

**PAPER - 3**

**BIT QUESTIONS**

**MCQs**

# Fundamentals of Laws and Ethics



**DIRECTORATE OF STUDIES  
THE INSTITUTE OF  
COST ACCOUNTANTS OF INDIA**

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**Bit Questions**

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# FUNDAMENTALS OF LAWS

## I. Choose the correct answer from the given four alternatives:

1. A void contract
  - (A) is void from the very beginning.
  - (B) is valid in the beginning but becomes void later on.
  - (C) is enforceable at the option of one of the contracting parties only.
  - (D) none of the above
  
2. Which one of the following does not connote 'goods' as defined in the Sale of Goods Act?
  - (A) Money
  - (B) Animals
  - (C) Debt
  - (D) Both (A) and (C)
  
3. Acceptance takes place as against the proposer.
  - (A) when the letter of acceptance is posted by the acceptor.
  - (B) when the letter of acceptance is received by the proposer.
  - (C) when the offeree, writes the letter of acceptance, but doesn't post it.
  - (D) All of the above
  
4. Conditions are stipulations
  - (A) Essential to the main purpose of the contract.
  - (B) collateral to the main purpose of the contract.
  - (C) Either (A) or (B)
  - (D) Neither (A) nor (B)
  
5. Which of the following is an offer?
  - (A) The mere quotation of terms by trader.
  - (B) The quotation of the lowest price in answer to enquiry.
  - (C) Advertisement for sale or auction of goods.
  - (D) Bids in an auction sale.
  
6. The general rule of Sale of Goods Act, is risk prima facie passes with
  - (A) Ownership
  - (B) Possession
  - (C) Delivery
  - (D) Custody
  
7. Which one of the following has the correct sequence?
  - (A) Offer, acceptance, contract, consideration.
  - (B) Offer, acceptance, consideration, contract
  - (C) Contract, acceptance, consideration, offer
  - (D) Offer, consideration, acceptance, contract.
  
8. The exceptions to the rule A stranger to a contract cannot sue are
  - (A) Beneficiaries in the case of trust.
  - (B) Family settlement.
  - (C) Assignment of contract.
  - (D) All of the above
  
9. Delivery of the keys of a godown where goods are kept amounts to
  - (A) Actual delivery
  - (B) Symbolic delivery
  - (C) Constructive delivery

- (D) All of the above
10. In Indian Law consideration must have been done at the desire of the promisor, if it is done at the instance of a third party or without the desire of the promisor, it is:
- (A) Consideration
  - (B) Not Consideration
  - (C) Offer
  - (D) Promise
11. Is a pronote executed in favour of a minor good in law?
- (A) Yes
  - (B) No
  - (C) Not in normal cases
  - (D) Depends
12. Right of stoppage in transit can be exercised by the Unpaid Seller, where the Buyer:
- (A) is solvent
  - (B) becomes insolvent
  - (C) acts fraudulently
  - (D) acts smartly
13. 'A' threatened to commit suicide if his wife did not execute a sale deed in favour of his brother. The wife executed the sale deed. This transaction is
- (A) voidable due to undue influence.
  - (B) voidable due to coercion.
  - (C) void being immoral
  - (D) void being forbidden by law.
14. Which one of the following statements is correct?
- (A) void agreements are always illegal.
  - (B) illegal agreements are voidable.
  - (C) illegal agreements can be ratified by the parties.
  - (D) illegal agreements are always void.
15. In pretended bidding, sale is
- (A) voidable at the option of the seller.
  - (B) valid
  - (C) voidable at the option of the buyer
  - (D) illegal
16. B, having discovered a vein of ore on the estate of A, adopts means to conceal, and does conceal, the existence of the ore from A. Owing to A's ignorance B is enabled to buy the estate at a low price. The contract is:
- (A) Valid
  - (B) Void
  - (C) Voidable at the option of A
  - (D) Invalid
17. A paid ₹ 500 to a Government servant to get him a contract for the canteen. The Government servant could not get the contract. Can A recover ₹ 500 paid by him to the Government servant?
- (A) Yes, the agreement between them is valid and enforceable.
  - (B) Yes, the agreement is not opposed to public policy.
  - (C) No, the agreement is a voidable agreement and can be avoided by A.
  - (D) No, the agreement is void.
18. Under Section 118 of the Negotiable Instruments Act, 1881, it is presumed, until the contrary is proved, that every transfer of a negotiable instrument was made:
- (A) after its maturity

- (B) before its maturity
  - (C) at its maturity
  - (D) none of the above
19. Which of the following statement is false in connection with the contingent contract?
- (A) The event must be collateral.
  - (B) The event must be uncertain
  - (C) The event should not be mere will of the promisor.
  - (D) none of the above.
20. Who is liable for necessaries supplied to a minor?
- (A) The guardian of the minor
  - (B) The minor
  - (C) His property
  - (D) None of the above
21. Cheque is a \_\_\_\_\_
- (A) Promissory note
  - (B) Bill of exchange
  - (C) Both (A) and (B)
  - (D) None of the above
22. A contract stands discharged
- (A) by performance of the contract.
  - (B) by breach of the contract
  - (C) by agreement and novation
  - (D) all of the above
23. The maturity of a promissory note or bill of exchange is the date
- (A) at which it falls due
  - (B) of its presentation
  - (C) of its acceptance
  - (D) none of the above
24. Where the parties to a contract have agreed that a certain sum of money would be paid in case of breach of contract, the court will ensure that
- (A) the exact amount mentioned in the contract is paid to the injured party.
  - (B) an amount not exceeding the stipulated amount is awarded.
  - (C) reasonable compensation not exceeding the amount stipulated is awarded.
  - (D) a sum exceeding the amount stipulated is awarded.
25. \_\_\_\_\_ days grace period is allowed for payment of a Cheque.
- (A) 0
  - (B) 3
  - (C) 2
  - (D) 7
26. A foreigner
- (A) is competent to enter into contract if he fulfills the conditions of section 11.
  - (B) is not competent to enter into contract.
  - (C) can enter into contract with permission of Central Govt.
  - (D) can enter into contract with the permission of court.
27. An agreement to sell is
- (A) an executory contract.
  - (B) an executed contract.
  - (C) Neither (A) or (B)
  - (D) Sometime (A) or (B)

28. Cross offer does not constitute a contract because
- (A) there is no acceptance.
  - (B) there is implied acceptance.
  - (C) crossing implies cancellation.
  - (D) it amounts to counter offer.
29. Whether a stipulation is a condition or a warranty depends on
- (A) the construction of the contract.
  - (B) the conduct of the parties.
  - (C) the trade custom.
  - (D) the local law.
30. The communication of an acceptance is complete as against the acceptor
- (A) when it is posted by him.
  - (B) when it is put in the course of transmission.
  - (C) when it comes to the knowledge of the proposer.
  - (D) None of the above
31. A contractor had to supply the army charpoys in certain quantities by instalments. He failed to supply the requisite number and even after that breach the instalment of charpoys was received by army authorities. Meanwhile, the work orders were however cancelled. The orders cancelling the work order were
- (A) valid
  - (B) void
  - (C) without authority
  - (D) contractor could claim damages
32. In a Book depot a catalogue of book enlisting the price of each book and specifying the place where the particular book is available is
- (A) an invitation to offer.
  - (B) an offer.
  - (C) an invitation to visit the book shop.
  - (D) None of the above
33. Voluntary transfer of possession from one person to another is called as
- (A) Ownership
  - (B) Delivery
  - (C) Gift
  - (D) License
34. A valid consideration includes,
- (A) executed or executory consideration.
  - (B) past consideration.
  - (C) inadequate consideration.
  - (D) All of the above
35. The term 'Unpaid Seller' includes
- (A) Buyer's agent to whom the Bill of Lading is endorsed.
  - (B) Buyer's agent to whom the goods have been delivered.
  - (C) Seller's agent to whom the Bill of Lading is endorsed.
  - (D) Seller's agent to whom the goods have been delivered.
36. In India, a person who is stranger to the consideration
- (A) can sue on the contract, if he is a party.
  - (B) cannot sue the contract.
  - (C) depends on the parties.
  - (D) depends on the circumstances.

