

Indicative MCQs for Limited Insolvency Examination

SERIES – 8

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Multiple Choice Questions (MCQs) On The Indian Contract Act, 1872

Q.1. When is the communication of proposals, the acceptance of proposals and the revocation of proposals deemed to be made:

- A** Only on clear verbal communication of such proposal, acceptance or revocation
 - B** By any act or omission of the party by which he intends to communicate such proposal, acceptance or revocation or has the effect of communicating it
 - C** Only when the proposal, acceptance or revocation of the proposal is recorded in writing
 - D** Only when the proposal, acceptance or revocation of the proposal is received and understood by the other party receiving the information
-

Q.2. When is the communication of a proposal complete:

- A** When it comes to the knowledge of the person to whom it is made
 - B** Only when the proposal, acceptance or revocation of the proposal is recorded in writing
 - C** When the other party gives his assent or dissent to the proposal
 - D** Only when a clear verbal communication of such proposal is made
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Q.3. When can a proposal be revoked:

- A** Once a proposal is made, it cannot be revoked
- B** Any time before or after the communication of acceptance is complete
- C** Any time before the communication of its acceptance is complete as against the proposer, but not afterwards
- D** Any time before the proposal comes to the knowledge of the other party, but not afterwards

Q.4. A proposal cannot be revoked:

- A** By the communication of notice of revocation by the proposer to the other party
 - B** By the failure of the acceptor to fulfil 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
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Q.5. Which of the following is not a necessary feature to convert a proposal into a promise:

- A** The acceptance must be absolute
 - B** The acceptance must be within the prescribed time limit
 - C** The acceptance must be unqualified
 - D** The acceptance must be expressed in some usual and reasonable manner
-

Q.6. When is the promise said to be express:

- A** When the proposal or acceptance of any promise is made in words
 - B** When the proposal or acceptance of any promise is made through visual representation
 - C** 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
-

Q.7. Which of the following feature is not essential for a contract:

- A** It should be in writing only
 - B** free consent of parties competent to contract
 - C** lawful consideration and with a lawful object
 - D** It should not be declared void expressly
-

Q.8. Who among the following is not competent to contract:

- A Person who has acquired the age of 18
 - B Person who has acquired the age of 16
 - C Person is of sound mind
 - D Person who is disqualified from contracting by any law
-

Q.9. What is consent under the Indian Contract Act, 1872:

- A When acceptance of proposal is made by the party to whom the proposal is made
 - B When the acceptance is made by another person other than the person to whom the proposal is made
 - C When they agree upon the same thing in the same sense
 - D When both the parties agree upon a thing in the way it is understood by them
-

Q.10. 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
-

Q.11. 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
-

Q.12. 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
-

Q.13. Which of the following act does not constitute fraud:

- A** where a person stands in a fiduciary relation with the other and induces the other person to act on his directions
 - B** the active concealment of a fact by one having knowledge or belief of the fact
 - C** a promise made without any intention of performing it
 - D** the suggestion as a fact, of that which is not true, by one who does not believe it to be true
-

Q.14. Which of the following does not constitute misrepresentation:

- A** any breach of duty which, without an intent to deceive, gains an advantage to the person committing it
 - B** 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
 - C** 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
 - D** any act fitted to deceive the other party wilfully
-

Q.15. In which of the following cases is a contract not voidable at the option of the party whose consent was so caused:

- A** When the consent was caused by coercion
 - B** When the consent was caused by misrepresentation
 - C** When the consent was caused by silence but the party had the means of discovering the truth
 - D** When the consent was caused by fraud
-

Q.16. Where the parties to a contract are under the mistake as to matter of fact essential to the agreement, the agreement is:

- A Voidable at the option of the party making the proposal
- B Voidable at the option of the party accepting the proposal
- C Considered valid
- D Void

Q.17. 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:

- A Only that object shall be held void but the agreement shall be valid
- B The agreement shall be void
- C The agreement shall be voidable at the option of either party to the agreement
- D The agreement is still considered valid

Q.18. 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 authorised 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

Q.19. 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

Q.20. Contingent contract to do or not to do anything on the happening of an uncertain future event:

- A** Is never enforceable
- B** Is enforceable since the time of making it
- C** Becomes enforceable in the immediate possibility of happening of that event
- D** Becomes enforceable only on the happening of that event

Q.21. Where a promisor has made an offer of performance to the promisee and the offer has not been accepted:

- A** The promisor is responsible for non-performance, but he does not lose his rights under the contract
- B** The promisor is not responsible for non-performance, nor does he thereby lose his rights under the contract
- C** The promisor is not responsible for non-performance, but he loses his rights under the contract
- D** The promisor can enforce the performance of the promise

Q.22. 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:

- A** The promisor may employ any other person who is party to the contract to perform the promise
- B** Any relative of the promisor may perform the promise on behalf of the promisor
- C** Must be performed by the promisor himself
- D** Any person who is not a party to a contract may perform the promise

Q.23. When two or more persons have made a joint promise, then, unless a contrary intention appears from the contract, all such persons must fulfil the promise:

- A Jointly
- B Severally
- C Jointly or severally
- D Jointly and severally

Q.24. Where two or more persons have made a joint promise, a release of one of such joint promisors by the promise:

- A 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
- B 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
- C discharges the other joint promisor also frees the joint promisor so released from responsibility to the other joint promisor or joint promisors
- D release of one of such joint promisors is not possible

