

CHARTERED ACCOUNTANCY PROFESSIONAL I (CAP-I)

Multiple Choice Questions Answers

Paper 2 A: Mercantile Laws



**Education Department
The Institute of Chartered Accountants of Nepal**

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PRELIMINARIES

1. Agreements, the meaning of which is not certain or not capable of being made certain is:
 - a. Void
 - b. Voidable
 - c. Valid
 - d. Illegal

2. A contract which is valid initially however, ceases to be enforceable subsequently, the contract:
 - a. Remains Valid
 - b. Becomes voidable when it ceases to be enforceable.
 - c. Becomes void when it ceases to be enforceable.
 - d. Becomes void since inception.

3. Consent means:
 - a. Agreeing on the same thing in same sense.
 - b. Agreeing on the same thing at the same time.
 - c. Agreeing on the same thing at different time.
 - d. Agreeing on different things at different times.

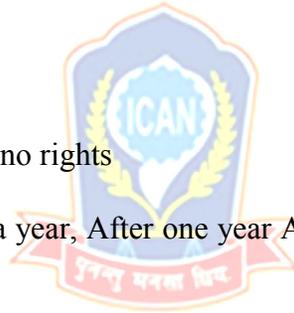
4. Competency to contract relates to:
 - a. Age of the parties.
 - b. Soundness of mind of the parties.
 - c. Both age and soundness of mind.
 - d. Intelligence of the parties.

5. Enforceable agreements are the one:
 - a. Made by free consent
 - b. Parties to the contract are competent to enter into an agreement
 - c. Having lawful consideration and lawful object
 - d. All of above.

6. Promisee is the:
 - a. Person who makes the proposal
 - b. Person who accepts the proposal
 - c. Person who makes the promise
 - d. Person to whom the proposal is made.

7. In a valid contract, what comes first?
 - a. Enforceability
 - b. Acceptance
 - c. Promise
 - d. Proposal

8. Promises which form the consideration or part thereof, for each other are called:
- Acceptances for different proposals.
 - Agreements.
 - Reciprocal promises
 - Consideration.
9. Who said, "Every Agreement and Promise enforceable at law is a contract?"
- Austin
 - Benjamin
 - Pollock
 - Balfour
10. Contractual rights and duties are created by
- State
 - Statute
 - Parties
 - Custom or Usage
11. A contract creates
- Rights is Personam
 - Rights in Rem
 - No obligations
 - Only obligations and no rights
12. A lends Rs 10 lakh to B for a year, After one year A's right to recover the money from B is a
- Right in rem
 - Right in personam
 - Moral right
 - Civil right
13. What comes first in a valid contract is
- Enforceability
 - Money
 - Force
 - None of the above
14. A has bought a house for Rs 50,000. Which of the following right is available to A after the purchase?
- He has a right against the seller to have quiet possession of the house and enjoy in it
 - He has a right against the whole world to have quiet possession of the house and enjoy in it
 - He has moral right over the house
 - He has a right to live in the house but cannot sell.



15. A owns a residential flat. He is entitled to quiet possession and enjoyment of his property. This is called
- Rights in Personam
 - Rights in Rem
 - Moral Right
 - There is no right at all
16. A invites B for his son's wedding. B accepts the invitation. In this case, there is an agreement but no contract, since
- There is no consideration
 - There is no intention to create legal relationship
 - There is no written document
 - There is no formal acceptance of the offer
17. A invites B for coffee in coffee-day restaurant and B accepts the invitation. On the appointed date, B goes there but A is not found. In this case
- B has no remedy against A
 - B has to wait for another invitation from A
 - B has the right to sue A for not honoring his words
 - A has to invite B again, to perform the promise.
18. A promised to pay his son B a sum of Rs 1 lakh if B passed CA exams in the first attempt. B passed the exam in the first attempt, but A failed to pay the amount as promised. B files a suit for recovery of the amount. State whether B can recover the amount under Muluki Dewani Samhita Ain, 2074;
- B can sue A
 - B has to pay Rs 1 Lakh to A
 - B has no remedy against A
 - B has to write the exam again, to claim the reward
19. In agreements of purely domestic nature, the intention of the parties to create legal relationship is;
- To be proved to the satisfaction of the Court
 - Presumed to exist
 - Required to the extent of consideration
 - Not relevant at all
20. A void agreement is void *ab-intio* but a void contract is not void ab intio.
- True
 - False
 - Partly True
 - Partly False
21. A contract needs to be written, registered and signed by parties and witnessed
- If any party wishes so

- b. If the Contract Act directs so
 - c. If the law governing the contract requires so
 - d. If the consideration is of large amount
22. A appoints B as his agent, by way of a power of attorney. This is an example of
- a. Express Contract
 - b. Implied Contract
 - c. Tacit Contract
 - d. Unlawful Contract
23. Drawing cash form ATM, sale by fall of hammer at an auction sale, etc., are example of
- a. Express Contract
 - b. Implied Contract
 - c. Tacit Contract
 - d. Unlawful Contract
24. Where the obligation in a contract is outstanding on the part of both parties, it is called
- a. Void Contract
 - b. Illegal agreement
 - c. Unilateral Contract
 - d. Bilateral Contract
25. In social agreements, the usual presumption is
- a. That parties do not intend to create social relations
 - b. That parties intend to perform them
 - c. That parties do not intend to make legal and social relations
 - d. That the parties do not intend to create legal relations between them
26. A contract in which, under the terms of a contract, nothing remains to be done by either party is known as
- a. Executed contract
 - b. Executory contract
 - c. Unilateral contract
 - d. None of the above
27. Contract creates obligation between the parties to a contract.
- a. Social
 - b. Unenforceable
 - c. Legal
 - d. General
28. Offer can be accepted by:
- a. Any person
 - b. Only the person to whom offer is made (offeree)
 - c. Any third person only
 - d. Person who does not have any clue about the offer.

29. Which of the following is not a condition for an agreement to be a valid contract as per Muluki Dewani Samhita Ain, 2074?
- Competent Party
 - Intention to create legal relation
 - Lawful objective, consideration or liability.
 - Parties should be from same nation.
30. As per Muluki Dewani Samhita Ain, 2074, which one is correct?
- Format and Content of the contract is fixed
 - Contract should be registered to be valid
 - Parties to the contract are autonomous to decide the form and content of contract
 - Parties to the contract cannot by themselves resolve the dispute arising out of breach of contract.
31. In case the offerer (proposer) has mentioned in the offer that he/she would deem the offer to have been accepted unless he receives a notice of refusal within a specified period;
- the offer shall be deemed to have been accepted in case a notice of refusal has not been sent within that period.
 - the offer shall not be deemed to have been accepted in case a notice of refusal has not been sent within that period.
 - the offer shall not be deemed to have been rejected in case a notice of refusal has not been sent within that period.
 - the offer shall not be deemed to have been rejected in case a notice of refusal has been sent after that period.
32. Which of the following situations is an exception to the principle that an intention to create legal relations is presumed in the context of 'commercial agreements'?
- An agreement between a trade union and employers.
 - An agreement between trade union members.
 - An agreement between an employee represented by a trade union and his employer.
 - All of the options given are correct.
33. Which of the following is not a necessary feature to convert a proposal into a promise:
- The acceptance must be absolute.
 - The acceptance must be within the prescribed time limit.
 - The acceptance must be unqualified.
 - The acceptance must be expressed in some usual and reasonable manner
34. When is the promise said to be express:
- When the proposal or acceptance of any promise is made in words
 - When the proposal or acceptance of any promise is made through visual representation
 - When the proposal or acceptance of any promise is made in any way other than words

- d. When the proposal or acceptance is made by either in words or in any way other than words
35. The correct sequence in formation of a contract is:
- Offer, acceptance, consideration, agreement
 - Offer, Consideration, acceptance, agreement
 - Agreement, consideration, offer, acceptance
 - Offer, acceptance, agreement, consideration
36. When the contract is perfectly valid but cannot be enforced because of certain technical defects. This is called
- Unilateral Contract
 - Bilateral Contract
 - Unenforceable Contract
 - Void Contract
37. An unenforceable contract:
- Can be enforced if the technical defect involved is removed.
 - Cannot be enforced at all.
 - Remains void-*ab initio*
 - Are illegal contract.



OFFER AND ACCEPTANCE

1. When a person to whom proposal is made signifies his assent thereto the proposal is said to be accepted then it is called:
 - a. Proposal
 - b. Promise
 - c. Agreement
 - d. Contract

2. A specific offer is the one which is made
 - a. By A to B
 - b. By a father to his only son for sale of his factory to him
 - c. By a father of a girl, to the father of the only son for her marriage
 - d. By all of the above

3. The person making the proposal is called :
 - a. Promisor
 - b. Promisee
 - c. Acceptor
 - d. Assignor

4. A proposal can be accepted:
 - a. By notice of acceptance.
 - b. By performance of condition of proposal
 - c. By acceptance of consideration for a reciprocal promise
 - d. All of the above

5. Reciprocal Contracts means;
 - a. One sided contract
 - b. Bilateral Contracts
 - c. Trilateral Contracts
 - d. None of the above

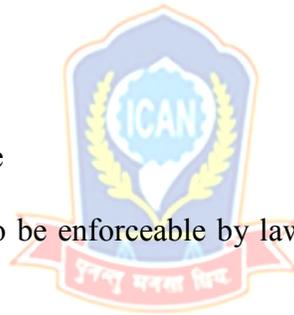
6. If the proposer prescribes the mode and manner of acceptance, the acceptance:
 - a. Can be in any manner and mode.
 - b. Should be in the manner and mode prescribed.
 - c. Can be in any reasonable manner and mode.
 - d. All the above

7. A proposal stands revoked
 - a. By communication of notice of revocation by the propose
 - b. By failure of acceptor to fulfill a condition precedent.
 - c. By death or insanity of proposer to the knowledge of acceptor.

