) Political and Social Code
  - (C) Legal Rule
  - (D) Legal Act
40. The study of ethics is divided into \_\_\_\_\_ operational areas.
- (A) four
  - (B) three
  - (C) five
  - (D) seven
41. Business Ethics is a code of conduct which society should follow while conducting their social activities.
- (A) True
  - (B) False
  - (C) Partly true
  - (D) None of the above
42. Which statement is/are true?
- (A) Ethics is not synonymous to religious morality or moral theology.
  - (B) Ethics is the principle that guide the human behaviour.
  - (C) The terms 'ethics' and 'morality' are not synonymous terms.
  - (D) All of the above
43. Which of the following does not contribute to the development of a business enterprise's standard of ethics?
- (A) Competitors' behaviours
  - (B) Society's norms and values
  - (C) Life experiences of company's key persons
  - (D) Environmental situations
44. Unethical behaviour is often triggered by
- (A) Pressure from higher management to achieve goals.
  - (B) An organizational atmosphere that ignores such behaviour.
  - (C) A regular control system of checks and balances.
  - (D) Both (A) and (B)
45. Business Ethics is a code of conduct which businessmen should follow while conducting their
- (A) Special activities
  - (B) Specific activities
  - (C) Normal activities
  - (D) None of the above
46. Managers today are usually quite sensitive to issues of social responsibility and ethical behavior because of \_\_\_\_\_.

- (A) Interest groups
  - (B) Legal and governmental concerns
  - (C) Media coverage
  - (D) All of the above
47. Which functional area in business ethics is about obeying and adhering to rules and authority?
- (A) Ethics in finance
  - (B) Ethics in production
  - (C) Ethics in compliance
  - (D) None of the above
48. Holders of Public Office should promote and support the seven principles of public life by \_\_\_\_\_ and prove to be example in whatever way they perform.
- (A) accountability
  - (B) integrity
  - (C) leadership
  - (D) Honesty
49. The relevance of ethics is in its
- (A) Principles
  - (B) Understanding
  - (C) Context
  - (D) Application
50. Which one of the following is not the seven principles of public life?
- (A) Selfishness
  - (B) Objectivity
  - (C) Content
  - (D) Honesty
51. For survival of business
- (A) to have guidance on ethics
  - (B) it is always better to follow appropriate code of conduct to survive in the market.
  - (C) need to obtain feedback from customers.
  - (D) to have Governments support.
52. Reasons why a “good understanding of business ethics” is important, can be stated as follows:
- (A) Healthy Competition
  - (B) Conduct
  - (C) Accountability
  - (D) Application
53. The main aim or objective of business is
- (A) to Increase in profit
  - (B) consumer satisfaction
  - (C) To become a business leader
  - (D) creation of job opportunities
54. Business Ethics helps to
- (A) create wealth
  - (B) stop business malpractices
  - (C) expand business
  - (D) None of the above
55. Business Ethics is also called as
- (A) Absolute Ethics
  - (B) Permanent Ethics

- (C) Corporate Ethics
- (D) None of the above

56. Following is not a Professional characteristics:

- (A) Competition
- (B) Character
- (C) Competency
- (D) Compensation

**Answer:**

1.	C	2.	A	3.	C	4.	C	5.	D
6.	D	7.	D	8.	A	9.	A	10.	D
11.	B	12.	C	13.	C	14.	C	15.	A
16.	C	17.	A	18.	A	19.	B	20.	A
21.	B	22.	B	23.	A	24.	C	25.	B
26.	C	27.	B	28.	A	29.	C	30.	D
31.	C	32.	B	33.	C	34.	C	35.	D
36.	D	37.	C	38.	A	39.	A	40.	A
41.	B	42.	D	43.	A	44.	D	45.	C
46.	D	47.	A	48.	C	49.	D	50.	C
51.	B	52.	A	53.	B	54.	B	55.	C
56.	A								

**II. State whether the following statement is True or False:**

1. Ethics has evolved with evolution of society.
2. Morals refers to well – founded standards of right and wrong that describe what humans ought to do in terms of rights, obligations, benefits to society.
3. Law is Codification of ethics.
4. Holders of public office are not accountable for their decisions and actions to the public.
5. Business ethics is also called as corporate ethics.
6. Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of civil society.
7. A Monopoly is not harmful to the customer.
8. The Consumer is the King of the market.
9. Our roles may change from time to time and from place to place but the integrity of our character should not be maintained.
10. Business Ethics can be said to begin where law ends.
11. 'It is difficult but not impossible to conduct strictly honest business. What is true is that honesty is incompatible with amassing of large fortune' said by Adam Smith.
12. Ethics and Morals are used as synonyms.
13. Ethics fundamentally comprises of three elements.
14. The laws of a country are not based on the customs or moral codes of its society.
15. The only value business is concerned with is the monetary value.
16. 'There are two fools in every market: one asks too little, one asks too much,' is a French proverb.
17. Business malpractices are harmful to the consumers.
18. Business ethics are not required to protect the interest of shareholders.
19. Not all unethical practices are illegal.
20. What people do normally value and what they should value are not necessarily the same.
21. If something is seriously wrong, the law will prohibit it. It means, it's enough to rely on the law for deciding what's right or wrong— ethics has no role to play there.



22. Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of a civil society.
23. Because people already know what is right and what is wrong, the study of business ethics is nothing more than an unprofitable exercise.
24. Ethics refers to the study and development of one's ethical standards.
25. The object of Social Code of Conduct is to maintain, promote and elevate harmonious relationships.
26. Selflessness is not one of the seven principles of public life.
27. Customers have more trust and confidence in the businessmen who follows ethical rules.
28. Business ethics relates to Government decision.
29. Business ethics are not gaining importance, because of growth of consumer movement.
30. Compensation, competency and character are the three C's of professional character of Business Ethics.
31. Business Ethics has no universal application.
32. Ethics is about obeying and adhering to Rules and Authority.
33. Ethics refers to the study of one's ethical standard.
34. Compliance is about obeying and adhering to Rules and Authority.
35. The relevance of Ethics is in its application.

**Answer:**

1.	True
2.	False
3.	True
4.	False
5.	True
6.	True
7.	False
8.	True
9.	False
10.	True
11.	False
12.	True
13.	False
14.	True
15.	True
16.	False
17.	True
18.	False
19.	True
20.	True
21.	False
22.	True
23.	False
24.	True
25.	True
26.	False
27.	True
28.	False
29.	False
30.	True
31.	False
32.	False
33.	True
34.	True
35.	True

## **PRACTICE QUESTIONS**

### **Indian Contract Act, 1872**

1. Which one of the following is correct?

- (a) Indian Contract Act, 1882
- (b) Indian Contract Act, 1972
- (c) Indian Contract Act, 1872
- (d) Indian Contract Act, 1888.

**Answer:**

2. The Law of Contract is nothing but-

- (a) A Child of Commercial dealing
- (b) A Child of Religion
- (c) A Child of day to day Politics
- (d) A Child of Economics.

**Answer:**

3. The Indian Contract Act, 1872 extends to-

- (a) Whole of India
- (b) Whole of India excluding Jammu and Kashmir.
- (c) North India Only.
- (d) South India Only.

**Answer:**

4. To form a valid contract, there should be atleast-

- (a) Two parties
- (b) Three parties
- (c) Four parties
- (d) Five parties.

**Answer:**

5. Contractual rights and duties are created by-

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

**Answer:**

6. Every Contract is an agreement but every agreement is not a contract/ This statement is -

- (a) Wrong
- (b) Correct
- (c) Correct Subject to certain exceptions
- (d) Partially correct.

**Answer:**

7. Agreement is defined in section of the Indian Contract Act, 1872.

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

**Answer: \_**

8. As per section 2(e) of the Indian Contract Act, "Every Promise and every set of promise forming the consideration for each other is a/an

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

**Answer:**

9. A promises to deliver his watch to B and, in return.

B Promise to pay a sum of ` 2,000. There is said to be a/ an-

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

**Answer:**

10. An Agreement is -

- (a) Offer
- (b) Offer+ Acceptance
- (c) Offer + Acceptance + Consideration
- (d) Contract

**Answer:**

11. A Contract is -

- (a) A promise to do something or abstain from doing something.
- (b) A communication of intention to do something or abstain from doing something
- (c) A set of promises.
- (d) An agreement enforceable by law.

**Answer:**

12. Contract is defined as an agreement enforceable by Law, vide section \_\_\_\_ of the Indian Contract Act.

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

**Answer:**

13. Which of the following is false? An offer to be Valid must:

- (a) Contain a term the non- compliance of which would amount to acceptance.
- (b) Intend to create legal relations.
- (c) Have certain and unambiguous terms.
- (d) Be communicated to the person to whom it is made.

**Answer:**

14. Over a cup of coffee in a restaurant. X Invites Y to dinner at his house on a Sunday". Y hires a taxi and reaches X's house at the appointed time, but x fails to perform his promise. Can Y recover any damages from X?

- (a) Yes, as y has suffered
- (b) No, as the intention was not to create legal relation.
- (c) Either (a) or (b)

(d) None of these.

**Answer:**

15. Which one of the following is the best statement about the Indian Contract Act?

- (a) It is an exhaustive code containing the entire law of contract.
- (b) It is an Act to amend certain parts of the law relating to contracts.
- (c) It is an Act to define certain parts of the law relating to contracts and contains only the general principles of contract.
- (d) It is not an exhaustive code containing the entire law of contracts being an Act to define and amend certain parts of law relating to contract\_\_\_\_\_

**Answer:**

16. Which of following is a contract?

- (a) A engages B for a certain work and promises to pay such remuneration as shall be fixed. B does the work.
- (b) A and B promise to marry each Other.
- (c) A takes a Seat in a public vehicle
- (d) A invites B to a card party. B accepts the invitation.

Answer:

17. For binding contract both the parties to the contract must:

- (a) Agree upon the same thing in the same sense.
- (b) Put the offer and counter offers.
- (c) Stipulate their individual offer
- (d) Agree with each other.

**Answer:**

18. Which one of the following has the correct sequence.

- (a) Offer, acceptance, consideration, offer.
- (b) Offer, acceptance, consideration, contract
- (c) Contract, acceptance, consideration, offer.
- (d) Offer, consideration, acceptance, contract.

Answer:

19. Goods displayed in a Shop window with a price label will amount to:

- (a) Offer
- (b) Acceptance of offer
- (c) Invitation to offer
- (d) Counter offer

**Answer:**

20. What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?

- (a) An offer
- (b) An obligation
- (c) An invitation to offer
- (d) A promise to make available the books at the listed place.

**Answer:**

21. Which one of the following statement about a valid acceptance of an offer is incorrect?

- (a) Acceptance should be absolute and unqualified.
- (b) Acceptance should be in the prescribed manner

- (c) Acceptance should be made while the offer is subsisting
- (d) Acceptance should be communicated

**Answer:**

22. A Counter offer is:

- (a) A rejection of the original offer
- (b) An acceptance of the offer.
- (c) A bargain
- (d) An invitation to treat

**Answer:**

23. A person making a proposal is called:

- (a) Promisor
- (b) Vendor
- (c) Contractor
- (d) Promise\_\_\_\_\_

**Answer:**

24. Which one of the following will constitute a valid acceptance?

- (a) An enquiry as to fitness of the subject matter of contract.
- (b) A provisional acceptance
- (c) Addition of a superfluous term, while accepting an offer.
- (d) A conditional acceptance.

