

THE SOCIETY OF ACCOUNTING EDUCATION

CERTIFIED FINANCIAL & MANAGEMENT ACCOUNTANT MEMBERSHIP

PROGRAM

Model Paper for Course : Commercial and Corporate Laws

Course Code: OL-02

Level: Operational Level

Commercial and Corporate Laws

1. Talal is forming a business which he wants to control completely. He knows nobody else with whom he wishes to work, he values his privacy, and he dislikes formality, paper work, state filing requirements, and lawyers. What type of business organization should he prefer?
 - a) General partnership
 - b) **Sole Proprietorship**
 - c) Single Member Company
 - d) None of these

2. The Articles of Association of a company contain:
 - a) **A set of governing rules adopting by the company**
 - b) Resolutions of the board of directors
 - c) Information about the corporation, including its organization and functions.
 - d) None of these

3. A partnership involves three essential elements. Which of the following is not one of those elements?
 - a) An equal right in the management of the business
 - b) **Limited liability for the liabilities of the firm**
 - c) A joint ownership of the business
 - d) None of these

4. Rashid, Shahid and Talal agree to form a computer business. Rashid agrees to manage the business and to assume full personal liability. Shahid and Talal agree to invest in the firm but to be liable only to that extent. These three have formed
 - a) A limited liability company
 - b) A limited liability partnership
 - c) An unlimited partnership
 - d) **None of these**

5. The members of a limited partnership include:
 - a) General and limited partners
 - b) General partners only
 - c) Creditors
 - d) **None of these**

6. A bearer cheque may be negotiated by:
 - a) **Mere delivery**
 - b) Endorsement and delivery
 - c) Delivery with a separate written contract
 - d) None of these

7. The responsibility of overall management of a company belongs to:
 - a) The chief financial officer
 - b) The employees
 - c) The board of directors
 - d) **None of these**

8. The best definition of a quorum is which of the following?
 - a) It is 51% of all shareholders
 - b) **It is the number of members of a company that must be present before business may be transacted.**
 - c) It is the number of voters who must agree to alter the company's articles.
 - d) None of these

9. When a partnership is found liable for a debt, which assets are first used to pay the debt?
 - a) Individual assets of the partners
 - b) Personal property of the limited partners
 - c) **Partnership assets**
 - d) None of these

10. The board of directors does not have responsibility over which of the following areas?
 - a) The appointment, supervision, and removal of corporate officers
 - b) **The appointment, supervision, and removal of employees generally**
 - c) The declaration and payment of corporate dividends
 - d) None of these

11. A found a wallet full of money on a roadside and upon finding the address of the owner in the wallet he returned it to its owner. When he came back he read the announcement of a reward for the return of such wallet in the newspaper:
- The owner is liable to pay him the reward
 - The owner is not liable to pay him the reward**
 - The owner is liable to pay him half of the reward
 - None of these
12. Muhsin is considering forms of business organisation for his law firm. One advantage of the limited liability partnership form is that it allows the limited partners to avoid personal liability for:
- The malpractice of other limited partners regarding the conduct of the firm's business
 - The obligation of the firm beyond their contributions to the capital
 - The obligations of the firm within the limit their contributions to be capital
 - None of these**
13. A's son has forged B's name to a promissory note. B, under threat of prosecuting A's son, demanded that A should sell him his house that is worth Rs. 10,00,000/- for Rs. 3,00,000/- A agrees with the proposal. The contract is
- Valid
 - Voidable
 - Void**
 - None of these
14. The best, simple definition of a contract is:
- An objective "meeting of the minds"
 - A legally enforceable agreement**
 - A document reflecting a "meeting of the mind" between two or more competent parties
 - None of these
15. Salman signs a written contract with Khalid giving him the right to cast his votes in the election for the directors of Hashiya Limited, whose shares Salman holds. This agreement between Salman and Khalid is known as:
- A derivative
 - A proxy**
 - A Memorandum of Understanding
 - None of these

16. A sent a proposal to B by post for the sale of his house. B accepted the offer by post. A may revoke his proposal at any time before
- B receives the letter of proposal**
 - B posts the letter of acceptance
 - A receives the letter of acceptance
 - None of these
17. Danish offers to sell to Sadiq a mobile phone for Rs. 550. Sadiq tells Danish that he will take the phone for Rs. 540. Nothing further is said and the next day, Danish demands Rs. 450 from Sadiq in exchange for the phone. Choose the correct statement
- Sadiq is bound to pay as his offer has been accepted by Danish;
 - Although there is no contract Sadiq;
 - Sadiq is not bound to pay as there is no contract;**
 - None of these
18. If you want to start a partnership what formal requirements do you have to meet?
- You must register the firm with the Registrar of Firms;
 - You do not need to satisfy any formal requirements;**
 - Your firm cannot operate until you draft and get registered the Article of Partnership;
 - None of these
19. The relation between the partners of a firm is of:
- Employer and Employee
 - Trustee and Beneficiary
 - Principal and Agent**
 - None of these
20. A bearer instrument may be negotiated by:
- Mere delivery**
 - Endorsement and delivery
 - Delivery with a separate written contract
 - None of these
21. When an offer can only be accepted by the performance of the person to whom the offer is made, is characteristic of:
- Bilateral contracts;
 - Unilateral contracts;
 - Implied contracts;**
 - None of these

22. A tells B, “If you stood first in the class, I’ll pay you Rs.5000.00. B stood first in class and A paid him Rs.5000.00. Which of the following is correct?
- a) A and B had a unilateral contract;
 - b) A and B had an executory contract;
 - c) **A and B had an executed contract;**
 - d) None of these
23. A offers to sell B his motorcycle at some time in the future. B accepts. Is there a valid contract?
- a) Probably not, the terms are not definite;
 - b) Probably yes;
 - c) **Definitely not because A failed to communicate the offer;**
 - d) None of these
24. Which of the following is not an effective way to termination offer?
- a) By rejection;
 - b) By acceptance
 - c) **By counter offer;**
 - d) None of these
25. A offers to sell B his collection of rare books for Rs.5000.00. Before B even has a chance to accept, A says, “Sorry, I changed my mind, no deal.” This is an example of:
- a) **Revocation**
 - b) Rejection;
 - c) Counter Offer
 - d) None of these
26. A and B enter into a contract in which A agrees to deliver milk to a restaurant. They forget to include a price in the agreement. A court will:
- a) Refuse to enforce the agreement;
 - b) Select the lowest quoted price for milk and insert it into the contract;
 - c) **Determine a reasonable price and insert it into the contract;**
 - d) None of these.
27. A agreed to supply food for Walima to B at 1: 00 pm. However, he could hardly supply the food at 5: 00 pm.
- a) **B can reject the delivery;**
 - b) He can not reject the delivery;
 - c) B must accept the delivery;