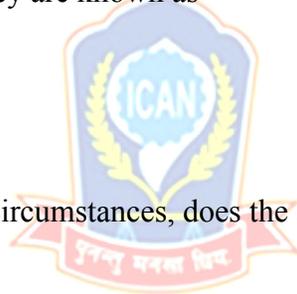


- d. All of the above.
8. Tender is:
- An offer
 - An invitation to offer
 - A counter offer
 - A promise
9. Offer is:
- Communication from one person to another
 - Suggestion by one person to another
 - Willingness to do or abstain from doing an act in order to obtain the assent of other thereto
 - All of be above
10. A proposal cannot be revoked:
- By the communication of notice of revocation by the proposer to the other party B
 - By the failure of the acceptor to fulfill a condition precedent to acceptance C
 - By the lapse of the time prescribed in such proposal for its acceptance D
 - By an act involving moral turpitude of the proposer, whether related to the proposal or otherwise
11. Goods displayed in a shop with a price tag is an
- Offer.
 - Invitation to offer
 - Counter offer
 - Cross Offer.
- 
12. Terms of an offer must be
- Ambiguous
 - Uncertain
 - Definite
 - Vague
13. A offers B to sell his house for Rs. 15 lakh and directs him to send his acceptance only by e-mail B sends a letter of acceptance by post. This is
- valid acceptance
 - invalid acceptance
 - valid acceptance if A does not reject
 - no acceptance at all
14. Which of the following conditions is not necessary for a valid offer?
- Intention to create legal relation
 - Unconditional terms
 - Certainty of terms
 - Communication to the person to whom it is made

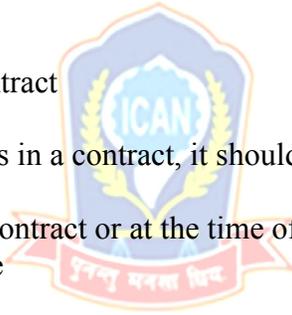
15. is expression of initial intention.
- Invitation to offer
 - Offer
 - Proposal
 - Acceptance
16. is expression of final willingness to perform a promise.
- Invitation to offer
 - Offer
 - Bid
 - Acceptance
17. Statement of lowest price at which the seller would sell his goods constitutes
- A valid contract
 - A implied contract
 - An express contract
 - No contract
18. A bid at an auction sale is
- An implied offer
 - An express offer
 - An invitation to offer
 - An invitation to come
19. A contract which ceases to be enforceable by law becomes void when is ceases to be enforceable is called:
- Valid contract
 - Voidable Contract
 - Void Contract
 - Illegal Contract
20. An offer may be revoked at any time:
- Before communication of its acceptance
 - Before communication of its rejections
 - Both (a) and (b)
 - After the Communication of its rejections.
21. Which of the following give rise to binding contract?
- A promise to give 500 to B for B's birthday.
 - A promise to let B stay at A's house overnight if B fixes the roof of the house.
 - A promise B to give his car to drive to London.
 - All of the above.
22. Which of the following is an invitation to offer?
- A tender to supply goods at a certain time



- b. A request for a loan
 - c. Bids in an auction sale
 - d. A catalogue of goods for sale
23. Price Lists and Catalogues, Advertisements in newspapers, and enquiries from customers are
- a. Offers
 - b. Invitations to offer
 - c. Acceptances
 - d. Cross-offers
24. 'A' invites tenders for the supply of 10 quintals of cotton. 'B', 'C' and 'D' submit their tenders. A contract is concluded when
- a. 'A' invites tenders
 - b. 'A' receives tenders of B,C and D
 - c. 'A' accepts the tender of any of the parties.
 - d. There is no contract at all
25. When the offers made by two persons to each other containing similar terms of bargain cross each other in post, they are known as
- a. Cross Offers
 - b. implied Offers
 - c. Direct Offers
 - d. Express offers
26. In which of the following circumstances, does the offer come to an end?
- a. Lapse of time
 - b. Counteroffer
 - c. Death of offerer or offeree before acceptance
 - d. All of the above
27. An offer comes to an end after the expiry of
- a. Time stipulated for acceptance
 - b. A reasonable time
 - c. Either (a) or (b)
 - d. Nether (a) nor (b)
28. An acceptance containing additions, limitations or other modifications shall amount to
- a. Rejection of the offer
 - b. A counter offer
 - c. A valid acceptance
 - d. Both (a)& (b)
29. A general offer can be accepted by
- a. sending a communication of acceptance
 - b. mental acceptance of offer



- c. complying with the conditions of offer
 - d. making a counter offer
30. Specific offer can be accepted by
- a. any person
 - b. any friend of offeror
 - c. only the person to whom it is made
 - d. any friend of offeree
31. Which of the following constitute invalid acceptance?
- a. Mental acceptance without communicating to Proposer
 - b. Failure to respond to the Proposer
 - c. Silence on the part of the Offeree
 - d. All of the above
32. An acceptance is not according to the mode prescribed, but the offeror decides to keep quiet. In such a case there is
- a. A contract
 - b. No contract
 - c. A voidable Contract
 - d. An unenforceable contract
33. In case of special conditions in a contract, it should be communicated to the offeree
- a. At any time
 - b. Before entering into contract or at the time of Making offer
 - c. After contract is made
 - d. Both (a) and (b)
34. Conditions on the reverse of a train ticket, bill issued by service providers, etc, are examples of
- a. Normal business policy
 - b. Space saving measure
 - c. Special conditions requiring special attention
 - d. General rules of contract Law
35. Which of the following statement is incorrect?
- a. An offer may be made to the world at large
 - b. An offer may be positive or negative
 - c. An offer may be expressed or implied
 - d. An offer must be made to a specific person
36. An acceptance of offer, in ignorance of the fact of death or insanity of the offeror, is
- a. Valid acceptance
 - b. Not valid
 - c. Illegal acceptance

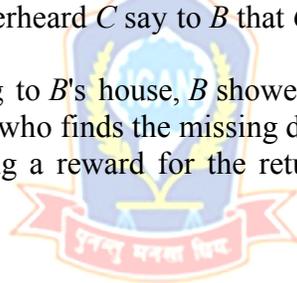


- d. Fraudulent acceptance
37. A revokes his proposal to B by telegram. The revocation is complete as against A
- When the telegram is dispatched
 - When B receives the telegram
 - When B confirms
 - When A receives confirmation from B
38. A revokes his proposal by telegram to B. it is complete as against B
- When the telegram is dispatched by A
 - When B confirms it
 - When B receives it
 - When A dispatches the telegram
39. Which of the following statements is correct?
- A valid contract cannot result from identical cross offers
 - A proposal when accepted becomes a promise
 - A rejected offer cannot be accepted
 - All of the above statements
40. Which of the following is correct ?
- Acceptance must precede an offer
 - Acceptance may be given in any manner unless the offeror insists acceptance in the prescribed manner
 - Silence always amounts to acceptance
 - Acceptance may be valid even if the offeree adds certain conditions
41. Which of the following is incorrect?
- A rejected offer cannot be accepted
 - Cross offers cannot be constructed as an agreement
 - Counter offer constitute valid acceptance
 - All of the above
42. Which of the following scenarios could give rise to a contractual duty?
- A train company driving passengers from Edinburgh to London.
 - A soft drinks company offering a free gift on the presentation of three bottle lids.
 - A shop offering an item of clothing for sale.
 - All of the options given are correct.
43. Which of the following would be a valid contract?
- A document titled 'deed' signed by B in the presence of C and delivered to A by B.
 - An oral promise between A and B that A will sell his car to B.
 - A advertises in a newspaper that if anyone completes a 50km walk she will give them a Rs.500 reward. B completes the walk after reading the advertisement.
 - All of the options given are correct.

44. Out of the following examples, which is a unilateral contract?
- A* writes in a newspaper offering Rs. 50 to anyone who returns *A*'s cat.
 - A* says to *B* that he will give *B* Rs. 20 if *B* can provide him with information about his lost son.
 - A school offers to give extra lessons to anyone who fails a test on their first attempt.
 - All of the options given are correct.
45. Which of the following best describes the idea of 'freedom of contract'?
- Parties are free to agree on the terms of the contract.
 - Contractual obligations arise through consent.
 - Parties are free not to enter into a contract.
 - All of the options given are correct.
46. *A* offers for sale a "working handheld electronic toy, ready to use straight away" at an auction. *B* places the highest bid. *A* delivers the electronic toy without batteries. *B* sues for breach of contract since there are no batteries. What is the likely outcome?
- The contract is invalid as *A* and *B* had different subjective intentions as to the subject of the contract.
 - A* is in breach of the contract by not providing batteries.
 - B* must pay more for the batteries on delivery of the electronic toy.
 - None of the options given is correct.
47. Ben enters Aaron's Light Emporium and picks up a candle to purchase. The candle is made with rare oils and the point of sale sign states 'Exclusive item, first come first served. One per customer.' Ben then takes it to the till and purchases the candle. At what point is the contract made by offer and acceptance?
- Aaron is offering the candle for sale and when Ben presents it for purchase at the till, he is accepting that offer.
 - Aaron is offering the candle for sale and Ben accepts that offer when he takes the candle from the shelf.
 - Ben makes an offer when he presents the candle for payment at the till and Aaron accepts that offer by taking Ben's payment.
 - None of the options given is correct.
48. *A* sells a necklace at an auction which he considers to be an antique. He is confident that he can sell it for at least Rs.5,00,000 as this is what it has been valued at, but does not set a minimum price in order to save on auction fees. *B* reads an advertisement that the necklace is being offered to the highest bidder and makes the highest bid of Rs.4,50,000. What is the outcome?
- A* is contractually bound to sell *B* the necklace for Rs.4,50,000.
 - A* is contractually bound to sell *B* the necklace if *B* provides the Rs. 5,00,000 the necklace is valued at.
 - A* can reject *B*'s bid and can sell the necklace at any other time.
 - A* can reject *B*'s bid but must give him first refusal on any subsequent sale of the necklace.

