



BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – B.Com 3rd Sem

College – Buddha Degree College
(DDU Code-859)

Department: Commerce

Subject: Business Regulatory Framework

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Unit -I

1. The Indian Contract Act was enacted in the year:
 - a) 1857
 - b) 1872
 - c) 1882
 - d) 1900
2. A contract is defined as:
 - a) An agreement enforceable by law
 - b) A social arrangement
 - c) A promise to perform charity
 - d) A moral obligation
3. Which of the following is **not** essential to form a valid contract?
 - a) Lawful consideration
 - b) Free consent
 - c) Writing on stamp paper
 - d) Capacity of parties
4. An agreement becomes a contract when it is:
 - a) In writing
 - b) Registered
 - c) Enforceable by law
 - d) Signed before witnesses
5. A void contract is one which:
 - a) Is legally enforceable
 - b) Is illegal
 - c) Ceases to be enforceable by law
 - d) Has legal effect
6. A voidable contract is one:
 - a) Not enforceable by either party
 - b) Enforceable at the option of one party
 - c) Which is against public policy
 - d) Signed without consideration
7. When an offer is accepted, it becomes a:
 - a) Proposal
 - b) Promise
 - c) Consideration
 - d) Contract

8. Offer must be:
 - a) Implied only
 - b) Communicated to the offeree
 - c) Secret
 - d) Accepted by a stranger
9. Acceptance must be:
 - a) Conditional
 - b) Implied only
 - c) Absolute and unqualified
 - d) Delayed
10. A valid acceptance must be made:
 - a) Under pressure
 - b) With silence
 - c) In a prescribed manner or reasonable manner
 - d) Without communication
11. A person is competent to contract if he/she:
 - a) Is a graduate
 - b) Is above 21 years
 - c) Is of sound mind and major
 - d) Has income source
12. A contract entered into by a minor is:
 - a) Valid
 - b) Void
 - c) Voidable
 - d) Enforceable
13. A person of unsound mind:
 - a) Can enter into any contract
 - b) Can never enter into a contract
 - c) Cannot enter into contract during unsoundness
 - d) Has unlimited contractual rights
14. Free consent is not caused by:
 - a) Coercion
 - b) Undue influence
 - c) Mistake
 - d) Negotiation
15. Coercion includes:
 - a) Lawful threats

- b) Illegal threats or force
- c) Suggestions
- d) Advice

16. Undue influence involves:

- a) Threats by strangers
- b) Persuasion by equals
- c) Dominance of one party over another
- d) Public advertisements

17. Consideration means:

- a) Charity
- b) Love and affection
- c) Something in return
- d) Free service

18. A contract without consideration is:

- a) Always valid
- b) Void
- c) Enforceable in all cases
- d) Legally binding

19. Past consideration is:

- a) Not a consideration
- b) Valid under Indian law
- c) Illegal
- d) Avoidable

20. Which of the following is a valid consideration?

- a) Bribe
- b) Illegal benefit
- c) Lawful act done at desire of promisor
- d) Forced promise

21. Object of a contract must be:

- a) Immoral
- b) Lawful
- c) Harmful to others
- d) Against public interest

22. An agreement with unlawful object is:

- a) Voidable
- b) Enforceable

c) Void

d) Valid

23. If the object of a contract is fraudulent, it is:

a) Enforceable

b) Valid

c) Void

d) Conditional

24. Which of these agreements is against public policy?

a) Agreement to sell a house

b) Agreement in restraint of marriage

c) Agreement to teach

d) Agreement to consult

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

a) Fraud

b) Coercion

c) Undue influence

d) Mistake of fact

Answers Key (1–25):

