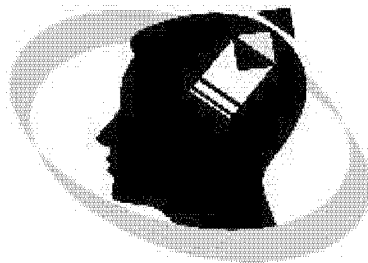


CA - IPCC COURSE MATERIAL

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BUSINESS LAWS TRUE OR FALSE STATEMENTS_ 37E

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1. BAILMENT AND PLEDGE

1. **The word bailment is derived from Latin word bailer.**
 - A. **False**, the word bailment is derived from French word ballier which means to deliver.
2. **Bailment is the delivery of goods to himself**
 - A. **False**, Bailment is the delivery of goods by one person to another for some purpose
3. **When the purpose is accomplished, the goods be returned or otherwise disposed off according to the Directions of bailee**
 - A. **False**, when the purpose is accomplished, the goods be returned or otherwise disposed off according to the directions of bailor
4. **Person delivery the goods is called bailor**
 - A. **True**, the person who delivers the goods is know as bailor
5. **Person to whom the goods are delivered is called bailee**
 - A. **True**, the person whom the goods are delivered called bailee
6. **The property which is bailed is called pawned property**
 - A. **False**, the property which is bailed is called bailed property
7. **Some times bailment is implied by law**
 - A. **True**, some times bailment could be implied by law as it happens in case of finder of lost goods
8. **Bailment is for both movable and immovable goods**
 - A. **False**, bailment is only movable goods and never for immovable goods or money
9. **In bailment ,the possession of the goods and ownership is transferred from bailor to bailee**
 - A. **False** ,in bailment possession of the goods transferred from bailor to bailee but not ownership
10. **In bailment ,change of possession of goods can be happened only by physical delivery**
 - A. **False**, In bailment ,change of possession of goods can be happen either by physical or constructive delivery i.e., by any action which has the effect of placing the goods in the possession of bailee
11. **Bailee is not obliged to return the goods to bailor**
 - A. **False**, bailee is obliged to return the goods to bailor or dispose off the goods as per directions of bailor
12. **A person who is having custody of goods without possession also treated as bailee**
 - A. **False**, a person who is having custody without possession of goods does not become Bailee.
Example: Depositing ornaments in a bank locker is not bailment.
13. **Deposit of money in a bank is also bailment.**
 - A. **False**, Deposit of money in a bank is not bailment since the money returned by the bank would not be identical currency notes.
14. **In bailment goods must be delivered to bailee for specific purpose only.**
 - A. **True**, In bailment goods must be delivered to bailee for specific purpose.
Example: Car delivered to garage for specific purpose.
15. **Rights of bailor = Duties of bailee**
 - A. **True**, Rights of bailor = Duties of bailee
Duties of bailor = Rights of bailee
16. **Bailor has a right to claim damages for loss caused to the goods by the negligence of bailor.**
 - A. **False**, Bailor has a right to claim damages for loss caused to the goods by the negligence of bailee.

