

Paper 2 - Business Laws: Full Trend Bank

Section 1 - 50 MCQs (answers inline)

Q1. Contract: A proposal becomes a promise when accepted. Whose acceptance is required?

- (a) Offeree
- (b) Any person
- (c) Government
- (d) Agent only

Answer: Offeree - Proposal -> promise on acceptance by the person to whom proposal made.

Q2. Consideration must move at the desire of:

- (a) Promisor
- (b) Promisee
- (c) Any person
- (d) Third party only

Answer: Promisor - At desire of promisor; may move from promisee or any other person.

Q3. Minor's agreement is:

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

Answer: Void - Void ab initio.

Q4. Breach of condition under SOGA gives right to:

- (a) Damages only
- (b) Repudiate the contract
- (c) Price reduction only
- (d) Specific performance only

Answer: Repudiate the contract - Condition goes to root; buyer may repudiate or treat as warranty.

Q5. In sale of specific goods in deliverable state, property passes to buyer:

- (a) On payment
- (b) On delivery
- (c) At contract time
- (d) At seller's option

Answer: At contract time - Sec 20: property passes when contract made if nothing remains to be done.

Q6. Unpaid seller's lien is lost when:

- (a) Buyer becomes insolvent
- (b) Seller retains possession
- (c) Goods delivered to carrier without reserving right of disposal
- (d) Payment by cheque not cleared

Answer: Goods delivered to carrier without reserving right of disposal - Delivery to carrier ends lien unless disposal reserved.

Q7. Holder in due course must take instrument:

- (a) For value, in good faith, before maturity
- (b) Without consideration
- (c) After maturity
- (d) Knowing defect

Answer: For value, in good faith, before maturity - Key conditions for HDC.

Q8. Partners' liability in a partnership firm is:

- (a) Joint only
- (b) Several only
- (c) Joint and several, unlimited
- (d) Limited

Answer: Joint and several, unlimited - Unlike LLP.

Q9. LLP is governed by:

- (a) LLP Act, 2008
- (b) Companies Act, 2013
- (c) Indian Contract Act, 1872
- (d) SOGA, 1930

Answer: LLP Act, 2008 - Correct statute.

Q10. Memorandum of Association primarily contains:

- (a) Internal rules
- (b) Objects of the company
- (c) Dividend policy
- (d) Auditors' duties

Answer: Objects of the company - AOA has internal rules; MOA has objects.

Q11. Contract: A proposal becomes a promise when accepted. Whose acceptance is required?

- (a) Offeree
- (b) Any person
- (c) Government
- (d) Agent only

Answer: Offeree - Proposal -> promise on acceptance by the person to whom proposal made.

Q12. Consideration must move at the desire of:

- (a) Promisor
- (b) Promisee
- (c) Any person
- (d) Third party only

Answer: Promisor - At desire of promisor; may move from promisee or any other person.

Q13. Minor's agreement is:

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

Answer: Void - Void ab initio.

Q14. Breach of condition under SOGA gives right to:

- (a) Damages only
- (b) Repudiate the contract
- (c) Price reduction only
- (d) Specific performance only

Answer: Repudiate the contract - Condition goes to root; buyer may repudiate or treat as warranty.

Q15. In sale of specific goods in deliverable state, property passes to buyer:

- (a) On payment
- (b) On delivery
- (c) At contract time
- (d) At seller's option

Answer: At contract time - Sec 20: property passes when contract made if nothing remains to be done.

Q16. Unpaid seller's lien is lost when:

- (a) Buyer becomes insolvent
- (b) Seller retains possession
- (c) Goods delivered to carrier without reserving right of disposal
- (d) Payment by cheque not cleared

Answer: Goods delivered to carrier without reserving right of disposal - Delivery to carrier ends lien unless disposal reserved.

Q17. Holder in due course must take instrument:

- (a) For value, in good faith, before maturity
- (b) Without consideration
- (c) After maturity
- (d) Knowing defect

Answer: For value, in good faith, before maturity - Key conditions for HDC.

Q18. Partners' liability in a partnership firm is:

- (a) Joint only
- (b) Several only
- (c) Joint and several, unlimited
- (d) Limited

Answer: Joint and several, unlimited - Unlike LLP.

