

## MCQs on Contract II

1. Section ----- of Indian Contract Act defines a contract of Indemnity.  
A) Section 127  
**B) Section 124**  
C) Section 125  
D) Section 130
2. A contract by which one party promises the other party to save from loss which may be caused either by the conduct of the promisor or by the conduct of any other person is called as -----  
A) Contract of Bailment  
B) Contract of Guarantee  
C) Contract of Pledge  
**D) Contract of Indemnity**
3. In a contract of Indemnity there are -----  
A) 3 parties and one contract  
B) 2 parties and 2 contracts  
C) 3 parties and 3 contracts  
**D) 2 parties and one contract**
4. A Contract of Indemnity is -----  
A) Void Agreement  
B) Quasi Contract  
**C) Contingent Contract**  
D) Wagering Contract

5. A ----- is a contract to perform the promise or discharge the liability of a third person in case of his default.
- A) Contract of Guarantee
  - B) Contract of Bailment
  - C) Contract of Indemnity
  - D) Contract of Pledge
6. A Contract of Guarantee is a ----- agreement.
- A) Bipartite agreement
  - B) Tripartite agreement**
  - C) Either (A) or (B)
  - D) None of these
7. Surety is a person who -----
- A) Who gives the guarantee**
  - B) To whom the guarantee is given
  - C) In respect of whose default the guarantee is given
  - D) None of the above
8. Liability of surety is -----
- A) Conditional on default**
  - B) Independent of default
  - C) Can be conditional or independent
  - D) None of the above

9. A continuing guarantee applies to -----

- A) Reasonable number of transactions
- B) Any number of transactions
- C) A series of transactions**
- D) A specific transaction

10. A surety can be discharged from his liability by -----

- A) By Notice
- B) By Novation
- C) By his Death
- D) All the above**

11. Right of Subrogation means -----

- A) The surety will step into the shoes of the another
- B) He is entitled to the benefit of every security which the creditor has
- C) The surety can claim indemnity from the principal debtor
- D) All the above**

12. Bailment means -----

- A) The goods delivered to be returned by way of an equivalent in other commodities
- B) The goods delivered to be returned by way of an equivalent in money

**C)The goods is delivered by one person to another for some purpose to be specifically returned or otherwise disposed of as per the order of the bailor**

D)All of these

13. Bailment is defined under Section ----- of Indian Contract Act, 1872.

A)144

B) 146

**C)148**

D)149

14. In all cases of bailment, the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would under similar circumstances. The statement is -----

**A) True**

B) False

C) Partly correct

D) None of the above

15.If the goods are lent free to the bailee for his use it is known as ----

A)Commodation

**B) Gratuitous Bailment**

C) Non-Gratuitous Bailment

D)Deposition

16.If the bailee mixes the goods of the bailor with his own goods, without the consent of the bailor

**A)The bailee is liable to pay the expenses for separation of goods and damages**

B) The bailee is not liable

C)Not liable for compensation

D)None of these

17. Lien means -----

A)A charge

B) A particular status

C) A guarantee

**D)A legal claim to hold property as security**

18. Bailor in Pledge is known as -----

A)Bailee

**B) Pawnor**

C) Pawnee

D)None of these

19. In a Pledge, the general property or ownership in goods

A)Transferred to the pawnee

B) Cannot be transferred to the pawnee

**C)Continues in the pawnor**

D)None of the above

20. According to Section 71 of the Contract Act, a person who finds goods belonging to another and takes them into his custody, is subject to the same responsibility as a -----

- A) **Bailee**
- B) Bailor
- C) Surety
- D) Pawnor

21. As per Section 182 of the Contract Act, an agent is one -----

- A) Who is employed by another
- B) To do any act for another
- C) To represent another in dealing with third person
- D) **All of the above**

22. A sub-agent is a person -----

- A) Who works under the main agent
- B) Who carries out the order and direction of a person under whom he works directly
- C) Who works on behalf of the main agent
- D) **Employed by and acting under the control of the original agent in the business of agency**

23. Substituted agent is -----

A) Agent's agent

**B) Principal's agent**

C) None of the above

D) Both (A) and (B)

