

# CA Inter – Paper 2 (Law) – MCQ

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(Covering ICAI SM, MTPs & RTPs till May 2022 applicable for May 2023 Exams)

### Chapter – 11: Indian Contract Act

- Prince delivers his car to Manoj, a garage owner for repair. Who is the bailor in this case?**
  - Manoj
  - Prince
  - None of the above
  - Both Manoj and Prince
- A had to travel to a different town for 5 days. He left his cow in the custody of B so that she can be taken care of. After two days the cow delivers a calf. Now, B has to return to A:**
  - Only the cow.
  - Only the calf.
  - Both the cow and the calf.
  - Either the cow or the calf.
- S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will". This is a \_\_\_\_\_.**
  - Contract of Guarantee.
  - Contract of Indemnity.
  - Wagering agreement.
  - Quasi-contract.
- A contract of indemnity is a \_\_\_\_\_.**
  - Contingent contract
  - Wagering contract
  - Quasi contract
  - Void contract
- A, B and C, as sureties for D, enter into three bonds, each in a different penalty, namely, A in the penalty of ₹ 1,00,000, B in that of ₹ 2,00,000, C in that of ₹ 4,00,000, conditioned for D's duly accounting to E. D makes default to the extent of ₹ 3,00,000. According to the Indian Contract Act, 1872:**
  - Only A is liable.
  - A and B are each liable to pay ₹ 1,00,000 and ₹ 2,00,000 respectively.
  - A and B are each liable to pay ₹ 1,00,000.
  - A, B and C are each liable to pay ₹ 1,00,000.
- Mr. A, puts 'M' as the cashier under Mr. B and agrees to stand as surety provided 'B' checks the cash every month. 'M' embezzles cash. According to the Indian Contract Act, 1872:**
  - A and B shall equally share the loss.
  - No one is liable to pay penalty.
  - 'A' is not responsible, if B failed to verify the cash every month.
  - 'A' is responsible, even if B failed to verify the cash every month.
- A guarantees to C, to the extent of ₹ 2,00,000, payment for rice to be supplied by C to B. C supplies to B rice to a less amount than ₹ 2,00,000, but obtains from A payment of the sum of ₹ 2,00,000 in respect of the rice supplied. As per the provisions of the Indian Contract Act, 1872:**
  - A can recover from B more than the price of the rice actually supplied.
  - A cannot recover from B more than the price of the rice actually supplied.
  - A can recover from C the price of the rice actually supplied.
  - C can recover from A the price of the rice actually supplied.

8. A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. As per the provisions of the Indian Contract Act, 1872:
- C is liable to A.
  - C is liable to B.
  - C is liable to A for the cost material not supplied.
  - C is discharged from his liability.
9. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself or by the conduct of any other person is called as:
- Surety Contract.
  - Simple contract.
  - Contract of Indemnity.
  - None of the above.
10. Any guarantee obtained by means of misrepresentation made by the creditor or with his knowledge and assent concerning a material part of the transaction is \_\_\_\_\_.
- Valid
  - Invalid
  - Both (a) and (b)
  - None of the above
11. A continuing guarantee may at any time be revoked by the surety as to future transaction by giving notice to \_\_\_\_\_.
- The Creditor
  - Principal Debtor
  - Without giving any notice to any person
  - None of the above
12. The position of a finder of lost goods is that of a \_\_\_\_\_.
- Bailor
  - Bailee
  - Surety
  - Principal debtor
13. The delivery of goods by one person to another for some specific purpose and time is known as:
- Mortgage
  - Pledge
  - Bailment
  - Charge
14. With respect to Contract of Bailment, which of the following statement is incorrect.
- No consideration is necessary to create a valid contract of bailment.
  - It involves the delivery of goods from one person to another for some purposes.
  - Bailment is only for immovable goods and never for movable goods.
  - The change of possession does not lead to change of ownership.
15. The Pawnee doesn't have the right to retain the goods pledged for \_\_\_\_\_.
- performance of the promise.
  - extraordinary expenses incurred by him for preservation of goods pledged.
  - payment of debt.
  - necessary expenses incurred by him in respect of possession of goods pledged.
16. \_\_\_\_\_ is one who represents to be an agent of another when in reality he has no such authority from the other agent at all.
- Substituted agent
  - Subordinate agent
  - Pretended agent
  - Both (a) & (b)
17. An agent is not liable to the principal if:
- he is a minor.
  - he is of unsound mind.
  - (a) and (b) both.
  - none of these.
18. Mr. Jane has appointed Ms. Vinita as his agent to sell the garments manufactured by Jane.

Vinita due to her personal issues could not work effectively. Hence she appointed Mr. Kanth to sell on her behalf. Can Mr. Jane be bound by the acts of Mr. Kanth?

- No, an agent without authority cannot lawfully appoint a sub-agent.
- Yes, Vinita is liable for the acts of Kanth and in turn Jane is liable for the transaction.
- No, Kanth will be liable on his own account for any sales made.
- Yes, Kanth now becomes direct agent of Jane as Kanth has sold garments manufactured by Jane.