37. S sells certain goods to B of Bombay. The goods are handed over to the railways for transmission to B. In the meantime, B sells the goods to a third party T for consideration without the consent of S. B becomes insolvent. In this case—
- S has the right of stoppage in transit.
  - S has lost his right of stoppage in transit.
  - Station Master has the right of stoppage in transit.
  - None of the above
38. M is minor, B, the borrower, approaches M for a loan on the basis of a mortgage of the house owned by B. Hence, M advances the money and B executed a mortgage in favour of M, a minor. In these circumstances
- the mortgage is not enforceable by M, because he is a minor.
  - the mortgage is enforceable but only when he attains majority.
  - the mortgage is enforceable by M even though he is minor.
  - None of the above
39. "Threatening to commit certain acts forbidden by Indian Penal Code" is associated with which one of the following?
- Misrepresentation
  - Fraud
  - Coercion
  - Unenforceable
40. A contract to trade with an enemy is
- an immoral agreement.
  - a valid agreement.
  - an agreement opposed to public policy.
  - an enforceable agreement.
41. \_\_\_\_\_ is a form of combination of buyers to prevent competition among themselves at an auction sale.
- Knock-out agreement
  - Monopoly agreement
  - Oligopoly agreement
  - Puffing agreement
42. A, while filling up the insurance application form, states his age as 25 believing it to be true. His actual age was 27. The Life Insurance Corporation issued a policy in his favour charging a lower premium than what it should have charged if the actual age had been given. This is a case of
- Fraud
  - Misrepresentation
  - Undue influence
  - Mistake of fact
43. In a promissory note, the amount of money payable
- must be certain.
  - may be certain or uncertain.
  - is usually uncertain.
  - None of the above
44. R entered into a contract with L to marry her on a fixed date. However, before the marriage date, R went mad. With reference to the Indian Contract Act which is the valid response?
- L can't marry till R dies.
  - The executors of R can enforce the contract against L.
  - The contract becomes void.
  - All the statements are correct
45. The undertaking contained in a promissory note, to pay a certain sum of money is

- (A) conditional.
  - (B) unconditional.
  - (C) may be conditional or unconditional depending upon the circumstances.
  - (D) None of the above
46. A makes a contract with B to buy his house for ₹50,000 if he is able to secure to bank loan for that amount. The contract is
- (A) void for vagueness.
  - (B) wagering contract.
  - (C) contingent contract.
  - (D) voidable contract.
47. Ordinary damages will be awarded in cases where
- (A) the loss naturally flows from the breach of contract.
  - (B) the loss is remotely connected with the breach of contract.
  - (C) the loss is unusual and arises out of special circumstances peculiar to the contract.
  - (D) None of the above
48. Which of the following statement is true in connection with Quasi-contract?
- (A) It is imposed by law.
  - (B) A Quasi-contract is a revoking contract.
  - (C) Damages cannot be claimed for breach of Quasi-contractual right.
  - (D) It arises out of an agreement.
49. A cheque is always payable on
- (A) the date mentioned therein.
  - (B) demand.
  - (C) 3 days after presentation.
  - (D) within 24 hrs of presentation
50. Each party to a contract is bound to perform his part of the obligation. After the parties have made due performance, the contract comes to an end. In such a case the contract is said to be discharged
- (A) by breach of contract.
  - (B) by impossibility of performance.
  - (C) by agreement and novation.
  - (D) by performance of contract.
51. Right in rem implies:
- (A) A right available against the whole world
  - (B) A right available against a particular individual
  - (C) A right available against the Government
  - (D) None of the above
52. 'Goods' as defined in Sale of Goods Act will include
- (A) rare coins, goodwill and money.
  - (B) growing crops agreed to be severed before sale, old coins and copyrights.
  - (C) goodwill, copyright, patent and foreign currency.
  - (D) Both (B) and (C)
53. Communication of acceptance is not necessary
- (A) by performance of conditions of the offer by offeree.
  - (B) by acceptance of consideration by the offeree.
  - (C) by acceptance of benefit/service by the offeree.
  - (D) All of the above
54. Merchantable quality of goods means
- (A) that the goods are commercially saleable.
  - (B) they are fit for the purpose for which they are generally used.

- (C) Both (A) and (B)  
 (D) the quality should be of high standard.
55. According to Indian Contract Act, a promise is  
 (A) a communication of intention to do something.  
 (B) a proposal which has been accepted.  
 (C) a gentleman's word to do something.  
 (D) a statement on oath.
56. Contracts contingent upon the non-happening of the future uncertain event becomes void when such event:  
 (A) Happen  
 (B) Does not happen  
 (C) The event becomes impossible  
 (D) None of the above
57. A telephonic acceptance is complete when the offer is  
 (A) spoken into the telephone.  
 (B) heard but not understood by the offeror.  
 (C) heard and understood by the offeror.  
 (D) received, heard and understood by some person in the offeror's house.
58. If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds  
 (A) all parties to the instrument including the minor.  
 (B) only the minor and not other parties to the instrument.  
 (C) all parties to the instrument except the minor.  
 (D) None of the above
59. What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?  
 (A) An offer  
 (B) An obligation to sell book  
 (C) An invitation to offer  
 (D) A promise to make available the books at the listed
60. Which of the statement is incorrect in connection with duties of seller and buyer?  
 (A) It is the duty of the seller to deliver the goods.  
 (B) It is the duty of the buyer to accept and pay for them.  
 (C) It is not the duty of the seller to deliver the goods.  
 (D) It is the duty of the buyer to take delivery of goods.
61. The inadequacy of consideration may be taken into account by the court  
 (A) in determining the question whether the consent of the promisor was freely given.  
 (B) always in all cases.  
 (C) when the parties complain.  
 (D) when the promisor has not performed his promise.
62. A finder of goods can sell the goods if  
 (A) the goods are ascertained.  
 (B) the goods are un-ascertained.  
 (C) the goods are valuable.  
 (D) the goods are perishable.
63. Where consideration is illegal or physically impossible, uncertain or ambiguous, it shall not be  
 (A) transferable by law.  
 (B) unenforceable by law.  
 (C) enforceable by law.  
 (D) None of the above

64. There are \_\_\_\_\_ modes of delivery.
- (A) three
  - (B) two
  - (C) four
  - (D) five
65. The principle of Estoppel cannot be applied against a minor since
- (A) he has no sound mind.
  - (B) he has no privilege to cheat persons by making any representation.
  - (C) he may be induced by dishonest traders to declare in writing that he is a major at the time of entering into a contract.
  - (D) he has not attained the age of maturity.
66. The term “a cheque in the electronic form” is defined in the Negotiable Instruments Act, 1881-under
- (A) Section 6(a)
  - (B) Section 6(1)(a)
  - (C) Explanation 1(a) of Section 6
  - (D) Section 6A
67. Lending money to a borrower, at high rate of interest, when the money market is tight renders the agreement of loan:
- (A) Void
  - (B) Valid
  - (C) Voidable
  - (D) Illegal
68. Where by the contract, a promisor is to perform his promise without application by the promisee and no time for performance is specified, the engagement must be performed within a reasonable time. The question “What is a reasonable time” in each particular case is
- (A) a question of fact
  - (B) a question of law
  - (C) a question of general custom
  - (D) All of the above
69. Unlawful agreements comprise
- (A) Illegal agreements
  - (B) Immoral agreements only
  - (C) Agreements opposed to public policy only
  - (D) All the agreements mentioned above
70. In an auction sale, the property shall be sold to be
- (A) Lowest bidder
  - (B) Highest bidder
  - (C) Any bidder
  - (D) All bidders
71. A and B agree that A shall pay ₹1000 for which B shall afterwards deliver to either rice or smuggled opium. In this case
- (A) the first agreement is void and the second voidable.
  - (B) the first is voidable and the second is void.
  - (C) the first is valid and the second is void.
  - (D) the first is void and the second is valid.
72. When an Instrument is drawn conditionally or for a special purpose as a collateral security and not for the purpose of transferring property therein, it is called an
- (A) Escrow Instrument
  - (B) Inchoate Instrument