24. Ratification of authority means

A) Delegation of powers

B) Subrogation

C) Termination of agency

**D) Confirmation to make valid or sanction an act which is already done.**

25. An agency is terminated -----

A) By the principal revoking the authority

B) By the agent renouncing the business of agency

C) By either the principal or agent dying or becoming of unsound mind

**D) All the above**

26. Voluntary transfer of possession from one person to another is called -----

- A) Sale
- B) Purchase
- C) Delivery**
- D) Exchange

27. Which of the following Section of the Sale of Goods Act, 1930 defines the term “Goods”?

- A) Section 2(7)**
- B) Section 2(4)
- C) Section 2(5)
- D) Section 2(9)

28. Goods to be manufactured or produced or acquired by the seller after making of the contract of sale are -----

- A) Contingent goods
- B) Future goods**
- C) Unascertained goods
- D) None of the above



29. The definition of goods in the sale of goods act include ---

**A) Stock and shares**

B) Money

C) Actionable claims

D) All the above

30. Seller means a person -----

A) Who sells

B) Who agrees to sell

**C) Both of the above**

D) None of the above

31. The money consideration for a sale of goods is called -----

A) Purchase money

**B) Price**

C) Value

D) None of the above

32. The Sale of Goods Act, 1930 deals with -----

A) Immovable property only

**B) Movable property only**

- C) Both (A) and (B)
- D) None of the above

33. An agreement to sell is an executory contract. The statement is

- A) True**
- B) False
- C) Depends
- D) None of the above

34. Which of the following is a bailment plus agreement to sell?

- A) Pledge
- B) Hire purchase**
- C) Mortgage
- D) None of the above

35. A stipulation essential to the main purpose of the contract is -----.

- A) Warranty
- B) Condition**
- C) Obligation
- D) None of the above

36. A stipulation collateral to the main purpose of the contract is -----

- A) Condition
- B) Warranty**
- C) Obligation
- D) None of the above

37. Which of the following sections of the Sale of Goods Act, 1930 deals with implied conditions and warranties?

- A) Sections 13 to 16
- B) Sections 14 to 17**
- C) Sections 15 to 18
- D) Sections 16 to 18

38. Conditions and Warranties in a contract may be -----

- A) Express
- B) Implied
- C) Express or implied**
- D) None of the above

39. Which of the following is an implied warranty?

- A) As to undisturbed possession
- B) As to non-existence of encumbrances
- C) As to disclosure of dangerous nature of goods
- D) All of the above**

40. A breach of condition may be treated as a breach of warranty and not vice versa. The statement is

- A) **True**
- B) False
- C) Depends
- D) None of the above

41. The term “Partnership” is defined in Section ----- of the Indian partnership act, 1932.

- A) 2
- B) 3
- C) **4**
- D) 5

42. Persons who have entered into partnership with one another are collectively called as -----

- A) Partners
- B) Directors
- C) **Firm**
- D) None of the above

43. Partnership is a subject in the -----

- A) Union List
- B) State List
- C) **Concurrent List**
- D) None of the above

44. An action for the indemnity can be brought against a partner

- A) By the firm
- B) By any partner on behalf of the firm
- C) By a partner in his individual capacity
- D) Either (A) or (B)**

45. A property of a partner becomes the property of the firm

- A) When it is used for the business of the partnership
- B) When the property is owned by the partners
- C) When there is an agreement express or implied that the property is to be treated as that of the firm**
- D) None of the above

46. The property of the firm includes ----

- A) All property and rights and interest in property originally brought into the stock of the firm
- B) All property and rights and interest in property acquired, by purchase or otherwise, by or for the firm for the purposes and in the course of the business of the firm, and includes also the goodwill of the business
- C) Both (A) and (B)**
- D) None of the above

47) Which of the following courts has the jurisdiction for trying an offence punishable under section 138 of the Negotiable Instruments Act, 1881?

- A) Judicial Magistrate of Second Class
- B) Judicial Magistrate of First Class**

- C) Chief Judicial Magistrate
- D) None of the above

48. A post dated cheque is only a ----- when it is written or drawn, it becomes a cheque when it is payable on demand.

- A) Promissory Note
- B) Bill of Exchange**
- C) Draft
- D) None of the above

49. The offence u/s 138 of the Negotiable Instruments Act is ----

- A) Cognizable and bailable
- B) Non-cognizable and non-bailable
- C) Cognizable and non-bailable
- D) Non- cognizable and bailable**

50. A promissory note is made by -----

- A) Creditor
- B) Debtor**
- C) Holder
- D) Drawee

51. Right of Indemnity Holder is specified in ----

- A) Section 126
- B) Section 125**
- C) Section 124
- D) Section 123

52. X and Y go into the shop. Y says to the shopkeeper 'let him have the goods, I will see you paid'. This is a contract of -----