**QUESTIONS FROM RTPS, MTPS, AND PAST EXAMS (MEMORY BASED) OF ICAI**

19. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct: [MTP-March 19, Oct. 19]

- L was bound with the offer.
- An offer once accepted cannot be withdrawn.
- Both option (a) & (b) is correct.
- L is not bound to an offer.

20. Anand is a goldsmith, who makes gold jewellery as per customer's requirement. Brijesh along with his friend Ramesh, who was also a friend of Anand, approached Anand for making bangles for his wife. Anand agreed to give delivery within 7 days from the day Brijesh gives him gold for making bangles. Brijesh gave him bangles on 2nd February 2022. The bangle making charges were ₹ 5,000 which Brijesh agreed to pay at the time of delivery of the bangles. Anand delivered the bangles on 6th February, 2022, but Brijesh said that he will pay the making charges after some time. Anand agreed to that. In spite of repeated reminders Brijesh did not pay his making charges. In this situation from the following what remedy is available to Brijesh.

[MTP-April 19, RTP-May 19]

- He can sue Ramesh for his making charges because Anand was accompanied by him.
- He can sue Anand for his overdue making charges.
- He can visit Anand's place and can take away anything, which is similar in value to the bangle making charges.
- He can retain the goods, as he has the right of particular lien, he however does not have the right to sue Anand or Ramesh.

21. A good friend of Mr. A, Mr. D is a property dealer in Delhi and works for many renowned registered real estate developers. As Mr. D is doing very well in his work, Mr. A also wanted to work as a property dealer or property agent. Mr. X, a real estate developer of Delhi, appointed Mr. D as his agent for selling flats in his upcoming project, and asked him to name some other person to work for him, for his another project. At this time he introduced Mr. A to Mr. X, saying that he is also in the same field for last 10 years, although Mr. A did not had any experience in this field. Going by his words, Mr. X instructed to appoint Mr. A also for his other ventures. From the following, Mr. A will be treated as \_\_\_\_\_.

[MTP-April. 19]

- Agent of Mr. X.
- Sub-agent of Mr. D.
- Substituted agent of Mr. X.
- Sub-agent of Mr. X.

22. A guarantee obtained by a creditor by keeping silence as to material circumstances is:

[MTP-Oct. 19]

- Valid
- Voidable
- Unenforceable
- Invalid

23. Atul contracts to indemnify Neha against the consequences of any proceedings which Chirag may take against Neha in respect of a sum of ₹ 15,000 advanced by Chirag to Neha. Now, Neha who is called upon to pay the sum of money to Chirag but she fails to do so. Now, as per the provisions of the Indian Contract

**Act, 1872, advise the future course of action to be taken by Chirag.**

[MTP-March 19, May 20; RTP-May 19]

- (a) Chirag can recover the amount only from Neha.
- (b) Chirag can recover the full amount from Atul.
- (c) Chirag cannot recover the amount from Atul.
- (d) Chirag can recover at least 10% of the total amount from Neha.

**24. Mr. Vishal parks his car at a parking lot, locks it, and keeps the keys with himself. Which of the following statement is correct in this regard?**

[MTP-May 20, Nov. 21]

- (a) This is a case of bailment.
- (b) The parking people has possession of the car of Mr. Vishal.
- (c) The parking people has custody of the car of Mr. Vishal.
- (d) This is the case of mortgage.

**25. Where 'A' obtains housing loan from LIC Housing and if 'B' promises to pay LIC Housing in the event of 'A' failing to repay, it is a\_\_\_\_\_.**

[MTP-Oct. 20]

- (a) Contract of Indemnity.
- (b) Contract of Guarantee.
- (c) Quasi Contract.
- (d) Contingent Contract.

**26. A hires a carriage of B. The carriage is unsafe though B is not aware of it and A is injured.**

[MTP-Oct. 20]

- (a) B is responsible to A for the injury.
- (b) B is not responsible to A for the injury.
- (c) No one is responsible to each other.
- (d) None of the above.

**27. If X bails his ornaments to Y and specifically instructs Y to keep them in a bank, but Y keeps these ornaments in his own locker at his house along with his own ornaments. After two days, all the ornaments are lost/stolen in a riot then who will be responsible for the loss?**

[MTP-Oct. 20]

- (a) X would be responsible for his loss.

- (b) Y would be responsible for the loss to X.
- (c) Both X and Y will share the loss equally.
- (d) Y will not be responsible for the loss to X.

**28. With regards to the contract of agency, which of the following statement is incorrect?**

[MTP-Oct. 20]

- (a) A person who is a major can appoint minor as an agent.
- (b) If an agent happens to be a person incapable of contracting, the principal cannot hold the agent liable.
- (c) No consideration is necessary to create an agency.
- (d) The acceptance of the office by an agent is not a sufficient consideration for the appointment.

**29. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B:**

[RTP-Nov. 20, MTP-March 21]

- (a) Implied agency.
- (b) Agency by ratification.
- (c) Agency by necessity.
- (d) Express agency.