1. **b**

2. **a**

3. **c**

4. **c**

5. **c**

6. **b**

7. **d**

8. **b**

9. **c**

10. **c**

11. **c**

12. **b**

13. **c**

14. **d**

15. **b**

16. **c**

17. **c**

18. **b**

19. **b**

20. **c**

21. **b**

22. **c**

23. **c**

24. **b**

25. **d**

Unit – II

1. A void agreement is:
 - a) Enforceable by law
 - b) Illegal and punishable
 - c) Not enforceable by law
 - d) Always in writing
2. An agreement in restraint of trade is:
 - a) Valid
 - b) Voidable
 - c) Void
 - d) Legal
3. Performance of contract means:
 - a) Cancelling the contract
 - b) Refusing to act
 - c) Fulfilling the obligations under the contract
 - d) Changing the parties
4. Tender of performance is also called:
 - a) Non-performance
 - b) Refusal to contract
 - c) Offer of performance
 - d) Voidable contract
5. Performance by one party alone is:
 - a) Mutual contract
 - b) Unilateral contract
 - c) Bilateral contract
 - d) Conditional contract
6. A contract comes to an end by:
 - a) Formation
 - b) Discharge
 - c) Execution
 - d) Signature
7. Discharge of contract by impossibility is known as:
 - a) Performance
 - b) Novation
 - c) Frustration
 - d) Breach

8. When a contract is replaced by a new one, it is called:
 - a) Alteration
 - b) Rescission
 - c) Novation
 - d) Remission
9. Contingent contracts depend on:
 - a) Mutual understanding
 - b) Past event
 - c) Happening or non-happening of future event
 - d) Immediate performance
10. A contract is not contingent when:
 - a) It depends on a future uncertain event
 - b) It is absolute in nature
 - c) The event is collateral
 - d) The event is beyond the control of parties
11. Quasi contracts are based on:
 - a) Real agreement
 - b) Legal obligation without contract
 - c) Verbal promises
 - d) Written documents
12. A quasi contract is:
 - a) An illegal contract
 - b) A voidable contract
 - c) Not a contract but enforced by law
 - d) Created by mutual consent
13. Which of the following is **not** a remedy for breach of contract?
 - a) Suit for damages
 - b) Suit for specific performance
 - c) Suit for injunction
 - d) Suit for compromise
14. Compensation for loss or damage caused by breach is called:
 - a) Agreement
 - b) Consideration
 - c) Damages
 - d) Performance
15. Which of these is not a type of damages?
 - a) Ordinary damages

- b) Nominal damages
- c) Exemplary damages
- d) Transferable damages

16. Specific performance is granted when:

- a) Damages are sufficient
- b) Monetary compensation is not adequate
- c) Party refuses to sign
- d) None of the above

17. In a contract of **indemnity**, one party promises to:

- a) Share profit
- b) Protect the other from loss
- c) Lend money
- d) Buy property

18. A **contract of guarantee** includes:

- a) Two parties
- b) One party
- c) Three parties
- d) No party

19. In a contract of guarantee, the person giving the guarantee is called:

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

20. Bailment involves:

- a) Sale of goods
- b) Loan of money
- c) Delivery of goods for some purpose
- d) Gift of goods

21. The person who delivers goods in a bailment is called:

- a) Bailee
- b) Seller
- c) Bailor
- d) Pledger

22. Pledge is a special kind of:

- a) Sale
- b) Contract

- c) Bailment
- d) Mortgage

23. The person who delivers goods as security is known as:

- a) Pawnor
- b) Surety
- c) Bailor
- d) Creditor

24. An agent acts:

- a) On behalf of himself
- b) For the benefit of the third party
- c) On behalf of the principal
- d) For free

25. Agency can be created by:

- a) Contract only
- b) Operation of law
- c) Ratification
- d) All of the above

Answers Key (1–25):

- 1. **c**
- 2. **c**
- 3. **c**
- 4. **c**
- 5. **b**
- 6. **b**
- 7. **c**
- 8. **c**
- 9. **c**
- 10. **b**
- 11. **b**
- 12. **c**
- 13. **d**
- 14. **c**
- 15. **d**
- 16. **b**
- 17. **b**
- 18. **c**