- (C) Ambiguous Instrument  
(D) None of the above
73. A purchases B's business of selling neckties in Delhi. A can restrain B from  
(A) doing the business of selling neckties again in his life.  
(B) doing any business in Delhi.  
(C) doing the business of selling neckties in Delhi for a limited period.  
(D) None of the above
74. In case of contractual obligations where the promisor dies before performance,  
(A) the legal representatives of the promisor must perform the promise irrespective of the promise.  
(B) the legal representatives of the promisor must perform the promise provided it is not one dependent on the personal qualifications of the promisor.  
(C) the legal representatives need not perform the promise.  
(D) the legal representative is not liable to pay damages for non-performance of the promise.
75. A borrows from B ₹500 to bet with C. Can B recover the amount of his loan?  
(A) Yes, the agreement between them is collateral to a wagering agreement and hence enforceable.  
(B) No, the agreement is opposed to public policy.  
(C) No, the agreement is a voidable agreement and can be avoided by A.  
(D) No, the agreement falls under section 23 and hence illegal.
76. Asim unlawfully detains Anil to obtain his vacant flat at Safdarjang enclave (valuing ₹ 50,00,000) at ₹ 40,00,000. This is a case of  
(A) Undue influence  
(B) Coercion  
(C) Fraud  
(D) By Force
77. A contract which ceases to be enforceable by law becomes  
(A) Voidable contract.  
(B) Void agreement.  
(C) Void contract.  
(D) Valid contract.
78. Mr. A promises to Mr. B without any intention of performing it. This is a case of  
(A) Cheating  
(B) Fraud  
(C) Valid case  
(D) None of the above
79. An advertisement for sale of goods by auction. This is a case of  
(A) General offer  
(B) An offer to hold such sale  
(C) An invitation to offer  
(D) Implied offer
80. An offer comes to an end by  
(A) Revocation  
(B) Acceptance  
(C) Communication  
(D) None of the above
81. A stranger to a contract can file  
(A) A suit  
(B) A suit only with the permission of court

- (C) A suit if Contract is in writing  
(D) Cannot file a suit
82. Of the following who is competent to enter into a contract?  
(A) Minor  
(B) Unsound mind  
(C) Lunatic  
(D) Sound mind
83. A minor can be appointed as agent.  
(A) False  
(B) Valid  
(C) Voidable  
(D) Not valid
84. Mr. A delivers a basket of mango to Mr. B mistaking him to be Mr. C and Mr. B consumes those mangos. Hence  
(A) Mr. B is bound to pay compensation to Mr. A for the value of Mango.  
(B) Mr. B is not bound to pay any compensation as there was no agreement and it is 'A's fault.  
(C) Mr. B is bound to pay compensation for value of mango and damages.  
(D) None of the above
85. Agreement of which the consideration is inadequate is  
(A) Void  
(B) Voidable  
(C) Valid  
(D) None of the above
86. Mr. A promises in writing to pay time barred debt to Mr. B. This is  
(A) Not enforceable  
(B) Enforceable  
(C) Voidable  
(D) None of the above
87. When both the parties to an agreement are under a mistake as to matter of fact essential to an agreement, the agreement is  
(A) Valid  
(B) Illegal  
(C) Voidable  
(D) Void
88. Mr. Ajit threatened to commit suicide if his wife did not execute sale deed in favour of his sister. Wife executed the sale deed. This is  
(A) Void  
(B) Voidable  
(C) Enforceable  
(D) None of the above
89. Under Sec. 2 (b) of the Indian Contract Act, 1872 if the person to whom the proposal is made signifies his assent thereto the proposal is said to have been  
(A) Accepted  
(B) Agreed  
(C) Provisionally agreed  
(D) Tentatively accepted
90. An auction sale is complete on the  
(A) Payment of price  
(B) Delivery of goods

- (C) Fall of hammer  
(D) Signing of agreement
91. Seller can raise the price by fictitious bids in an auction sale with the help of  
(A) pretended bidding  
(B) puffers  
(C) agent  
(D) broker
92. Mr. A obtained mobile set from Mr. B by fraud. Mr. A has a voidable title at the option of Mr. B. Before Mr. B could rescind the contract, Mr. A sold the same to Mr. C who purchased from Mr. A in good faith and without knowledge of fraud by Mr. A and paid for it. In this case.  
(A) Mr. C has a good title to the goods  
(B) Mr. B has a good title  
(C) Mr. C has no right  
(D) None of the above
93. Delivery of goods means  
(A) Voluntary transfer of possession  
(B) Compulsory transfer of possession  
(C) Exchange of goods  
(D) Voluntary transfer of ownership.
94. For a valid contract of sale, delivery may be  
(A) Actual delivery  
(B) Symbolic delivery  
(C) Constructive delivery  
(D) All of the above
95. Every instrument payable otherwise than on demand is entitled to \_\_\_\_ days of grace period  
(A) 2  
(B) 3  
(C) 4  
(D) 5
96. Inchoate instrument is  
(A) An instrument incomplete in some respect  
(B) An ambiguous instrument  
(C) A clean bill  
(D) Drawn conditionally as collateral security
97. Which of the following is not a Negotiable Instrument as per the Negotiable Instrument Act, 1881?  
(A) Bill of exchange  
(B) Delivery note  
(C) Cheque  
(D) Share certificate
98. How many parties are involved in a bill of exchange?  
(A) 2  
(B) 3  
(C) 4  
(D) 5
99. A void agreement is one  
(A) which is forbidden by law  
(B) enforceable at the option of one of the parties.  
(C) which is not enforceable by law  
(D) enforceable by law

100. A contract is formed when the acceptor  
 (A) has done something to signify his intention.  
 (B) makes his mind to do so.  
 (C) reads the offer  
 (D) all of the above
101. Express offers and acceptances may be proved by the agreement between the parties but implied offers can be proved only by  
 (A) the words  
 (B) the conduct  
 (C) circumstantial evidence  
 (D) both (B) and (C)
102. Sections 4 and 5 of the Indian Contract Act provide for communication of offer and acceptance and revocation thereof. In this relation, which one of the following is not correct?  
 (A) Communication of offer is complete when it reaches the offeree.  
 (B) Revocation of acceptance is complete when acceptance is posted in favour of the proposer.  
 (C) A proposal may be revoked any time before communication of acceptance.  
 (D) Acceptance may be revoked any time before communication of acceptance.
103. Consider the following statements: Consideration is  
 1. A motive for any promise  
 2. A price for any promise  
 3. Only a moral obligation  
 4. Something of value in the eye of law of these statements.  
 (A) 1, 2 and 3 are correct.  
 (B) 1 and 4 are correct.  
 (C) 2 and 4 are correct  
 (D) 3 alone is correct
104. Two persons have the capacity to contract  
 (A) if both are not of unsound mind.  
 (B) if none is disqualified from contracting by any law to which he is subject.  
 (C) if both have attained the age of majority  
 (D) All of the above
105. Which of the following types of persons are not disqualified from contracting?  
 (A) Foreign Sovereigns  
 (B) Alien Enemy  
 (C) Convicts  
 (D) None of the above
106. A agrees to sell to B a "hundred tons of oil". There is nothing whatever to show what kind of oil was intended. The agreement is  
 (A) valid  
 (B) void for uncertainty  
 (C) voidable  
 (D) illegal
107. A promised B to obtain an employment for him in a public office. B promised to pay ₹ 2,000 to A for this. B gets a job through A but refuses to pay the money. A can  
 (A) challenge B's appointment on the ground of non-payment of money  
 (B) sue B for ₹ 2,000  
 (C) do nothing  
 (D) Both (A) and (B)