49. *A* writes an advertisement stating that he is selling his antique watch and will consider any offers that are made to him via telephone before he leaves Katmandu at 4pm on Friday. *A* is in a rush and when *B* calls at 2pm on Friday and offers Rs.100,000 for the watch, *A* accepts. An hour later *C* leaves a telephone message, also offering Rs.100,000. *A* deletes the message without listening to it. Does *C* have any action for breach of contract?
- Yes, because *A* did not even consider *C*'s offer.
 - No, even if *A* had listened to the message, he would still have decided to accept *B*'s offer.
 - No, *C* left a telephone message rather than speaking to *A* on the telephone.
 - No, the offer was no longer open when *A* accepted *B*'s offer.
50. The age limit for making a contract is
- 16 Years
 - 17 Years
 - 18 Years
 - 14 Years
51. In order to convert a proposal into a promise the acceptance must be:
- Conditional
 - Absolute
 - Qualified
 - All of the above.
52. In which of the following situations would communication of an acceptance likely be required?
- A college writes to its 500 students offering them one-to-one tuition with a famous professor if any of them get a mark above 80% in their mock examination.
 - A circus writes in a newspaper that it will provide a reward to the first 10 people who inform the circus that they have access to a three-legged animal.
 - A circus states in one of its flyers that it will provide free entry to anyone who turns up dressed as a clown.
 - All of the options given would require the communication of an acceptance.
53. Which of the following could give rise to a unilateral contract?
- In return for *B* promising to run a marathon, *A* will sponsor *B* Rs. 5000.
 - In return for *B* completing a marathon, *A* will sponsor *B* Rs. 500.
 - Both of the options given are correct.
 - None of the options given is correct.
54. In which of the following situations would *B* be entitled to the reward given in the offer of the contract on completion of the required act?
- B* reads a poster on a lamp-post offering a reward of Rs. 50 for finding a lost cat, 'Lucky'. *B* later finds the cat and returns it to its owner.

- b. B finds a lost dog and takes it to a pet rescue centre. The dog is subsequently reunited with its owner. B later finds an advertisement in a newspaper of a Rs. 100 reward for the return of the dog.
 - c. B finds a lost dog and takes it to the police. B expects a reward from the owner for finding the dog. The dog is then returned to the owner. One week later, B finds out that the owner had sent flyers around the neighborhood offering a Rs. 75 reward for finding the dog.
 - d. All of the options given would entitle B to the reward.
55. In *Carlill v Carbolic Smoke Ball Co*, which factors led the court to the conclusion that a unilateral contract had been formed?
- a. Mrs Carlill used the ball for two weeks, as requested in the advertisement.
 - b. The advertisement stated that Rs. 1000 had been deposited with a bank.
 - c. The offer was made to the public.
 - d. All of the options given are correct.
56. A finds a lost dog on the street and takes it to B's house. B informs A that it belongs to C and so A takes the dog to C. C offered a reward of Rs. 100 for the dog. In which scenario(s) can it be expected that A would not be able to claim the reward?
- a. A only finds out about the reward after the dog is returned to C.
 - b. A week earlier, A overheard C say to B that C that would give anyone who found the dog Rs. 100.
 - c. When A took the dog to B's house, B showed A a flyer from C offering a reward of Rs. 100 to anyone who finds the missing dog.
 - d. A saw a flyer offering a reward for the return of the dog as she knocks on C's door.



CONSIDERATION

1. Which of the following is an offer to contract?
 - a. *A* tells *B* he will give him Rs. 10 if *B* goes ahead with his operation that he is afraid to have.
 - b. *A* tells *B* he will provide him with Rs. 1 if *B*'s prediction about the football result is correct.
 - c. *A* tells *B* he will provide him with a limited edition trading card if on inspection by *C* it is a fake.
 - d. None of the options given is correct.

2. Which of the following is not capable of being valuable consideration?
 - a. One chocolate wrapper for a piece of jewellery.
 - b. Rs. 200 for a house worth Rs. 1,000,000.
 - c. A plastic ring for a diamond ring.
 - d. Rs. 10000 to Kill Mr. C

3. The consideration or object of an agreement is lawful unless it is:
 - a. Forbidden by law
 - b. Forbidden by contractors themselves
 - c. Forbidden by custom
 - d. All of the above

4. Consideration should be something in return of promise which:
 - a. Both the law and parties regard, as having some value.
 - b. Only law regards a having some value.
 - c. Only parties regard some value
 - d. Only adequate value necessary

5. If only a part of consideration or object is unlawful, the contract shall be:
 - a. Valid
 - b. Voidable
 - c. Void
 - d. Illegal

6. Consideration and Objects are unlawful where it is:
 - a. Forbidden by law or defeat the provisions of any law.
 - b. which is fraudulent.
 - c. which is immoral and against the public policy.
 - d. All the above.

7. When at the desire of the promisor, the promisee or any other person has done or abstained from doing or does or abstained from doing or promises to do or to abstain from doing something, such act or abstinence or promise:
- Reciprocal promise.
 - Consideration for the promise
 - Counter offer.
 - Acceptance
8. If any part of a single consideration for one or more objects, or any one or any part of any one of several consideration of a single object is unlawful, then:
- Only that object shall be held void but the agreement shall be valid
 - The agreement shall be void
 - The agreement shall be voidable at the option of either party to the agreement
 - The agreement is still considered valid
9. Which of the following is incorrect in regards to consideration?
- An agreement to which the consent of the promisor is freely given is not void merely because the consideration is inadequate.
 - Then inadequacy of the consideration may be taken into account by the court in determining the question whether the consent of the promisor was freely given.
 - Consideration must be something which a promisor is already bound to do.
 - A stranger to consideration can sue but a stranger to a contract cannot sue.
10. Which of the following is false?
- Completed gifts need no consideration.
 - Completed gifts without consideration are valid even if they are not out of natural love and affection, and near relation.
 - Any promise to gift to wife is valid.
 - No consideration is required to create an agency.
11. A convict when undergoing imprisonment
- Is capable of entering into a contract
 - Is incapable of entering into a contract
 - Is capable of entering into a contract, if it is permitted by the court
 - Is capable of passing the consideration
12. Agreement to murder a person
- Cannot be enforceable by law
 - Is valid in law

- c. In invalid for want of consideration
 - d. Has no consensus ad idem
13. Consideration must be something which the Promisor
- a. Is already bound to do
 - b. Is not already bound to do
 - c. May voluntarily do
 - d. Must not do
14. Past consideration means
- a. Voluntary services rendered in the past
 - b. Something given by a party to another at the request of the Promisor and contract is made thereafter
 - c. Something done at the time of making a contract
 - d. Something to be given after formation of the contract
15. If A renders some service to B at B's desire and after a Month B promises to compensate A for the service rendered to him, it is a
- a. Present consideration
 - b. Past consideration
 - c. Future consideration
 - d. Not a consideration at all
16. A promises to pay an existing debt punctually if, B, the creditor, gives him a discount. Is this consideration valid?
- a. Yes , it is genuine consideration
 - b. No , Promisor is already bound to pay punctually
 - c. No, inadequate consideration
 - d. Yes , enforceable consideration
17. Promise without consideration is
- a. Gratuitous
 - b. Devoid any legal obligation
 - c. Not binding on the Promisor
 - d. All of the above
18. A husband, by a registered agreement promised to pay wife Rs 5,000 p.m. there was no consideration moving from the wife to the husband. This contract is
- a. Void
 - b. Illegal

- c. Valid
d. Unenforceable
19. A owes B Rs 1,000 but the debt is barred by Limitation Act. A signs a written promise to pay B Rs 500 on Account of this debt. The contract is
- a. Void
b. Illegal
c. Valid
d. Unenforceable
20. Which of the following is correct?
- a. Consideration may be past, present but not future
b. A contract is void if the consideration is inadequate
c. Acceptance to lesser sum in satisfaction of payment of a larger sum is valid in spite of inadequate consideration
d. A stranger to contract can enforce the contract
21. When the consideration is unlawful, the courts
- a. Allows an action on contract
b. Does not allow an action on contract
c. Takes it for consideration
d. Either (a) or (c)
22. The term privity of contract means
- a. Stranger of contract
b. Contract is private
c. First party to contract
d. Second party to contract
23. The forbearance to sue is regarded as
- a. Invalid consideration
b. No consideration
c. Valid consideration
d. None of the above
24. Compromise of disputed claims is
- a. Valid consideration
b. Invalid consideration
c. For bidden by law
d. Unlawful consideration



CAPACITY OF PARTIES

1. Two person have capacity to contract as per Muluki Dewani Samhita Ain, 2074 if
 - a. Both are major
 - b. Both are not of unsound mind
 - c. None is declared unqualified to contract.
 - d. All are correct

2. Which of the following is true?
 - a. A minor cannot act as an agent.
 - b. A minor can be a payee of a cheque.
 - c. A minor can be shareholder even if the shares are partly paid up.
 - d. A minor can also be declared as an Insolvent.

3. Which of the following is true?
 - a. A minor cannot recover the price of his goods sold on credit to a major person.
 - b. The contracts entered into on the behalf of minor by his guardian cannot be enforced against the minor.
 - c. A minor is personally liable for the necessaries supplied to him or his dependents.
 - d. Guardian of a minor shall not be held for necessaries supplied to his dependent children.