19. **c**

20. **c**

21. **c**

22. **c**

23. **a**

24. **c**

25. **d**

Unit – III

1. The Sale of Goods Act was enacted in the year:
 - a) 1932
 - b) 1930
 - c) 1872
 - d) 1940
2. The Sale of Goods Act applies to:
 - a) Immovable property only
 - b) Services only
 - c) Movable goods
 - d) All kinds of property
3. A contract of sale includes:
 - a) Sale only
 - b) Agreement to sell only
 - c) Both sale and agreement to sell
 - d) Mortgage
4. In a sale, the ownership of goods is:
 - a) Not transferred
 - b) Transferred immediately
 - c) Transferred after delivery
 - d) Always future transfer
5. In an agreement to sell, the transfer of ownership takes place:
 - a) Immediately
 - b) After delivery
 - c) At a future date or after conditions are fulfilled
 - d) Never
6. The subject matter of a contract of sale must be:
 - a) Land
 - b) Immovable property
 - c) Goods
 - d) Shares
7. Conditions are:
 - a) Minor terms of contract
 - b) Not part of the contract
 - c) Essential to the main purpose of contract
 - d) Optional promises

8. A breach of condition gives the buyer the right to:
 - a) Ignore the defect
 - b) Claim damages only
 - c) Repudiate the contract
 - d) Continue without remedy
9. Warranties are:
 - a) Major terms of contract
 - b) Essential to contract
 - c) Collateral terms
 - d) Conditions in disguise
10. A breach of warranty entitles the buyer to:
 - a) Reject goods
 - b) Repudiate contract
 - c) Claim damages only
 - d) Cancel entire contract
11. Transfer of ownership means transfer of:
 - a) Custody
 - b) Physical possession
 - c) Legal title of goods
 - d) Packing of goods
12. In case of specific goods, ownership passes when:
 - a) Goods are destroyed
 - b) Goods are packed
 - c) Contract is made and conditions are fulfilled
 - d) Payment is made
13. Unascertained goods become specific goods when:
 - a) They are sold
 - b) They are delivered
 - c) They are identified and appropriated
 - d) Invoice is made
14. Risk follows:
 - a) Delivery
 - b) Title
 - c) Agreement
 - d) Consent
15. The seller must deliver the goods:
 - a) In any condition

- b) Without request
- c) As per contract
- d) Whenever possible

16. If the seller fails to deliver goods, the buyer may:

- a) Do nothing
- b) File suit for damages
- c) Wait indefinitely
- d) Cancel payment only

17. If the buyer refuses to accept goods, the seller may:

- a) Destroy goods
- b) Resell goods and sue for damages
- c) Cancel contract without remedy
- d) Hand over to third party

18. A buyer can reject goods if:

- a) Goods are of acceptable quality
- b) Goods do not conform to the contract
- c) Price is low
- d) Seller is known

19. Auction sale is governed by:

- a) Indian Penal Code
- b) Sale of Goods Act
- c) Companies Act
- d) Transfer of Property Act

20. In auction sale, the bid is an:

- a) Agreement
- b) Offer
- c) Acceptance
- d) Promise

21. Ownership in auction passes when:

- a) Bid is placed
- b) Bid is highest
- c) Auctioneer announces completion
- d) Goods are packed

22. In auction sale, sale is complete when:

- a) Goods are shown
- b) Hammer falls

- c) Bid is shouted
- d) Payment is done

23. In auction, if seller bids on own goods without notice, it is:

- a) Valid
- b) Illegal
- c) Unfair but valid
- d) Voidable

24. Implied conditions in a sale include:

- a) Reasonable price
- b) Free delivery
- c) Title, description, and quality
- d) Home service

25. Warranty as to quiet possession means:

- a) Buyer can shout on premises
- b) Buyer will not be disturbed in use of goods
- c) Buyer must be silent
- d) Goods are to be kept in closed area

Answers Key (1–25):

- 1. **b**
- 2. **c**
- 3. **c**
- 4. **b**
- 5. **c**
- 6. **c**
- 7. **c**
- 8. **c**
- 9. **c**
- 10. **c**
- 11. **c**
- 12. **c**
- 13. **c**
- 14. **b**
- 15. **c**
- 16. **b**
- 17. **b**
- 18. **b**