- d) None of these
28. Which of the following actions an unpaid seller can not take against a buyer:
- a) Lien;
 - b) Stoppage in transit;
 - c) Sale;
 - d) **None of these**
29. When a partnership is found liable for a debt, which assets are first used to pay the debt?
- a) Individual assets of the partners;
 - b) Personal property of the limited partners;
 - c) **Partnership assets.**
 - d) None of these
30. A partnership involves three essential elements. Which of the following is not one of those elements?
- a) An equal right in the management of the business;
 - b) **Limited liability for breach of contract;**
 - c) A joint ownership of the business
 - d) None of these
31. Which of the following actions requires the unanimous consent of all partners before it may be undertaken?
- a) Hiring a new employee
 - b) Purchasing new office equipment;
 - c) **Admitting new partners;**
 - d) None of these
32. An Order Instrument is the one which is payable to:
- a) **A named person;**
 - b) To a bearer;
 - c) To both
 - d) None of these
33. A bearer Instrument is the one which is payable to:
- a) A named person;
 - b) **To a bearer;**
 - c) To both;
 - d) None of these

34. A holder in due course is the one:
- a) Who finds an instrument;
 - b) Who steals an instrument;
 - c) Who gets an instrument as a gift;
 - d) **None of these**
35. For the incorporation of a limited liability company filing of Memorandum of Association is essential:
- a) For a public limited company only;
 - b) For a private limited company, a public limited company and an unlimited company;
 - c) For a Public Limited company only;
 - d) None of these
36. A subsidiary company is the one:
- a) Which holds the majority shares of another company;
 - b) Which deals in the trading of shares of other companies;
 - c) **In which the majority shares are held by another company;**
 - d) None of these
37. A is considering different forms of business organization for his business. For the purposes of owning property and being a party to litigation, forms which are legal entities separate from their owners include:
- a) Limited Partnership only;
 - b) Private Limited Companies only;
 - c) **Both Private and Public Limited Companies**
 - d) None of these
38. A decision made by arbitrators is called:
- a) Sentence;
 - b) **Award;**
 - c) Judgment
 - d) None of these
39. The appointment of a person of the minor age as an agent is:
- a) Void;
 - b) **Valid;**
 - c) Voidable
 - d) None of these

40. Which of the following is a bilateral contract?
- a) **A tells B that he will pay him Rs. 200 if B will wash his car which B does.**
 - b) A writes B a letter in which he promises that if B will wash his car, he will pay him Rs. 200 which B does.
 - c) A and B both sign a piece of paper which says, “A agrees to pay B Rs. 200 if B agrees to wash A’s car in exchange for Rs. 200.”
 - d) None of these
41. A called his friend B and offered to give him two tickets of a cricket match taking place next month. B said “okay! I love to watch cricket matches.” A few days later A called B and told him that he couldn’t give B the tickets. Assuming B sued A:
- a) He would probably win as a contract was formed.
 - b) He would probably lose because the contract was not in writing.
 - c) **He would probably lose as the court would hold no contract was formed.**
 - d) None of these
42. Under the doctrine of quasi contract, a plaintiff may recover in “quantum merit”, a Latin phrase that means:
- a) **“as much as he deserves”**
 - b) “treble damages”
 - c) “only a token sum”
 - d) None of these
43. Which of the following writings are negotiable instrument?
- a) A promise to pay Rs. 2000 for the services rendered if the services are renders as soon as possible.
 - b) An unconditional promise to pay a reasonable sum for the services rendered.
 - c) An unconditional promise to pay Rs. 3000 some time next month.
 - d) **None of these**
44. A has a bill of exchange that does not indicate when it is to be paid as the language of the bill only says “Pay”. When is it payable to A?
- a) In 30 days.
 - b) Never as the instrument is void if it does not have a payment date.
 - c) **In a reasonable time.**
 - d) None of these
45. A writes a cheque on his Habib Bank account to pay for groceries at Utility Stores. Who is the drawee?

- a) Utility Stores
 - b) Both Habib Bank and Utility Stores
 - c) **Habib Bank**
 - d) None of these
46. Which of the following may count as the signature of a drawer?
- a) An “X” made by the drawer
 - b) The signature of the drawer’s agent
 - c) **Both of the above**
 - d) None of these
47. Which of the following language on an order will create a bill of exchange?
- a) “Pay X if you can”
 - b) “I wish you pay X”
 - c) “Please pay X”
 - d) **None of these**
48. Which of the following is payable at a definite time?
- a) “Payable when “Z” wins the presidential election.”
 - b) **“Payable on or before May 30.”**
 - c) Both (a) and (b)
 - d) None of these
49. Which of the following phrases makes an order bill of exchange?
- a) “Pay to the order of A.”
 - b) “Pay to the order of my brother.”
 - c) **Both (a) and (b)**
 - d) None of these
50. A writes a postdated cheque. Is it negotiable?
- a) **Yes**
 - b) No, because it does not specify a definite date of payment
 - c) No, because postdated cheques are void
 - d) None of these
51. You write a cheque to pay for your haircut. In this transaction, who is the drawee?
- a) You because you drew up the cheque
 - b) **Your bank because it must pay the cheque**
 - c) The person who cuts your hair because the cheque is payable to him
 - d) None of these