- A) Guarantee
- B) Bailment
- C) Indemnity**
- D) Pledge

53. Contract of Indemnity as defined in the Indian Contract Act, 1872 covers only -----

- A) Liability incurred by something done by the indemnified at the request of the indemnifier
- B) Indemnity for loss caused by human agency**
- C) Indemnity arises from loss caused by the events or accidents which do not depend upon the conduct of indemnifier or any other person
- D) None of the above

54. Which one of the following is not a party to a contract of guarantee?

- A) Principal Debtor
- B) Creditor
- C) Surety
- D) Pawnor**

55. Anything done or any promise made, for the benefit of the principal debtor, may be a sufficient consideration to the surety for giving the guarantee. The statement is

- A) True**
- B) False

- C) Partly correct
- D) None of the above

56. In a contract of guarantee, the person to whom the guarantee is given is known as -----

- A) Principal debtor
- B) Creditor**
- C) Surety
- D) Bailor

57. In a contract of guarantee, the liability of surety is -----

- A) Primary
- B) Collateral and secondary**
- C) Does not arise
- D) None of the above

58. Surety is a -----

- A) Favored creditor
- B) Favored debtor**
- C) None of the above
- D) Both (A) and (B).

59. A guarantee obtained by means of keeping silence as to material circumstances is -----

- A) Valid
- B) Void
- C) Invalid**
- D) Voidable



60. A leaves a cow in the custody of B to be taken care of. The cow has a calf. In the absence of any contract to the contrary

A) B is bound to deliver only the cow to A

**B) B is bound to deliver the calf as well as the cow to A**

C) B is bound to deliver the calf as well as the cow if he is paid half the price of the calf.

D) B is bound to deliver the calf as well as the cow if he is paid one third of the price of the calf.

61. An example of bailment without a contract is -----

A) Giving a vehicle in a workshop for repair

B) Giving something in courier

**C) Finder of the lost goods**

D) None of these.

62. A finder of goods is

A) Entitled to retain the goods

B) Entitled to claim compensation when specific reward is offered

C) Not entitled to claim compensation and thus not entitled to retain the goods

**D) Both (A) and (B)**

63. Which of the following are the rights of bailee?

A) Right of indemnity

B) Right of remuneration

C) Right of lien

**D) All the above.**

64. Which of the following are the rights of bailor?

- A) Right to demand restoration of goods
- B) Right to get increase or profit from goods bailed
- C) Right to sue the bailee for the enforcement of the duties imposed upon a bailee
- D) All the above.**

65. Which of the following is not an example of bailment?

- A) Giving clothes for dry-cleaning
- B) Keeping property in mortgage**
- C) Giving clothes for tailoring
- D) Giving book for reading

66. ----- entitles the bailee to retain those goods of the bailor for a general balance of the account.

- A) Particular lien
- B) General lien**
- C) Ownership
- D) Pledge

67. An agent can be appointed by ----

- A) A minor of sound mind
- B) Any person of sound mind
- C) A major of sound mind**
- D) Any major of sound or unsound mind

68. An agent can lawfully employ a sub-agent -----

- A) Originally
- B) If the nature of the agency permits
- C) If the ordinary custom of trade permits

**D) Both (B) and (C)**

69. Who is Sub-agent?

A) Who works under the main agent

B) Who carries out the order and direction of a person under whom he works directly

C) Who works on behalf of the main agent

**D) Employed by and acting under the control of the original agent in the business of agency**

70. For the acts of sub-agent lawfully appointed

A) The sub-agent is not responsible to the principal

B) The sub-agent is responsible to the principal directly

**C) The agent is responsible to the principal**

D) The agent is not responsible to the principal

71. An agency may be created by ----

A) Expressly or impliedly

B) Necessity

C) Ratification

**D) All the above**

72. ----- is an agent who sells goods or other property by auction.

A) Del credere agent

**B) Auctioneer**

C) Factor

D) Broker

73. ----- is a mercantile agent who guarantees the performance of the contract by the third person on the payment of some extra commission.

- A) Broker
- B) Factor
- C) Auctioneer
- D) Del credere agent**

74. An agency comes to an end by -----

- A) Performance of the contract
- B) Agreement between the principal and the agent
- C) Renunciation of his authority by the agent
- D) All of the above**

75. An agency is irrevocable -----

- A) Where the authority of agency is one coupled with interest
- B) Where the agent has incurred personal liability
- C) Both (A) and (B)**
- D) None of the above.