**Answer:**

25. X Offers by a Letter to sell his car to Y for ₹.95,000. Y at the same time, offers by a letter to buy X's car for ₹ 15,000 The two letters cross each other in the post. Is there a concluded contract between X and Y ?

- (a) Yes. there is a concluded contract between X and Y.
- (b) No, only crossing of offers.
- (c) Can't say
- (d) None of these.

**Answer:**

26. S offers to sell B his car for ₹ 50,000. T, standing nearby, says, " I will take it if B does not take it. B is not interested in the car. What will be the position if T says to S " Here is the money, I take the car."

- (a) There is a contract between S and T
- (b) There is no contract between S and T
- (c) S may or may not accept the offer.
- (d) Both (b) and (c).

**Answer:**

27. Which one of the following statement is true?

- (a) Offer and acceptance are revocable
- (b) Offer and acceptance are irrevocable
- (c) An offer can be revoked but acceptance cannot
- (d) An offer cannot be revoked but acceptance can be revoked.

**Answer: \_\_\_\_\_**

28. P advertises in a daily newspaper that he will give a prize of ₹ 1,000 to the first person to swim the

English channel and back during the month of August. F, who has read the advertisement, sets off from Dover on 1<sup>st</sup> August and reaches the coast of France on 2<sup>nd</sup> August. On that day, a further advertisement appears in the same newspaper stating that the offer of the prize has been withdrawn. On 3<sup>rd</sup> August F completes the return swim to England. Can F recover the prize?

- (a) Yes, as the second advertisement is ineffective so far as F is concerned.
- (b) No, as the offer was revoked.
- (c) F can only claim for damages.
- (d) None of the above.

**Answer:**

29. The Communication of acceptance through telephone is regarded as complete when:

- (a) Acceptance is spoken on phone.
- (b) Acceptance comes to the knowledge of party proposing.
- (c) Acceptance is put in course of transmission.
- (d) Acceptance has done whatever is required to be done by him.

**Answer:**

30. An auctioneer advertised in a newspaper that a sale of office furniture would be held at Delhi. A broker of Bombay, reached Delhi on the appointed date and time.

But the auctioneer withdrew all the furniture from the auction sale. The broker sues him for his loss of time and expenses. Will he succeed?

- (a) Yes, he will succeed.
- (b) No, he will not succeed.
- (c) Can't say
- (d) None of these.

**Answer:**

31. Which one of the following falls into the category of offer?

- (a) Newspaper advertisement regarding sale.
- (b) Display of goods by a shopkeeper in his window with prices marked on them
- (c) An advertisement for a concert.
- (d) Announcement of reward to the public.

**Answer:**

32. A sees an article marked "Price Rupees Twenty" in B's shop He offers.

Rs. 20 for the article. B. refuses to sell saying the article is not for sale. Advise A.

- (a) A cannot force B to sell the article at Rs. 20
- (b) A can force B to sell the article-at Rs. 20
- (c) A can claim damages
- (d) A can sue B in the Court.

**Answer:**

33. Which one of the following statement is incorrect?

- (a) Oral acceptance is a valid acceptance.
- (b) Mere silence is not acceptance
- (c) Acceptance must be communicated
- (d) Acceptance may not be in the prescribed manner

**Answer:**

34. 'A' Offered a reward of Rs. 1,000. for recovery of some valuable missing article 'B' who did not know of this offer, found the articles and gave the same to 'A'.

- (a) As there is no acceptance of an offer due to want of knowledge, B is not entitled to get the reward of ` 1,000.
- (b) Giving delivery of articles to 'A' amounts to an acceptance and hence 'B' is entitled to get the reward of ` 1,000.
- (c) Giving delivery of articles to 'A' amounts to performance of condition precedent to an offer and hence there is valid acceptances. 'B' must get the reward of ` 1,000.
- (d) In the absence of any Legal obligation on 'A' no claim for reward of ` .1,000 is maintainable by 'B'.

**Answer:**

35. Consider the following statement:

- (a) There is no difference between the English Law and Indian Law with regard to acceptance through post.
- (b) Both Under the English Law and the Indian Law a contract is concluded when the letter of acceptance is posted.
- (c) Under the Indian Law when the Letter of acceptance is posted it is completed only as against the proposer.

Which of the above statement is/are correct?

- (a) 1 and 2 (b) 2 alone (c) 3 alone
- (d) None

**Answer:**

36. In Commercial and business agreements, the intention of the parties to create legal relationship is -

- (a) Presumed to exist
- (b) To be specifically expressed in writing
- (c) Not relevant or all
- (d) Not applicable.

**Answer:**

37. An agreement is a Voidable Contract when it is -

- (a) Enforceable
- (b) Enforceable by Law at the option of the aggrieved party
- (c) Enforceable by both the parties
- (d) Not enforceable at all.

**Answer: \_**

38. A Contract creates -

- (a) Rights in personam
- (b) Rights in rem
- (c) Only rights and no obligations
- (d) Only Obligations and no rights.

**Answer:**

39. An agreement not enforceable by Law is said to be void under section \_\_\_\_\_ of the Indian Contract Act.

- (a) 2(a)
- (b) 2(b)
- (c) 2(f)
- (d) 2(g)

**Answer:**

40. Agreements that do not give rise to contractual obligations are not contracts.

- (a) True
- (b) Partly True
- (c) False \_\_\_\_\_
- (d) None of the above

**Answer:**

41. Agreements of a social nature or domestic nature do not contemplate legal relationship and as such are not contracts, which can be enforced.

- (a) True
- (b) Partly True
- (c) False \_\_\_\_\_
- (d) None of the above

**Answer:**

42. When the contract is perfectly valid in its substance but cannot be enforced because of certain technical defects. This is called a/ an-

- (a) Unilateral Contract
- (b) Bilateral Contract
- (c) Unenforceable Contract
- (d) Void Contract

**Answer: \_\_**

43. The term " Proposal or offer" has been defined in - of the Indian contract Act.

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

**Answer:**

44. The term " Promise" has been defined in — of the Indian Contract Act.

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

**Answer:**

45. The person making the proposal is called —

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

**Answer:**

46. Offer implied from conduct of parties or from circumstances of the case is called -

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

**Answer:**



47. An offer made to a - (i) Specific person, or (ii) a group of persons is known as-

- (a) Standing offer
- (b) Specific offer
- (c) Special offer
- (d) Separate offer

**Answer:**

48. Communication of proposal is complete when it comes to the knowledge of -

- (a) The person to whom it is made
- (b) The proposer
- (c) Either (a) or (b)
- (d) The Court.

**Answer:**

49. Terms of an offer must be

- (a) Ambiguous
- (b) Uncertain
- (c) Definite\_\_\_\_\_
- (d) Vague

**Answer: j**

50. Offer should not contain a term, the non- Compliance of which would amount to acceptance.

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

**Answer:**

51. When two persons make identical offers to each other, in ignorance of each other's offer, it is called -

- (a) Cross offers
- (b) Implied offers
- (c) Direct offers
- (d) Express offers.

**Answer:**

52. When there is a Cross offer, the original offer terminates.

- (a) True
- (b) Partly True
- (c) False \_\_\_\_\_
- (d) None of the above

**Answer:**

53. An offer is revoked -

- (a) By the death or insanity of the proposer
- (b) By Lapse of time
- (c) By Communication of notice of revocation
- (d) All of these

**Answer:**

54. A Change in law or Circumstance rendering the original offer unlawful or impossible, will lead to termination of the offer.

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

**Answer:**

55. Acceptance can precede an offer

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

**Answer:**

56. Acceptance in ignorance of the offer is -

- (a) Valid
- (b) Invalid
- (c) Void \_\_\_\_
- (d) Voidable

**Answer:**

57. Acceptance should be given within -

- (a) The time specified by the Offerer
- (b) A reasonable time
- (c) Such time as the offer lapses
- (d) All of the above

**Answer:**

58. An acceptance on telephone should be -

- (a) Heard by the offeror
- (b) Audible to the offeror
- (c) Understood by the offeror
- (d) All of the above.

**Answer: \_\_**

59. Section \_\_\_\_\_ of the Indian Contract Act defines "Consideration".

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

**Answer:**

60. Consideration must move at the desire of-

- (a) The promisor
- (b) The promisee
- (c) The promisor or any third party
- (d) Both the promisor and the promisee

**Answer:**

61. 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.

**Answer:**

62. Past Consideration is valid in -

- (a) England Only
- (b) India Only
- (c) Neither in England nor in India
- (d) both in England and India

Answer:

63. Agreement without consideration is valid, when made

- (a) Out of love and affection due to near relationship
- (b) To pay a time barred debt
- (c) To compensate a person who has already done something voluntarily
- (d) All of the above

**Answer:**

64. A debt barred by limitation cannot be recovered. Hence, a promise to pay such a debt is without any consideration and hence invalid.

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

**Answer:**

65. Inadequacy of consideration does not render a contract invalid.

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

**Answer:**

66. If only a part of the consideration or object is unlawful, the Contract is -

- (a) Valid to the extent the same are lawful
- (b) Void to the extent the same are unlawful
- (c) Valid as a whole
- (d) Void as a whole.

**Answer:**

67. The expression "Privity of contract" means -

- (a) A Contract is Contract between the parties only
- (b) A Contract is a private document
- (c) Only private documents can be contracts
- (d) The contacts may be expressed in some usual and reasonable manner. \_\_\_\_\_

**Answer: \_**

68. Under the Indian Contract Act, a third person -

- (a) Who is the beneficiary under the Contract can sue
- (b) From whom the consideration has proceeded can sue
- (c) Can not sue even if the consideration has proceeded from him.

(d) Can not sue at all for want of privity of contract.

**Answer:**

69. In India, a person who is stranger to the Consideration.

- (a) Can sue based on the Contract
- (b) Can not sue based on the Contract
- (c) Can sue depending on the Conditions
- (d) Can sue if permitted by the court.

**Answer:**

70. The Beneficiary of a Trust or other interest in specific immovable property, can enforce it even if he is not a party named in the Trust Deed.

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

**Answer:**

71. Capacity to Contract has been defined in -

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

**Answer: \_\_**

72. Competency to Contract means -

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

**Answer:**

73. Which of the following is not Competent to Contract?

- (a) A minor
- (b) A person of unsound mind
- (c) A person who has been disqualified from contracting by some Law
- (d) All of these

**Answer:**

74. A minor's agreement is void. This was held in the case of -

- (a) Mohiri Bibee V. Dharmadas Ghosh
- (b) Nihal Chand V. Jan Mohamed khan
- (c) Suraj Narain V. Sukhu Aheer
- (d) Chinnaiya V. Ramaiya.

**Answer:**

75. The age of majority for the purpose of the Indian Contract Act is -

- (a) 16 years for girls & 18 years for boys
- (b) 18 years for girls & 21 years for boys
- (c) 18 years
- (d) 21 years.

**Answer:**

76. A minor's agreement can be ratified or attaining majority.

- (a) True
- (b) Partly True
- (c) False \_\_\_\_\_
- (d) None of these

**Answer:**

77. \_\_\_\_\_ are goods suitable to the condition in the life of the minor and to his actual requirements at the time of sale and delivery.