- 17. Bailor has a right to claim compensation for loss caused by authorized use of goods bailed.**
- A. **False**, Bailor has a right to claim compensation for loss caused by an unauthorized use of goods bailed.
- 18. Bailor has a right to claim damages arising out of mixing of goods of bailor by bailee with his own goods**
- A. **True**, Bailor has a right to claim the damages arising out of mixing of goods of bailor by bailee with his own goods if such goods are mixed without any authorization of bailor.
- 19. In case of gratuitous bailment, bailor has no right to demand the goods back even before the expiry of the period of bailment.**
- A. **False**, In case of gratuitous bailment bailor has a right to demand the goods back even before the expiry of the period of bailment.
- 20. Bailor has a right to claim increase or profits from goods bailed.**
- A. **True**, Bailor has a right to claim the increase or profits from the goods bailed which may occur from the goods valued.
- 21. In gratuitous bailment bailor has not responsible for any loss or damage suffered by the bailee by not disclosure of known defects.**
- A. **False**, if the bailor does not disclose, he would be responsible for any loss or damage suffered by bailee while keeping the goods in his custody.
- 22. In the case of non- gratuitous bailment bailor is responsible for defects in goods bailed.**
- A. **True**, the bailor is particularly responsible for defects in goods hire to bailee whether bailor has aware of such defects in goods or not.
- 23. In case of non- Gratuitous bailment bailor is not responsible for defects in goods bailed if such defects are not known to him.**
- A. **False**, bailor is particularly responsible for defects in goods hire to bailee whether bailor was aware of such defects or not.
- 24. In case of gratuitous bailment, the bailor is not responsible for any expenditure incurred in keeping the goods.**
- A. **False**, in case of gratuitous bailment, bailor must reimburse the bailee for any expenditure incurred in keeping the goods.
- 25. In case of gratuitous bailment, bailor may compensate bailee for the loss or damage suffered in excess of benefit received.**
- A. **False**, bailor must be compensate bailee for any loss or damage suffered by bailee i.e, in excess of benefit received, where he had lent the goods gratuitously on decides to terminate bailment before the expiry of the period.
- 26. Bailor is bound to accept the goods after the purpose is accomplished.**
- A. **True**, Bailor is bound to accept the goods after the purpose is accomplished.
- 27. It is the duty of bailor to indemnify the bailee for loss of due to defective title.**
- A. **True**, It is the duty of the bailor to indemnify the bailee for his loss due to defective title.
- 28. It is the duty of bailor to bear normal risk.**
- A. **True**, It is the duty of the bailor to bear normal risk.
- 29. In case of non- gratuitous bailment, bailor is not responsible for defects in goods bailed if such defects are known to him.**
- A. **False**, in case of non- gratuitous bailment, bailor is responsible for defects in goods bailed if such goods defects are known to him or not.

- A. **True**, any relief obtained against deprivation or injury can be shared between the bailor and bailee according to their respective interest against deprivation or injury can be shared between the bailor and bailee according to their respective interest.
- 46. The duties of finder of lost goods are that of the bailor.**
- A. **False**, The duties of finder of lost goods are that of the bailee.
- 47. Finder of lost goods enjoys all the rights and carries all the the responsibilities of a bailor.**
- A. **False**, Finder of lost goods enjoys all the rights and carries all the responsibilities of bailee.
- 48. Finder of lost goods is bound to take as much care of the goods as a man of ordinary prudence.**
- A. **True**, Finder of lost goods is bound to take as much care of the goods as a man of ordinary prudence would take care of his own goods.
- 49. The property in goods shall vests in the finder and he is entitled to retain it against the whole world including true owner.**
- A. **False**, The property in goods shall vest in the finder and he is entitled to retain it against the whole world, except the **True** owner>
- 50. Finder of lost goods cannot ask for reimbursement of expenses incurred for preserving the goods.**
- A. **False**, finder of lost goods can ask for reimbursement of expenses incurred for preserving the goods but also for searching the **True** owner.
- 51. If the real owner refuses to pay compensation, the finder can sue on the real owner.**
- A. **False**, if the real owner refuses to pay compensation, the finder cannot sue but retain the goods so found.
- 52. The finder of lost goods can exercise lien right on goods for expenses incurred by him in preserving the goods**
- A. **True**, The finder can exercise lien right on goods for expenses incurred by him in preserving the goods and finding the **True** owner.
- 53. When the real owner has announced any reward the finderis not entitled the reward.**
- A. **False**, Where the real owner has announced any reward, the finder is entitled to receive the reward.
- 54. The finder of lost goods has a right to sell the goods found in normal course.**
- A. **False**, The finder has no right to sell the goods found in the normal course.
- 55. The finder can sell the article if the goods are perishable in nature.**
- A. **True**.
- 56. The right of lien may be defined as the right of a person to retain the possession of any property.**
- A. **True**, Right of lien, may be defined as the right of a person to retain the possession of any property of some other person until the charges/remunerations due to the person in possession are paid.
- 57. As soon as the possession is lost, right of lien also lost.**
- A. **True**.
- 58. Lien may be of 3 types.**
- A. **False**, Lien is of two types namely: 1. General lien. 2. Particular lien.
- 59. A general lien is the right to retain the property for a specific balance of account.**
- A. **False**, A General lien is the3 right to retain the property of another for a general balance of account.
- 60. Particular lien is the right to retain any goods for non payment of charge/remuneration for any goods.**
- A. **False**, particular lien is the right to retain particular goods bailed for non payment of charges / remuneration only for that particular goods.