108. Which one of the following is not a characteristics of a contingent contract?  
 (A) performance depends upon a future event.  
 (B) the event must be uncertain  
 (C) the event must be collateral to the contract.  
 (D) there must be reciprocal promises
109. A gives a recognizance binding him in a penalty of ₹ 500 to appear in the court on a certain day. He forfeits his recognizance. He is  
 (A) liable to pay the whole penalty.  
 (B) not liable to pay the penalty  
 (C) liable to pay partially  
 (D) none of the above
110. Agreement by way of wager are  
 (A) valid and enforceable by law  
 (B) void  
 (C) voidable at the option of party  
 (D) illegal
111. A valid tender or offer of performance must be  
 (A) made at proper time  
 (B) made at proper place  
 (C) made to the proper person  
 (D) all of the above
112. A, dealing in baby foods, sends samples by train for being exhibited at a Consumer Product's Show which fact was made known to the railway company. The goods reached the destination after the show was over. A sued the railway company for damages. A will be entitled to  
 (A) ordinary damages  
 (B) no damages  
 (C) exemplary damages  
 (D) special damages
113. Goods means  
 (A) every kind of movable property other than actionable claims and money.  
 (B) some kinds of immovable property only.  
 (C) every kind of movable property including actionable claims and money.  
 (D) Both (A) and (B)
114. Future Goods  
 (A) can be the subject matter of sale.  
 (B) cannot be subject matter of sale  
 (C) sometimes may be the subject matter of sale  
 (D) depends on circumstances
115. The doctrine of Caveat emptor is not applicable  
 (A) in case of sale under a patent name.  
 (B) in case of sale under a trade name.  
 (C) where the seller is guilty of fraud  
 (D) where the buyer relies on the skill and judgement of the seller.
116. "Nemo dat quad non habet", means  
 (A) non one is greater than God.  
 (B) none can give who does not himself posses.  
 (C) every one can give everything he has  
 (D) everyone is bound by his habit.
117. Unpaid seller can exercise his right of withholding delivery of goods

- (A) even when property in goods has passed to the buyer
  - (B) only when property in goods has not passed to the buyer
  - (C) either (A) or (B)
  - (D) neither (A) nor (B)
118. Where the sale is not notified to be subject to a right to bid on behalf of seller, and the Auctioneer knowingly takes any bid from the seller or any such person, the sale shall be treated as \_\_\_\_\_ by the buyer.
- (A) unlawful
  - (B) illegal
  - (C) immoral
  - (D) fraudulent
119. When a cheque is payable across the counter of a bank it is called
- (A) OTC cheque
  - (B) Open cheque
  - (C) Crossed Cheque
  - (D) Restricted cheque
120. Law of Contract
- (A) is the whole law of obligation
  - (B) is the whole law of agreements
  - (C) deals with only such legal obligation which arise from agreement.
  - (D) deals with social agreements.
121. For an acceptance to be valid, it must be
- (A) partial and qualified.
  - (B) absolute and unqualified
  - (C) partial and unqualified
  - (D) absolute and qualified
122. If the communication is made by an unauthorized person, it does not result in a/an
- (A) Contract
  - (B) Agreement
  - (C) Offer
  - (D) Consideration
123. An offer does not lapse if the
- (A) offeror dies before acceptance.
  - (B) offeree dies before acceptance
  - (C) acceptance is made by the offeree in ignorance of the death of the offeror.
  - (D) acceptance is made by the offeree with knowledge of the death of the offeror.
124. An agreement without consideration is void under
- (A) Sec. 25(1) of the Contract Act
  - (B) Sec. 25 (3) of the Contract Act
  - (C) Sec. 25 (2) of the Contract Act
  - (D) None of the above clauses in Sec. 25
125. An agreement without consideration is void except in case of compensation for
- (A) voluntary services rendered
  - (B) voluntary services rendered at the request of the other party to the agreement.
  - (C) voluntary services rendered at the request of third person.
  - (D) reimbursement of expenses incurred.
126. Which of the following is not competent to contract?
- (A) a minor
  - (B) a person of unsound mind
  - (C) a person who has been disqualified from contracting by some law

- (D) all of the above
127. 'Active Concealment of fact' is associated with which one of the following?  
 (A) Misrepresentation  
 (B) Undue Influence  
 (C) Fraud  
 (D) Mistake
128. The validity of contract is not affected by  
 (A) Mistake of fact  
 (B) Mistake of Indian Law  
 (C) Misrepresentation  
 (D) Fraud
129. A promises B to pay ₹ 100 if it rains on Monday and B promises A to pay ₹ 100 if it does not rain on Monday. This agreement is  
 (A) a valid agreement  
 (B) a voidable agreement  
 (C) a wagering agreement  
 (D) an illegal agreement
130. A borrows from B ₹ 500 to bet with C. Can B recover the amount of his loan?  
 (A) Yes, the agreement between them is collateral to a wagering agreement and hence enforceable.  
 (B) Yes, the agreement is not opposed to public policy.  
 (C) No, the agreement is a voidable agreement and can be avoided by A.  
 (D) No, the agreement is wagering agreement and falls under Section 23 and hence void.
131. Which of the following statements is true in connection with the contingent contract?  
 (A) The collateral event is contingent  
 (B) The collateral event may be certain or uncertain  
 (C) The contingency even may be the mere will of the promisor.  
 (D) The main event should be contingent.
132. Quasi-Contracts are  
 (A) not contracts in the real sense of the world.  
 (B) relations which create certain obligations resembling those created by a contract  
 (C) implied contracts  
 (D) unenforceable contracts
133. If the performance of contract becomes impossible because the subject matter of contract has ceased to exist then  
 (A) both the parties are liable  
 (B) neither party is liable  
 (C) only offeror is liable  
 (D) only acceptor is liable
134. A valid contract of sale  
 (A) includes 'an agreement to sell'  
 (B) does not include 'an agreement to sell'  
 (C) includes hire purchase contract  
 (D) includes contract for work and labour
135. Transfer of documents of title to the goods sold to the buyer, amounts to  
 (A) actual delivery  
 (B) Symbolic delivery  
 (C) constructive delivery  
 (D) None of the above