- (a) Necessaries
- (b) Goods
- (c) Life Style Products
- (d) Luxuries.

**Answer:**

78. " Consensus - ad - idem" means --

- (a) General Consensus
- (b) Meeting of minds upon the same thing in the same sense
- (c) Reaching an agreement
- (d) Reaching of contract

**Answer:**

79. A Contract which is formed without the free consent of parties, is -

- (a) Valid
- (b) Illegal
- (c) Voidable\_\_\_\_
- (d) Void ab-initio

**Answer:**

80. Contracts under unilateral mistake are \_\_\_\_\_ if such mistake is caused by the fraud or misrepresentation of the other party.

- (a) Valid
- (b) Void
- (c) Illegal \_\_\_\_\_
- (d) Unenforceable

**Answer: \_**

81. Mistake as to foreign law is treated in the same manner as -

- (a) Mistake of India Law
- (b) Mistake of Fact
- (c) Misrepresentation
- (d) Fraud

**Answer: \_\_\_\_\_**

82. If an agreement suffers from any uncertainty. It is -

- (a) Voidable
- (b) Void
- (c) Unenforceable
- (d) Illegal.

**Answer:**

83. All illegal agreements are-

- (a) Void- ab- initio
- (b) Valid
- (c) Contingent\_
- (d) Enforceable

**Answer:**

84. A promise to give money or money's worth upon the determination or ascertainment of an uncertain event is called-

- (a) Wagering Agreement
- (b) Unlawful Agreement
- (c) Illegal Agreement
- (d) Voidable Agreement

**Answer:**\_\_\_

85. In the States of Gujarat and Maharashtra, collateral transactions to a wagering agreement are-

- (a) Voidable
- (b) Illegal and Void
- (c) Valid and Enforceable
- (d) Contingent

**Answer:**

86. A Contingent Contract is a contract to do, or not to do something if some event, collateral to such contract -

- (a) happens
- (b) does not happen
- (c) Neither (a) nor
- (b) (d) Either (a) or (b)

**Answer:**

87. Which of these parties cannot demand performance of promise?

- (a) Promisee
- (b) Any of the Joint Promisees.
- (c) On the death of a Promisee, his Legal Representative.
- (d) Stranger to the Contract

**Answer:**

88. If a new contract is substituted in place of an existing contract it is called-

- (a) Alteration
- (b) Rescission
- (c) Novation
- (d) Waiver.\_\_\_\_\_

**Answer:**

89. The phrase "Quantum Meruit" literally means -

- (a) As much as is earned
- (b) The fact in itself
- (c) A Contract for the sale
- (d) As much as is gained.

**Answer:**

90. Damages awarded to compensate the injured party for the actual amount of loss suffered by him

for breach of contract are called -

- (a) General / Ordinary Damages
- (b) Special Damages
- (c) Vindictive Damages
- (d) Nominal Damages

**Answer:**

91. An agreement enforceable by law is a—

- (a) Promise
- (b) Contract
- (c) Obligation
- (d) Lawful Promise

**Answer:**

92. A contract is a combination of two elements—

- (a) An Agreement & An Promise
- (b) An Agreement & An Obligation
- (c) A Promise & An Obligation
- (d) An offer & An Acceptance

**Answer:**

93. A proposal when accepted becomes a—

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

**Answer:**

94. A void agreement is one which is—

- (a) Valid but not enforceable
- (b) Enforceable
- (c) Enforceable by one party
- (d) Not enforceable in law

**Answer:**

95. Agreement which are not contracts—

- (a) Mr. A purchases goods from Mr. B.
- (b) Avanshu supplies goods to Mohit's firm.
- (c) An agreement for watching cinema.
- (d) None of the above

**Answer:**

96. Which one is correct—

- (a) All contracts are agreements
- (b) All agreements are contracts
- (c) All agreements are not contracts
- (d) Both (a) & (c)

**Answer:**

97. An agreement which is enforceable by law at the option of one party—

- (a) Valid contract

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

Answer:

98. Which of the following is false? An offer-

- (a) Must be clear, definite, final & complete
- (b) Can be vague
- (c) Must be communicated
- (d) May be general or specific

**Answer:**

99. An offer may lapse by—

- (a) Revocation
- (b) Counter offer
- (c) Rejection by offeree
- (d) All of the above

**Answer:**

100. Which of the following is false? An acceptance—

- (a) Must be communicated
- (b) Must be absolute
- (c) Must be unconditional
- (d) May be presumed from silence of offeree

Answer:

101. In case of illegal agreements, the collateral agreements are—

- (a) Valid
- (b) Void
- (c) Voidable
- (d) None of the above

**Answer:.**

102. An offer by post may be accepted by—

- (a) Post
- (b) Over telephones
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

103. An offer is made only when—

- (a) The letter is posted
- (b) Letter reaches the offeree
- (c) Offeree post his acceptance
- (d) None of the above

**Answer:\_\_\_\_\_**

104. Which of the following is true?

- (a) Consideration must result in benefit to both party
- (b) Past consideration is no consideration in India
- (c) Consideration is adequate
- (d) Consideration must be something, which a promisor is not bound to do



**Answer:**

105. Which of the following statement is false? Consideration—

- (a) Must move at desire of the promiser
- (b) May move from any person
- (c) Must be illusory
- (d) Must be of some value

**Answer:**

106. Which of the following is true?

- (a) There can be a stranger to a contract
- (b) There can be a stranger to a consideration
- (c) There can be a stranger to contract & consideration
- (d) None of above

**Answer:**

107. Consideration in simple term means—

- (a) Anything in Return
- (b) Something in Return
- (c) Everything in Return
- (d) Nothing in Return

**Answer:**

108. Which of the following statement is false—

- (a) Generally, a stranger to a contract cannot sue
- (b) A verbal promise to pay a time barred debt is valid
- (c) Completed gifts need no consideration
- (d) No consideration is necessary to create an agency.

**Answer: \_\_**

109. A Gratuitous Promise can—

- (a) Be enforced
- (b) Not be enforced
- (c) Be enforced in court of law
- (d) None of above

**Answer:**

110. Ordinarily, a minor's agreement is—

- (a) Void ab initio
- (b) Voidable
- (c) Valid
- (d) Unlawful

**Answer:**

111. A minor's liability for 'necessaries' supplied to him—

- (a) Arises after he attains majority age
- (b) Is against only minor's property
- (c) Does not arise at all
- (d) Arises if a minor promises for it.

**Answer:**

112. Which of the following statement is not true about minor's position in a firm?

- (a) He cannot become a partner
- (b) He can become a partner
- (c) He can be admitted only to the benefits
- (d) He can become a partner after majority attaining

**Answer:**

113. Which of the following statement is true?

- (a) A contract with a minor is voidable at option of minor
- (b) An agreement with a minor can be ratified after he attains majority
- (c) A person who is usually of unsound mind cannot enter into a contract when he is of sound mind
- (d) A person who is usually of sound mind cannot enter into a contract when he is of unsound mind

**Answer: \_**

114. When the consent of both the parties is given by mistake, the contract is —

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

**Answer:**

115. The contract is void on account of bilateral mistake of fact, but if there is a mistake of only one party, then contract is—

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

**Answer:**

116. A contract made by mistake about Indian law is—

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

**Answer:**

117. A contract made by mistake about some foreign law, is—

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

**Answer:**

118. A mistake as to law not in force in India has the effect as—

- (a) Mistake of fact
- (b) Mistake of Indian law
- (c) Fraud
- (d) Misrepresentation

**Answer:**

119. In case of innocent misrepresentation—

- (a) Contract become voidable and damages are payable

- (b) Contract become voidable and damages are not payable,
- (c) Contract become valid and damages are payable
- (d) Contract remains valid and damages are not payable.

**Answer:**

120. In case of willful misrepresentation or fraud—

- (a) Contract becomes voidable & damages are payable
- (b) Contract become voidable & damages are not payable
- (c) Contract become void & damages are payable
- (d) Contract become void & damages are not payable.

**Answer:** \_

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

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

**Answer:**

122. When the consent of a party is obtained by fraud, the contract is—

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

**Answer:**

123. Moral pressure is involved in case of—

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

**Answer:**

124. Which of the following statement is true?

- (a) A threat to commit suicide does not amount to coercion
- (b) Undue influence involves use of physical pressure
- (c) Ignorance of law is no excuse
- (d) Silence always amount to fraud

**Answer:**

125. An agreement is void if it is opposed to public policy. Which of the following is not covered under heads of public policy?

- (a) Trading with enemy
- (b) Trafficking in public offences
- (c) Marriage brokerage contracts
- (d) Contracts to do impossible acts

**Answer:**

126. Wagering means—

- (a) Betting
- (b) Bidding

- (c) Both (a) & (a)
- (d) None of above

**Answer:** \_

127. An agreement in restraint of marriage, i.e. agreement preventing a person from marrying is—

- (a) Valid
- (b) Voidable
- (c) Void
- (d) Contingent

**Answer:** \_\_\_\_\_

128. An agreement in restraint of marriage is valid in case of following persons—

- (a) Minors
- (b) Educated
- (c) Married
- (d) None of above

**Answer:**

129. In India, wagering agreements are void except in —

- (a) Kanpur
- (b) Mumbai
- (c) Delhi
- (d) None of the above

**Answer:**

130. The basis of quasi contractual relation is the—

- (a) Existence of a valid contract between parties
- (b) Prevention of unjust enrichment at expense of other
- (c) Provision contained in section 10 of contract act
- (d) Existence of a voidable contract between the parties

**Answer:**

131. A contingent contract is—

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

**Answer:**

132. A contract is said to be discharged or terminated—

- (a) When the rights and obligation are completed
- (b) When the contract becomes voidable
- (c) Both(a) & (b)
- (d) None of the above

**Answer:**

133. Which is not the mode of discharge of contract—

- (a) Performance of contract
- (b) Lapse of time
- (c) Breach of contract
- (d) Injunction

**Answer:**

134. A person finds certain goods belonging to some other persons. In such a case, the finder—

- (a) Becomes the owner of that good
- (b) Is under a duty to trace the real owner
- (c) Can sell that good if true owner is not found
- (d) Both (b) & (c)

**Answer:**

135. If in a contract, the time lapses and if the party fails to perform the contract within specified time the contract becomes—

- (a) Voidable
- (b) Void
- (c) Illegal\_\_\_
- (d) Enforceable in the court

**Answer:**

136. Change in one or more of the important terms in a contract, it is the case of—

- (a) Novation
- (b) Rescission
- (c) Remission
- (d) Alternation

**Answer:**

137. In both the cases, devolution of joint liabilities and devolution of joint rights, if a promisor dies, who will perform on behalf of him—

- (a) Other promiser
- (b) His legal representation
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

138. A contract which is impossible to perform is—

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

**Answer: \_**

139. A party entitled to rescind the contract, loses the remedy where—

- (a) He has ratified the contract
- (b) Third party has acquired right in good faith
- (c) Contract is not separable
- (d) All of the above

**Answer:**

140. The special damages i.e. the damages which arises due to some special or unusual circumstances—

- (a) Are not recoverable altogether
- (b) Are illegal being positive in nature
- (c) Cannot be claimed as a matter of right
- (d) Can be claimed as a matter of right

