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Reg.No :

Name :

MAHATMA GANDHI UNIVERSITY, KOTTAYAM
MGU-UGP (HONOURS) REGULAR EXAMINATION MARCH 2025
SECOND SEMESTER

Discipline Specific Core Course (DSC) - MG2DSCBLW100 - BUSINESS
REGULATORY FRAMEWORK
(2024 ADMISSION ONWARDS)

Duration: 1.25 Hours

Maximum Marks: 70

Remember(K), Understand(U), Apply(A), Analyse(An), Evaluate(E), Create(C), Skill(S), Interest(I)
and Appreciation(Ap)

Students should attempt at least one question from each course outcome to enhance their overall outcome attainability.

Part A

MCQ Questions

Answer any **20** questions

Each question carries **1** marks

1. The doctrine of privity of consideration states that

[U] / [CO1]

- | | |
|---|--|
| a). Consideration must move from the promisor. | b). Consideration must move from the promisee. |
| c). Consideration can move from the promisee or any other person. | d). Consideration is not necessary for a valid contract. |

2. For a contract to be valid, the agreement must be made with:

[U] / [CO1]

- | | |
|---|-------------------------------------|
| a). A person of sound mind and legal age | b). A person under duress |
| c). A person who is an outsider to the contract | d). A person who is not in business |

3. Which of the following is true about "Sale by Auction"?

[A] / [CO5]

- a). The seller can bid at their own auction without notice b). The ownership of goods is transferred immediately after bidding
- c). The auctioneer can withdraw the goods from the auction before acceptance of the highest bid d). The highest bidder automatically gets the goods, even if the reserve price is not met
4. Payment made by mistake to the wrong person result in [U] / [CO2]
- a). A voidable contract b). A valid contract
- c). A quasi-contract d). An unenforceable contract
5. In a sale by description, there is an implied condition that [U] / [CO5]
- a). Goods must match the description b). Goods must be cheap
- c). Seller can provide any item d). Goods must be of the latest model
6. Which of the following is an essential element of fraud? [An] / [CO1]
- a). An innocent misstatement. b). A statement believed to be true, but later found false.
- c). A false statement made knowingly with the intent to deceive. d). A vague opinion.
7. What does the term "quid pro quo" mean in the context of contract law? [U] / [CO1]
- a). A gift b). A formal written agreement
- c). Something in return for something d). A promise made without consideration
8. Attempted performance of a contract by the promisor is known as [U] / [CO2]
- a). Assignment b). Tender
- c). Appropriation d). Discharge
9. The agent who, in consideration of an extra commission, guarantees his principal that the persons with whom he enters into contract shall perform their obligations is a [U] / [CO4]
- a). Commission Agent b). Broker

- c). Factor
d). Del credere Agent
10. An offer in contract law is: [U] / [CO1]
 a). A vague statement
 b). A proposal made to a friend
 c). A threat to the other party
 d). An expression of willingness to do or not do something with a view to obtaining the assent of the other party
11. Only _____ property can be bailed under the law of bailment. [U] / [CO3]
 a). Immovable
 b). Movable
 c). Government-owned
 d). Both movable and immovable
12. In a pledge, the person who delivers the goods as security is called _____. [U] / [CO3]
 a). Pledgee
 b). Pawnee
 c). Pawnor
 d). Bailee
13. Which of the following sources of law is created by legislative bodies? [U] / [CO1]
 a). Customary law
 b). Case law
 c). Statutory law
 d). Administrative law
14. Regarding a minors' agreements, "void ab initio" implies that [U] / [CO1]
 a). Minor's agreement is voidable
 b). Minor's agreement is valid, if it is for the benefit of minor
 c). The agreement never had any legal effect
 d). Minor's agreement can be ratified
15. Under a pledge contract, the pawnee is: [U] / [CO3]
 a). Allowed to use the pledged goods in any way
 b). Not allowed to use the pledged goods
 c). Required to sell the pledged goods after a certain period
 d). Permitted to claim ownership of the pledged goods without any conditions
16. Who is the person that promises to compensate for loss? [U] / [CO3]
 a). Indemnified
 b). Indemnifier

c). Beneficiary

d). Third party

17. What is the doctrine of 'Holding Out' in the Contract of Agency?

[U] / [CO4]

- a). An agent is always required to disclose principal's identity
- b). A minor can be a principal under contract of agency
- c). A principal is bound by the acts of an agent when third parties reasonably believe the agent has authority
- d). An agent acts against principal's instructions

18. Under a pledge contract, the pledgor is responsible for which of the following expenses?

[U] / [CO3]

- a). Ordinary maintenance expenses of the pledged goods
- b). Transportation charges incurred by the pawnee
- c). Any extraordinary expenses incurred for the preservation of the pledged goods
- d). Marketing expenses for selling the pledged goods

19. Which of the following is NOT a right of a surety?

[An] / [CO3]

- a). Claiming creditor's securities
- b). Recovering from the debtor
- c). Altering contract terms without consent
- d). Seeking contribution from co-sureties

20. A contract is said to be "void" when

[U] / [CO1]

- a). It cannot be enforced by law.
- b). It has been partially performed
- c). It has not been fulfilled
- d). Both parties have agreed to terminate it

21. A contingent contract dependent on an impossible event is:

[U] / [CO2]

- a). Valid
- b). Void
- c). Voidable
- d). Illegal

22. Which of the following is true about an Agreement to Sell? Statement(i) Ownership of goods is immediately transferred to the buyer. Statement(ii) The seller retains ownership until the conditions of the sale are fulfilled. Statement(iii) The buyer has full rights over the goods as soon as the

[U] / [CO5]

agreement is made. Statement(iv) An agreement to sell and a sale are the same thing.