136. Right of Stoppage in transit can be exercised by the Unpaid Seller, where he  
 (A) has lost his right of lien  
 (B) still enjoys his right of lien  
 (C) either (a) or (b)  
 (D) neither (a) nor (b)
137. The Sale of Goods Act, 1930 governs the transfer of property in  
 (A) movable property  
 (B) immovable property  
 (C) both movable and immovable property  
 (D) all types of properties
138. Property in the goods in the Sale of Goods Act, 1930 means  
 (A) Ownership of goods  
 (B) Possession of goods  
 (C) Asset in the goods  
 (D) Custody of goods
139. Right of Stoppage in transit may be exercised by the Unpaid Seller, by  
 (A) taking actual possession of goods.  
 (B) giving notice of his claim to the Carrier/Bailee who holds the goods  
 (C) Either (a) or (b)  
 (D) Both (a) and (b)
140. The term 'Negotiable Instrument' is defined in the Negotiable Instruments Act, 1881, under Section.  
 (A) 12  
 (B) 13  
 (C) 13A  
 (D) 2(d)
141. The Negotiable Instruments Act 1881 came into force on  
 (A) 9<sup>th</sup> December 1881,  
 (B) 19<sup>th</sup> December, 1881  
 (C) 1<sup>st</sup> March, 1882  
 (D) None of the above
142. A Promissory Note must be  
 (A) in writing  
 (B) unconditional  
 (C) signed by the maker  
 (D) all of the above

**Answer:**

1.	B	2.	D	3.	A	4.	A	5.	D
6.	A	7.	B	8.	D	9.	B	10.	B
11.	A	12.	B	13.	B	14.	D	15.	C
16.	C	17.	D	18.	B	19.	D	20.	C
21.	B	22.	D	23.	A	24.	C	25.	B
26.	A	27.	A	28.	A	29.	A	30.	C
31.	B	32.	C	33.	B	34.	D	35.	C
36.	A	37.	C	38.	C	39.	C	40.	C
41.	A	42.	B	43.	A	44.	C	45.	B
46.	A	47.	A	48.	A	49.	B	50.	D

51	A	52	B	53	D	54	C	55	B
56	A	57	C	58	C	59	C	60	C
61	A	62	D	63	C	64	A	65	D
66	C	67	B	68	D	69	D	70	B
71	C	72	A	73	C	74	B	75	D
76	B	77	C	78	B	79	A	80	A
81	D	82	D	83	B	84	A	85	C
86	B	87	A	88	B	89	A	90	C
91	B	92	A	93	A	94	D	95	B
96	A	97	D	98	B	99	C	100	A
101	D	102	D	103	C	104	D	105	D
106	B	107	C	108	D	109	A	110	B
111	D	112	D	113	A	114	A	115	C
116	B	117	A	118	D	119	B	120	C
121	B	122	B	123	C	124	D	125	A
126	D	127	C	128	B	129	C	130	D
131	A	132	B	133	B	134	A	135	B
136	B	137	A	138	A	139	C	140	B
141	C	142	D						

**II. Match the following:**

1.

	Column 'A'		Column 'B'
(i)	Consensus-ad-idem	P	As much as is earned
(ii)	Warranty	Q	Mere delivery
(iii)	Quantum of Merit	R	Identity of minds
(iv)	Order of Instrument	S	Contingent Contract
(v)	Insurance Contract	T	Collateral to the main purpose of contract.

2.

	Column 'A'		Column 'B'
(i)	Void contract	P	Threat or Force
(ii)	Condition as to Merchantability	Q	Obligation is imposed by law
(iii)	Coercion	R	Acceptability in the market
(iv)	Bill of Exchange	S	Which ceases to be enforceable by law.
(v)	Quasi Contracts	T	Endorsement and Delivery

3.

	Column 'A'		Column 'B'
(i)	Special Offer	P	Essential to the main purpose of the contract.
(ii)	Wagering Agreement	Q	Cannot be crossed
(iii)	Condition	R	Offer made to an individual or group
(iv)	Condition as to quality or fitness	S	Void
(v)	Promissory Note	T	Let the buyer be aware.

4.

	Column 'A'		Column 'B'
(i)	Void – ab – initio	P	Cheque

(ii)	Puffer	Q	Temporary in capacity
(iii)	Lunatic	R	Delivery
(iv)	Goods	S	Auction Sale
(v)	Crossing	T	Void from very beginning

5.

	Column 'A'		Column 'B'
(i)	Valid Contracts	P	Delivery by attornment
(ii)	Novation	Q	Unconditional order
(iii)	Error in consensus	R	Enforceable at law
(iv)	Constructive Delivery	S	Substitution of a new contract
(v)	Bill of Exchange	T	Absence of contract

6.

	Column 'A'		Column 'B'
(i)	Offeror	P	Agreement to receive less than what is due.
(ii)	General offer	Q	Three days
(iii)	Remission	R	An offer made to a specific person
(iv)	Price	S	The person who makes the proposal
(v)	Grace Days	T	Money Consideration

**Answer:**

1.

(i)	R
(ii)	T
(iii)	P
(iv)	Q
(v)	S

2.

(i)	S
(ii)	R
(iii)	P
(iv)	T
(v)	Q

3.

(i)	R
(ii)	S
(iii)	P
(iv)	T
(v)	Q

4.

(i)	T
(ii)	S
(iii)	Q
(iv)	R
(v)	P

5.

(i)	R
-----	---

(ii)	S
(iii)	T
(iv)	P
(v)	Q

6.

(i)	S
(ii)	R
(iii)	P
(iv)	T
(v)	Q

### III. State whether the following statement is True or False:

1. Communication of offer is complete when the offeror writes the letter but does not post it.
2. 'Caveat Emptor' means buyer be aware.
3. When the mode of acceptance is prescribed in the proposal then acceptance can be given in usual or reasonable mode.
4. Voluntary transfer of possession of goods from one person to another is called delivery of goods.
5. Can the mere writing on bills of medical practitioners that interest at one per cent, per mensem be charged, amounts to a contract?
6. If a finder of lost goods could not trace the owner or the owner refuses to pay the lawful charges of the finder, the finder can resell the goods when the thing is perishable or when his lawful charges for finding the owner amount to 1/3<sup>rd</sup> of value of goods.
7. Where a person is in a position to dominate the will of another person and uses that position to obtain an unfair advantage over the other, it is called undue influence.
8. Negotiable Instruments can be transferred ad infinitum.
9. Can a letter of acceptance to a Proposer, not correctly addressed, although posted, be said to have been 'put in a course of transmission' to him?
10. An instrument incomplete in some respect is known as inchoate instrument.
11. Can there be an acceptance of an offer which has not come to the knowledge of the offeree?
12. Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are Negotiable Instruments.
13. According to Indian Law, 'Consideration' may be past, present or future which the promisor is already bound to deliver.
14. Under Indian Law, 'acceptance' is revocable.
15. In case of a 'Void Contract' there is no legal remedy for the parties to the contract. Even the court will not permit performance of the contract, even if the parties desire.
16. Remaining silent with respect to the known defect is fraudulent.
17. A threatens to shoot B, if B does not agree to sell his property to A at a stated price. If B gives his consent on A's threat, it could be said that his consent has been obtained by 'Undue Influence'.
18. An agreement with insufficiency of consideration is void ab initio.
19. In case of 'agreement of sell', the loss will be borne by the seller even though the goods may be in possession of the buyer.
20. In an Auction sale, the auctioneer warrants that he has no knowledge of any defect in his principal's title.
21. A finder of lost goods can sell the goods when the goods are perishable in nature or when the lawful charges of the finder of lost goods amount to 1/3<sup>rd</sup> of its value.
22. A contract of sale can also be made by the implied conduct of the parties.
23. If a promissory note or bill of exchange bears the expression 'at sight' and 'on presentation', it means on demand.
24. A cheque crossed as 'Not Negotiable' can also be transferred like any other cheque.
25. Risk is associated with possession of goods.