**Answer:**

141. Which of the following statement is/are correct—

- (a) Ordinary damages are recoverable
- (b) Special damages are recoverable only if parties know about them
- (c) Remote or indirect damages are not recoverable
- (d) All of these

**Answer:**

142. Exemplary damages are not awarded in such case

- (a) Breach of promise to marry
- (b) Wrongful dishonour & customers cheque by banker
- (c) Breach of any business contract
- (d) None of the above

**Answer:**

143. Damages which the contracting parties fix at the time of contract in case of breach—

- (a) Unliquidated Damages
- (b) Liquidated Damages
- (c) Nominal Damages
- (d) None of the above

Answer: j j

144. A order of court restraining a person from doing a particular act. it's a case of—

- (a) Specific performance
- (b) Injunction
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

145. Under the Indian Contract Act, the contract of indemnity is restricted to such cases—

- (a) Where the loss promise to be reimbursed is caused by the conduct of the promisor or any other person
- (b) The loss caused by the any events or accident which does not depend upon conduct of any person
- (c) Both (a) & (b)
- (d) None

**Answer:** \_\_\_

146. An agency may also arise by—

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

**Answer:**

147. A mercantile agent employed to sell goods which have been placed in his possession or contract to buy goods for his principal—

- (a) Factors
- (b) Brokers
- (c) Del Credere Agent
- (d) Auctioneers

**Answer:** \_\_\_

148. The threat to commit suicide amounts to—

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

**Answer:**

149. Consensus-ad-idem is an essential of —

- (a) Agreement
- (b) Promise
- (c) Both (a) & (b)
- (d) Consideration

Answer: \_\_

150. Agreement which are not contracts —

- (a) Social Matters
- (b) Relating to partnership
- (c) Domestic Agreements
- (d) Both (a) & (c)

Answer:

151. Offeror is —

- (a) Party making an offer
- (b) Third party
- (c) Party to whom offer is made
- (d) None of the above

**Answer:**

152. Which one is not a type of offer —

- (a) Specific
- (b) General
- (c) Open \_\_\_\_
- (d) Temporary

**Answer:** \_\_

153. Cross offer is —

- (a) Termination of original offer
- (b) Rejection of original offer
- (c) Both(a) & (c)
- (d) None of these

**Answer:** \_\_

154: Offer can be revoked —

- (a) Before its acceptance
- (b) By withdrawal of acceptance
- (c) Both(a) & (b)
- (d) None of these

**Answer:**

155. Which one is mode of contract —

- (a) Contract by post

- (b) By SMS
- (c) By Internet
- (d) By none of the above

**Answer:**

156. Quid Pro Quo means —

- (a) Meeting of Minds
- (b) Something in return
- (c) To do something
- (d) Promise

**Answer: \_**

157. No consideration, no contract is —

- (a) True
- (b) False
- (c) Can't say
- (d) Partly True

**Answer:**

158. Under English law, consideration may move from —

- (a) Promisor
- (b) Stranger
- (c) Both (a) & (d)
- (d) Promisee

**Answer:**

159. Under doctrine of privity of contract, third party can —

- (a) Sue
- (b) Cannot Sue
- (c) Both (a) and (b)
- (d) None of these

**Answer:**

160. Which one is odd:—

- (a) Agreement may not result in a contract
- (b) Contract constitutes an agreement
- (c) Contract creates legal relations
- (d) None of these

**Answer:**

161. According to performance, contract are:—

- (a) Unilateral
- (b) Bilateral
- (c) Multilateral
- (d) Both (a) and (b)

**Answer:**

162. Voidable contracts is defined under section —

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



(d) 2(a)

**Answer:**

163. A menu card handed by a waiter in a hotel is an offer —

- (a) True
- (b) Partly True
- (c) False\_\_\_\_\_
- (d) Can't Say

**Answer:**

164. Consideration may be in the form of —

- (a) A return promise
- (b) Forbearance
- (c) Doing an act
- (d) All of these

**Answer:**

165. If there is no consideration, there will be a —

- (a) Void Contract
- (b) Voidable Contract
- (c) Illegal Contract
- (d) No Contract

**Answer: \_**

166. Which of the following is a person of unsound mind —

- (a) Lunatics
- (b) Idiots
- (c). Drunkard
- (d) All of the above

**Answer:**

167. A wrong statement made is called —

- (a) Misrepresentation
- (b) Fraud
- (c) Undue Influence
- (d) Mistake\_\_\_\_

**Answer:**

168. Agreements tending to create monopolies are void as being:-

- (a) Immoral
- (b) Fraudulent
- (c) Forbidden by law
- (d) Opposed to public policy.

**Answer:**

169. An agreement for marriage brokerage is not opposed to public policy.

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

**Answer: \_**

170. Which one is Contingent Contract —

- (a) D promises to pay E ` 20,000, if goods lying in E's godown are destroyed by fire
- (b) D promise to pay E, if he purchases his goods
- (c) D promises to pay E, if he sells his car to him
- (d) D promises to pay E to buy his scooter, if he is ready to sell it

Answer: \_

171. Finder of goods is the next best owner to real amount —

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

**Answer:**

172. A valid 'tender' must be —

- (a) Conditional
- (b) Unconditional
- (c) Made to a third party
- (d) Made in a foreign currency

**Answer:** \_\_

173. To be a valid 'tender', it must be —

- (a) For the whole obligation
- (b) For the necessary part of obligation
- (c) For at least 75% of the obligation
- (d) None of these

**Answer:**

174. Because of supervening impossibility, the contract becomes —

- (a) Illegal
- (b) Void
- (c) Voidable
- (d) Remains Valid

**Answer:**

175. Which of the following is a ground of supervening impossibility —

- (a) Strikes
- (b) Lock-Outs
- (c) Riots\_\_\_\_\_
- (d) None of the above

**Answer:** \_

176. The damages in their nature are —

- (a) Restoring
- (b) Compensatory
- (c) Reimbursing
- (d) None of these

**Answer:**

177. A guarantee given for loan taken by a minor is —

- (a) Illegal

- (b) Void
- (c) Valid '
- (d) Voidable

**Answer:**

178. The liability of surety is—.

- (a) Co-extensive with that of principal debtor
- (b) More than principal debtor
- (c) Always less than the principal debtor
- (d) Always decided by the Court

**Answer:**

179. Which of the following is not a mercantile agent —

- (a) Factor
- (b) Broker
- (c) Auctioneer
- (d) Insurance agent

**Answer:**

180. A person appointed by an agent to act for the principal, is called —

- (a) Agent
- (b) Sub-agent
- (c) Substituted agent
- (d) Pretended agent

**Answer:**

181. A proposal when accepted becomes a —

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

**Answer:**

182. Consensus-ad-idem means

- (a) Meeting of minds
- (b) Meeting of opinion
- (c) Equal rights
- (d) Existing condition

**Answer:**

183. Which of the following statements is NOT correct with reference to an agreement?

- (a) All contracts are agreements
- (b) All agreements are contracts
- (c) The parties must intend to create a legal relationship
- (d) Agreement gives birth to a contract

**Answer:**

184. If Mr. A offers to Mr. B to sell his car at ` 5,00,000 and Mr. B agrees to buy it at ` 4,50,000 and Mr. A refuses it. Later on B offers to buy the car for ` 5,00,000 then —

- (a) A is bound to sell the car

- (b) B can sue A for Breach of Contract
- (c) Both (a) and (b)
- (d) This will be considered as a fresh offer by B and A is not bound to sell his car

**Answer:**

185. Which of the following statements is NOT correct?

- (a) Acceptance can be expressed or implied
- (b) Acceptance can be conditional
- (c) Acceptance must be given before the offer lapses
- (d) Acceptance must be made in the manner prescribed

**Answer:**

186. Privity of contract means —

- (a) Privacy of the terms of contract
- (b)- Giving priority to one party
- (c) A stranger to a contract cannot sue
- (d) Interest of all parties

**Answer: \_\_**

187. If A makes an offer to B on a particular day, then the offer can be revoked by A before —

- (a) B accepts the offer
- (b) A receives B's acceptance
- (c) B has posted the letter of acceptance
- (d) Reasonable period of time

**Answer:**

188. If B accepts A's offer by posting a letter of acceptance, and afterwards B wants to revoke the agreement, the acceptance can be revoked before —

- (a) A has posted his confirmation
- (b) If revocation letter reaches before letter the acceptance letter
- (c) Reasonable period of time
- (d) None of the above

**Answer: \_\_\_\_\_**

189. Which one of the following is not a kind of consideration?

- (a) Executory consideration
- (b) Executed consideration
- (c) Past consideration
- (d) Conditional consideration

**Answer:**

190. Which of the following is not a consequence of an illegal contract?

- (a) It is voidable
- (b) Void
- (c) The collateral agreements are
- (d) None of the above also illegal

**Answer:**

191. The substitution of a new contract in place of an old contract thereby discharging the rights and liabilities of the old contract is called as —

- (a) Substitution
- (b) Novation

- (c) Discharge
- (d) Replacement

**Answer:** \_\_

192. The damages intended to put the injured party in the same position he was before the contract are called —

- (a) Unliquidated damages
- (b) Special damages
- (c) Exemplary damages
- (d) Ordinary damages

**Answer:**

193. A contract is always based upon —

- (a) Consensus-ad-idem
- (b) Consideration
- (c) Intent to create legal obligation
- (d) All of the above

**Answer:**

194. The law provides for certain remedies in case there is no real agreement. Which of the following remedy cannot be claimed by the parties?

- (a) The agreement to be considered as void
- (b) The party at fault can be compelled to pay damages
- (c) The contract becomes voidable at the option of the parties
- (d) Right to sell the personal property of the other party

**Answer:** \_

195. The damages which are accorded to establish the right of decree for breach of contract is called a —

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

**Answer:**

196. The damages awarded for breach of promise of marriage or wrongful dishonour of cheque is called as —

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

**Answer:**

**Answer**

<b>1</b>	(c)	<b>2</b>	(a)	<b>3</b>	(b)	<b>4</b>	(a)	<b>5</b>	(c)	<b>6</b>	(b)
<b>7</b>	(b)	<b>8</b>	(b)	<b>9</b>	(a)	<b>10</b>	(b)	<b>11</b>	(d)	<b>12</b>	(c)
<b>13</b>	(a)	<b>14</b>	(b)	<b>15</b>	(c)	<b>16</b>	(a)	<b>17</b>	(a)	<b>18</b>	(b)
<b>19</b>	(e)	<b>20</b>	(c)	<b>21</b>	(c)	<b>22</b>	(a)	<b>23</b>	(a)	<b>24</b>	(a)