4. A person who is usually of a sound mind cannot enter into contract:
 - a. He is capable of forming a rational judgment
 - b. Even when he is of sound mind
 - c. When he is of unsound mind
 - d. When he is at the estate he cannot think about his obligation arising out of contract.

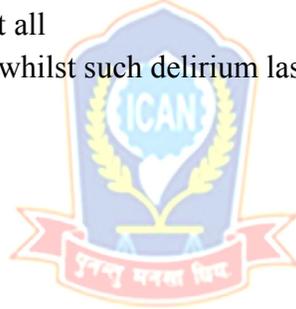
5. Which of the following is true?
 - a. A convict can enter into a contract when he is on parole.
 - b. An Idiot can never enter into a contract.
 - c. An alien friend can acquire property in Nepal.
 - d. When a person is declared an insolvent, he cannot be sued.

6. Which of the following is true?
 - a. If there is no damage, there is no fraud.

- b. The aggrieved party in case of active fraud loses the right to rescind the contract if he had the means of discovering the truth by ordinary diligence.
 - c. The aggrieved party in case of misrepresentation can rescind the contract even if he had the means of discovering the truth by ordinary diligence.
 - d. Ignorance of law is no excuse.
7. Contract is void if:
- a. Both the parties are under mistake to a Nepalese law
 - b. Both the parties are under mistake to a Foreign Law
 - c. If only one of the party to a contract is under a mistake of fact.
 - d. In all cases above.
8. 'A' is a minor, who broke his right leg in a football match. He engaged a doctor to set it. Does the doctor have a valid claim for his services?
- a. Minor will be personally liable.
 - b. Minor's parents will be liable.
 - c. Minor's properties, if any, can be held liable for necessary services rendered to a minor.
 - d. Nobody will be liable.
9. Capacity to contract means
- a. The parties are financially sound to make contract
 - b. The parties are physically able to enter into contract
 - c. The parties are legally competent to enter into contracts
 - d. All of the above
10. These person can enter into a valid contract
- a. Convict
 - b. Person of sound mind
 - c. Divorced lady
 - d. Both (b) and (c)
11. These two persons can enter into a valid contract
- a. One minor and a major person
 - b. One minor and a person of sound mind
 - c. Husband and Wife
 - d. One major person and an insolvent person
12. A convict can enter into contract when
- a. He is on bail

- b. He is released from imprisonment
 - c. All of the above
 - d. None of the above
13. Contracts with an alien friend, subject to certain restrictions are
- a. Void
 - b. Unenforceable
 - c. Valid
 - d. Invalid
14. Minor's agreement is void but the minor can enforce the agreement against the other major party if minor is
- a. A third party in the agreement
 - b. Promisor in the agreement
 - c. A promisee in the agreement and he has performed his part of promise under the agreement
 - d. Relative of Member of Parliament
15. On attaining the age of majority, a Minor's agreement
- a. Is void
 - b. Cannot be ratified
 - c. Becomes void
 - d. Can be ratified
- 
16. A minor, by misrepresenting his age, borrows some money. He
- a. Can be sued for fraud
 - b. Cannot be sued for fraud
 - c. Is liable to return the money
 - d. Is liable to return the money on attaining majority
17. Which of these has not been held as a "Necessary"?
- a. Food
 - b. Clothing
 - c. Shelter
 - d. Mobile Phone
18. Which of the following statements are correct? A minor cannot
- a. Become a Partner
 - b. Be liable even in case of fraudulent representation of age
 - c. Ask for specific performance of a contract

- d. All of the above
19. A drunken person is not competent to contract as he falls in the category of
- Persons disqualified by law
 - Persons of unsound mind
 - Persons of discarded by society
 - Enemies of society
20. A minor can be lawfully of a cheque.
- Drawer
 - Drawee
 - Payee
 - All of the above
21. A sane man, who is delirious from fever
- Can contract at any time
 - Cannot contract whilst such delirium lasts
 - Cannot contract at all
 - May not contract whilst such delirium lasts



FREE CONSENT

1. Free consent is element of contract.
 - a. Essential
 - b. Discretionary
 - c. Exceptional
 - d. All of the above

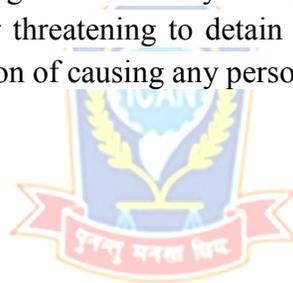
2. A man enfeebled by disease or age is induced by B's influence over him as his medical attendant to agree to pay B, an unreasonable sum for his professional service:
 - a. B employees Coercion
 - b. B employees undue influence
 - c. B employees nothing
 - d. B employees fraud

3. The committing or threatening to commit any act forbidden by the Nepalese Penal Code, or the unlawful detaining or threatening to detain any property to the prejudice of any person whatever with intention of causing any person to enter into an agreement is called
 - a. Free consent
 - b. Fraud
 - c. Coercion
 - d. Undue Influence

4. Coercion, Fraud and misrepresentation makes contract:
 - a. Void of the option of the party whose consent was caused
 - b. Voidable on the option of the party whose consent so caused
 - c. Valid for both sides
 - d. None of above

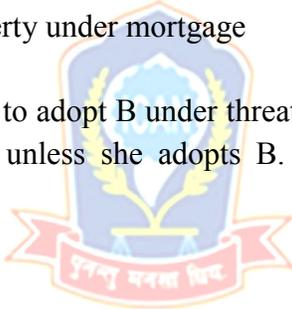
5. A intending to deceive B, falsely represents that five hundred munds of indigo are made annually at A's factory and thereby induces B to buy the factory
 - a. The contract is voidable on the part of A
 - b. The contract is voidable on the part of B
 - c. The contract is voidable on both A and B part
 - d. The contract is altogether void.

6. Mistake of fact
 - a. Makes a contract voidable
 - b. Does not make a contract voidable

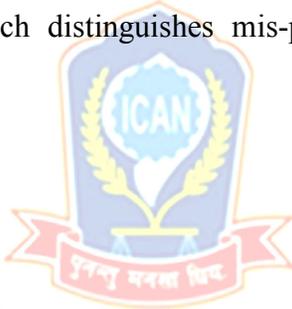


- c. Makes a contract void
 - d. Makes the contract Illegal
7. A agrees to buy from B a certain horse. It turns out that the horse was dead at the time of the bargain though neither party was aware of the fact the agreement is:
- a. Void
 - b. Voidable
 - c. Void-ab initio
 - d. Valid
8. What is true of misrepresentation?
- a. It is same thing as fraud
 - b. It renders contract voidable
 - c. It may be due to innocence
 - d. Both (b) and (c).
9. Which of the following is not a necessary feature for free consent:
- a. When the consent is not caused by coercion
 - b. When the consent is not caused by undue influence
 - c. When the consent is not caused by mistake
 - d. When the consent is not caused by misunderstanding
10. Which of the following statement regarding coercion is not true:
- a. Coercion involves unlawful detaining or threatening to detain any property
 - b. The act of coercion may be directed at any person and not necessarily at the other party to the agreement
 - c. Coercion gives one person an advantage of a position of power over another person
 - d. The act of coercion must be done with the object of inducing or compelling any person to enter into an agreement
11. In which of the following circumstances is undue influence not exercised:
- a. Where one person holds a real or apparent authority over the other.
 - b. Where he stands in a fiduciary relation with the other
 - 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
 - d. When something is said or done in a dishonest way to trick people

12. Which of the following act does not constitute fraud:
- where a person stands in a fiduciary relation with the other and induces the other person to act on his directions
 - the active concealment of a fact by one having knowledge or belief of the fact
 - a promise made without any intention of performing it
 - the suggestion as a fact, of that which is not true, by one who does not believe it to be true
13. Which of the following does not constitute misrepresentation:
- any breach of duty which, without an intent to deceive, gains an advantage to the person committing it
 - 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
 - causing, however innocently, a party to an agreement, to make a mistake as to the substance of the thing which is subject of the agreement
 - any act fitted to deceive the other party willfully.
14. Which of the following is correct?
- Undue influence involves use of physical pressure.
 - There is a presumption of undue influence between creditor and Debtor
 - There is no presumption of undue influence between a husband and wife.
 - Undue influence can be exercised by a stranger to a contract.
15. There is no presumption of undue influence in between:
- Spiritual Gurus and Disciple
 - Parents and Children
 - Creditor and Debtor
 - Master and Servant
16. Which of following sentence about fraud is correct?
- Silence always amounts to fraud.
 - A contract is void if the consent of a party to an agreement is obtained by fraud.
 - In case of fraud, the aggrieved party cannot sue for damages.
 - A mere attempt to deceive is not fraud.
17. When a contract is not voidable?
- When coercion is exercised against promisor or any other person.
 - When any aggrieved party can enforce the contract at his option only.
 - When a contract ceases to be enforceable by law.
 - When a contract is made by applying undue influence between two parties.