26. All kinds of obligations between the parties form part of the contract.
27. A master asks his servant to sell his cycle to him at less than the market price. This contract can be avoided by the servant on grounds of mistake.
28. An offer need not be made to an ascertained person.
29. Delivery of goods can be actual and constructive.
30. A price list hanging outside the shop is meant for an offer by the owner of the shop.
31. A person is competent to contract if he is a graduate.
32. In the absence of any express or implied directions from the offeror to the contrary, can an offer be accepted by a letter?
33. A pawnee may under certain circumstances sell the goods pledged to him on giving the pawnor reasonable notice of the sale.
34. P renders some service to D at D's desire. After a month D promises to compensate P for the service rendered to him, it is a future consideration.
35. When a bill is drawn, accepted or endorsed for consideration it is a fictitious bill.
36. A buys an article thinking that it is worth ₹ 100 when in fact it is worth only ₹ 50. There has been no misrepresentation on the part of the seller. The contract is unenforceable.
37. Quasi contract is not a contract.
38. An agreement in restraint of legal proceedings are void.
39. Amount paid under mistake of law cannot be recovered back.
40. If consent is not free due to coercion, undue influence the agreement is void.
41. Silence is fraud when silence is, in itself equivalent to speech.
42. When there is breach of contract, the aggrieved party has no remedy.
43. When a person who is in a position to dominate the will of other and uses that position to obtain unfair advantage over the other. This is a case of coercion.
44. The unpaid seller has right against the goods sold when the property in the goods has passed on to the buyer.
45. Mr. A tells Mr. B in presence of Mr. C that he (Mr. A) is the agent of Mr. C. Mr. C maintains silence instead of denying it. Later Mr. A sells Mr. C's goods to Mr. B. In this case Mr. C cannot dispute B's title to the goods.
46. In the case of sale by auction if the seller makes use of pretended bidding to raise the price, the sale is void.
47. A minor cannot draw indorse, deliver, negotiate a valid negotiable instrument.
48. The holder in due course of a negotiable instrument can sue on the instrument in his own name.
49. S agreed to sell 10 silver coins for ₹ 4,000 to B. This is an example of contract of sale.
50. Appointment of agent for the creation of agency without any consideration is valid under Section 185 of the Contract Act.
51. Conditions and warranties can be implied or expressed.
52. Quiet possession, freedom from encumbrance, disclosing dangerous nature of goods etc are expressed conditions in a contract of sale.
53. If a finder of lost goods could not find the true owner with reasonable effort or the true owner refuses to pay the lawful charges of the finder of lost goods, the finder of lost goods can sell such goods when the lawful charges of the finder of lost goods amounts to 1/3<sup>rd</sup> of its value.
54. Void contracts do not provide any legal remedy for the parties to the contract.
55. Remaining silent with respect to the known defects fraudulent.
56. A mows B's lawn without asked by B to do so. B watches A do the work but does not attempt to stop him. Thus A is entitled to get consideration from B.
57. A invites B to dinner in a top class restaurant. B accepts the invitation but fails to turn up. A incurred certain expenses on his account. Under the Contract Act, A can sue B for own damage.
58. In a voidable contract, if a third party who purchased goods in good faith and for consideration before the contract is repudiated, acquires good title to those goods.
59. If in certain special cases of breach of contract, if the court is of opinion that there is no standard for ascertaining the actual damage caused by the non-performance, the court may in such cases, order specific performance of the contract.
60. A negotiable instrument may be payable to two or more persons jointly or it may be made payable in the alternative to one of two or one or some of several payees.
61. All contracts are agreements.

62. An acceptance will be revoked at any time before the communication of acceptance is complete against the acceptor, but not afterwards. Is it true or not?
63. A contract is said to be executed when it has been performed wholly on two sides.
64. Can a mere mental resolve to make an offer unless such intention is also communicated to the other party has agreed to make such statement?
65. After a transaction has ripened into a contract, does it require the consent of both parties to revoke or modify it?
66. If the agreement is made by obtaining consent by doing an act forbidden by the Indian Penal Code, the agreement would be caused by fraud.
67. An officer enters into a contract with his subordinate to sell his (subordinate's) house at a lower price than that of market price. The subordinate may challenge the contract on the ground of mistake.
68. Breach of condition give the aggrieved party right to repudiate the contract.
69. Seller can sue for price only when property in goods has passed on to the buyer.
70. Right of Stoppage of goods in transit can be exercised subject to fulfillment of some conditions.
71. Negotiable Instruments can be transferred *ad infinitum*.
72. Share Certificates with Blank Transfer Deeds, Deposit Receipts and Mate's Receipts are Negotiable Instruments.

**Answer:**

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

35.	False
36.	False
37.	True
38.	True
39.	False
40.	False
41.	True
42.	False
43.	False
44.	False
45.	True
46.	False
47.	True
48.	True
49.	True
50.	True
51.	True
52.	False
53.	False
54.	True
55.	True
56.	True
57.	False
58.	True
59.	True
60.	True
61.	True
62.	True
63.	True
64.	False
65.	True
66.	False
67.	False
68.	True
69.	True
70.	True
71.	True
72.	False

# FUNDAMENTALS OF ETHICS

## I. Choose the correct answer from the given four alternatives:

1. The word ethics is derived from
  - (A) Latin word 'ethike'.
  - (B) Greek word 'ethik'
  - (C) Greek word 'ethike'
  - (D) Latin word 'ethik'
  
2. 'It is difficult but not impossible to conduct strictly honest business' is famous quote by:
  - (A) Mahatma Gandhi
  - (B) Adam Smith
  - (C) George Bernard Shaw
  - (D) Peter Drucker
  
3. The term 'business ethics' came into common use in year \_\_\_\_\_
  - (A) 1950
  - (B) 1960
  - (C) 1970
  - (D) 1980
  
4. Ethics is a set of \_\_\_\_\_ of human conduct that govern the behavior of individuals or organization.
  - (A) principles
  - (B) standards
  - (C) principles or standards
  - (D) None of the above
  
5. \_\_\_\_\_ is about obeying and adhering to rule and authority.
  - (A) Ethics
  - (B) Code
  - (C) Conduct
  - (D) Compliance
  
6. Which of the following is an unethical business practice?
  - (A) Collusion
  - (B) False Communication
  - (C) Insider Trading
  - (D) All of the above
  
7. Administrative corruption includes 'gifts' to the \_\_\_\_\_
  - (A) factory inspector
  - (B) boiler inspector
  - (C) pollution control board inspectors
  - (D) All of the above
  
8. Business ethics is based on well accepted \_\_\_\_\_
  - (A) moral and social values
  - (B) social values only
  - (C) moral values only
  - (D) none of the above
  
9. Business ethics has a \_\_\_\_\_ application.
  - (A) universal

- (B) natural
  - (C) practical
  - (D) none of the above
10. \_\_\_\_\_ are beliefs about what is right and wrong or good or bad.
- (A) morals
  - (B) motivators
  - (C) cultures
  - (D) ethics
11. Business Ethics is \_\_\_\_\_ in nature.
- (A) absolute
  - (B) not absolute
  - (C) permanent
  - (D) none of the above
12. The relevance of ethics is in its
- (A) Context
  - (B) Principles
  - (C) Application
  - (D) Understanding
13. Business malpractice does not include
- (A) Black marketing
  - (B) Adulteration
  - (C) Advertising
  - (D) Duplication
14. Ethics refers to a \_\_\_\_\_ that guides an individual while dealing with others.
- (A) code
  - (B) conduct
  - (C) code of conduct
  - (D) rules of conduct
15. Ethics in compliance means
- (A) it is about obeying and adhering to rules and authority.
  - (B) it deals with the moral principles behind the operation and regulation of marketing.
  - (C) it deals with the duties of a company to ensure that products and production processes do not cause harm.
  - (D) None of the above
16. \_\_\_\_\_ made it important for businesses to have an ethics code, something in writing about what one ought to do, and what to strive for.
- (A) The Ethics & Code Conduct Act, 2000
  - (B) The Sarbanes-Ethics of Code Conduct Act, 2001
  - (C) The Sarbanes-Oxley Act, 2002
  - (D) None of the above
17. Compliance is about obeying and adhering to \_\_\_\_\_.
- (A) rules an authority
  - (B) discipline
  - (C) laws
  - (D) All of the above
18. An expert who is confidentially available to solve the ethical dilemmas is known as \_\_\_\_\_.
- (A) Ethic coach
  - (B) Ethics trainer
  - (C) Ethics guide