<b>25</b>	(b)	<b>26</b>	(d)	<b>27</b>	(a)	<b>28</b>	(a)	<b>29</b>	(b)	30	(b)
<b>31</b>	(d)	<b>32</b>	(a)	<b>33</b>	(d)	<b>34</b>	(a)	<b>35</b>	(c)	36	(a)
<b>37</b>	(b)	<b>38</b>	(a)	<b>39</b>	(d)	<b>40</b>	(a)	<b>41</b>	(a)	42	(c)
<b>43</b>	(a)	<b>44</b>	(b)	<b>45</b>	(a)	<b>46</b>	(a)	<b>47</b>	(b)	<b>48</b>	(a)
<b>49</b>	(c)	<b>50</b>	(a)	<b>51</b>	(a)	<b>52</b>	(a)	<b>53</b>	(d)	<b>54</b>	(a)
<b>55</b>	(c)	<b>56</b>	(b)	<b>57</b>	(d)	<b>58</b>	(d)	<b>59</b>	(d)	<b>60</b>	(a)
<b>61</b>	(a)	<b>62</b>	(b)	<b>63</b>	(d)	<b>64</b>	(c)	<b>65</b>	(a)	<b>66</b>	(d)
<b>67</b>	(a)	<b>68</b>	(a)	<b>69</b>	(a)	<b>70</b>	(a)	<b>71</b>	(b)	<b>72</b>	(c)
<b>73</b>	(d)	<b>74</b>	(a)	<b>75</b>	(c)	<b>76</b>	(c)	<b>77</b>	(a)	<b>78</b>	(b)
<b>79</b>	(c)	<b>80</b>	(b)	<b>81</b>	(b)	<b>82</b>	(b)	<b>83</b>	(a)	<b>84</b>	(a)
<b>85</b>	(b)	<b>86</b>	(d)	<b>87</b>	(d)	<b>88</b>	(c)	<b>89</b>	(a)	<b>90</b>	(a)
<b>91</b>	(b)	<b>92</b>	(b)	<b>93</b>	(a)	<b>94</b>	(d)	<b>95</b>	(c)	<b>96</b>	(d)
<b>97</b>	(c)	<b>98</b>	(b)	<b>99</b>	(d)	<b>100</b>	(d)	<b>101</b>	(b)	<b>102</b>	(a)
<b>103</b>	(b)	<b>104</b>	(a)	<b>105</b>	(c)	<b>106</b>	(b)	<b>107</b>	(b)	<b>108</b>	(b)
<b>109</b>	(b)	<b>110</b>	(a)	<b>111</b>	(b)	<b>112</b>	(c)	<b>113</b>	(d)	<b>114</b>	(a)
<b>115</b>	(b)	<b>116</b>	(b)	<b>117</b>	(a)	<b>118</b>	(a)	<b>119</b>	(b)	<b>120</b>	(a)
<b>121</b>	(d)	<b>122</b>	(b)	<b>123</b>	(b)	<b>124</b>	(c)	<b>125</b>	(d)	<b>126</b>	(a)
<b>127</b>	(c)	<b>128</b>	(a)	<b>129</b>	(b)	<b>130</b>	(b)	<b>131</b>	(c)	<b>132</b>	(a)
<b>133</b>	(d)	<b>134</b>	(d)	<b>134</b>	(a)	<b>136</b>	(d)	<b>137</b>	(c)	<b>138</b>	(b)
<b>139</b>	(d)	<b>140</b>	(c)	<b>141</b>	(d)	<b>142</b>	(c)	<b>143</b>	(b)	<b>144</b>	(b)
<b>145</b>	(b)	<b>146</b>	(d)	<b>147</b>	(a)	<b>148</b>	(a)	<b>149</b>	(a)	<b>150</b>	(b)
<b>151</b>	(a)	<b>152</b>	(d)	<b>153</b>	(a)	<b>154</b>	(a)	<b>155</b>	(a)	<b>156</b>	(b)
<b>157</b>	(a)	<b>158</b>	(d)	<b>159</b>	(b)	<b>160</b>	(d)	<b>161</b>	(d)	<b>162</b>	(a)
<b>163</b>	(c)	<b>164</b>	(d)	<b>165</b>	(d)	<b>166</b>	(d)	<b>167</b>	(a)	<b>168</b>	(d)
<b>169</b>	(b)	<b>170</b>	(a)	<b>171</b>	(a)	<b>172</b>	(b)	<b>173</b>	(a)	<b>174</b>	(b)
<b>175</b>	(d)	<b>176</b>	(b)	<b>177</b>	(c)	<b>178</b>	(a)	<b>179</b>	(d)	<b>180</b>	(c)
<b>181</b>	(b)	<b>182</b>	(a)	<b>183</b>	(b)	<b>184</b>	(d)	<b>185</b>	(b)	<b>186</b>	(c)

<b>187</b>	(c)	<b>188</b>	(b)	<b>189</b>	(d)	<b>190</b>	(a)	<b>191</b>	(b)	<b>192</b>	(d)
<b>193</b>	(d)	<b>194</b>	(d)	<b>195</b>	(a)	<b>196</b>	(b)				

**Sale of Goods Act, 1930**

1. The objective of the Sale of Goods Act, 1930 is to define and amend the law relating to —

- (a) Sale of Immovable Properties
- (b) Sale of Goods
- (c) Agreements to Sell
- (d) All of the above.

**Answer:**

2. The Sale of Goods Act, 1930 extends to the whole of India, except the. state of —

- (a) Maharashtra
- (b) Jammu and Kashmir
- (c) Tamilnadu
- (d) Uttar Pradesh.

**Answer:**

3. The Sale of Goods Act, 1930 came into force in —

- (a) 1<sup>st</sup> day of July, 1930
- (b) 1<sup>st</sup> day of September, 1930
- (c) 1<sup>st</sup> day of January, 1930
- (d) 31<sup>st</sup> day of December, 1930.

**Answer:**

4. The unrepealed provisions of the \_\_\_\_\_ Act shall continue to apply to contracts for the sale of goods, save insofar as they are inconsistent with the express provisions of the Sale of Goods Act.

- (a) Transfer of Property Act
- (b) Indian Evidence Act
- (c) Indian Contract Act
- (d) Partnership Act.

**Answer:**

5. The term "Goods" is defined in section \_\_\_\_\_ of the Sale of Goods Act, 1930.

- (a) 2(5)
- (b) 2(6)
- (c) 2(7)
- (d) 2(8).

**Answer:**

6. Which of the following are not included in the term "Goods" under the Sale of Goods Act —

- (a) Stock and Shares
- (b) Actionable Claims
- (c) Growing Crops, Gross etc
- (d) Personal Use of Property.

**Answer:**

7. Transfer of Actionable claim(s) is governed by the provisions of the Sale of Goods Act.

- (a) True
- (b) Partly True

- (c) False \_\_\_\_\_
- (d) None of the above.

**Answer:**

8. "Jubilee Coins" are goods within the meaning of Section (27) of the Sale of Goods Act.

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

**Answer:**\_\_\_\_\_

9. Under the Sale of Goods Act,";\_\_\_\_\_.Goods" means goods which are not in existence at the time of making the contract of Sale.

- (a) Ascertained Goods
- (b) Future Goods
- (c) Specific Goods
- (d) Perishable Goods

**Answer:**

10. To constitute a valid sale, there must be atleast —

- (a) One Party
- (b) Two Parties
- (c) Three Parties
- (d) Four Parties.

**Answer:**

11. When goods are given by the buyer as consideration for the goods received from the seller it is called —

- (a) Sale
- (b) Agreement to sell
- (c) Barter
- (d) Bailment.

**Answer:**\_

12. In an Agreement to sell, the property in goods is transferred in —

- (a) Past
- (b) Present
- (c) Future
- (d) There is no transfer to property at all.

**Answer:**

13. "Contract of Sale" under section 4 of the Sale of Goods Act, 1930 comprises of—

- (a) Both executory and executed contracts of sale
- (b) Executory contract of sale
- (c) Executed contract of sale
- (d) Concluded contract of sale.

**Answer:**

14. In an agreement to sell, where goods lie with the Buyer, the risk of loss of goods remains with —

- (a) Either Buyer or Seller
- (b) Buyer only
- (c) Seller only



(d) Buyer and Seller to the extent of their shares.

**Answer:**

15. Where goods are not specific and ascertainable at the time of the making of the contract, it shall —

- (a) become void
- (b) become voidable at the option of the buyer
- (c) operate as an agreement to sell
- (d) become a valid contract of sale.

**Answer:**

16. Section 8 of the Sale of Goods Act, dealing with goods perishing before sale, in its application is —

- (a) Confined to contract of sale
- (b) Confined to agreement to sell
- (c) Either (a) or (b)
- (d) Neither (a) nor (b).

**Answer:**

17. Under Sec 8 of the sale of Goods Act, 1930 a contract of sale of goods can be avoided where the goods have perished / damaged —

- (a) Due to the fault neither of the Buyer nor the Seller
- (b) Due to the fault of the Buyer
- (c) Due to the fault of the Seller
- (d) Due to the fault of either the Buyer or the Seller.

**Answer:**

18. In a contract of sale, the price may be —

- (a) Fixed by the contract
- (b) Agreed to be fixed in a manner thereby agreed
- (c) Determined by course of dealings between the parties
- (d) All of the above.

**Answer:**

19. The prima facie evidence of a "Reasonable Price" u/s 9 of the Sale of Goods Act, is\_\_\_\_\_.

- (a) Market Price
- (b) Current price
- (c) Price as determined by the court
- (d) Reuse Price.

**Answer:**

20. Under Section 11 of the Sale of Goods Act, 1930 the time of payment can be of the essence of the contract —

- (a) by agreement between the parties
- (b) by operation of law
- (c) both (a) and (b)
- (d) either (a) or (b).

**Answer:**

21. Condition or warranty in a contract of sale, constitutes stipulation with reference to—

- (a) Time
- (b) Price

(c) Goods\_\_\_\_\_

(d) Delivery.

**Answer:**

22. A "Warranty" under the Sale of Goods Act, has been defined as a stipulation —

(a) Collateral to the main purpose of the contract

(b) With regard to time

(c) Essential to the main purpose of the contract

(d) All of the above.

**Answer: \_**

23. The breach of a "Condition" in a contract of sale of goods give the right to —

(a) Repudiate the contract

(b) Claim for damages only.

(c) Either (a) or (b)

(d) Both (a) and (b).

**Answer:**

24. In cases where there is a breach of condition by the seller, the buyer —

(a) May retain the goods though he has the right to reject them

(b) Has no right to retain the goods but only to reject the goods

(c) Has no right to reject the goods

(d) Has no remedy at all.

**Answer:**

25. The Buyer shall have and enjoy quiet possession of the goods. This is an\_\_\_\_\_ u/s 14 of the Act.

(a) Implied Warranty as to Title

(b) Implied Condition as to Title

(c) Implied Warranty as to Possession

(d) Implied Condition as to Possession.

**Answer: \_\_\_\_\_**

26. In case of sale by description, there is an implied\_\_\_\_\_ that the goods shall correspond to description,

(a) Warranty

(b) Condition.

(c) Stipulation

(d) Description.

**Answer:**

27. In a sale of goods by description, it is sufficient that the goods are —

(a) Fit for the purpose for which they were wanted though not in accordance to description.

(b) Merchantable though not in accordance to description

(c) Wholesome, even if they do not correspond to description

(d) The same as that of their description.

**Answer:**

28. Implied condition as to quality or fitness does not apply if —

(a) Buyer discloses to the seller, the exact purpose for which goods are required.

(b) Buyer indicates to the seller that he relies on the seller's skill or judgement

(c) Seller's business is to sell goods of such description

(d) Buyer reserves the right to examine the goods and check its quality.