18. Two person are said to be in consent
- When they agree on any things
 - When they agree upon the same thing in the same sense
 - When they agree upon the same thing in different sense
 - When they agree up to the same thing in different sense
19. means forcibly compelling a person to enter into a contract.
- Intimidation
 - Fraud
 - Mistake
 - Coercion
20. The act amount to coercion is
- Threat to sue
 - Threat to strike
 - Threat to suicide
 - Threat to detain property under mortgage
21. A, Hindu widow, was forced to adopt B under threat that her husband's dead body would not be allowed for funeral, unless she adopts B. the adoption is void-able since the consent is caused by
- Undue Influence
 - Coercion
 - Fraud
 - Mistake
- 
22. Duress under English Contract Law is similar to
- Undue influence
 - Coercion
 - Fraud
 - Misrepresentation
23. The agreement entered into with free consent is
- Valid
 - Void
 - Voidable
 - Illegal

24. A person is deemed to be in a position to dominate the will of another by undue influence if the mental capacity is affected temporarily or permanently by reasons of
- Age
 - Illness
 - Mental or bodily distress
 - All of the above
25. is the unconscientiously use, by one person, of power possessed by him over another in order to induce the other party to enter into contract
- Coercion
 - Undue Influence
 - Fraud
 - Misrepresentation
26. Undue influence is not presumed when the relationship between the parties is
- master- Servant
 - doctor-patient
 - husband-wife
 - disciple and Spiritual Guru
27. Fraud means
- Suggestion as a Fact, of something which is not true, by a person who does not believe it to be true
 - Active concealment of a fact
 - Promise made without any intention of performing it
 - All of the above
28. If a sells, by auction to B a horse which A Knows to be unsound and A says nothing to B about the horse's unsoundness, this amount to
- Fraud
 - Not fraud
 - Unlawful
 - Illegal
29. Duty to speak exists in case
- Where the parties stand in a fiduciary relationship
 - Where contract is a one of ubberima fidei
 - Both (a) and (b)
 - Neither (a) nor (b)

30. A, fraudulently sold his car to B. After-wards , B came to know about the fraud, but instead of complaining, he further sold the car to C. In this case, B's right to rescind the contract is
- lost
 - not lost
 - strengthened
 - None of the above
31. A bought shares in a Company on the faith of a prospectus that contained an untrue statement as to the directorship of B. A had never heard of B and hence such statement was immaterial from his view point. A claimed damages for fraud. His claim will be dismissed on the ground that
- There was no fraud
 - It is a subject matter covered under Companies Act
 - The untrue statement had not induced him to buy the shares
 - All of the above
32. The important element which distinguishes mis-presentation from fraud is that the misrepresentation is an
- intentional statement
 - innocent statement
 - important statement
 - irrelevant statement
- 
33. Sohan induced Suraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Suraj complained that there were many defects in the motorcycle. Sohan proposed to get it repaired and promised to pay 40% cost of repairs after a few days. The motorcycle did not work at all. In this case, Suraj
- can rescind the contract
 - has affirmed to the contract and cannot rescind the contract
 - can return the motorcycle
 - all of the above
34. A wrote to B inquiring price of rifles suggesting that he might buy as many as 50. On receipt of information he telegraphed, "Send three rifles" Due to telegraphic mistake, message was transmitted as "Send the rifles". B dispatched 50 rifles. In this case
- There is no contract
 - There is a valid contract
 - A has to accept the loss on 50 rifles
 - A has to accept the loss on 3 rifles

VOID AND OTHER CONTRACTS

1. *A* made a contract with *B* when *A* was 14 years old and *B* was 30 years old. After reaching the age of majority, *A* wishes to make the contract binding on herself. What must *A* do to achieve this?
 - a. Nothing else needs to be done.
 - b. *A* must ratify the contract.
 - c. *A* must ratify the contract and request fresh consideration from *B*.
 - d. *A* must ask *B* for fresh consideration.

2. *A*, a minor, enters into a contract with a private boarding school, *B*, for the supply of his education. One of the terms of the contract is that *A* will be liable for the wages of a supply teacher if *A*'s teachers ever become ill. Is this a valid contract for necessities?
 - a. Yes, the contract is for education
 - b. No, the contract is for private education and such cannot be a necessary
 - c. No, the contract contains onerous terms on *A*

3. Which of the following would render the contract *A* entered into voidable due to mental incapacity?
 - a. *A* is unable to retain information due a confusion. This is only temporary and will be cured in a few days.
 - b. *A* does not understand the property law aspects of the contract he is entering into for the sale of his house. *B*, the purchaser, has provided *A* with a list of land law cases to read.
 - c. *A* is only able to communicate his assent to the contract using sign language.
 - d. None of the options given is correct.

4. A contingent contract
 - a. Is void
 - b. Never becomes void
 - c. Becomes void when the event becomes impossible.
 - d. Is voidable

5. Which of the following agreement is void:
 - a. Agreement in restraint of marriage
 - b. Agreement which is expressed in writing and registered under the law for the time being in force for the registration of documents, and is made on account of natural love and affection between parties standing in a near relation to each other

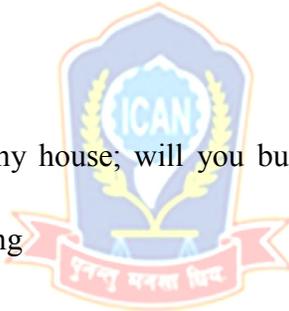
- c. Agreement to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, or something which the promisor was legally compellable to do
 - d. Agreement made in writing and signed by the person to be charged therewith or by his agent generally or specially authorized in that behalf, to pay wholly or in part debt of which the creditor might have enforced payment but for the law for the limitation of suits.
6. Contingent contract means:
- a. A suit entrusted to any person to abide by the result of any game or other uncertain event on which may wager is made
 - b. A contract to do or not to do something, if some event, collateral to such contract, does or does not happen
 - c. Agreements which are not certain, or capable of being made certain
 - d. Every agreement, by which any party thereto is restricted absolutely from enforcing his rights under or in respect of any contract.
7. Which of the following is not wagering agreement?
- a. Difference
 - b. A lottery
 - c. A crossword puzzle
 - d. Game of skill
8. The uncertain event that determines the contract is
- a. Collateral event
 - b. Contingent event
 - c. Impossible event
 - d. Speculative even
9. is without any legal effect and cannot be enforced in a Court of Law.
- a. Valid Contract
 - b. Void Contract
 - c. Voidable Contract
 - d. Unenforceable Contract
10. A, a tradesman, left certain goods at B's house by mistake. B treated and used the goods as his own. In this case, B is
- a. Not liable to pay for the goods
 - b. Liable to be prosecuted under law
 - c. Liable to pay for the goods



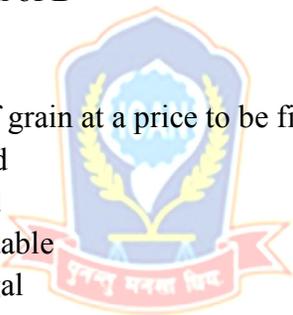
- d. Bound to inform police.
11. Which of the following is true?
- Every agreement in restraint of the marriage of any person is void.
 - Every agreement in restraint of trade is altogether void.
 - Agreement to compromise the civil suits is void.
 - Agreement in restraint of use of public facility is altogether void.
12. Contract contingent upon the happening of an uncertain future even becomes void if:
- Happening of such event becomes certain.
 - Happening of such even remains uncertain.
 - Non happening of such event remains uncertain.
 - Happening of such event becomes impossible.
13. In case of several joint promisors, the promisee can demand the performance :
- Only from all promisors joint together.
 - From anyone or more of joint promisors.
 - From any promisor or third party
 - From any person.
14. Which of the following is true?
- An agreement to do an impossible act is voidable at the option of the promisee.
 - Where initial impossibility is unknown to both the parties, the contract will not be void.
 - When the performance of a contract becomes subsequently impossible or unlawful, the contract becomes voidable at the option of promisee.
 - When a contract becomes void, any person who had received any advantage under such contract must restore it.
15. Which of the following is true?
- In case of trusts, the beneficiary being a stranger to a contract cannot sue
 - A written promise to pay a time barred debt is valid
 - An assignee cannot enforce the contract because he is a stranger to a contract
 - A promise made without consideration to compensate the person who has already done something voluntarily is valid if it is made in writing
16. In case of several joint promisees, the performance of the contract may be demanded by:
- All the promisees together
 - Only one of the promisees
 - At least two of joint promisees
 - Any of promisees

17. Which of the following is false?
- An offer can be revoked at any time before its acceptance is complete as against the offerer.
 - A proposal may be revoked by the proposer before the posting of the letter of acceptance by the acceptor.
 - An acceptance can be revoked at any time before the posting of the letter of acceptance by the acceptor.
 - Death or Insanity of the proposer automatically revokes the proposal.
18. Quasi Contract is based upon the principle of
- Equality
 - No unjust enrichment of a part at the cost of another
 - Neither (a) nor (b)
 - Both (a) and (b)
19. Which of the following is incorrect?
- In Quasi-contract, the promise to pay is always an implication of law and not of facts
 - Quasi-contracts are not contracts at all
 - A quasi-contract is implied in law
 - A quasi-contract is not a real contract
20. An agreement between ice manufacturers not to sell ice below a stated price and to divide the profits in a certain proportion is
- Valid
 - Void
 - Enforceable
 - Voidable
21. The agreement to create monopoly is
- Valid
 - Void
 - Illegal
 - Wagering
22. In which of the following agreements, Restraint of Trade is valid?
- Agreement with Buyer of Goodwill.
 - Trade Combinations not opposed to public policy
 - Partnership Agreements
 - All of the above.