52. The best, simple definition of a contract is:
- a) An objective “meeting of minds.”
 - b) A negotiated two-party agreement upon which each party will act or refrain from acting.
 - c) A document reflecting a “meeting of the minds” between two or more competent parties.
 - d) **None of these**
53. If A is hit by a car, and B, a doctor, sees the incident and performs emergency first aid upon A which results in A recovery:
- a) A unilateral contract is created whereby A is obligated to pay Dr. B for services rendered.
 - b) A bilateral contract is created and both parties must perform their duties.
 - c) **A quasi contract is created between the parties.**
 - d) None of these
54. A offers to sell to B a mobile phone for Rs. 5500. B tells A that he will take the phone for Rs. 4500. Nothing further is said and the next day, A demands Rs. 4500 from B in exchange for the phone. Choose the true statement:
- a) **B is not obligated to pay Rs. 4500 to A**
 - b) B is obligated to pay Rs. 4500 to A
 - c) B is obligated to pay Rs. 5500 to A
 - d) None of these
55. The most common form of agency is:
- a) Implied
 - b) **Express**
 - c) Injunctive
 - d) None of these
56. Assume that a new partner enters an ongoing partnership. The new partner’s liability to preexisting creditors is best described by which of the following?
- a) **The new partner is not liable to preexisting creditors of the firm.**
 - b) The new partner must negotiate his or her liability with the preexisting creditors.
 - c) The new partner is only liable to the preexisting creditors to the extent of his capital contribution.
 - d) None of these

57. What is not a correct statement concerning promoters?
- a) **They are agents of the company**
 - b) They generally are active before the company is formed
 - c) They owe fiduciary duties to the company
 - d) None of these
58. The phrase “piercing the corporate veil” refers to:
- a) Inspecting the books of the company
 - b) The ignoring by courts of the corporate entity in order to do justice
 - c) Learning the identity of the shareholders of the company
 - d) **None of these**
59. When someone gives to another person a power of attorney, this means that:
- a) Such person is an undisclosed principal
 - b) Such person is a disclosed principal
 - c) **Such person given the power has authority to act as an agent**
 - d) None of these
60. Every agreement forbidding marriage of any adult person is void except of a minor:
- a) **Yes**
 - b) No
 - c) Partly correct
 - d) None of these
61. Can a contract executed in Saudi Arabia be enforced in courts in Pakistan?
- a) Yes
 - b) **No**
 - c) None of these
62. The effect of coercion on a contract is that the contract becomes:
- a) Void
 - b) **Voidable**
 - c) Valid
 - d) None of these
63. The members of partnership carrying out business of banking must not exceed:
- a) 10
 - b) **20**
 - c) 50
 - d) None of these

64. What type of tax is referred to in the sale of Goods Act, 1930?
- a) Income tax
 - b) Wealth tax
 - c) Customs duty
 - d) **Sales tax**
65. The carrier holds the goods in transit as:
- a) Trustee
 - b) Agent
 - c) Bailee
 - d) **None of these**
66. For how much days, a promissory note is entitled to days of grace to be at maturity when it is not expressed to be either payable on demand or otherwise?
- a) 30 days
 - b) **15 days**
 - c) 3 days
 - d) None of these
67. A promissory note is at maturity on Sunday, being public holiday. Whether such promissory note will be deemed to be due on:
- a) **The next preceding business day**
 - b) The next succeeding business day
 - c) None of these
68. Can a minor become a payee of a negotiable instrument?
- a) Yes
 - b) **No**
 - c) Not himself but his guardian
69. Life Insurance Policy cannot be called in question by an insurer on the ground of inaccurate or false immaterial statement made in the proposal for insurance after:
- a) **One year**
 - b) Two years
 - c) Three years
 - d) None of these
70. Willfully making statement false in any document required under Insurance Act, 1938, shall be punishable with imprisonment upto:

- a) 5 years
- b) 4 years
- c) 7years
- d) **Fine only**

71. Whether a minor can be appointed as nominee to Life Insurance Policy?

- a) **Yes**
- b) No
- c) His guardian only
- d) None of these

72. Caveat emptor:

- a) is a person who institutes pre-emption suit
- b) **is seller who discloses defects in the goods being sold**
- c) is the buyer who is supposed to be aware of the suitability of the goods
- d) is owner of an empty cave

73. Penalty provided for driving uninsured vehicle is:

- a) imprisonment upto 5 years and fine upto Rs. 1000/- or both
- b) imprisonment upto 1 year and fine upto Rs. 100/- or both
- c) Imprisonment upto 3 months or fine upto Rs. 500/- or with both
- d) **none of these**

74. Can a compoundable criminal case be referred to arbitration?

- a) Yes
- b) No
- c) **None of these as only civil matters can be referred to**

75. Within how much period, the arbitrators are legally required to make their award after entering on the reference?

- a) One month
- b) Two months
- c) Three months
- d) **Four months**

76. The definition of agreement is provided by which section of Contract Act?

- a) Section 1(a)
- b) Section 1(d)
- c) **Section 2(e)**
- d) Section 2(h)

77. Which section of contract act defines that when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted?
- a) **Section 2(b)**
 - b) Section 2(c)
 - c) Section 2(d)
 - d) Section 2(e)
78. Which of the following is NOT true about Law?
- a) Law is to maintain rights
 - b) Law upholds justice
 - c) Law is used to redress wrongs
 - d) **Law does not ensures public order**
79. Consideration must be moved at the desire of:
- a) **Promisor**
 - b) Promisee
 - c) A third party
 - d) Both promisor and promise
80. Unlawful detention of any property belonging to another with a view to obtain his consent amounts to:
- a) **Coercion**
 - b) Fraud
 - c) Misrepresentation
 - d) Undue influence
81. A businessman availing a loan from the bank is actually entering into _____.
- a) **An agreement**
 - b) A contract
 - c) A relationship
 - d) A promise
82. Which of the following is true about “ordinance”?
- a) The ordinance shall originate in the National Assembly
 - b) The ordinance shall be presented to the senate
 - c) **The President can promulgate an ordinance**
 - d) A bill when passed by the parliament is called an ordinance
83. In Undue Influence, the consent is obtained by:
- a) Threat

- b) Fraud
- c) Domination**
- d) Physical force

84. Which of the following is not a remedy for breach of contract?

- a) Suit for penalty
- b) Suit for specific performance
- c) Suit upon quantum meruit**
- d) Suit for injunction