**Answer:**

29. Implied condition as to merchantable quality applies to sale of goods —

- (a) Under a patent or other trade name
- (b) By description only
- (c) Either (a) or (b)
- (d) Both (a) and (b)

**Answer:**

30. The principle of "Caveat Emptor" as found in Sec 16 of the Sale of Goods Act, means that the—

- (a) Buyer must take care
- (b) Buyer must take a chance
- (c) Seller must take care
- (d) Seller must take a chance.

**Answer:**

31. In case of \_\_\_ goods, property passes to the buyer, only when the goods are ascertained.

- (a) Future
- (b) Specific
- (c) Contingent
- (d) Unascertained.

**Answer:**

32. The process of identifying the goods and setting apart as per the intended quality or description is called —

- (a) Identification
- (b) Procurement
- (c) Ascertainment
- (d) Allocation.

**Answer:**

33. In a sale of specific or ascertained goods the property there in is transferred to the buyer —

- (a) Upon delivery of goods
- (b) Upon payment of price
- (c) At such time as the parties intend it to be transferred.
- (d) At such time as decided by the court.

**Answer:**

34. For passing of property in respect of specific or ascertained goods, the interaction of the parties can be ascertained from —

- (a) Terms of the contract
- (b) Conduct of the parties
- (c) Circumstances of the case
- (d) All of the above.

**Answer:**

35. For passing of property in goods, the goods should be in a —

- (a) Deliverable state
- (b) Non-deliverable state
- (c) Consumable state
- (d) Ready state

**Answer:**

36. Where the goods are to be delivered in future and the seller becomes insolvent before any appropriation is made, the property in goods passes to the buyer and the buyer acquires interest in the goods.

- (a) True
- (b) Partly true
- (c) False \_\_\_\_\_
- (d) None of the above.

**Answer:**

37. Delivery of goods to the carrier for the purpose of transmission to the buyer automatically means that the property in goods vest in the buyer.

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

**Answer:**

38. In cases of goods sent on approval basis, the goods are at the if they perish in an inevitable accident,

- (a) Buyer's Risk
- (b) Seller's Risk
- (c) Combined Risk of Buyer and Seller
- (d) Carrier's Risk.

**Answer:**

39. Risk prime facie passes with —

- (a) Property or ownership
- (b) Completed agreement
- (c) Verification and delivery
- (d) Payment of price.

**Answer:**

40. The Latin Maxim "Nemo Dat Quod non Habet" means —

- (a) No man can pass a better title than he has
- (b) Let the Buyer beware
- (c) No consideration - No contract
- (d) Ignorance of law is no excuse.

**Answer: \_**

41. A finder of goods has the power to sell the goods to give good title to the buyer, if the owner of goods cannot be found with —

- (a) Ordinary diligence
- (b) Reasonable diligence
- (c) Due diligence
- (d) Lack of diligence.

**Answer:**

42. In case of a company under liquidation, and sale is made by the Receiver or Liquidator of the company —

- (a) Company retains title in goods

- (b) Buyer gets a good title to goods
- (c) Receiver/ Liquidator gets a goods title to goods
- (d) There is no sale at all.

**Answer:** \_

43. When the seller causes a change in the possession of goods without any change in their actual and visible custody, it is a case of —

- (a) Actual Delivery
- (b) Constructive Delivery
- (c) Symbolical Delivery
- (d) Forward Delivery.

**Answer:**

44. Where the seller is bound to send the goods to the buyer as per the agreement, and there is no specific time limit goods shall be delivered within —

- (a) A suitable time
- (b) A minimum time
- (c) Adequate time
- (d) A reasonable time.

**Answer:**

45. In case of excess delivery, i.e. more than the contracted quantity, the Buyer can—

- (a) Reject in full
- (b) Accept the contract quantity and reject the excess
- (c) Accept the whole
- (d) Either (a) or (b) or (c)

**Answer:**

46. Where the seller fails to give notice to the buyer u/s 39(3), the risk during sea-transit lies with the —

- (a) Buyer
- (b) Seller
- (c) Carries
- (d) Insurer

**Answer:**

47. Unless otherwise agreed, where goods are delivered to buyer and he refuses to accept them (having the right to do so), the buyer is not bound to return them to the seller.

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

**Answer:**

48. Even if a substantial portion of the price is paid and only a small balance is pending, the seller is still regarded as an unpaid seller.

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

**Answer:**

49. The right of lien is available to the unpaid seller only when —

- (a) he is not in possession of the goods
- (b) he is in possession of the goods
- (c) he has delivered the goods to the carrier/transport
- (d) he has delivered the goods to the buyer.

**Answer:**

50. Once possession is lost, right of lien of the unpaid seller is also lost. This statement is —

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

**Answer:**

51. Right of stoppage in transit can be exercised by the unpaid seller, where the buyer —

- (a) Is solvent
- (b) Becomes insolvent
- (c) Either (a) or (b)
- (d) Neither (a) nor (b)

**Answer: \_**

52. Goods - in - transit can be stopped for —

- (a) Price
- (b) Any other expenses, e.g. Godown charges, Interest, etc.
- (c) Both (a) and (b)
- (d) Either (a) or (b).

**Answer:**

53. If no notice is given to the original buyer of the intention to re-sell, the unpaid seller—

- (a) Cannot claim any damages
- (b) Has to pay to the original buyer, the profits, if any, on re-sale
- (c) Either (a) or (b)
- (d) Both (a) and (b)

**Answer:**

54. Generally, where the buyer has paid the price and seller refuses to deliver the goods, buyer can sue the seller for —

- (a) Specific performance of the contract
- (b) Delayed delivery of goods
- (c) Refund of price already paid
- (d) Non - acceptance of goods.

**Answer: \_\_\_\_**

55. In the case of \_\_\_\_\_, the sale may be notified to be subject to a reserve or upset price.

- (a) Sale by description
- (b) Sale by auction
- (c) Sale by sample
- (d) Sale by estoppel

**Answer:**

56. The main object of a contract of sale Is —

- (a) Transfer of possession at goods
- (b) Transfer of property in goods from seller to buyer
- (c) Delivery of goods
- (d) Payment of price

**Answer:**\_\_\_\_\_

57. Following is not the right of an unpaid seller against the goods:

- (a) Lien
- (b) Right of resale
- (c) Right of stoppage
- (d) Claim damages

**Answer:**

58. Sales of Goods Act is a\_\_\_\_\_ to contract act.

- (a) Competent
- (b) Substitute
- (c) Complimentary
- (d) All of these

**Answer:**\_\_

59. Which of the following is/are an essential elements of a valid contract that must be present in a Contract of Sale.

- (a) Bilateral Contract
- (b) Transfer of Property
- (c) Money Consideration
- (d) All of the above

Answer:

60. An agreement to sale is a/an contract while a sale is a/an\_\_\_\_\_ contract

- (a) Valid; legal
- (b) Executory; valid
- (c) Executory: executed
- (d) None of the above

**Answer:**

61. Delivery is the transfer of possession from one person to another

- (a) Property
- (b) Voluntary
- (c) Goods
- (d) Involuntary

**Answer:**

62. If the Goods are to be delivered at a place other than where they are, the risk of deterioration in transit will unless otherwise agreed be borne by the\_\_\_\_\_.

- (a) Buyer
- (b) Seller
- (c) Transporter
- (d) (a) & (b) both

**Answer:**\_

63. In the right of lien, the possession is retained by

- (a) Paid seller
- (b) Unpaid buyer
- (c) Unpaid seller
- (d) None of the above

**Answer:**

64. Unenforceable agreements and illegal agreements means one and the same thing.

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

**Answer:**

65. The relation between a doctor and a patient is fiduciary in nature.

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

**Answer:**

66. In sale by auction, goods are offered to be taken by —

- (a) Buyer
- (b) Bidders
- (c) Public \_\_\_\_\_
- (d) Sellers.

**Answer:**

67. Acceptance of the goods by the buyer takes place when the buyer —

- (a) Intimates to the seller that he has accepted the goods.
- (b) Retains the goods
- (c) Does any act on the goods which is inconsistent
- (d) All of the above

**Answer:**

68. A document signed by a carrier and issued to consignor that provides evidence for the receipt of goods for shipment to a specified designation and purpose is known as —

- (a) Transporter's receipt
- (b) Bill of lading
- (c) Carrier document
- (d) None of the above

**Answer:**

69. \_\_\_\_\_ takes place when the person takes possession of the goods on behalf of and at the disposal of the buyer.

- (a) Physical delivery
- (b) Simple delivery
- (c) Encumbrance delivery
- (d) Constructive delivery

**Answer:**

70. \_\_\_\_\_ precludes a person from ascertaining something contrary to what is implied by his or her



previous actions or statement or by a previous judicial determination concerning that person.

- (a) Voluntary
- (b) Estoppel
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

71. If the stipulation forms the very basis of the contract or is essential to the main purpose of contract, it is —

- (a) Guarantee
- (b) Warrantee
- (c) Encumbrance
- (d) Condition

**Answer:**

72. Goods which are either owned or possessed by the seller at the time of contract—

- (a) Specific Goods
- (b) Contingent Goods
- (c) Generic, Goods
- (d) Existing Goods

**Answer:**

73. Goods to be manufactured or acquired by the seller after making the contract of sale —

- (a) Contingent Goods
- (b) Future Goods
- (c) Existing Goods
- (d) None of the above

**Answer:**

74. Which of the following is not an implied condition in a contract of sale —

- (a) Condition as to title
- (b) Condition as to description
- (c) Condition as to freedom from encumbrance
- (d) Condition as to sample

**Answer:**

75. The condition and warranties may be in the form of —

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

**Answer:**

76. An, unpaid seller is having rights against

- (a) Goods only
- (b) The buyer only
- (c) Both Goods & buyer
- (d) None of the above

**Answer:**

77. The doctrine of Caveat Emptor does not apply when —

- (a) The goods are bought by sample
- (b) The goods are bought by sample as well as description
- (c) The goods are purchased under its brand name
- (d) All of the above

**Answer:**

78. The essence of a right of lien is to —

- (a) Deliver the goods
- (b) Retain the goods
- (c) Regain the possession
- (d) None of the above

**Answer:**

79. Seller has right of resale where —

- (a) Goods are perishable
- (b) Seller has reserved such right
- (c) Seller gives notice
- (d) All of these

**Answer:**

80. The Goods are at risk of a party who has the —

- (a) Ownership of goods
- (b) Possession of goods
- (c) Custody of goods
- (d) Both (b) and (c)

**Answer:**

81. The position of the hirer is that of a —

- (a) Bailor
- (b) Bailee
- (c) Seller
- (d) Buyer

**Answer:**

82. Under this contract, it is the seller's duty to put the goods on board at his own expenses —

- (a) Free on board
- (b) Sales of Goods Act, 1930
- (c) Contract Act, 1872
- (d) Free on ship

**Answer:**

83. A finder of goods has the power to sell the goods to give good title to the buyer, if the owner of the goods cannot be found with—

- (a) Ordinary diligence
- (b) Reasonable diligence
- (c) Due diligence
- (d) Lack of diligence

**Answer:**

84. The main object of contract of sale is—

- (a) Payment of price

- (b) Delivery of goods
- (c) Transfer of possession of goods
- (d) Transfer of property