76. The Sale of Goods Act, 1930 deals only with goods which are -  
----- in nature.

- A) Immovable
- B) Movable**
- C) Specific
- D) All the above

77. Goods identified at the time of contract of sale is called -----

- A) Specific goods
- B) Ascertained goods**

C) Clear goods

**D) Both (A) and (D)**

**78.** ----- is the concept of “Let the buyer beware”.

A) Unfair trade practices

B) Caveat venditor

**C) Caveat emptor**

D) None of the above

**79.** ----- and ----- are the two parties’ involved in a contract of sale.

A) Customer and sales man

B) Customer and supplier

**C) Seller and buyer**

D) Agent and principal

**80.** It is a standard rule that risk follows -----

A) Seller

**B) Property**

C) Buyer

D) Possession

**81.** An agreement to sell the transfer of property in goods from the seller to buyer takes place -----

A) At the end of the contract

B) Immediately

**C) In a future date**

D) D) Both (B) and (C)

82. Which of the following is not a subject matter in a sale of goods act?

- A) Trade mark
- B) Electricity
- C) Money**
- D) Water

83. A consideration in a contract of sale must be ----- only.

- A) Goods
- B) Movable only
- C) Price**
- D) Purchase

84. ----- means no one gives what they do not have.

- A) Caveat emptor
- B) Caveat venditor
- C) Nemo dat quod non habet
- D) None of the above

85. Baldry V. Marshal is a leading case relating to

- A) Fitness for buyer**
- B) Sale under a patent or trade name
- C) Consent by fraud
- D) None of the above

86. Where the partnership is at will a partner can retire any time

- A) By consent
- B) By agreement
- C) By notice**
- D) All of the above

87. A minor admitted to the benefits of a firm has a right to -----

A) Such share of the property and of the profits of the firm as may be agreed upon

B) Have access to and inspect and copy any of the accounts of the firm

**C) Both (A) and (B)**

D) Any of the above.

88. A minor can

A) Inspect the books of accounts and other books

**B) Inspect the book of accounts not othr books and papers**

C) Cannot inspect the book of accounts

D) None of the above

89. When a minor becomes a partner, his personal liability commences from -----

**A) The date of his first admission**

B) The date of majority

C) The date fixed by all the partners

D) Any one of the above

90. On the retirement of a partner, the firm –

A) Ceases to exist

**B) Continues to exist**

C) Depends

D) None of the above.

91. A partner may retire

- A) With the consent of all the other partners
- B) In accordance with an express agreement by the partners
- C) Where the partnership is at will, by giving notice in writing to all the other partners of his intention to retire
- D) All of the above.**

92. Which of the following is a ground for dissolution u/s 44 of the Indian Partnership Act, 1932?

- A) Misconduct
- B) Permanent incapacity
- C) Unsoundness of mind
- D) All of the above**

93. The Negotiable Instruments Act came into force on –

- A) 9<sup>th</sup> Dec 1881
- B) 1<sup>st</sup> March 1882**
- C) 9<sup>th</sup> Dec 1882
- D) 1<sup>st</sup> April 1881

94. Promissory note is defined u/s ----- of the Negotiable Instruments Act, 1881.

- A) 4**
- B) 5
- C) 7
- D) 8

95. The maker of a bill of exchange or cheque is called -----

- A) Holder
- B) Drawer**



- C) Drawee
- D) Payee

96. The person who is directed to pay a bill of exchange is called --

- A) Holder
- B) Drawer
- C) Drawee**
- D) Payee

97. When does the offence u/s 138 of the Negotiable Instruments Act, complete?

- A) When the drawer fails to pay the cheque amount within 15 days of the notice by the holder
- B) When information regarding dishonor is received by the holder from the bank
- C) When notice of dishonour is received by the drawer
- D) When the cheque is dishonoured.**

98. A person committing an offence u/s 138 shall be punished with for a term of imprisonment which may extend to

- A) 6 months
- B) 1 year
- C) 2 years**
- D) 3 years

99. The drawee of a cheque is always a

- A) Company
- B) Payee
- C) Debtor
- D) Banker**

100. ----- cheque cannot be paid across the counter.

- A) Stale
- B) Mutilated
- C) Crossed**
- D) Bearer

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