23. Out of the following, which is a valid restriction on an employee?
- During employment, he will not work at any other place
 - After the period of employment, he will not work anywhere
 - He will not resign from job
 - Both (b) and (c)
24. Which of the following agreements is valid?
- Restricting person from enforcing his rights under any contract, by the court
 - Limiting the time within which any party may enforce his rights by order of court
 - Waiver the rights of any party to the agreement
 - All of the above
25. Where an employee undertook to serve his employer for a period of 1 year but leaves the service after 6 months , the agreements is
- Void
 - Enforceable
 - Illegal
 - Voidable
26. A says to B ‘ I shall sell my house; will you buy?’ B says, ‘yes, I will buy’. The agreement is void due to
- Uncertainty of meaning
 - Uncertainty of price
 - Uncertainty of subject matter
 - Uncertainty about the quality
27. A agreed to pay a certain sum, when he wishes to pay. The agreement is void on grounds of
- inadequacy of consideration
 - agreement to agree in future
 - Uncertainty
 - all of the above
28. Any agreements to solve picture puzzles are
- Wagering Agreements
 - Not Wagering Agreements
 - Void Agreements
 - Voidable Agreements



29. A contract entered into during war with an alien friend is
- Ineffective
 - Valid
 - Voidable
 - Void-ab-initio
30. An agreement in which a person promises, for a monetary consideration, to procure the marriage of another is
- Enforceable
 - Void
 - Valid
 - Voidable
31. A promises to pay B Rs 30,000 if B procure for him the title “Madan Purushkar”. The agreement is
- Enforceable
 - Void
 - Valid
 - Voidable
32. A contract is not contingent contract
- If the event is bound to happen
 - If the promisor has control over the event
 - If the event is a part of the promise of the contract
 - All of the above
33. A agrees to pay B Rs 50,000 if a Titanic ship does not return. The ship is sunk. The contract can be enforced
- When the ship sinks
 - Before the ship sinks
 - When the ship returns
 - When ship does not starts its journey
34. Which of the following statement are correct?
- An agreement with voters to procure their votes for notes is void.
 - An agreement with a person for is procuring a seat in a college for monetary consideration is void
 - Wagering agreement is voidable.
 - An agreement restricting personal freedom is void

- a. (i), (ii),(iii)
 - b. (ii),(iii),(iv)
 - c. (i), (ii),(iv)
 - d. (i),(iii), (iv)
35. A agrees to pay Rs 30,000 to B, a rival shopkeeper, if he closes his business in A's locality only. This agreement is
- a. Valid
 - b. Voidable
 - c. Void
 - d. None of the above
36. A agrees to sell to B all the production of this only factory situated at Ahmedabad. This agreement is
- a. Void
 - b. Valid
 - c. Voidable, at the option of B
 - d. None of these
37. B agrees to sell to A '1 kg of grain at a price to be fixed by C'
- a. The agreement is valid
 - b. The agreement is void
 - c. The agreement is voidable
 - d. The agreement is illegal
- 
38. The difference between contingent contract and wagering agreements' are as follows
- a. A wagering agreement, consists of reciprocal promises whereas a contingent contract may not contain reciprocal promises
 - b. In wagering agreement the uncertain event is the sole determining factor while in a contingent contract the event is only collateral
 - c. Wagering agreement consists of reciprocal promises whereas a contingent contract may not contain such promises
 - d. All of the above
39. A agrees to pay Rs 50,000 to B if she brings a Dinosaur from forest.
- a. This is void agreement
 - b. This is a quasi contract
 - c. This is an implied contract
 - d. This is a wagering conduct

40. A agrees to purchase B's horse for Rs 5,000. if the horse proved lucky. It is
- A contingent contract
 - Not contingent contract
 - Void agreement
 - Valid contract



PERFORMANCE OF CONTRACT

1. In case of joint promise, generally the performance must be by:
 - a. All the promisors jointly
 - b. Any of them individually
 - c. One not authorized to perform
 - d. All of the above

2. In case of joint promise, generally a promisee can compel
 - a. All the joint promisors to perform
 - b. Any one of them to perform
 - c. Some of them to Perform
 - d. All of them

3. Generally, the joint promisors can
 - a. Compel each other to contribute equally
 - b. Not to compel each other to contribute equally
 - c. Cannot compel each other to contribute equally
 - d. None of the above

4. Where one of the joint promisors makes a default in contribution of performance
 - a. The other joint promisor has no right against the defaulter
 - b. Have to bear the loss in equal share
 - c. Not supposed to bear the loss
 - d. The contract becomes void to that extent

5. In case of default of joint promisors, the promisee can sue
 - a. Any one of them for the entire promise
 - b. Any one of them to the extent of his share in the entire promise
 - c. Both a) and b)
 - d. Cannot sue any single promisors

6. What is a reasonable time for performance of contract
 - a. Is a question of fact
 - b. Is a question of law
 - c. Is a mixed question of fact and law
 - d. Is question of prudence

7. A contract not specifying the place of contract
- Performed as any place to the knowledge of promisee
 - The promisor has to apply the promisee for appointment of place of performance
 - The promisor need not seek any instructions from the promisee as to the place of performance
 - The promisor can perform the promise at the place other than the place appointed by promisee
8. If the time of performance of the contract is the essence of the contract and the promisee fails to perform the contract by specified time:
- The contract becomes void
 - The contract becomes valid
 - The contract becomes voidable at the instance of promisee.
 - The contract becomes unenforceable.
9. If the time is not essence of the contract the failure to perform the contract by specified time makes the contract;
- Void
 - Voidable at the instance of the promisee
 - Remains valid for the promisee can claim compensation for the loss suffered by him by such failure
 - Remains valid and can be performed at any subsequent time without being liable for the loss suffered by the promisee.
10. In case of sale of immovable property the presumption is that time is
- The essence of contract
 - Not the essence of contract
 - The essence of the contract but failures does not make the contract voidable
 - Not the essence of the contract but makes the contract voidable at the instance of the other party.
11. Where a promisor has made an offer of performance to the promisee and the offer has not been accepted:
- The promisor is responsible for non-performance, but he does not lose his rights under the contract
 - The promisor is not responsible for non-performance, nor does he thereby lose his rights under the contract
 - The promisor is not responsible for non-performance, but he loses his rights under the contract
 - The promisor can enforce the performance of the promise.

12. 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:
- The promisor may employ any other person who is party to the contract to perform the promise
 - Any relative of the promisor may perform the promise on behalf of the promisor
 - Must be performed by the promisor himself
 - Any person who is not a party to a contract may perform the promise
13. 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, neither does it free the joint promisor so released from responsibility to the other joint promisor or joint promisors
 - discharges the other joint promisor but it does not free the joint promisor so released from responsibility to the other joint promisor or joint promisors
 - discharges the other joint promisor also frees the joint promisor so released from responsibility to the other joint promisor or joint promisors
 - release of one of such joint promisors is not possible
14. Where a contract consists of reciprocal promises and such reciprocal promises are to be simultaneously performed:
- Promisor need not perform his part of promise at all
 - Promisor need not perform his part of promise unless promisee is ready and willing to perform his reciprocal promise
 - Promisor has to compel promisee to perform his promise first
 - There is no valid contract at all.
15. Where persons reciprocally promise, firstly to do certain things which are legal, and, secondly under specified circumstances, to do certain other things which are illegal:
- the first set of promise is a contract, but the second is a void agreement
 - The entire contract is void
 - The entire contract is valid
 - The entire contract is voidable
16. If a person who is incapable of entering into a contract is supplied with necessaries by another person, then the latter shall:
- Be reimbursed for such supplies by a relative of the incapable person and that relative must be capable of contracting
 - Be reimbursed for such supplies from the property of such incapable person
 - Be reimbursed for such supplies from the property of such incapable person

- d. Not entitled to be reimbursed at all
17. What is the responsibility of the finder of goods:
- Same responsibility as a bailee.
 - Same responsibility as a trustee
 - Same responsibility as a pledgee
 - Same responsibility as the owner
18. Which of the following is false?
- A contract where both the parties have fulfilled their respective obligations is called an 'Executory Contract'.
 - An agreement can be void *ab-initio* but a contract cannot be void *ab-initio*.
 - A contract is usually treated as voidable when the consent of a party has not been free.
 - A voidable contract also remains enforceable by law until the aggrieved party repudiates the contract
19. Where the promisee accepts the performance from a third person;
- Even then he can compel the promisor to perform the promise again
 - He cannot compel the promisor to perform the promise again.
 - Promisor has to perform the promise by himself.
 - Promisor may ask to undone what third person has performed.
20. Which of the following is true?
- Promises which are to be performed simultaneously are called mutual and concurrent.
 - A promisor can compel the promisee to accept a third person as the promisor in his place.
 - Promises forming consideration for each other are called Joint promises.
 - Where one party to a reciprocal promise prevents the other from performing his promise, the contract become Void.
21. Which of the following is true?
- All contractual obligations can be assigned by executing an instrument in writing.
 - A promisor can compel the promisee to accept a third person as promisor in his place.
 - Assignment by operation of law takes place only in case of death of any party.
 - The assignee takes assignment subject to all equities between the original parties.

22. X, Y, and Z jointly promise to pay Rs. 9000 to W.
- W can compel X to pay in full.
 - W can compel X to pay only Rs. 4000
 - W can only ask X, Y and Z jointly to pay Rs. 9000.
 - W cannot ask if any of the joint promisor dies.



BREACH OF CONTRACT

1. *A* contracted with *B* for the building of a skyscraper for Rs.30,000,000. After 10 of the 30 floors had been built by *B* and *A* had paid 50% of the contract price, a law was proclaimed that prevented any further building in the area for an infinite duration. The contract was found to be frustrated. Under the common law, how much could *A* recover from *B*?
 - a. Rs.15,000,000
 - b. Rs.10,000,000 (or the price of 10 floors)
 - c. Rs.15,000,000, minus any expenses incurred by *B*
 - d. Nothing

2. Why is anticipatory breach considered to be pragmatically very useful?
 - a. It stops the repudiating party from having to perform an obligation he does not want to perform.
 - b. It provides the non-repudiating party with a right to terminate the contract and sue for damages.
 - c. It prevents the repudiating party from having to negotiate a termination of the agreement.
 - d. None of the given options is correct.

3. How does anticipatory breach differ from an ordinary breach of condition or fundamental breach of an innominate term?
 - a. The contract cannot be kept alive when damages are claimed for anticipatory breach.
 - b. The anticipatory breach cannot be ignored.
 - c. Both options given are correct.
 - d. Neither option given is correct.