- a). (i) only
- b). (ii) only
- c). (iii) only
- d). (iv) only

[1x20 = 20]

Part B

MCQ Questions

Answer any **25** questions

Each question carries **2** marks

23. Consider the following statements and choose the most appropriate alternative. Statement I: An agreement to trade with an enemy during wartime is illegal and cannot be enforced by law. Statement II: An agreement restraining a person from practicing a lawful profession is void.

[U] / [CO2]

- a). Both statements are true
- b). Statement I is true, and Statement II is false
- c). Statement I is false, and Statement II is true
- d). Both statements are false

24. Which of the following statements about retrospective guarantees are correct?
(a) It covers debts or liabilities already incurred. (b) The surety is liable only for future debts. (c) It can be revoked anytime. (d) It is enforceable even for past transactions.

[U] / [CO3]

- a). Only (d) is true
- b). (a) and (b) are true
- c). only (c) is true
- d). (a) and (d) are true

25. Consider the following statements, Assertion (A) and Reasoning (R), and choose the correct alternative. Assertion (A): An agreement to commit a crime cannot be enforced as a contract. Reasoning (R): For a contract to be valid, it must not violate any law.

[A] / [CO6]

- a). Both A and R are true, and R is the correct explanation of A.
- b). Both A and R are true, but R is not the correct explanation of A.
- c). A is true, but R is false.
- d). A is false, but R is true.

26. Consider the following statements and choose the most appropriate alternative. Statement I: An acceptance is the offeror's willingness to be bound

[U] / [CO1]

by the legal terms of the offer made by the offeree. Statement II: Acceptance must be by the offeree, and not by anyone else.

- a). Statement I is true, but Statement II is false
- b). Statement II is true, but Statement I is false
- c). Both Statements are false
- d). Both Statements are true

27. Consider the following statements and choose the most appropriate alternatives. Statement I - The agent can terminate the agency by expressly renouncing it. He does not have to give any reasonable notice to the principal. Statement II - Subject to a few exceptions the principal has got a right to terminate the authority of the agent by revocation.

[U] / [CO4]

- a). Both statements are true
- b). Statement I is true, and Statement II is false
- c). Statement I is false, and Statement II is true
- d). Both statements are false

28. Which of the following are essential features of a contract of guarantee? a) There must be three parties involved. (b) The surety's liability is secondary. (c) There must be an existing debt or liability. (d) The guarantee must be given voluntarily

[U] / [CO3]

- a). All the statements are true
- b). only (a) (b) and (c) are true
- c). None of the statements are true
- d). Only (c) and (d) are true

29. R agrees to sell his car to S for ₹3 lakhs. After receiving the money, R refuses to transfer the car. Can S take legal action?

[A] / [CO6]

- a). Yes, because there was consideration and a breach of contract
- b). No, because no written agreement was made
- c). No, because payment does not mean ownership
- d). Yes, because verbal agreements are stronger than written ones

30. Who among the following are generally considered incompetent to enter into a contract? (i) Minors (ii) Persons of sound mind (iii) Persons who are not disqualified from contracting by any law to which he is subject to

[U] / [CO1]

- a). (i) only
- b). (i) and (ii) only
- c). (ii) and (iii) only
- d). (i), (ii) and (iii)

31. "An agent is entitled to retain goods, papers and other movable or immovable properties received by him until the amount due to him for commission has been paid or accounted for". Which right of agent is mentioned in this statement? [U] / [CO4]
- a). Right to retainer b). Right to remuneration
- c). Right to lien d). Right to compensation
32. When does a surety get discharged from liability? Statement 1: A surety is discharged if the contract of guarantee is found to be invalid due to misrepresentation. Statement 2: A surety can revoke a continuing guarantee for future transactions by giving notice [An] / [CO3]
- a). Only Statement 1 is correct. b). Only Statement 2 is correct.
- c). Both Statements 1 and 2 are correct. d). Both Statements 1 and 2 are incorrect.
33. Which of the following are exceptions to the rule "No Consideration, No Contract"? (i) Contract of Agency (ii) Contract of Indemnity (iii) Contract of Sale [U] / [CO1]
- a). (i) only b). (ii) only
- c). (iii) only d). None of the other options is an exception
34. Mr.A purchased a phone from a shop, intending to use it for high-resolution photography. However, Mr. A did not inform the seller of this specific requirement. Later, Mr. A discovered the phone's camera was unsuitable for high-resolution photos. Why can't Mr.A reject the phone and claim damages? [A] / [CO6]
- a). Breach of implied condition as to merchantable quality. b). Application of the rule of "caveat venditor."
- c). Application of the rule of "caveat emptor." d). Breach of implied condition as to title.
35. Choose the correct alternatives from the following as to what happens when a condition in a contract of sale is breached? (i) The buyer can reject the goods. (ii) The contract becomes void automatically. (iii) The buyer can treat the contract as valid and claim damages. (iv) The seller must pay a penalty. [U] / [CO5]
- a). (i) and (iii) b). (ii) and (iv)
- c). (iii) and (iv) d). (i) and (ii)