Q.25. Where a contract consists of reciprocal promises and such reciprocal promises are to be simultaneously performed:

- A Promisor need not perform his part of promise at all
- B Promisor need not perform his part of promise unless promisee is ready and willing to perform his reciprocal promise
- C Promisor has to compel promisee to perform his promise first
- D There is no valid contract at all

Q.26. When a party to a contract fails to perform a contract within the fixed time:

- A Such contract remains valid provided the promise is fulfilled whether at the time of performance or later
- B Such a contract becomes void
- C Such contract becomes voidable at the option of the promise, if the intention of the parties was that time should be of essence of the contract

- D** Such a contract becomes voidable at the option of the promisor or promisee and the intention of the parties does not matter

Q.27. Agreement to do an impossible act is:

- A** Voidable at the option of the promisor
- B** Void
- C** Valid
- D** Voidable at the option of the promisee

Q.28. 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:

- A** the first set of promise is a contract, but the second is a void agreement
- B** The entire contract is void
- C** The entire contract is valid
- D** The entire contract is voidable

Q.29. 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:

- A** Quantum Meruit
- B** Rescission
- C** Injunction
- D** Specific Performance

Q.30. What is the obligation of a person who has received advantage under void agreement:

- A** He can retain the advantage received with the prior approval of the person from whom he received it
- B** He can retain the advantage received without any prior permission from anyone
- C** He is bound to restore it or make compensation for it to the person from whom he received it

- D** He is bound to restore it or make compensation for it only when a Court order is passed in this behalf

Q.31. If a person who is incapable of entering into a contract is supplied with necessities by another person, then the latter shall:

- A** Be reimbursed for such supplies by a relative of the incapable person and that relative must be capable of contracting
- B** Be reimbursed for such supplies from the property of such incapable person
- C** Be reimbursed for such supplies from the property of such incapable person
- D** Not entitled to be reimbursed at all

Q.32. What is the responsibility of the finder of goods:

- A** Same responsibility as a bailee.
- B** Same responsibility as a trustee
- C** Same responsibility as a pledgee
- D** Same responsibility as the owner

Q.33. What is the meaning of novation:

- A** Rescinding of a contract
- B** Alteration of a contract
- C** Change in provisions of a contract
- D** Substituting an old contract for a new one

Q.34. 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

Q.35. When a contract is breached, the party who suffers such breach shall:

- A** Be indemnified for the loss or damage caused to him
 - B** Receive compensation for any loss or damage caused to him
 - C** Be remunerated for the loss or damage caused to him
 - D** Not have any right under this Act
-

Q.36. 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
-

Q.37. The correct sequence in formation of a contract is:

- A** Offer, acceptance, consideration, agreement
 - B** Offer, Consideration, acceptance, agreement
 - C** Agreement, consideration, offer, acceptance
 - D** Offer, acceptance, agreement, consideration
-

Q.38. 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
-

Q.39. 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
-

Q.40. 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
-

Q.41. 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
-

Q.42. 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:

- A** Guarantee
 - B** Bailment
 - C** Pledge
 - D** Set off
-

Q.43. What is pledge:

- A** The bailment of goods as security for payment of a debt or performance of a promise
- B** The delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the direction of the person delivering them
- 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 to do or not to do something, if some event, collateral to such contract, does or does not happen

Q.44. Where a person pledges goods in which he has only a limited interest, the pledge is:

- A** Invalid to the extent of that interest
- B** Entire contract is invalid
- C** Valid to the extent of that interest
- D** Entire contract is valid

Q.45. What is the minimum consideration required to create an agency?

- A** Minimum of Rupees One Lakh
- B** Minimum of Rupees One Thousand
- C** No consideration at all is required
- D** Minimum of Rupees Ten Thousand

Q. 46. What are the essentials for a person to employ an agent

- A** The person should not be of sound mind
- B** The person should be a major, according to the law to which the agent is subject
- C** The person should be a major, according to the law to which he is subject and should also be of sound mind
- D** The person should have executed a contract of indemnity before employing an agent

Q.47. An Agent's authority can be created

- A Only by expressly writing the terms thereof
- B Only by implication
- C Only by expressly writing the terms thereof and registering the same with sub-registrar
- D either expressly or impliedly

Q.48. A sub-agent is a person employed by and acting under the control of

- A The principal only
- B The original agent in the business of agency only
- C Both the principal and original agent only
- D Neither the Principal nor the original agent

Q.49. For the fraudulent act or wilful wrong of a sub-agent who had been duly appointed, the sub-agent is

- A Responsible to the agent only
- B Responsible to the principal only
- C Responsible to the agent and principal both
- D Responsible to the third party

Q.50. 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

Q.51. 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:

- A such an agency can be terminated by the principal at his will

- B** 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

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ANSWER SHEET

The Indian Contract Act, 1872

Q. Ans.

1. B
2. A
3. C
4. D
5. B
6. A
7. A
8. B
9. C
10. D
11. C
12. D
13. A
14. D
15. C
16. D
17. B
18. A
19. B
20. D
21. B
22. C
23. D
24. A
25. B
26. C

Q. Ans.

27. B
28. A
29. D
30. C
31. B
32. A
33. D
34. C
35. B
36. C
37. A
38. D
39. C
40. B
41. C
42. B
43. A
44. C
45. C
46. C
47. D
48. B
49. C
50. D
51. D

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