4. *A* enters into a contract for *B* to perform at his nightclub every night in a two-week period. A term of the contract requires *B* to turn up to a rehearsal a week before that two-week period begins. *B* turns up late to the rehearsal. *A* takes *B* to court to terminate the contract, thinking this is just the beginning of *B*'s casual attitude to work. The court finds that this was only a minor breach of an innominate term. What remedy can *A* seek?
 - a. Termination only
 - b. Damages only
 - c. Termination and damages
 - d. Nothing

5. *A* purchases a large volume of smoked salmon from *B*. The salmon is for a party on 6 January and *A* left delivery until late as she knows fish should normally be consumed within 1 week. The goods are delivered fresh on 1 January 2016. *A* is not satisfied with the quality of the goods and wishes to exercise her short-term right to reject. By what date must she exercise that right?
- 2 January
 - 6 January
 - 8 January
 - 31 January
6. *A* hires *B* to build a greenhouse in his garden. The greenhouse is to be 6m x 2m. In breach of contract, *B* builds the greenhouse to be 5.5m x 1.5m. The original greenhouse had a market value of Rs.5000. The greenhouse built has a market value of Rs.4500. Even at the smaller size, *A* could fit all she needed into the greenhouse. The cost of altering the size of the greenhouse would be Rs.6000. What is the likely sum that *A* can recover for breach of contract?
- Nominal Damages
 - Rs.500
 - Rs.2500
 - Rs.6000
7. In case of breach of contract of sale of some rare article or thing for which there is no substitute in the market, the Court may grant:
- Quantum Meruit
 - Rescission
 - Injunction
 - Specific Performance
8. What is the obligation of a person who has received advantage under void agreement:
- He can retain the advantage received with the prior approval of the person from whom he received it
 - He can retain the advantage received without any prior permission from anyone
 - He is bound to restore it or make compensation for it to the person from whom he received it
 - He is bound to restore it or make compensation for it only when a Court order is passed in this behalf
9. Which of the following contract is also known as law of restitution?
- Implied contract

- b. Quasi contract
 - c. Wagering agreement
 - d. Contingent contract
10. Which of the following is true?
- a. Suit for specific performance can be filed where a party does something which he promised not to do.
 - b. Suit upon quantum meruit cannot be filed in case of incomplete and indivisible contract.
 - c. Ordinary damages are available only when the contract provides therefore.
 - d. Special damages are available as a matter of statutory right.
11. Which of the following is False?
- a. A finder of lost goods is just like a bailor.
 - b. A finder of goods is the next best owner to the real owner.
 - c. The finder of goods may sue the true owner for expenses incurred by him in respect of the goods.
 - d. The finder of goods may sue the owner for a specific award (if any) offered by owner.
12. Which of the following is false in regard to damages?
- a. Ordinary damages are recoverable.
 - b. Special damages are recoverable only if the parties knew about them,
 - c. Remote or indirect damages are not recoverable.
 - d. Vindictive damages are awarded for wrongful dishonour of cheque by a banker only.
13. Damages which an aggrieved party claims, beside general damages for any loss he has suffered owing to special circumstances known to both the parties at the time of signing the contract are called
- a. Vindictive Damages
 - b. Nominal Damages
 - c. General Damages
 - d. Special Damages
14. Nominal Damages can be
- a. Claimed by the aggrieved party as a matter of right
 - b. awarded only at the discretion of the Court
 - c. claim by the aggrieved party for loss
 - d. all of the above

15. If parties make no attempt to estimate the loss but in advance, fix an amount payable on nonperformance of the contract, such amount is called
- Exemplary Damages
 - Special damages
 - Liquidated Damages
 - Penalty
16. Which of the following is incorrect?
- In Quasi-contract, the promise to pay is always an implication of law and not of facts
 - Quasi-contracts are not contracts at all
 - A quasi-contract is implied in law
 - A quasi-contract is not a real contract



TERMINATION OF CONTRACT

1. X owes Rs. 10,000 to Y under a contract. It is agreed between X, Y & Z that Y shall henceforth accept Z as his debtor instead of X for the same amount. Old debt of X is discharged and a new debt from Z to Y is contracted. This is:
 - a. Alteration of contract
 - b. Rescission of contract
 - c. Novation of contract
 - d. Change in contract

2. The contract where personal skill is the binding factor and the promisor dies becomes
 - a. Voidable
 - b. Attempted
 - c. Discharged
 - d. Novated

3. Tender of performance if not accepted by the promisee becomes equivalent to
 - a. No performance
 - b. Performance in parts
 - c. Actual performance
 - d. None of these

4. X, party in a contract, agreed to transfer his rights and liabilities that he got from the contract to z, it is
 - a. Agency
 - b. Assignment
 - c. Bailment
 - d. Pledge

5. Contracting Parties may not remain same in
 - a. Novation
 - b. Alteration
 - c. Substitution
 - d. None of the above

6. The contract of indemnity and guarantee mainly differ in
 - a. Anticipated loss and recovery of a loan
 - b. Security of a goods and recovery of a loan
 - c. Security of a loan on land and repairment
 - d. Both (a) and (b)



7. Which of the following is correct?
- Performance of contract means discharge of the contract
 - Rescission of contract cannot discharge a contract
 - Material alteration in a contract discharges the contract
 - Both (a) and (c)
8. A entered into a contract with B for supply of 100 bicycles manufactured by C. C did not manufacture it. In this case
- A is not discharged
 - A is discharged
 - Contract becomes void
 - Contract becomes voidable
9. Which of the following is correct?
- Novation means making a new contract in place of an old contract
 - Alteration means making a new contract in place of an existing one
 - Performance of contract is not a method of discharge of contract
 - All of the above
10. If the subject matter of a contract is destroyed after formation of the contract, without fault of either party, the contract
- is rendered voidable
 - becomes void
 - continues to be valid
 - becomes unlawful
11. In which of the ways can a contract be discharged?
- By Performance
 - By Operation of law
 - By Mutual Agreement
 - All of the above
12. A took a house on rent from B. during tenancy, A purchases that house. The earlier contract of tenancy is
- Void
 - Discharged
 - Rescinded
 - Voidable



13. The alternation of a contract means alteration in the of an existing contract.
- parties
 - time
 - parties and terms
 - terms
14. When person is declared insolvent, he is all his contractual liabilities incurred prior to date of insolvency order.
- penalized for
 - responsible for
 - discharged from
 - both (a) and (c)
15. A bill of exchange which was accepted by B, reaches B's hands after being negotiated and endorsed through several other parties. The contract is
- Void
 - Discharged
 - Cancelled
 - Void *ab initio*
16. Assignment by operation of law takes place
- by the mutual consent of the parties
 - by the will of either party
 - when the subject matter of a contract ceases to exist
 - by the death of a party to a contract
17. In which of the ways can a contract be discharged by agreement between parties?
- Novation
 - Merger
 - Remission
 - All of the above
18. In discharge of contract by novation, the consideration for the new contract is
- the discharge of the old contract
 - separately supplied
 - decided by the parties
 - all of the above

19. A owes B Rs 50,000, Due date for payment is 25th March. A pays to B Rs 30,000 on 25th March who accepts it in full satisfaction of the debt. The debt is discharged on account of
- remission
 - extension time of performance
 - novation
 - All of the above
20. Abandonment of a right under the contract is called
- Waiver
 - Breach
 - Rescission
 - Alteration
21. Intentional relinquishment of a right under the contract is called
- Waiver
 - Breach
 - Rescission
 - Alteration
22. Giving up of right under the contract is called
- Waiver
 - Breach
 - Rescission
 - Alteration
- 
23. A agreed to supply certain goods to B which were to be imported by C. But C failed to import the goods. In this case, the contract is
- Discharged
 - Not discharged
 - Voidable
 - Impossible to perform
24. The breach of contract means the
- Performance of contract by both the parties
 - Failure of a party to perform his obligations
 - Payment of compensations due to nonperformance
 - Postponement of the performance of contract

SPECIAL CONTRACTS

1. What is contract of indemnity:
 - a. A contract by which one party promises to save any third party from loss caused to that party by the contract of the promisor himself, or by the conduct of any other person
 - b. A contract by which one party promises to provide insurance to the other in order to cover up any losses that may arise in the contract
 - c. A contract by which one party promises to save the other from loss caused to him by the contract of the promisor himself, or by the conduct of any other person
 - d. A contract in which one party appoints a guarantor to cover up any losses that may arise in the contract

2. Which of these contracts has three parties consisting of creditor, principle debtor and surety:
 - a. Contract of indemnity
 - b. Contract of surety
 - c. Contract of pledge
 - d. Contract of guarantee

3. What is a continuing guarantee:
 - a. A guarantee which continues even after the contract comes to an end
 - b. A guarantee which shall be applicable to any other person who becomes a party to the contract
 - c. A guarantee which extends to a series of transaction
 - d. A guarantee which continues till the contract does not come to an end.