36. A minor, Rohan, enters into a contract with a shopkeeper to buy a laptop on credit. Later, he refuses to pay. What is the legal consequence? [A] / [CO6]
- a). The contract is valid and enforceable b). The contract is void ab initio
- c). The contract is valid because Rohan benefited from it d). The contract is voidable at Rohan's option
37. A lends a bicycle to B for personal use only. However, B rents it out to C for a day. What remedy does A have? [E] / [CO6]
- a). A can claim rent from C. b). A can terminate the bailment contract.
- c). A has no remedy since B is still in possession. d). A can demand a penalty from B but cannot terminate the bailment.
38. Consider the following statements and choose the most appropriate alternative. Statement I: A agrees to sell his house to B for Rs. 10 Lakhs is a contract. Statement II: A invites B to a dinner and B accepts the same, is only a social invitation and not enforceable by law. [U] / [CO1]
- a). Both the Statements are true. b). Statement I is true, and Statement II is false
- c). Statement II is true, and Statement I is false d). Both Statements are false.
39. The two keys used in asymmetric cryptography are called _____ key and _____ key. [U] / [CO2]
- a). Private, Secret b). Private, Public
- c). Encryption, Decryption d). Primary, Secondary
40. In which of the following cases would a contract NOT be discharged by impossibility of performance? [U] / [CO2]
- a). A contract to build a house is rendered impossible due to an unforeseen change in government regulations. b). A singer contracts to perform at a concert but falls seriously ill before the event.
- c). A businessman agrees to supply goods, but later finds that the cost of production has doubled. d). A contract to deliver goods is rendered impossible because the ship carrying them sinks.

41. Consider the following statements Assertion (A) and Reasoning (R). Choose the correct alternative Assertion (A): A bailor has the right to terminate the contract of bailment if the bailee makes unauthorised use of the goods. Reason (R): The bailee can use the bailed goods in any way he desires without the bailor's consent. [U] / [CO3]
- a). Both A and R are true, and R is the correct explanation of A. b). Both A and R are true, but R is not the correct explanation of A.
- c). A is true, but R is false. d). A is false, but R is true.
42. Consider the following statements and select the most appropriate alternative. [U] / [CO2]
- Statement (I)- Anticipatory breach of contract occurs when a party repudiates the contract before the time of performance Statement (II)- Actual breach of contract can occur either at the time when performance of contract is due or during the performance
- a). Both the statements are true b). Statement (I) is true and Statement (II) is false
- c). Statement (I) is false and Statement (II) is true. d). Both the statements are false
43. Which of the following statements correctly describe the exceptions to Caveat Emptor? (i) If the seller sells goods by fraud or misrepresentation, Caveat Emptor does not apply. (ii) If the goods are sold under a trade name, the buyer can claim for fitness of purpose. (iii) If the goods have hidden defects that the buyer could not have discovered by inspection, Caveat Emptor does not apply. (iv) If the buyer selects the goods personally, the seller is still responsible for quality. [A] / [CO5]
- a). (i) and (iii) b). (ii) and (iii)
- c). (iii) and (iv) d). (i), (ii), and (iii)
44. For a contract to be considered based on "free consent" under the Indian Contract Act, which of the following elements must be absent? (i) Coercion (ii) Undue Influence (iii) Absence of Consideration [An] / [CO1]
- a). (i) only b). (ii) only
- c). (i) and (ii) only d). (ii) and (iii) only
45. V guaranteed a loan for his friend S. Later, S took the loan using fraudulent documents. What happens to V's liability? [E] / [CO6]

- a). V is still liable
- b). V is not liable
- c). V is liable only for half the amount
- d). V can demand repayment from the bank

46. Which of the following is required for a valid offer? A) Clear intention to be bound by the contract B) Offer must be communicated to the offeree C) Offer must be in writing

[U] / [CO1]

- a). A&B only
- b). A&C only
- c). A,B&C
- d). B&C only

47. In a sale, if goods are damaged, the loss is borne by

[U] / [CO5]

- a). The seller
- b). The insurance company
- c). The buyer
- d). The government

48. Which one of the following is /are the rights of the principal?

[U] / [CO4]

- a). He is entitled to proper accounts from the agent.
- b). He must expect the agent to use as much skill as is generally possessed by persons engaged in business.
- c). He has the right to give instructions to the agent for the conduct of the business.
- d). All of the above

49. B appointed A as his agent for the sale of goods belonging to B. Without B's consent, A induces C to buy the goods by misrepresentation. The contract between B and C is

[E] / [CO6]

- a). Void
- b). Voidable at the option of B
- c). Voidable at the option of C
- d). Valid

[2x25 = 50]