Q19. LLP is governed by:

- (a) LLP Act, 2008
- (b) Companies Act, 2013
- (c) Indian Contract Act, 1872
- (d) SOGA, 1930

Answer: LLP Act, 2008 - Correct statute.

Q20. Memorandum of Association primarily contains:

- (a) Internal rules
- (b) Objects of the company
- (c) Dividend policy
- (d) Auditors' duties

Answer: Objects of the company - AOA has internal rules; MOA has objects.

Q21. Contract: A proposal becomes a promise when accepted. Whose acceptance is required?

- (a) Offeree
- (b) Any person
- (c) Government
- (d) Agent only

Answer: Offeree - Proposal -> promise on acceptance by the person to whom proposal made.

Q22. Consideration must move at the desire of:

- (a) Promisor
- (b) Promisee
- (c) Any person
- (d) Third party only

Answer: Promisor - At desire of promisor; may move from promisee or any other person.

Q23. Minor's agreement is:

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

Answer: Void - Void ab initio.

Q24. Breach of condition under SOGA gives right to:

- (a) Damages only
- (b) Repudiate the contract
- (c) Price reduction only
- (d) Specific performance only

Answer: Repudiate the contract - Condition goes to root; buyer may repudiate or treat as warranty.

Q25. In sale of specific goods in deliverable state, property passes to buyer:

- (a) On payment
- (b) On delivery
- (c) At contract time
- (d) At seller's option

Answer: At contract time - Sec 20: property passes when contract made if nothing remains to be done.

Q26. Unpaid seller's lien is lost when:

- (a) Buyer becomes insolvent
- (b) Seller retains possession
- (c) Goods delivered to carrier without reserving right of disposal
- (d) Payment by cheque not cleared

Answer: Goods delivered to carrier without reserving right of disposal - Delivery to carrier ends lien unless disposal reserved.

Q27. Holder in due course must take instrument:

- (a) For value, in good faith, before maturity

- (b) Without consideration
- (c) After maturity
- (d) Knowing defect

Answer: For value, in good faith, before maturity - Key conditions for HDC.

Q28. Partners' liability in a partnership firm is:

- (a) Joint only
- (b) Several only
- (c) Joint and several, unlimited
- (d) Limited

Answer: Joint and several, unlimited - Unlike LLP.

Q29. LLP is governed by:

- (a) LLP Act, 2008
- (b) Companies Act, 2013
- (c) Indian Contract Act, 1872
- (d) SOGA, 1930

Answer: LLP Act, 2008 - Correct statute.

Q30. Memorandum of Association primarily contains:

- (a) Internal rules
- (b) Objects of the company
- (c) Dividend policy
- (d) Auditors' duties

Answer: Objects of the company - AOA has internal rules; MOA has objects.

Q31. Contract: A proposal becomes a promise when accepted. Whose acceptance is required?

- (a) Offeree
- (b) Any person
- (c) Government
- (d) Agent only

Answer: Offeree - Proposal -> promise on acceptance by the person to whom proposal made.

Q32. Consideration must move at the desire of:

- (a) Promisor
- (b) Promisee
- (c) Any person
- (d) Third party only

Answer: Promisor - At desire of promisor; may move from promisee or any other person.

Q33. Minor's agreement is:

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

Answer: Void - Void ab initio.

Q34. Breach of condition under SOGA gives right to:

- (a) Damages only
- (b) Repudiate the contract
- (c) Price reduction only
- (d) Specific performance only

Answer: Repudiate the contract - Condition goes to root; buyer may repudiate or treat as warranty.

Q35. In sale of specific goods in deliverable state, property passes to buyer:

- (a) On payment
- (b) On delivery
- (c) At contract time
- (d) At seller's option

Answer: At contract time - Sec 20: property passes when contract made if nothing remains to be done.

Q36. Unpaid seller's lien is lost when:

- (a) Buyer becomes insolvent
- (b) Seller retains possession
- (c) Goods delivered to carrier without reserving right of disposal
- (d) Payment by cheque not cleared

Answer: Goods delivered to carrier without reserving right of disposal - Delivery to carrier ends lien unless disposal reserved.