85. When both contracting parties have completely performed their obligations, the contract is called _____.

- a) Valid contract
- b) Executed contract**
- c) Executory contract
- d) Express contract

86. Which of the following is NOT a classification of jurisprudence?

- a) Analytical jurisprudence
- b) Political jurisprudence**
- c) Historical jurisprudence
- d) Ethical jurisprudence

87. Which of the following is termed as science of civil law?

- a) Jurisprudence**
- b) Court
- c) Business law
- d) Labour law

88. The Securities and Exchange Commission of Pakistan Act, 1997 extends to:

- a) Corporate sector
- b) Securities and Exchange Commission
- c) Whole of Pakistan**
- d) Stock exchanges

89. A contract of guarantee comprises of how many agreements?

- a) One
- b) Two
- c) Three**
- d) None of the given options

90. If a person holds out himself to be a partner of a firm, which of the following NOT stands true?
- a) Person becomes personally liable
 - b) Person does not become personally liable**
 - c) Person is an agent by estoppels
 - d) Person permits others to be represented as a partner
91. A contract between creditor and principal debtor, in a contract of guarantee, is called:
- a) Primary contract**
 - b) Secondary contract
 - c) Territory contract
 - d) Contract of indemnity
92. Sale of goods on cash is an example of _____.
- a) Mutual and independent promises
 - b) Mutual and concurrent promises**
 - c) Conditional and independent promises
 - d) None of the given options
93. A minor's agreement is always:
- a) Void**
 - b) Void ab initio
 - c) Voidable
 - d) Valid
94. In which of the following conditions, specific performance shall NOT be granted?
- a) Where court can not supervise the performance**
 - b) Where compensation in money is not adequate relief
 - c) Where it is difficult to calculate actual damage
 - d) Where compensation can not be obtained
95. The money consideration for a sale of goods is known as:
- a) Sale
 - b) Price**
 - c) Value
 - d) Mortgage
96. Which of the following is the date at which a promissory note or bill of exchange falls due.

- a) Grace period
- b) Effective date
- c) **Maturity date**
- d) Payment date

97. A promise made without intention of performing it will result in:

- a) Coercion
- b) Innocent misrepresentation
- c) Wrongful misrepresentation
- d) **Fraud**

98. A contract which ceases to be enforceable by law becomes _____ contract.

- a) **Void**
- b) Unenforceable
- c) Illegal
- d) Executory

99. When the performance of promise by one party depends on the prior performance of the promise by the other party, the promises are:

- a) Mutual and independent
- b) **Mutual and dependent**
- c) Mutual and concurrent
- d) Dependent and concurrent

100. Definition of contract of indemnity as given in Contract Act includes:

- a) Implied promise to indemnify
- b) Express promise to indemnify
- c) Cases where loss arises by events depending on conduct of promise
- d) **Cases where loss arises from conduct of promisor**

101. The Primary Contract in a contract of guarantee is:

- a) A contract between creditor and surety
- b) **A contract between creditor and principal debtor**
- c) A contract between surety and principal debtor
- d) A contract between creditor, surety and principal debtor

102. Mr. X takes a loan of Rs. 5000 from Mr. Y on Guarantee of Mr. Z. The contract between Mr. X and Mr. Y is the _____.

- a) Contract of bailment
- b) **Principal contract (Primary Contract)**
- c) Secondary contract

d) Contract of indemnity

103. According to section 142 of Contract Act, a guarantee obtained by means of misrepresentation made by the creditor, concerning a material part of the transaction is _____.

a) Valid

b) Invalid

c) Indemnity

d) Secondary contract

104. A pledge can also be called as _____.

a) Bailment

b) Guarantee

c) Indemnity

d) Pawn

105. An agent appointed to do all acts in connotation with a particular business identification is called _____.

a) Special agent

b) General agent

c) Universal agent

d) Mercantile agent

106. Which of the following is put into business by partners while formulating a partnership?

a) Money

b) Property

c) Labor and skill

d) Any or all of given options

107. The Partnership Act, 1932 repealed which of the following?

a) Contract Act, 1872

b) Section 239-266 of the Contract Act, 1872

c) Section 72-144 of the Contract Act, 1872

d) Law of trust

108. Preparation of required documents of the company is done during which phase?

a) Inauguration phase

b) Promotion phase

c) Registration phase

d) None of the given options

109. A committee of the Securities and Exchange Policy Board constituted under section 15 is termed as _____ in SECP Act, 1997.

- a) **Committee**
- b) Commission
- c) Board
- d) Clearing house

110. The Securities and Exchange Commission when exercising its powers under SECP Act, 1997, shall have regard to which of the following?

- a) The quality and capability of the management of the company
- b) The general public interest
- c) The interest of potential public investors in the company
- d) **All of the given options**

111. Which of the following is not a party in cheque?

- a) Payee
- b) **Maker**
- c) Drawer
- d) Drawee

112. If the endorser signs his name only, the endorsement is said to be:

- a) **Blank**
- b) Full
- c) Special
- d) Restrictive

113. According to Industrial Relations Ordinance, which establishment shall set up a Joint Works Council?

- a) Private limited company
- b) That has no shop steward
- c) Listed in stock exchange
- d) **Having more than fifty employees**

114. What shall be the extent of workers' participation in Joint Works Council?

- a) 25%
- b) **40%**

- c) 50%
- d) 60%

115. The Securities and Exchange Commission monitors the general financial condition of a Non Banking Finance Company and may order .

- a) To present annual report
- b) To appoint internal auditor
- c) To cease the business
- d) **For special audit**

116. All of the following included in the procedure of examining any person by the Securities and Exchange Commission, EXCEPT:

- a) Any person concerned with the case may be called by written notice
- b) **Such person shall be examined orally**
- c) Such person shall be examined in written
- d) Any statement made by such person shall be prepared in writing

117. An agent may draw an instrument on behalf of the principal subject to following conditions, except:

- a) That the agent has been authorized by the principal to that effect
- b) **That the principal is not a competent person to enter into a contract**
- c) That the agent acts in the name of the principal
- d) That the agent has not exceeded his authority

118. According to Halsbury, which of the following is a relation that subsists between persons carrying on a business in common with a view of profit?