- (D) None of the above
19. Which of the following statements about business ethics is true?
- (A) It concerns the impact of a business activities on society.
  - (B) It refers to principles and standards that determine acceptable behavior in the world of business.
  - (C) It relates to an individual's values and moral standards and the resulting business decisions he or she makes.
  - (D) What is ethical is determined by the public, government regulators, interest groups, competitors and individual's personal moral values.
20. Top managers demonstrate commitment to ethical business practices with
- (A) the adoption of written codes of ethics.
  - (B) employee empowerment.
  - (C) decentralized decision making practices.
  - (D) collusion with other companies.
21. Feature that is NOT present in business ethics are—
- (A) It has universal application.
  - (B) It is absolute in nature.
  - (C) It depends from business to business.
  - (D) It cannot be enforced by law.
22. In setting ethical standards, perhaps the most effective step that a company can take is to
- (A) adopt a code of ethics.
  - (B) demonstrate top management support of ethical standards.
  - (C) engage employees in ethics training.
  - (D) take an accommodative stance.
23. Following is not a professional characteristic:
- (A) Competition (Undercutting)
  - (B) Competency
  - (C) Character
  - (D) Compensation
24. Ethics has become important because of
- (A) Globalization
  - (B) Communication explosion
  - (C) Both (A) and (B)
  - (D) None of the above
25. Corporate codes of ethics
- (A) are always externally audited.
  - (B) create guidelines for employees to work by.
  - (C) are always compliance based.
  - (D) are always integrity based.
26. Ethical and unethical behaviours are determined by
- (A) the individual.
  - (B) the culture.
  - (C) both the individual and the culture.
  - (D) neither the individual nor the culture.
27. The crucial step in understanding business ethics is
- (A) Establishing codes of ethics.
  - (B) Learning to recognize ethical issues.
  - (C) Having efficient operations.
  - (D) Implementing a strategic plan.

28. A set of principles and expectations that are considered binding on any person who is member of a particular group is known as
- (A) Code of ethics
  - (B) Values
  - (C) Ethics
  - (D) None of the above
29. The idea of business ethics caught the attention of academics, media and business firms by the end of the \_\_\_\_\_ .
- (A) First World War
  - (B) Second World War
  - (C) Cold War
  - (D) None of the above
30. Which of the following is not a 'Code of conduct' ?
- (A) Code of ethics
  - (B) Code of practices
  - (C) Code of behaviour
  - (D) Code of management
31. Ethical executives abide by \_\_\_\_\_ relating to their business activities.
- (A) laws
  - (B) rules
  - (C) laws, rules and regulations
  - (D) None of the above
32. \_\_\_\_\_ is a set of principles and expectations that are considered binding on any person who is member of a particular group.
- (A) Code of conduct
  - (B) Code of ethics
  - (C) Code of practice
  - (D) Any of the above
33. Law is \_\_\_\_\_ of ethics.
- (A) No connection
  - (B) Decodification
  - (C) Codification
  - (D) Visualisation
34. Business ethics calls for avoidance of
- (A) Competition
  - (B) Publicity
  - (C) Monopoly
  - (D) Self Interest
35. Ethics has evolved with evolution of
- (A) Culture
  - (B) Value
  - (C) Moral
  - (D) Society
36. Business ethics relates to
- (A) Customers decisions
  - (B) Government decisions
  - (C) Society's decisions
  - (D) An individual's or work group's decisions
37. Morality means:
- (A) What is considered as correct within a society.

- (B) Making the right decision and avoid a wrong decision.  
 (C) Defining what is right and wrong for an individual or a community.  
 (D) It helps an individual to make an ethical decision.
38. Business ethics is  
 (A) The study of business situations, activities and decisions where issues of right and wrong are addressed.  
 (B) Defined as decisions organizations make on issues that could be considered right or wrong.  
 (C) Ethics that can be applied to an organization's practices for profit maximization.  
 (D) Ethical processes businesses use in order to achieve a good ethical standard.
39. "We wish to be good citizens of every community in which we operate." This is  
 (A) Ethical Code  
 (B) Political and Social Code  
 (C) Legal Rule  
 (D) Legal Act
40. The study of ethics is divided into \_\_\_\_\_ operational areas.  
 (A) four  
 (B) three  
 (C) five  
 (D) seven
41. Business Ethics is a code of conduct which society should follow while conducting their social activities.  
 (A) True  
 (B) False  
 (C) Partly true  
 (D) None of the above
42. Which statement is/are true?  
 (A) Ethics is not synonymous to religious morality or moral theology.  
 (B) Ethics is the principle that guide the human behaviour.  
 (C) The terms 'ethics' and 'morality' are not synonymous terms.  
 (D) All of the above
43. Which of the following does not contribute to the development of a business enterprise's standard of ethics?  
 (A) Competitors' behaviours  
 (B) Society's norms and values  
 (C) Life experiences of company's key persons  
 (D) Environmental situations
44. Unethical behaviour is often triggered by  
 (A) Pressure from higher management to achieve goals.  
 (B) An organizational atmosphere that ignores such behaviour.  
 (C) A regular control system of checks and balances.  
 (D) Both (A) and (B)
45. Business Ethics is a code of conduct which businessmen should follow while conducting their  
 (A) Special activities  
 (B) Specific activities  
 (C) Normal activities  
 (D) None of the above
46. Managers today are usually quite sensitive to issues of social responsibility and ethical behavior because of \_\_\_\_\_.

- (A) Interest groups
  - (B) Legal and governmental concerns
  - (C) Media coverage
  - (D) All of the above
47. Which functional area in business ethics is about obeying and adhering to rules and authority?
- (A) Ethics in finance
  - (B) Ethics in production
  - (C) Ethics in compliance
  - (D) None of the above
48. Holders of Public Office should promote and support the seven principles of public life by \_\_\_\_\_ and prove to be example in whatever way they perform.
- (A) accountability
  - (B) integrity
  - (C) leadership
  - (D) Honesty
49. The relevance of ethics is in its
- (A) Principles
  - (B) Understanding
  - (C) Context
  - (D) Application
50. Which one of the following is not the seven principles of public life?
- (A) Selfishness
  - (B) Objectivity
  - (C) Content
  - (D) Honesty
51. For survival of business
- (A) to have guidance on ethics
  - (B) it is always better to follow appropriate code of conduct to survive in the market.
  - (C) need to obtain feedback from customers.
  - (D) to have Governments support.
52. Reasons why a “good understanding of business ethics” is important, can be stated as follows:
- (A) Healthy Competition
  - (B) Conduct
  - (C) Accountability
  - (D) Application
53. The main aim or objective of business is
- (A) to Increase in profit
  - (B) consumer satisfaction
  - (C) To become a business leader
  - (D) creation of job opportunities
54. Business Ethics helps to
- (A) create wealth
  - (B) stop business malpractices
  - (C) expand business
  - (D) None of the above
55. Business Ethics is also called as
- (A) Absolute Ethics
  - (B) Permanent Ethics