Q37. Holder in due course must take instrument:

- (a) For value, in good faith, before maturity
- (b) Without consideration
- (c) After maturity
- (d) Knowing defect

Answer: For value, in good faith, before maturity - Key conditions for HDC.

Q38. Partners' liability in a partnership firm is:

- (a) Joint only
- (b) Several only
- (c) Joint and several, unlimited
- (d) Limited

Answer: Joint and several, unlimited - Unlike LLP.

Q39. LLP is governed by:

- (a) LLP Act, 2008
- (b) Companies Act, 2013
- (c) Indian Contract Act, 1872
- (d) SOGA, 1930

Answer: LLP Act, 2008 - Correct statute.

Q40. Memorandum of Association primarily contains:

- (a) Internal rules
- (b) Objects of the company
- (c) Dividend policy
- (d) Auditors' duties

Answer: Objects of the company - AOA has internal rules; MOA has objects.

Q41. Contract: A proposal becomes a promise when accepted. Whose acceptance is required?

- (a) Offeree
- (b) Any person
- (c) Government
- (d) Agent only

Answer: Offeree - Proposal -> promise on acceptance by the person to whom proposal made.

Q42. Consideration must move at the desire of:

- (a) Promisor
- (b) Promisee
- (c) Any person
- (d) Third party only

Answer: Promisor - At desire of promisor; may move from promisee or any other person.

Q43. Minor's agreement is:

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

Answer: Void - Void ab initio.

Q44. Breach of condition under SOGA gives right to:

- (a) Damages only
- (b) Repudiate the contract
- (c) Price reduction only
- (d) Specific performance only

Answer: Repudiate the contract - Condition goes to root; buyer may repudiate or treat as warranty.

Q45. In sale of specific goods in deliverable state, property passes to buyer:

- (a) On payment
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- (d) At seller's option

Answer: At contract time - Sec 20: property passes when contract made if nothing remains to be done.

Q46. Unpaid seller's lien is lost when:

- (a) Buyer becomes insolvent
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Answer: Goods delivered to carrier without reserving right of disposal - Delivery to carrier ends lien unless disposal reserved.

Q47. Holder in due course must take instrument:

- (a) For value, in good faith, before maturity
- (b) Without consideration
- (c) After maturity

(d) Knowing defect

Answer: For value, in good faith, before maturity - Key conditions for HDC.

Q48. Partners' liability in a partnership firm is:

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Answer: Joint and several, unlimited - Unlike LLP.

Q49. LLP is governed by:

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Q50. Memorandum of Association primarily contains:

- (a) Internal rules
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Answer: Objects of the company - AOA has internal rules; MOA has objects.

Section 2 - 30 Case-based questions (answers inline)

Case 1. Postal rule: A posts offer to B on 1st. Revocation email sent on 2nd reaching B on 2nd morning. B posts acceptance on 3rd. Is contract formed?

Answer: No contract. Revocation reached before B posted acceptance; valid revocation under the Contract Act.

Case 2. SOGA: Sale on approval. Buyer uses the goods and retains beyond time fixed without notice. Has property passed?

Answer: Yes. Retention beyond fixed time equals approval; property and risk pass to buyer.

Case 3. Partnership: Sleeping partner commits fraud. Is the firm liable?

Answer: Firm is liable for acts of partners done in usual course of business. Sleeping partner also liable to third parties.

Case 4. NI Act: Cheque crossed 'not negotiable' is transferred. What title does transferee get?

Answer: Transferee cannot acquire better title than transferor. Transfer allowed but without better title.

Case 5. Companies: Ultra vires act beyond MOA objects. Binding on company?

Answer: No. Acts ultra vires MOA are void and cannot be ratified by shareholders.

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Case 26. Postal rule: A posts offer to B on 1st. Revocation email sent on 2nd reaching B on 2nd morning. B posts acceptance on 3rd. Is contract formed?

Answer: No contract. Revocation reached before B posted acceptance; valid revocation under the Contract Act.

Case 27. SOGA: Sale on approval. Buyer uses the goods and retains beyond time fixed without notice. Has property passed?

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