- a) A proprietorship
- b) **A partnership**
- c) An enterprise
- d) A company

119. As per Industrial Relations Ordinance, 2002, the determination by a Labour Court, Arbitrator or an Appellate Court of competent jurisdiction of any industrial dispute or any matter relating thereto is called:

- a) Judgment
- b) **Award**
- c) Decision
- d) Ruling

120. Which of the following is not a bench of National Industrial Relations Commission?
- a) Single bench
 - b) Division bench
 - c) **Half bench**
 - d) Full bench
121. Promises which form the consideration for each other are called promises.
- a) **Reciprocal**
 - b) Dependent
 - c) Mutual
 - d) Independent
122. Committing, or threatening to commit, any act forbidden by Pakistan Penal Code is called _____.
- a) **Coercion**
 - b) Fraud
 - c) Misrepresentation
 - d) Mistake
123. An investigation of the theory of legislation, precedent and custom is done by
- a) **Analytical jurisprudence**
 - b) Historical jurisprudence
 - c) Ethical jurisprudence
 - d) Political jurisprudence
124. Which of the following is NOT a type of damages?
- a) Ordinary damages
 - b) Liquidated damages
 - c) **Compound damages**
 - d) Nominal damages
125. Under section 41 of contract act, when a promisee accepts performance from a third person, he afterwards:
- a) Can enforce it against promisor
 - b) **Can not enforce it against promisor**
 - c) Can not enforce it against third person
 - d) Can enforce it against both promisor and third person

126. A study of the legal source of law is called_____.
- Analytical jurisprudence**
 - Historical jurisprudence
 - Ethical jurisprudence
 - Legal jurisprudence
127. A promise made without intention of performing it amounts to:
- Coercion
 - Innocent misrepresentation
 - Wrongful misrepresentation
 - Fraud**
128. According to section 2 (b) of contract act, when a proposal is accepted, it becomes:
- An agreement
 - A contract
 - An offer
 - A promise**
129. Mr. A borrows Rs. 1000 from Mr. B and keeps his watch as security for payment of debt. It is called
- Bailment
 - Pledge**
 - Guarantee
 - Indemnity
130. Which of the following is an essential of a contract of Guarantee?
- Consideration of a contract
 - Avoidance of misrepresentation
 - Can be oral or written
 - All of the given options**
131. A painter contracts to paint a picture for his customer for Rs. 1000. Who can perform the contract?
- The painter himself**
 - Assistant of painter who is also a painter
 - A student of painter who is learning painting

- d) Painter or his assistant only
132. Coercion is committing, or threatening to commit, any act forbidden by
a) **Pakistan Penal Code**
b) Criminal Procedure Code
c) Contract act
d) Civil Law
133. In absence of any contrary intention in a joint promise, all joint promisors must perform the promise _____.
a) **Jointly**
b) Severally
c) Jointly or severally
d) Jointly and severally
134. A contract is Voidable if it is:
a) **Enforceable by law at the option of aggrieved party**
b) Not enforceable at all
c) Enforceable if certain conditions are satisfied
d) Enforceable by both parties
135. The starting point in the formation of a contract is:
a) A proposal
b) **An agreement**
c) An obligation
d) A legal relationship
136. “Consideration” is an action which:
a) Is done in the Past
b) Is in progress at Present
c) Will supposed to be occur in Future
d) **May occur in all the above situations**
137. Contract of indemnity is a:
a) Wagering contract
b) Quasi contract
c) **Contingent contract**
d) Void contract
138. The consideration in a contract must be:
a) Of adequate value to promise

- b) Enforced by courts of law
- c) Of high worth to promise
- d) Accepted by parties on free consent**

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

- a) Surety
- b) Creditor
- c) Indemnifier**
- d) Debtor

140. Which of the following is NOT an element of bailment?

- a) Contract
- b) Specific purpose
- c) Delivery of goods
- d) Change of ownership**

141. Which of the following is not a contract of indemnity?

- a) Insurance of car
- b) Insurance of workers' compensation
- c) Insurance of property
- d) Insurance of life**

142. In which section of Contract Act, the definition of proposal is provided?

- a) Section 1(e)
- b) Section 1(f)
- c) Section 2(a)**
- d) Section 2(d)

143. The Section 2(g) of contract act defines that an agreement not enforceable by law is said to be:

- a) Valid agreement
- b) Void agreement**
- c) Voidable agreement
- d) Illegal agreement

144. In case of Undue Influence, the burden of proof lies upon _____.

- a) Dominating party**
- b) Influenced party
- c) Both parties

d) The court

145. The evolution of law over a period of time is studied as _____.

- a) **Historical jurisprudence**
- b) Ethical jurisprudence
- c) Legal history
- d) Analytical jurisprudence

146. Which of the following is NOT an essential for a valid proposal?

- a) The terms of the offer must be definite and clear
- b) The offer must be capable of creating legal relationships
- c) The offer must be communicated to the other party
- d) **The offer must be in written form**

147. The definition of contract is provided by which section of Contract Act?

- a) Section 1(d)
- b) Section 1(h)
- c) Section 2(d)
- d) **Section 2(h)**

148. According to section 26 of contract act, every agreement 'in restraint of the marriage' of a minor is _____.

- a) **Valid**
- b) Void
- c) Not valid
- d) Voidable

149. Consideration must move from:

- a) **Promisor**
- b) Promisee
- c) A third party
- d) Promisee or any other person

150. The court may grant rescission when _____.

- a) Contract is void
- b) **Contract is voidable**
- c) Contract is illegal
- d) Contract is unenforceable