- (C) Corporate Ethics
- (D) None of the above

56. Following is not a Professional characteristics:

- (A) Competition
- (B) Character
- (C) Competency
- (D) Compensation

**Answer:**

1.	C	2.	A	3.	C	4.	C	5.	D
6.	D	7.	D	8.	A	9.	A	10.	D
11.	B	12.	C	13.	C	14.	C	15.	A
16.	C	17.	A	18.	A	19.	B	20.	A
21.	B	22.	B	23.	A	24.	C	25.	B
26.	C	27.	B	28.	A	29.	C	30.	D
31.	C	32.	B	33.	C	34.	C	35.	D
36.	D	37.	C	38.	A	39.	A	40.	A
41.	B	42.	D	43.	A	44.	D	45.	C
46.	D	47.	A	48.	C	49.	D	50.	C
51.	B	52.	A	53.	B	54.	B	55.	C
56.	A								

**II. State whether the following statement is True or False:**

1. Ethics has evolved with evolution of society.
2. Morals refers to well – founded standards of right and wrong that describe what humans ought to do in terms of rights, obligations, benefits to society.
3. Law is Codification of ethics.
4. Holders of public office are not accountable for their decisions and actions to the public.
5. Business ethics is also called as corporate ethics.
6. Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of civil society.
7. A Monopoly is not harmful to the customer.
8. The Consumer is the King of the market.
9. Our roles may change from time to time and from place to place but the integrity of our character should not be maintained.
10. Business Ethics can be said to begin where law ends.
11. 'It is difficult but not impossible to conduct strictly honest business. What is true is that honesty is incompatible with amassing of large fortune' said by Adam Smith.
12. Ethics and Morals are used as synonyms.
13. Ethics fundamentally comprises of three elements.
14. The laws of a country are not based on the customs or moral codes of its society.
15. The only value business is concerned with is the monetary value.
16. 'There are two fools in every market: one asks too little, one asks too much,' is a French proverb.
17. Business malpractices are harmful to the consumers.
18. Business ethics are not required to protect the interest of shareholders.
19. Not all unethical practices are illegal.
20. What people do normally value and what they should value are not necessarily the same.
21. If something is seriously wrong, the law will prohibit it. It means, it's enough to rely on the law for deciding what's right or wrong— ethics has no role to play there.

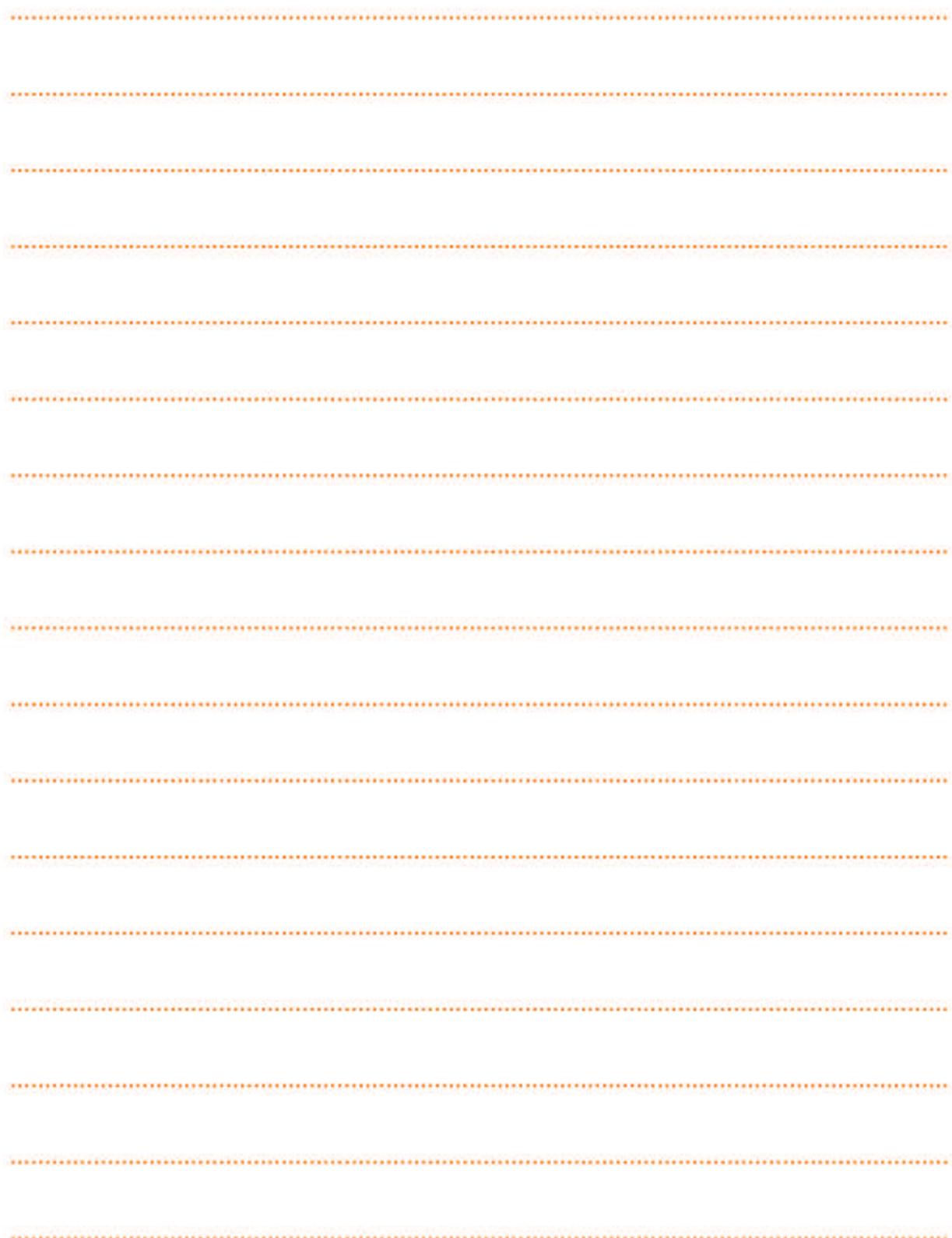
22. Business ethics is not a pure science but a professional practice, and society expects businessmen to abide by the principles of a civil society.
23. Because people already know what is right and what is wrong, the study of business ethics is nothing more than an unprofitable exercise.
24. Ethics refers to the study and development of one's ethical standards.
25. The object of Social Code of Conduct is to maintain, promote and elevate harmonious relationships.
26. Selflessness is not one of the seven principles of public life.
27. Customers have more trust and confidence in the businessmen who follows ethical rules.
28. Business ethics relates to Government decision.
29. Business ethics are not gaining importance, because of growth of consumer movement.
30. Compensation, competency and character are the three C's of professional character of Business Ethics.
31. Business Ethics has no universal application.
32. Ethics is about obeying and adhering to Rules and Authority.
33. Ethics refers to the study of one's ethical standard.
34. Compliance is about obeying and adhering to Rules and Authority.
35. The relevance of Ethics is in its application.

**Answer:**

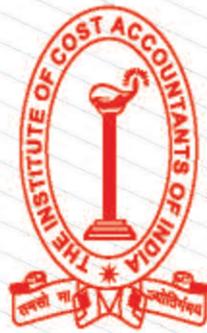
1.	True
2.	False
3.	True
4.	False
5.	True
6.	True
7.	False
8.	True
9.	False
10.	True
11.	False
12.	True
13.	False
14.	True
15.	True
16.	False
17.	True
18.	False
19.	True
20.	True
21.	False
22.	True
23.	False
24.	True
25.	True
26.	False
27.	True
28.	False
29.	False
30.	True
31.	False
32.	False
33.	True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

# Notes

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