**Answer:**

85. A breach of warranty can be treated as a breach of condition.

- (a) True
- (b) False
- (c) Partly True
- (d) Either True or False

**Answer:**

86. Goods perishing after agreement to sell —

- (a) Agreement becomes invoidable
- (b) Agreement becomes void
- (c) Agreement becomes contract
- (d) None of the above

**Answer:**

87. In sale, consideration is the price in terms of-

- (a) Money
- (b) Non-gratuitous
- (c) Gratuitous
- (d) None of the above

**Answer:**

88. When goods are exchanged for goods, it is a —

- (a) Sale
- (b) Agreement to sale
- (c) Barter
- (d) Bailment

**Answer:**

89. An agreement to sell is —

- (a) Executory contract
- (b) Executed contract
- (c) Both (a) and (b)
- (d) None of the above

**Answer:**

90. When the contract of sale is executed, the loss of goods destroyed by fire is to be borne by —

- (a) The buyer only when he has the goods in his custody
- (b) Seller
- (c) Both by the buyer and the seller
- (d) The buyer even if he does not have the custody of the goods

**Answer:**

91. Which one of the following statement is not true in context to a hire purchase agreement?

- (a) The hirer is merely a bailee until the final payment
- (b) There is an agreement to buy the goods at the end of the period
- (c) The owner can take back the goods if the buyer becomes insolvent

(d) The ownership remains vested with the bailer

**Answer:**

92. Where a contract states that the price is to be fixed by a third party and such party fails to do so, then —

- (a) The contract becomes void
- (b) The price is determined by both the parties
- (c) The contract is voidable at the option of the parties
- (d) None of the above

**Answer:**

93. Mr. A purchased a certain pigs from Mr. B without any warranty. After sometime the pigs died due to fever, then —

- (a) Mr. A can claim back his money from Mr. B
- (b) Mr. A can ask Mr. B to supply new pigs
- (c) Mr. A can sue Mr. B on account of fraud
- (d) Mr. B is not liable to Mr. A as per the principle of Caveat Emptor

**Answer:**

94. Mr. A finds a ring which belongs to Mr. C and sells it to Mr. B. Later on Mr. C demands the ring from B, then —

- (a) B is not liable to return the ring
- (b) C can only sue Mr. A for damages and cannot demand the ring from Mr. B
- (c) Mr. B shall return the ring to Mr. C even though he is a bona-fide purchaser
- (d) None of the above

**Answer:**

95. Where the seller after selling the goods holds the goods as a bailee, then it is called as —

- (a) Symbolic delivery
- (b) Bailed delivery
- (c) Nominal delivery
- (d) Constructive delivery

**Answer:**

96. Where the seller gives the buyer the bills of lading then, it is called as—

- (a) Symbolic delivery
- (b) Constructive delivery
- (c) Actual delivery
- (d) None of the above

**Answer:**

97. Which of the following rights is not a right of an unpaid seller?

- (a) Right of retention
- (b) Right of stoppage
- (c) Right of resale
- (d) Right to sell the property of the buyer

**Answer:**

98. The term C.I.F. stands for —

- (a) Cartage Inwards and Freight
- (b) Corporate Identity Form
- (c) Cartage Insurance and Freight

(d) Cost insurance and Freight

**Answer:**

99. The contract in which the seller is bound to arrange the shipment of goods is called as —

- (a) Ex-ship contract
- (b) P(sic)-ship contract
- (c) Pre-shipment contract
- (d) Post shipment contract

**Answer:**

100. In an auction sale, if the seller makes use of pretended bidding to raise the price, then the —

- (a) Sale is voidable at the option of the seller
- (b) Sale is void
- (c) Sale is voidable at the option of the buyer
- (d) The buyer is not required to pay the excess amount charged by the seller

**Answer:**

101. Which of the following is an implied condition under a sale by description?

- (a) Goods must correspond with the description
- (b) Goods must be of merchantable quality
- (c) Condition as to wholesomeness
- (d) All. of the above

**Answer:**

102. Which of the following is an implied condition under a sale by sample?

- (a) The bulk shall correspond with the sample
- (b) Implied condition of merchantability
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

**Answer:**

103. Subject to the contract to the contrary, which of the following is NOT an implied warranty as per the Sale of Goods Act, 1930?

- (a) Warranty as to resale of the goods
- (b) Warranty implied by the custom as usage of trade
- (c) Warranty to disclose dangerous nature of goods
- (d) Warranty as to freedom from encumbrances

**Answer:**

104. As per Sec. 45 of the Sale of Goods Act, 1930 an unpaid seller is a person, who—

- (a) Who has not been paid the whole price
- (b) A person who received a bill of exchange which was dishonoured
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

**Answer:**

105. The right of an unpaid seller to keep the possession of the goods and refuse to deliver the goods to the buyer is called —

- (a) Right of refusal
- (b) Right to resale
- (c) Right of lien
- (d) None of the above

**Answer:**

106. The right of lien will not be lost in which of the following cases— (a) By waiver of lien by the unpaid seller

(b) When the goods are delivered to the carrier and the seller reserves the right of disposal of goods

(c) When the buyer lawfully obtains the possession of the goods

(d) None of the above

**Answer:**

107. In which of the following case, the transit will not come to an end?

(a) When the buyer obtains the delivery before they arrive at the destination

(b) Where the carrier acknowledges that he holds the goods on the behalf of buyer

(c) When the carrier wrongfully refuses to deliver the goods

(d) When the goods are rejected by the buyer and the carrier holds them

**Answer:**

108. The right to stop the goods in transit can be exercised by the unpaid seller by -

(a) Taking actual possession of the goods

(b) Giving notice of the sellers claim to the carrier

(c) Both (a) and (b)

(d) Neither (a) nor (b)

**Answer:**

109. Right to lien can be exercised by the seller —

(a) On non-payment of the sale price

(b) On breach of warranty

(c) On anticipatory breach

(d) All of the above

**Answer:**

**Answer**

<b>1</b>	(d)	<b>2</b>	(b)	<b>3</b>	(a)	<b>4</b>	(c)	<b>5</b>	(c)	<b>6</b>	(d)
<b>7</b>	(c)	<b>8</b>	(c)	<b>9</b>	(b)	<b>10</b>	(b)	<b>11</b>	(c)	<b>12</b>	(c)
<b>13</b>	(a)	<b>14</b>	(c)	<b>15</b>	(a)	<b>16</b>	(a)	<b>17</b>	(c)	<b>18</b>	(d)
<b>19</b>	(a)	<b>20</b>	(a)	<b>21</b>	(c)	<b>22</b>	(a)	<b>23</b>	(d)	<b>24</b>	(a)
<b>25</b>	(c)	<b>26</b>	(b)	<b>27</b>	(d)	<b>28</b>	(d)	<b>29</b>	(a)	<b>30</b>	(a)
<b>31</b>	(d)	<b>32</b>	(c)	<b>33</b>	(c)	<b>34</b>	(d)	<b>35</b>	(a)	<b>36</b>	(c)
<b>37</b>	(a)	<b>38</b>	(b)	<b>39</b>	(a)	<b>40</b>	(a)	<b>41</b>	(b)	<b>42</b>	(b)
<b>43</b>	(b)	<b>44</b>	(d)	<b>45</b>	(d)	<b>46</b>	(b)	<b>47</b>	(a)	<b>48</b>	(a)
<b>49</b>	(b)	<b>50</b>	(a)	<b>51</b>	(b)	<b>52</b>	(a)	<b>53</b>	(d)	<b>54</b>	(c)
<b>55</b>	(b)	<b>56</b>	(b)	<b>57</b>	(d)	<b>58</b>	(c)	<b>59</b>	(d)	<b>60</b>	(c)
<b>61</b>	(b)	<b>62</b>	(a)	<b>63</b>	(b)	<b>64</b>	(b)	<b>65</b>	(a)	<b>66</b>	(b)

<b>67</b>	(d)	<b>68</b>	(b)	<b>69</b>	(d)	<b>70</b>	(b)	<b>71</b>	(d)	<b>72</b>	(d)
<b>73</b>	(b)	<b>74</b>	(c)	<b>75</b>	(c)	<b>76</b>	(c)	<b>77</b>	(d)	<b>78</b>	(b)
<b>79</b>	(d)	<b>80</b>	(a)	<b>81</b>	(b)	<b>82</b>	(a)	<b>83</b>	(b)	<b>84</b>	(c)
<b>85</b>	(b)	<b>86</b>	(b)	<b>87</b>	(a)	<b>88</b>	(c)	<b>89</b>	(a)	<b>90</b>	(d)
<b>91</b>	(b)	<b>92</b>	(a)	<b>93</b>	(d)	<b>94</b>	(c)	<b>95</b>	(c)	<b>96</b>	(a)
<b>97</b>	(d)	<b>98</b>	(d)	<b>99</b>	(a)	<b>100</b>	(c)	<b>101</b>	(d)	<b>102</b>	(c)
<b>103</b>	(a)	<b>104</b>	(c)	<b>105</b>	(c)	<b>106</b>	(b)	<b>107</b>	(d)	<b>108</b>	(c)
<b>109</b>	(a)										

### **Negotiable Instruments Act, 1881**

1. The Negotiable Instruments Act makes specific mention of three instruments, namely cheque, bill of exchange and

- (a) Promissory note
- (b) Hundi
- (c) Bank draft
- (d) Customary Note.

**Answer:**

2. In legal terms, a person who receives a negotiable instrument in goods, faith and for valuable consideration is known as —.

- (a) Holder
- (b) Holder for value
- (c) Holder in due course
- (d) Holder in rights.

**Answer:**

3. A negotiable instrument in which no time for payment is specified is payable.

- (a) After acceptance
- (b) After sight
- (c) After one month
- (d) On demand.

**Answer:**

4. A bill of exchange payable to bearer on demand is —

- (a) Valid
- (b) Voidable
- (c) Invalid
- (d) Conditional.

**Answer:**

5. A person who is directed to pay the amount of bill of exchange is known as —

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

**Answer:**

6. A person can become an acceptor for honour of a bill of exchange only if his name is mentioned in the bill.

- (a) True
- (b) False
- (c) Partly True
- (d) Partly False.

**Answer:**

7. A negotiable instrument drawn in favour of a minor is —

- (a) Void
- (b) Voidable
- (c) Valid
- (d) Invalid.



**Answer:**

8. All cheques are bills of exchange, but all bills of exchange are not cheques.

- (a) True
- (b) False
- (c) Partly True
- (d) Partly False.

**Answer:**

9. A person becomes a 'holder in due course' of a negotiable instrument if he receives it:

- (a) In good faith
- (b) For value
- (c) Before maturity
- (d) All of the above.

**Answer:**

10. A negotiable instrument payable to order can be transferred by:

- (a) Simple delivery
- (b) Endorsement
- (c) Endorsement and delivery
- (d) Registered post.

**Answer:**

11. An endorsement made by an endorser by signing his name and also by writing the name of the endorsee, is known as.

- (a) General endorsement
- (b) Special endorsement
- (c) Restrictive endorsement
- (d) None of these.

**Answer:**

12. When during the course of negotiation, the negotiable instrument comes back to the original endorser it is known as \_\_\_\_\_.