4. What happens to a continuing guarantee in case of surety's death:
 - a. Indemnification from the property of the surety with regard to future transactions
 - b. Revocation of the continuing guarantee with regard to future transactions
 - c. The continuing guarantee shall continue in the name of the surety's heirs
 - d. The continuing guarantee shall be continued by any other person

5. Any guarantee which the creditor has obtained by means of keeping silence as to material circumstances is:
 - a. Valid
 - b. considered to be his approval
 - c. Invalid
 - d. considered to be his denial



6. X transfers possession or custody of the farmland to his son, S. S shall pay rent or a lease fee in return. S only receives custody and control of the property, but X still owns it. X is thus responsible for paying the property taxes and is liable for what happens on the land. This kind of contract or arrangement is called:
- Guarantee
 - Bailment
 - Pledge
 - Set off
7. Where a person pledges goods in which he has only a limited interest, the pledge is:
- Invalid to the extent of that interest
 - Entire contract is invalid
 - Valid to the extent of that interest
 - Entire contract is valid
8. What are the essentials for a person to employ an agent
- The person should not be of sound mind
 - The person should be a major, according to the law to which the agent is subject
 - The person should be a major, according to the law to which he is subject and should also be of sound mind
 - The person should have executed a contract of indemnity before employing an agent
9. A sub-agent is a person employed by and acting under the control of
- The principal only
 - The original agent in the business of agency only
 - Both the principal and original agent only
 - Neither the Principal nor the original agent
10. For the fraudulent act or wilful wrong of a sub-agent who had been duly appointed, the sub-agent is;
- Responsible to the agent only
 - Responsible to the principal only
 - Responsible to the agent and principal both
 - Responsible to the third party
11. Which of the following statement is correct with regard to the termination of agency in which the agent himself has an interest in the subject matter:
- such an agency can be terminated by the principal at his will
 - such an agency can be terminated on the death or insanity of the principal

- c. such an agency cannot be terminated at all
 - d. such an agency can be terminated only upon an express contract to the said effect
12. For the acts of a person appointed as a sub-agent by the agent without having an authority to do so:
- a. The agent is responsible to the sub-agent only
 - b. The agent is responsible to the principal only
 - c. The agent is responsible to third person only
 - d. The agent is responsible to both the principal and third person.
13. A finder of lost goods is a
- a. Bailor
 - b. Bailee
 - c. True owner
 - d. Thief



CONTRACT RELATING TO AGENCY

- 1) Pramila asked her agent, Hari to purchase her 500 shares in X Ltd. Hari owned 600 shares in X Ltd so without informing Pramila where the shares come from he sells his shares to Pramila at market value. Is Hari in breach of his agency duties?
 - a) Yes, because he has a duty to avoid a conflict of interest.
 - b) Yes, because he has a duty to account.
 - c) No, because he has sold Pramila the shares at market value.
 - d) No, because he has acted according to Pramila's instructions and she has the shares as she requested.

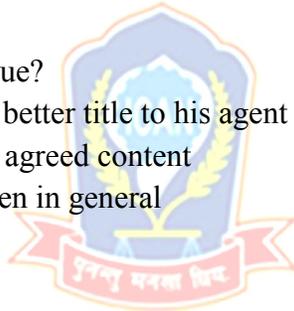
- 2) The principal does not satisfy with the performance of an agent and he removes the agent, it is the termination of contract of agency by
 - a) revocation
 - b) renunciation
 - c) completion of work
 - d) operation of law

- 3) Which of the following is true?
 - a) the principal can transfer better title to his agent
 - b) ratification is given prior agreed content
 - c) agency is created in written in general
 - d) a and b.

- 8) Agency is such a contract it is valid
 - a) without consideration
 - b) agreement
 - c) between two parties
 - d) for charity or gift

- 5) "Qui facit per alium facit per se" is related to
 - a) contract of agency
 - b) quasi contract
 - c) contract of bailment
 - d) contract of indemnity

- 6) When the agent acts within the delegated authority
 - a) it creates agency by ratification
 - b) it creates implied agency
 - c) it binds the principal



- d) none of these
- 7) A liquidator's appointment for a company creates agency by
- a) operation of law
 - b) agreement
 - c) either [a] or [b]
 - d) none of these
- 8) P, the principal conducts in such a way that the party believes Q as his agent and P here is bound by the deeds of Q it is agency by
- a) agreement
 - b) holding out
 - c) necessity
 - d) none of these
- 9) Transfer of contractual right and liability by a party to the contract to some other person who is not a party is
- a) novation
 - b) assignment
 - c) agency
 - d) discharge



SALE OF GOODS

1. What is the well-established principle that allows the legal owner of goods to sue a thief or other third party in possession of those goods for their value?
 - a. A person cannot lose legal title to their goods without consent.
 - b. One person cannot pass on to another person a better title to goods than he has himself.
 - c. A bona fide purchaser may only gain title when purchased from the original owner.
 - d. None of the options given is correct.

2. Parties to the contract can get price of goods fixed by:
 - a. Both of them through contract
 - b. Third party
 - c. Both a) or b)
 - d. None of above

3. Which of the following is true?
 - a. Co-ownership necessarily involves profit or loss.
 - b. A co-owner is an agent of other co-owner.
 - c. A co-owner has no lien on joint property for expenses.
 - d. A co-owner has no right to claim partition of joint property.

4. Right of stoppage in transit :
 - a. Commences only when the right of lien is lost.
 - b. Commences together with lien right.
 - c. Comes into effect only if buyer remains solvent.
 - d. Commences if buys pays the price.

5. Which of the following is false?
 - a. A notice that the goods stated in the notice will be sold by tender amounts to an offer to sell.
 - b. The offer must not contain any term non-compliance of which would amount to an acceptance.
 - c. Two offers which are similar in all respects made by two parties to each other are known as cross offer.
 - d. A standing offer is in the nature of a tender and an invitation to offer.

6. Which of the following is true?
 - a. Delivery to a carrier is prima facie deemed to be a delivery to the buyer.

- b. Delivery of goods amounts to acceptance of goods.
 - c. When goods are rejected by the buyer, the must return them to seller.
 - d. Where the neglect or refusal of the buyer to take delivery amounts to a repudiation of the contract, the seller may sue the buyer only for claims and not for price.
7. Unpaid seller:
- a. Is bound to resale the goods
 - b. Must give a notice of resale to the buyer irrespective of the nature of goods.
 - c. Can recover loss on resale of the goods, the notice of which was given to the buyer.
 - d. Must give any notice of resale to the buyer even if the seller has expressly reserved right of resale.
8. In auction sale:
- a. Bid once given cannot be withdrawn before its acceptance
 - b. A seller cannot reserve its right to bid at an auction
 - c. Auction sale cannot be subject to a reserve price
 - d. An auctioneer can refuse to accept even the highest bid.
9. Which of the following is False?
- a. The relationship between the owner of the goods and the auctioneer is that of the principal and agent.
 - b. A seller can reserve a right to bid at an auction.
 - c. A bid once given can be withdrawn before completion of sale.
 - d. An auctioneer cannot refuse to accept the highest bid.
10. D enter into a contract with E to sell him 200 bales of cotton and afterwards discovers that "E" was acting as an agent for "F".
- a. D may sue E only.
 - b. D may sue F only.
 - c. D may sue either "E" or "F".
 - d. D may sue either "E" or "F" or both for the price of cotton.
11. The incorrect is - Unpaid seller has;
- a. Rights of lien against the goods
 - b. Right of stoppage in transit against the goods
 - c. Right of resale against the goods without notice to buyer.
 - d. Right of resale if goods are perishable in nature.

12. *Nemo dat quod non habet* means –
- No consideration no Contract
 - Nobody can give that he himself does not have.
 - No title no sale.
 - Delivery is not possible.
13. The right of lien is available to the unpaid seller, only when
- Seller is not in possession of goods.
 - Seller is in possession of goods
 - Seller delivered the goods to the carrier
 - Seller has delivered the goods to the buyer.



Law of Contract - Answers

Chapter 1: Preliminaries

1	a	29	d
2	c	30	c
3	a	31	b
4	c	32	d
5	d	33	d
6	b	34	a
7	d	35	a
8	c	36	c
9	c	37	a
10	c		
11	a		
12	b		
13	a		
14	b		
15	b		
16	b		
17	a		
18	c		
19	a		
20	a		
21	c		
22	a		
23	c		

24	d		
25	a		
26	a		
27	c		
28	b		

Chapter 2: Offer and Acceptance

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

19	c	39	d		
20	c	40	b		

Chapter 3: Consideration

1	a	11	b	21	b
2	d	12	a	22	a
3	a	13	b	23	c
4	b	14	a	24	a
5	c	15	b		
6	d	16	b		
7	b	17	d		
8	b	18	c		
9	c	19	c		
10	c	20	c		



Chapter 4: Capacity of Parties

1	d	9	c	17	d
2	b	10	d	18	c
3	d	11	a	19	b
4	c	12	c	20	c
5	b	13	c	21	b
6	c	14	c		
7	b	15	b		
8	c	16	b		

Chapter 5: Free Consent

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



Chapter 6: Void and Other Contracts

1	d	16	a	31	b
2	c	17	d	32	d
3	d	18	d	33	b
4	c	19	b	34	c
5	a	20	a	35	a
6	b	21	b	36	b
7	d	22	d	37	a
8	b	23	a	38	d

9	b	24	d	39	a
10	c	25	b	40	c
11	d	26	b		
12	d	27	c		
13	b	28	b		
14	d	29	d		
15	b	30	b		

Chapter 7: Performance of Contract

1	a	16	b
2	d	17	a
3	a	18	a
4	b	19	b
5	c	20	a
6	a	21	d
7	b	22	a
8	c		
9	c		
10	b		
11	a		
12	c		
13	a		
14	b		
15	b		

Chapter 8: Breach of Contract

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

Chapter 9: Termination of Contract

1	c	16	d
2	c	17	d
3	c	18	d
4	b	19	a
5	a	20	a
6	a	21	a

7	d	22	a
8	a	23	b
9	a	24	b
10	b		
11	d		
12	b		
13	d		
14	c		
15	b		

Chapter 10: Special Contracts

1	b
2	d
3	c
4	b
5	c
6	b
7	b
8	c
9	b
10	a
11	b
12	d
13	b



Chapter 11: Contract relating to Agency

1	a
2	a
3	c
4	a
5	a
6	c
7	a
8	c
9	b

Chapter 12: Sales of Goods

1	b
2	c
3	c
4	a
5	a
6	a
7	c
8	d
9	d
10	d
11	c
12	b
13	b