151. Mr. A contracted to deliver 4900 kg of wheat to Mr. B. But Mr. A delivered 4925 kg. It is _____.
- a) **A Valid tender**
 - b) Not a valid tender
 - c) An invalid performance
 - d) Breach of contract
152. Which of the following damages includes indirect loss also that may arise due to breach of contract?
- a) Ordinary damages
 - b) **Special damages**
 - c) Liquidated damages
 - d) Nominal damages
153. What will happen if a future event, about which a contingent contract has been made, becomes impossible?
- a) The contract remains valid
 - b) The contract becomes voidable
 - c) **The contract becomes void**
 - d) One party can sue the other in court
154. When an executory contract is completely performed, it becomes:
- a) Valid contract
 - b) Void contract
 - c) **Executed contract**
 - d) Legal contract
155. In which of the following conditions, the contract is voidable?
- a) If one party is minor
 - b) In absence of free consent
 - c) If it is not enforceable at all
 - d) **If it cannot become void under any condition**
156. Enforceability of a contingent contract is described in which section of contract act?
- a) Section 31
 - b) **Section 32**
 - c) Section 33
 - d) Section 34

157. Each party to a contract is both promisor and promisee in case of _____.
- a) Present consideration
 - b) Reciprocal promises
 - c) Valid contract
 - d) **Past consideration**
158. Mr. A contracts to pay Mr. C Rs. 10000 if Mr. C's house is burnt. Which type of contract is it?
- a) Absolute contract
 - b) Bilateral contract
 - c) Quasi contract
 - d) **Contingent contract**
159. When a contract is fulfilled successfully, it leads to the _____ of the contract.
- a) Remission
 - b) Alteration
 - c) **Discharge**
 - d) Performance
160. In case of breach of contract, measure of damages is the difference between:
- a) Contract price and price fixed by court
 - b) **Contract price and market price on the date of breach**
 - c) Contract price and expected selling price
 - d) Contract price and the highest market price during the continuance of court
161. An offer to perform promise from one of several Joint Promises is:
- a) **A valid offer**
 - b) An invalid offer
 - c) Breach of contract
 - d) A conditional offer
162. If you request your friend to buy a book for you, which contract is it?
- a) Contract of guarantee
 - b) Contract of agency
 - c) Contract of bailment
 - d) **There is no contract**

163. Bilal, as per directions of Ahmed sold goods over which Ahmed had no rights to sell, but Bilal was not aware of this. Afterwards, Rashid, the true owner of the goods, sued Bilal and recovered the amount from him. Which of the following is true?
- a) **Ahmed is liable to Bilal**
 - b) Bilal is liable to Rashid
 - c) Rashid is liable to Ahmed
 - d) Ahmed is not liable to anyone
164. Which of the following is NOT a phase in formation of a company?
- a) **Inauguration phase**
 - b) Promotion phase
 - c) Registration phase
 - d) Commencement of business
165. In the absence of any express provisions in Law of Negotiable Instruments, which law is applicable?
- a) **Contract act**
 - b) Contract of sales
 - c) Contract of agency
 - d) Contract of guarantee
166. All of the following must be included in a contract of sale, EXCEPT:
- a) Time of delivery of goods
 - b) Place of delivery of goods
 - c) Acceptance of delivery
 - d) **Advance payment of price**
167. Fraudulent misrepresentation as to contents of documents makes the contract
- a) Void
 - b) **Voidable**
 - c) Illegal
 - d) Enforceable
168. According to section 30 of contract act, wagering agreements are:
- a) **Void**
 - b) Valid
 - c) Unenforceable
 - d) Voidable

169. Competent parties to a valid contract are defined in which section of contract act?
- a) Section 10
 - b) Section 11**
 - c) Section 12
 - d) Section 13
170. All of the following are true about Articles of Association, except:
- a) It is subordinate to memorandum of association
 - b) It is a doctrine of indoor management.
 - c) An alteration in it can be made through a special resolution by the company
 - d) It rises the contracts between the company and the out side world**
171. Mere attempt to deceit the other party is_____.
- a) Fraud
 - b) Misrepresentation
 - c) Not fraud if other party is not deceived**
 - d) Coercion
172. A person who promises to compensate the loss in a contract of indemnity is called:
- a) Indemnifier**
 - b) Indemnified
 - c) Indemnity holder
 - d) Indemnity owner
173. All agreements are contracts if they fulfill the requirements as contained in of the Contract Act, 1872.
- a) Section 9
 - b) Section 10**
 - c) Section 11
 - d) Section 12
174. Which of the following stories to bring the principles of the law to such a form that they serve best?
- a) Analytical Jurisprudence
 - b) Historical jurisprudence
 - c) Ethical jurisprudence**
 - d) Judicial jurisprudence

175. Which section of the contract act says that every agreement by which anyone is restrained from exercising a lawful profession, trade or business, is to that extent void.
- a) Section 26
 - b) Section 27**
 - c) Section 28
 - d) Section 29
176. Akram promises to employ Ahmed for a salary of Rs.10000 from February next. Which type of contract is it?
- a) Valid contract
 - b) Void contract**
 - c) Unenforceable contract
 - d) Executory contract
177. According to section 17 of contract act, which of the following includes ‘the suggestion, as a fact, of that which is not true by a contracting party who does not believe it to be true’?
- a) Misrepresentation
 - b) Fraud**
 - c) Coercion
 - d) Undue influence
178. Which section of Contract Act provides the test of soundness of mind to make a contract?
- a) Section 12**
 - b) Section 13
 - c) Section 14
 - d) Section 15
179. If two or more persons agree upon the same thing in the same sense, what is it called according to section 13 of Contract Act?
- a) Consent**
 - b) Agreement
 - c) Promise
 - d) Contract
180. Which of the following is a Contingent Contract?
- a) Wagering contract**
 - b) Contract through coercion
 - c) Contract for credit sale

d) Contract of guarantee

181. Fraud by one party in a contract is defined in which section of contract act?

a) Section 16

b) Section 17

c) Section 18

d) Section 19

182. Agreements without free consent are voidable under which section of Contract Act.

a) Section 19

b) Section 20

c) Section 21

d) Section 22

183. An agreement to do impossible act, without the knowledge of parties that it is impossible

a) Is void

b) Is voidable

c) Void ab initio

d) Becomes void on discovery of impossibility

184. Common rule of law is that there is no fraud if:

a) The other party is deceived

b) There is some damage of other party

c) There is no damage of other party

d) There is false representation

185. Mr. A delivers a piece of cloth to tailor to make a suit. This is _____.

a) A contract of indemnity

b) A contract of bailment

c) A contract of pledge

d) Not a contract

186. A contract to do or not to do something, if some event collateral to such contract, does or does not happen is called _____.