**30. A guarantee which extend to a series of transactions is called \_\_\_\_\_.** [RTP-Nov. 20]

- (a) Special Guarantee.
- (b) Continuing Guarantee.
- (c) Specific Guarantee.
- (d) None of the above.

**31. Mr. Sharad has recently shifted from Delhi to Noida. During the shifting some of the furniture was damaged. Mr. Sharad gave the items to Asian Arts, Greater Noida for repair, refabrication, and painting, etc. Asian Arts deals in the sale of furniture and repair thereof. It was decided that the whole work will be done on a lumpsum amount of ₹ 50,000. In between this period, the workshop at Asian Arts caught fire and there was no fault of the proprietors. Goods bailed by Mr. Sharad along with another furniture destroyed in this fire incident. Mr. Sharad has lost furniture due to fire at workshop of Asian**

**Arts. What is the correct statement considering there was no specific contract?**

[MTP-March 21]

- (a) Asian Arts is liable, because fire took place at his place.
- (b) Asian Arts is liable, because bailment is on going.
- (c) Asian Arts is not liable because risk of any loss during bailment is need to bear by bailor.
- (d) Asian Arts is not liable because fire is not due to any negligence of their part.

**32. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of ₹ 500. This is a \_\_\_\_\_. [MTP-March 21]**

- (a) Contract of guarantee.
- (b) Quasi contract.
- (c) Contract of indemnity.
- (d) Void contract.

**33. Mr. J has appointed Ms. V as his agent to sell the garments manufactured by Mr. J. Ms. V due to her personal issues could not work effectively. Hence, she appointed Mr. Kanth to sell on her behalf. Can Mr. J be bound by the acts of Mr. Kanth? [MTP-April 21]**

- (a) No, an agent without authority cannot lawfully appoint a sub-agent.
- (b) Yes, Ms. V is liable for the acts of Mr. Kanth and in turn J is liable for the transaction.
- (c) No, Mr. Kanth will be liable on his own account for any sales made.
- (d) Yes, Kanth now becomes direct agent of Mr. J as Mr. Kanth has sold garments manufactured by Mr. J.

**34. R gives his umbrella to M during rainy season to be used for two days during examinations. M keeps the umbrella for a week. While going to R's house to return the umbrella, M accidentally slips and the umbrella is badly damaged. Who shall bear the loss? [MTP-April 21]**

- (a) R shall bear the loss.
- (b) M shall bear the loss.
- (c) Both R and M shall bear the loss in the ratio of 50:50.

- (d) Neither R nor M shall bear the loss as the bailee failed to returned the umbrella within the stipulated time.

**35. Vishal lends a horse to Preet. The horse is vicious, which is known to Vishal but he does not disclose the fact to Preet. The horse runs away. Preet is thrown and injured. As per the provisions of the Contract Act, 1872, which is the correct statement: [RTP-May 21]**

- (a) Preet is responsible for his injury.
- (b) Though the horse belonged to Vishal but he cannot be held responsible.
- (c) Vishal is responsible to Preet for damage sustained.
- (d) No one can be held responsible for the damage sustained as no one can take guarantee for the horse.

**36. As per the Indian Contract Act, 1872, any guarantee which has been obtained by the means of misrepresentation made by the creditor concerning a material part of the transaction, is \_\_\_\_\_. [RTP-May 21]**

- (a) valid.
- (b) invalid.
- (c) outside the ambit of the Indian Contract Act, 1872.
- (d) not revocable if the damage sustained is less than 10% of the amount for which the guarantee is given.

**37. Vinod, a transporter was transporting tomatoes of Avinash from his (Avinash's) farm to the market. However, due to heavy rains, Vinod was stuck for three days and thus he sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Choose the correct option in the light of the provisions of the Indian Contract Act, 1872. [MTP-Nov. 21]**

- (a) Avinash will succeed in recovering losses of tomatoes from Vinod.
- (b) Avinash will not succeed in recovering losses of tomatoes from Vinod.
- (c) Vinod can sell the tomatoes only at a price higher than the market rate.

- (d) Avinash is liable to compensate Vinod as his truck was stuck for three days and hence, he (Vinod) could not complete the deliveries of other clients and thus he (Vinod) suffered loss.

38. Arvind lends money to Mamta against the security of jewellery deposited by Mamta with Arvind. Arvind gave this jewellery to his

friend Vinayak who had a safe locker at his home. Who is the pawnor in the given case?

[RTP-May 22]

- (a) Arvind
- (b) Mamta
- (c) Vinayak
- (d) Both Arvind and Vinayak

Answers									
1	(b)	2	(c)	3	(a)	4	(a)	5	(d)
6	(c)	7	(b)	8	(d)	9	(c)	10	(b)
11	(a)	12	(b)	13	(c)	14	(c)	15	(b)
16	(c)	17	(c)	18	(a)	19	(c)	20	(b)
21	(a)	22	(d)	23	(b)	24	(c)	25	(b)
26	(a)	27	(b)	28	(d)	29	(d)	30	(b)
31	(c)	32	(a)	33	(a)	34	(b)	35	(c)
36	(b)	37	(b)	38	(b)				