19. **b**

20. **b**

21. **c**

22. **b**

23. **b**

24. **c**

25. **b**

Unit – IV

1. The Negotiable Instruments Act was enacted in the year:
 - a) 1930
 - b) 1949
 - c) 1881
 - d) 1905
2. A negotiable instrument is:
 - a) A non-transferable document
 - b) A written promise only
 - c) A transferable instrument guaranteeing payment
 - d) An oral agreement
3. Which of the following is **not** a negotiable instrument?
 - a) Promissory Note
 - b) Bill of Exchange
 - c) Cheque
 - d) Currency Note
4. A **promissory note** contains:
 - a) A conditional promise to pay
 - b) An unconditional promise to pay
 - c) A verbal statement
 - d) No promise
5. A **bill of exchange** involves how many parties?
 - a) One
 - b) Two
 - c) Three
 - d) Four
6. In a bill of exchange, the person who draws the bill is called:
 - a) Drawer
 - b) Drawee
 - c) Payee
 - d) Endorser
7. The party directed to pay in a bill of exchange is the:
 - a) Drawer
 - b) Payee
 - c) Drawee
 - d) Holder

8. A cheque is a type of:
- a) Bill of exchange
 - b) Promissory note
 - c) Money order
 - d) Bank note
9. A cheque is always drawn on a:
- a) Post office
 - b) Government office
 - c) Bank
 - d) Insurance company
10. The validity period of a cheque is:
- a) 1 month
 - b) 3 months
 - c) 6 months
 - d) 12 months
11. A **bearer cheque** is payable to:
- a) A specific person
 - b) The bank manager
 - c) Any person presenting it
 - d) The account holder only
12. **Crossing of cheque** ensures:
- a) Payment in cash
 - b) Payment through account only
 - c) Freezing of funds
 - d) Dishonour
13. A **general crossing** consists of:
- a) Signature only
 - b) Account number
 - c) Two parallel lines
 - d) Payee name
14. A **special crossing** includes:
- a) Two lines with bank name
 - b) Red ink stamp
 - c) Bank address only
 - d) None of the above
15. Which of the following cheques is the **safest**?
- a) Open cheque

- b) Bearer cheque
- c) Crossed cheque
- d) Gift cheque

16. When a cheque is dishonoured, the bank:

- a) Destroys it
- b) Returns it unpaid with reasons
- c) Burns it
- d) Keeps it

17. Dishonour of cheque due to insufficient funds attracts penalty under section:

- a) 120B
- b) 420
- c) 138
- d) 10

18. Which of the following is a valid reason for dishonour of a cheque?

- a) Proper signature
- b) Overwriting
- c) Mismatch of amount in words and figures
- d) Valid endorsement

19. Notice of dishonour must be given within:

- a) 30 days
- b) 15 days
- c) 10 days
- d) 45 days

20. **Payment in due course** means payment made:

- a) Without checking
- b) Carelessly
- c) In accordance with the apparent tenor and to the rightful holder
- d) Without signature

21. A cheque marked "Not Negotiable" means:

- a) It can't be transferred
- b) Title of transferee is defective
- c) It can't be deposited
- d) It is illegal

22. The person in possession of the cheque and entitled to receive payment is called:

- a) Drawer
- b) Drawee

- c) Payee
- d) Holder

23. Endorsement in blank means:

- a) No signature
- b) Signature without name of endorsee
- c) Crossed cheque
- d) Post-dated cheque

24. A post-dated cheque is payable on:

- a) Date of issue
- b) On the date written on cheque
- c) Immediately
- d) Never

25. A cheque payable to a particular person and not transferable is called:

- a) Crossed cheque
- b) Open cheque
- c) Order cheque
- d) Non-negotiable cheque

Answers Key (1–25):

- 1. **c**
- 2. **c**
- 3. **d**
- 4. **b**
- 5. **c**
- 6. **a**
- 7. **c**
- 8. **a**
- 9. **c**
- 10. **b**
- 11. **c**
- 12. **b**
- 13. **c**
- 14. **a**
- 15. **c**
- 16. **b**
- 17. **c**
- 18. **c**

19. **a**

20. **c**

21. **b**

22. **d**

23. **b**

24. **b**

25. **d**