a) Quasi contract

b) Wagering contract

c) Contingent contract

d) Bilateral contract

187. According to section 10 of contract act, an agreement in order to become a valid contract, must not be one of those that are expressly declared to be by the law.
- a) **Void**
 - b) Voidable
 - c) Illegal
 - d) Unenforceable
188. When a party to contract undertakes to perform an “impossibility”, the contract becomes
- a) **Void**
 - b) Voidable
 - c) Void ab initio
 - d) Illegal
189. In situations where there are different laws in different provinces, which law shall be applicable?
- a) **Law of province in which the contract was made**
 - b) Law of province in which the contract was executed
 - c) The federal law instead of provincial laws
 - d) As settled between the parties
190. According to section 2(b) of contract act, when a proposal is accepted, it becomes:
- a) An agreement
 - b) A contract
 - c) An offer
 - d) **A promise**
191. Which of the following statements about a minor, who by misrepresenting his age borrows money, is true?
- a) He can be sued for fraud
 - b) He can be sued for misrepresenting
 - c) Liable to return money
 - d) **Not liable to return**
192. The attainment of justice is the main object of _____.
- a) Analytical jurisprudence
 - b) Historical jurisprudence
 - c) **Ethical jurisprudence**
 - d) Judicial jurisprudence

193. When a person positively asserts that a fact is true but his information does not warrant it to be so, though he believes it to be true, this is a case of:
- a) Fraud
 - b) Coercion
 - c) Undue influence
 - d) Misrepresentation**
194. According to section 11, which of the following persons is NOT considered competent to enter into a contract?
- a) Person attained the age of majority
 - b) Person titled a minor by law**
 - c) Person with a sound mind
 - d) Person not disqualified from contracting
195. Mr. S delivered some ornaments for safe custody to his neighbor, without any charge for that. This is _____.
- a) Contract of indemnity
 - b) Contract of bailment**
 - c) Contract of pledge
 - d) Not a valid contract
196. According to section 39 of contract act, if promisor refused to perform the contract or disabled himself from performing the contract, what the promisee can do?
- a) He must put an end to contract**
 - b) He may terminate the contract
 - c) He can not claim compensation
 - d) The contract become void and nothing can be done by promise
197. The court may grant rescission in all of the following cases, EXCEPT:
- a) The contract is voidable by plaintiff
 - b) The contract is voidable by blamed
 - c) The contract is not performed as per settlement**
 - d) The contract is breached by one of the party
198. Following are the essentials of a valid acceptance, EXCEPT:
- a) Acceptance must be conditional**
 - b) Acceptance must be communicated to the offeror
 - c) Acceptance must be in response to an offer
 - d) Acceptance must be in prescribed manner

199. When a person signifies to another his willingness to do or to abstain from doing anything with a view to obtaining the assent of that other to such act or abstinence he is, according to section 2(a) of Contract Act, said to _____.
- a) **Make a proposal**
 - b) Make an obligation
 - c) Formulate a contract
 - d) Formulate an agreement
200. Principles of law as they currently exist are studied under which of the following?
- a) **Analytical jurisprudence**
 - b) Historical jurisprudence
 - c) Ethical jurisprudence
 - d) Both analytical and historical jurisprudence
201. Which of the following deals with the law that should be in an ideal state?
- a) Commercial jurisprudence
 - b) Analytical jurisprudence
 - c) Historical jurisprudence
 - d) **Ethical jurisprudence**
202. By definition, a contract is:
- a) An agreement
 - b) A legal obligation
 - c) **Both an agreement and a legal obligation**
 - d) Neither an agreement nor a legal obligation
203. According to section 2(e) of contract act, every promise and every set of promises, forming the consideration for each other is:
- a) A contract
 - b) **An agreement**
 - c) An obligation
 - d) A proposal
204. Mr. Asad agrees to construct Mr. Basheer's house for Rs. 10 lac. What is the consideration for Mr. Asad?
- a) Construction of the house by Mr. Asad
 - b) **Construction of the house by Mr. Basheer**
 - c) Promise to pay Rs. 10 lac by Mr. Asad
 - d) Promise to pay Rs. 10 lac by Mr. Basheer

205. A police officer bought a property worth one lac rupees for Rs.50000 from an accused under his custody. The contract was done by:
- Undue influence**
 - Fraud
 - Coercion
 - Consent
206. The dominating party, in case of Undue Influence, can disprove the presumption by arguing all, EXCEPT:
- The facts were fully disclosed
 - The consideration was enough
 - The dominated party was in a position to receive independent advice
 - The dominated party did not gave his free consent**
207. When a person does an act which is against public duty, the agreement is_____.
- Valid
 - Void
 - Voidable
 - Illegal**
208. All of the following are the agreements that are expressly declared to be void by the law, EXCEPT:
- Agreement in restraint of marriage
 - Agreements in restraint of trade
 - Agreement made with consideration**
 - Agreement by way of wager
209. An agreement in which one party agrees to close his business against the promise of the other party to pay some amount is
- Valid
 - Void**
 - Voidable
 - Unlawful
210. When a contract subsequently becomes difficult to perform due to unanticipated events, it _____.
- Becomes void
 - Becomes voidable
 - Is discharged**
 - Is not discharged

211. In which of the following cases, the court may refuse to grant rescission?
- a) **When plaintiff has not expressly ratified the contract**
 - b) When parties can not be restored to their original position due to changed circumstances
 - c) When a third party has acquired right in good faith and value
 - d) When only a part of contract is to be rescinded and such part can not be separated from the rest of contract
212. According to section 148 of Contract Act 1872, the delivery of goods by one party to another for some purpose upon a contract that these shall be returned when promise is accomplished, is called_____.
- a) Pledge
 - b) **Bailment**
 - c) Guarantee
 - d) Indemnity
213. A person is appointed as General Manager of a firm. Which of the following is most suitable title for him?
- a) Special agent
 - b) Universal agent
 - c) **General agent**
 - d) Co-agent
214. Mr. B, at request of Mr. A, sells goods which Mr. A had no right to sell. Mr. B does not know this and sends money to Mr. A. Afterwards, Mr. C, the true owner of the goods, sued Mr. B and recovers the money. Which of the following is true?
- a) **Mr. A is liable to Mr. B**
 - b) Mr. B is liable to Mr. C
 - c) Mr. A is liable to Mr. C
 - d) Mr. A is not liable to anyone
215. Which of the following is NOT a duty of principal in contract of agency?
- a) To indemnify the lawful acts
 - b) To pay remunerations
 - c) To render accounts
 - d) **To indemnify the acts done in good faith**
216. What is the legal status of a decision about business timings, fixed by a market association, that every shop will be closed by 08:00 PM?
- a) Void; as it is in restraint of trade
 - b) Illegal; as it is imposed on other party

- c) Unlawful; as it is against the free consent of the other party
- d) Vaild; as it is considered as a general business practice**

217. Which of the following is true regarding a Fraud or Misrepresentation if it had not effect the consent and made any damages to a concerned party?