- (a) Negotiation back
- (b) Reserve endorsement
- (c) Facultative endorsement
- (d) Back recourse endorsement

**Answer:**

13. On the acceptance of the bill of exchange by the drawee, the liability of the drawer becomes:

- (a) Primary
- (b) Secondary
- (c) Extinct
- (d) None of these

**Answer:**

14. On the dishonour of a cheque due to insufficient funds, the criminal liability of the drawer is the fine only "which may extend to double the amount of cheque, and there is no imprisonment.

- (a) True
- (b) False
- (c) Partly True
- (d) Partly False:

**Answer:**

15. The presentment for acceptance is required in case of a \_\_\_\_\_.

- (a) Bill of exchange
- (b) Promissory note
- (c) Cheque
- (d) Both (a) and (b)

**Answer:**

16. A failure to present a negotiable instrument for payment as per the rules, discharges \_\_\_\_\_.

- (a) All parties to the instrument
- (b) All parties except those secondarily liable
- (c) All parties except those primary liable
- (d) None of the parties to the instrument.

**Answer:**

17. A bill of exchange is treated as dishonoured due to non - acceptance, where the drawee.

- (a) Does not accept within 48 hours of presentment
- (b) Is incompetent to contract
- (c) Gives a conditional acceptance
- (d) In all the above cases.

**Answer:**

18. In case of dishonour of a cheque, the holder's remedy is against the —

- (a) Drawee of cheque
- (b) Drawer of cheque
- (c) Endorsee of cheque
- (d) Both (a) and (b)

**Answer:**

19. In case of dishonour of a bill of exchange of a cheque, the 'noting' is compulsory to recover the amount from the liable parties.

- (a) True
- (b) False
- (c) Partly True
- (d) Partly False.

**Answer:**

20. In which of the following cases of forgery a banker is discharged from liability by making a payment in due course.

- (a) Payee's endorsement
- (b) Drawer's signatures
- (c) Both (a) and (b)
- (d) None of these.

**Answer:**

21. Material alteration of a negotiable instrument without the consent of the parties, discharge the parties who have become liable —

- (a) After such alteration
- (b) Prior to such alteration
- (c) Because of alteration
- (d) Without such alteration.

**Answer:**

22. Which of the following is not a material alteration?

- (a) Alteration of date
- (b) Alteration of amount
- (c) Alteration of time of payment
- (d) Alteration correcting clerical mistake.

Answer:

23. A cheque is said to contain a general crossing when two parallel lines are drawn across the face of the cheque.

- (a) Without any words
- (b) With words '& Co.'
- (c) With words 'not negotiable'
- (d) In all the above cases.

**Answer:**

24. The payment of a crossed cheque can be obtained —

- (a) At the counter
- (b) By depositing in account
- (c) By the payee only
- (d) Both (a)and(c).

**Answer:**

25. In case of dishonour of a cheque due to insufficient funds in drawer's account, the drawer Is liable to imprisonment which may extend upto —

- (a) Three months
- (b) Six months
- (c) One year
- (d) Two year.

**Answer:**

26. A hundi which is payable to the holder or bearer is known as —

- (a) Nam Jog Hundi
- (b) Firman Hundi
- (c) Jawabi Hundi
- (d) Dhani Jog Hundi

**Answer:** \_

27. Which of the following is NOT a condition of negotiability?

- (a) It should be freely transferable
- (b) Transferee can sue upon the instrument
- (c) It should be made for a valid consideration
- (d) The person taking it in good faith is not effected by the defect in title of the transferor

**Answer:**

28. A promissory note or bill of exchange in which no time for repayment is specified is called as —

- (a) Nominal instrument
- (b) Time instrument
- (c) Demand instrument
- (d) Accommodation bill

**Answer:**

29. An instrument which can either be treated as bill or a note by the holder is called as —

- (a) Ambiguous instrument
- (b) Demand instrument
- (c) Optional instrument
- (d) None of these

**Answer:**

30. A duly stamped instrument which is left blank or partially incomplete giving an authority to the holder to complete it, is called —

- (a) Inchoate instrument
- (b) Blank instrument
- (c) Ambiguous instrument
- (d) Demand instrument

**Answer:**

31. A bill which is drawn, accepted or endorsed without consideration is called —

- (a) Accommodation Bill
- (b) Gratious Bill
- (c) Inchoate Bill
- (d) None of the above

**Answer:**

32. The new definition of a cheque is provided by —

- (a) Negotiable Instrument Act, 1881
- (b) Negotiable Instruments (Amendment and Miscellaneous provisions) Act, 2002
- (c) Negotiable Instruments (upadation)
- (d) None of the above Act, 2002

**Answer:** —

33. As per the RBI Act, which of the following negotiable instruments can be payable to the bearer on demand?

- (a) Cheque
- (b) Hundi
- (c) Bank Draft
- (d) Promissory Note

**Answer:**

34. In case, a banker without any justification fails to honour a cheque then, who has the right to take an action against it?

- (a) The drawer for any loss or damaged suffered by him
- (b) The drawee for the inconvenience caused to him
- (c) Neither (a) nor (b)
- (d) Both (a) and (b)

**Answer:**

35. As per the Negotiable Instruments Act, a cheque becomes time bared after —

- (a) Five years from the date of issue
- (b) Three years from the date of issue
- (c) One year from the date of issue
- (d) Nine months from the date of issue

**Answer:**

36. Which of the following is NOT a mode of crossing a cheque?

- (a) General crossing
- (b) Restrictive crossing
- (c) Special crossing
- (d) Conditional crossing

**Answer:**

37. The day on which a cheque falls due for payment is called —

- (a) Payment date
- (b) Expiry date
- (c) Maturity date
- (d) None of the above

**Answer:**

38. The normal grace period allowed for a negotiable instrument is of —

- (a) One week
- (b) One month
- (c) One day
- (d) Three days

**Answer:**

39. A negotiable instrument dated 31<sup>st</sup> August is made payable three months after date, than the date of maturity will be —

- (a) 3<sup>rd</sup> December
- (b) 30<sup>th</sup> November
- (c) 1<sup>st</sup> December
- (d) 2<sup>nd</sup> December

**Answer:**

40. Which of the following statement is NOT true in respect of the holder in due course?

- (a) A holder in due course is mostly in a privileged position
- (b) Any person holding the instrument can recover the amount from all the previous parties
- (c) The negotiable instrument can be obtained even after the maturity
- (d) All of the above

**Answer:**

41. Which of the following statement is NOT true?

- (a) The liability of the drawer is secondary
- (b) The prior parties to the negotiable instrument are not liable to the holder in due course
- (c) Various parties to a negotiable instrument who are liable stand on a different footing
- (d) None of the above

**Answer:**

42. An endorsement where the endorser merely writes his signature on the book of the instrument and the instrument becomes payable to the bearer is called —

- (a) General endorsement
- (b) Full endorsement
- (c) Qualified endorsement
- (d) Partial endorsement

**Answer:**

43. An endorsement in which the endorser limits his liability is called —

- (a) Conditional Endorsement
- (b) Justified Endorsement
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

**Answer:**

44. An Endorsement in which the endorser gives a direction to pay is called —

- (a) Special Endorsement
- (b) Directive Endorsement
- (c) Conditional Endorsement
- (d) Justified Endorsement

**Answer:**

45. In case of a bearer instrument or an instrument endorsed in blank, the holder can claim the amount from the parties even if it is a forged endorsement.

- (a) True
- (b) False
- (c) Partially True
- (d) Partially False

**Answer:**

46. Which one of the following is NOT true in respect of notice of dishonour?

- (a) Notice must be in writing
- (b) Notice can be oral or in writing
- (c) Notice must be formal
- (d) Notice must be given within a reasonable time period

**Answer:**

47. In which of the following cases a notice of dishonour is not required?

- (a) When the drawer has countermanded payment
- (b) When the party to whom the notice is to be given cannot be searched
- (c) When the party promises to pay unconditionally
- (d) All of the above

**Answer:**

48. Discharge in relation to a negotiable instrument can be done by —

- (a) Discharge of the instrument
- (b) Discharge of parties liability
- (c) Neither (a) nor (b)
- (d) Both (a) and (b)

**Answer:**

49. The liability of the maker of a promissory note is —

- (a) Primary and absolute
- (b) Secondary and conditional
- (c) Both (a) and (b)
- (d) None of the above

**Answer:**

50. The liability of the drawer of a bill is —

- (a) Primary and absolute

- (b) Secondary and conditional
- (c) Both (a) and (b)
- (d) None of the above

**Answer:**

51. The essential condition of an Inland bill is —

- (a) The instrument is drawn or made in India
- (b) The instrument must be payable in India or the drawee must be in India
- (c) Both (a) and (b)
- (d) Neither (a) nor (b)

**Answer:**

52. The person on whom the bill is drawn is known as —

- (a) Drawer
- (b) Drawee
- (c) Payee
- (d) All of the above

**Answer:**

53. Which of the following statement is true?

- (a) Notice of the dishonour of a bill is necessary
- (b) Notice of dishonour of cheque is NOT necessary
- (c) Both (a) and (b)
- (d) None of the above

**Answer:**

54. The mode of crossing by which the holder of the cheque cannot get the payment over the counter but through any of the bank only is called —

- (a) General crossing
- (b) Special crossing
- (c) Account payee crossing
- (d) None of the above

**Answer:**

55. The mode of crossing by which the holder of the cheque can get the payment only through a specified bank is called —

- (a) General crossing
- (b) Special crossing
- (c) Account payee crossing
- (d) None of the above

**Answer: \_**

56. The mode of crossing in which the proceeds are to be credited only to the account of the payee or the party named or his agent is called —

- (a) General crossing
- (b) Special crossing
- (c) Account payee crossing
- (d) All of the above

**Answer: \_**

**Answer**

<b>1</b>	(a)	<b>2</b>	(c)	<b>3</b>	(d)	<b>4</b>	(c)	<b>5</b>	(b)	<b>6</b>	(b)
<b>7</b>	(c)	<b>8</b>	(a)	<b>9</b>	(d)	<b>10</b>	(c)	<b>11</b>	(b)	<b>12</b>	(a)
<b>13</b>	(b)	<b>14</b>	(b)	<b>15</b>	(a)	<b>16</b>	(c)	<b>17</b>	(d)	<b>18</b>	(b)
<b>19</b>	(b)	<b>20</b>	(a)	<b>21</b>	(b)	<b>22</b>	(d)	<b>23</b>	(d)	<b>24</b>	(b)
<b>25</b>	(d)	<b>26</b>	(d)	<b>27</b>	(c)	<b>28</b>	(c)	<b>29</b>	(a)	<b>30</b>	(a)
<b>31</b>	(a)	<b>32</b>	(b)	<b>33</b>	(a)	<b>34</b>	(a)	<b>35</b>	(b)	<b>36</b>	(d)
<b>37</b>	(c)	<b>38</b>	(d)	<b>39</b>	(a)	<b>40</b>	(c)	<b>41</b>	(b)	<b>42</b>	(a)
<b>43</b>	(b)	<b>44</b>	(a)	<b>45</b>	(a)	<b>46</b>	(a)	<b>47</b>	(d)	<b>48</b>	(d)
<b>49</b>	(a)	<b>50</b>	(b)	<b>51</b>	(c)	<b>52</b>	(a)	<b>53</b>	(c)	<b>54</b>	(a)
<b>55</b>	(b)	<b>56</b>	(c)								