- a) It makes the contract void.
- b) It makes the contract voidable.**
- c) It renders the contract illegal.
- d) None of the given options stand true.

218. The soundness of mind of a person is proved by:

- a) The capacity of a perosn to recall his past incidents
- b) The person's age of majority i-e above 18 years
- c) The judgment of court reagrding the soundness of mind
- d) The capability of understanding terms of contract & act rationally**

219. Ashraf contracted Bilal to buy 1bale of cotton for Rs.80000 at a specific date. Ashraf also made a contract with Hassan to sell this cotton for Rs.1 lac; Bilal was fully aware of this contract with Hassan, but on the specific date Bilal failed to supply the cotton to Ashraf due to which Ashraf had failed to fulfill the contract with Hassan. In this case Bilal is liable for which kind of damages?

- a) Ordinary damages
- b) Special damages
- c) Exemplary damages
- d) Liquidated damages**

220. Misrepresentation has been defined in which section of the Contract Act?

- a) Section 17
- b) Section 18**
- c) Section 19
- d) Section 20

221. In which of the following cases promisee CAN NOT terminate the contract?

- a) When there is attempted performance
- b) When offer of performance is unconditional
- c) When offer is made at proper place
- d) When offer is to perform one of several Joint**

222. The Industrial Relations Ordinance came into force in:

- a) 1982
- b) 1997

- c) 2000
- d) 2002**

223. A person employed to do any act for another is called:

- a) Employee
- b) Manager
- c) Agent**
- d) Principal

224. Application to register a trade union includes all of the following, EXCEPT:

- a) The name of the trade union and the address of its head office
- b) Date of formation of the trade union
- c) The titles, names, ages, addresses and occupations of the office bearers of the trade union
- d) Statement of total unpaid membership**

225. Which of the following is true about the essentials of valid acceptance of a bill of exchange?

- a) It must be in writing
- b) It must be signed by drawee or his agent
- c) The acceptance must appear on the bill
- d) All of the given options**

226. All of the following are the powers of trustee, EXCEPT:

- a) To sell trust property
- b) To apply property for the benefit of the minor
- c) To use trust property for any purpose**
- d) To give receipt

227. Those damages which naturally arise as the result of breach of contract are called:

- a) Ordinary damages
- b) Special damages
- c) Liquidated damages**
- d) Nominal damages

228. A 'Statement of Ethics and Business Practices' for directors and employees of a listed company is prepared by:

- a) Board of directors**
- b) Executive directors
- c) Chairman of the company
- d) Securities and Exchange Commission

229. When a promisee refuses to accept performance from the promisor, it is called
- Tender
 - Frustration of contract**
 - Vicarious performance
 - Attempted performance
230. How shall a prosecution for any offence under SECP Act against any person be instituted?
- With the consent of commission**
 - At the will of any two Commissioners
 - By the appeal of aggrieved party
 - By suo moto action of the court
231. Which of the following condition is considered to be a compulsion for a contract?
- Only an offer
 - Only an acceptance
 - Offer and acceptance**
 - Offer, acceptance and documentation
232. The transfer of ownership in exchange for a price paid or promised or part-paid and part-promised is called:
- Sale**
 - Contract for sale
 - Agreement of Sale
 - Lease Sale
233. As per section 25 of the Partnership Act, 1932, all the partners of a firm share liabilities of the firm:
- Just mutually
 - Just individually
 - Mutually and individually**
 - None of the given options
234. Which of the following is NOT expressly declared to be void by the law?
- Agreement in restraint of trade
 - Agreement in restraint of legal proceedings
 - Agreement contingent upon possible events
 - Reciprocal promises to do illegal acts**

235. Consent under undue influence makes contract _____.
- Valid
 - Void
 - Voidable**
 - Unenforceable
236. When a promise is to be performed without application of promise, and no place is fixed for the performance of it, what the promisor can do to perform the promise?
- He can perform the promise anywhere
 - He must perform the promise at promisee's house
 - He has to apply to the promise to appoint a place**
 - He is not liable to perform the promise as the contract is not valid
237. Legal sources of law include all of the following, EXCEPT:
- Business**
 - Precedent
 - Customs
 - Agreement
238. Essentials of a contract of sale include all of the following, EXCEPT:
- There must be an agreement**
 - There must be more than two parties
 - There must be transfer of ownership
 - There must be some price as consideration
239. Who is liable when a partner has signed in his own name a promissory note for the benefit of the firm?
- All partners**
 - The signatory partner
 - The limited partners
 - The major partners
240. Which of the following is true about a firm?
- A firm has no legal existence
 - A firm adopts legal status from its partners
 - A firm has a legal status separate from its partners**
 - None of the given options
241. Mr. Asif threatens to kidnap Mr. Bashir's son if he does not give Rs.2 lac to him; and Mr. Bashir agrees to pay the amount. Such contract has been made by:
- Consent

- b) Coercion**
- c) Fraud
- d) Undue influence

242. If two parties choose to enter into contracts with knowledge of the commercial usage governing them, who will decide the terms of contract?

- a) Court
- b) Contract act
- c) The two parties**
- d) The two parties along with court

243. Undue influence is described under which section of Contract Act?

- a) Section 16**
- b) Section 17
- c) Section 18
- d) Section 19