- 61. Banker does not have a general lien in respect of goods which come into their possession during the course of their profession.**
- A. **False**, bankers, factors, wharfinger, policy broker and attornies of law have a general lien in respect of goods which came into their possession during the course of profession.
- 62. Under the right of general lien goods can also be sold.**
- A. **False**, under the right of general lien goods cannot be sold but can only be retained for dues.
- 63. The right of lien can be waived through a contract.**
- A. **True**, It can be waived through contract.
- 64. CHARTERED ACCOUNTANTS does not exercise general lien against the books of their clients for non payment of professional fees.**
- A. **False**, CHARTERED ACCOUNTS have a general lien against the books of their clients which come into their possession against professional fees not paid to them by those clients
- 65. In accordance with the purpose of bailment. if the bailee by his skills or labour improve the goods bailed, he is entitled for remuneration for such services.**
- A. **True**, he is entitled for remuneration for such services.
- 66. In particular lien bailee can retain the goods bailed if the bailor refuses to pay the remuneration.**
- A. **False**, In particular lien bailee can retain the goods bailed if the bailor refuses to pay the remuneration.
- 67. In a particular lien bailee has a right to see the bailor if goods are in the possession of bailee.**
- A. **False**, in a particular lien bailee has no right to see the bailor if the goods are in the possession of bailee.
- 68. Particular lien does not lost even through bailee does not complete the work within agreed time.**
- A. **False**, Particular lien is also lost if the bailee does not complete the work within the agreed time .
- 69. Bailment does not end if the specified period is expired.**
- A. **False**, Bailment automatically terminates on the expiry of such period if the bailment is for such specified time period.
- 70. Bailment terminates as soon as the purpose is achieved.**
- A. **True**, If the bailment is made for specified purpose, it terminates as soon as the purpose is achieved.
- 71. Termination of bailment when bailee does some act which is inconsistent with the terms of bailment is void.**
- A. **False**, If the bailee does some act to bailed goods which is inconsistent with the terms of bailment becomes voidable at the option of bailee.
- 72. Non gratuitous bailment is terminated by death of bailor or bailee .**
- A. **False**, a gratuitous bailment is terminated by death of bailee or bailor.
- 73. Non gratuitous bailment can be terminated by the bailor at any time. If the purpose or period of bailment is not over.**
- A. **False**, non gratuitous bailment is not terminated by the bailor at any time if the purpose or period of bailment is not over.
- 74. Gratuitous bailment may be terminated by the bailor at any time even if the period or purpose of bailment is not over.**
- A. **True**.
- 75. Bailment is not terminate even if the subject matter of bailment is destroyed.**
- A. **False**, bailment is terminated when the subject matter of bailment is destroyed.

76. Bailment is terminated when the subject matter of the bailment by reason of a change in its nature becomes incapable of use for the purpose of bailment.

A. True, Bailment will be terminated.

77. In the case of inconsistent use of goods by bailee, bailor has a right to terminate the contract.

A. True, it is voidable at the option of bailor.

78. Mr. X bailed car to his friend Y for a period of one month for his marriage works.

In the above case bailment does not terminate after one month.

A. False, Bailment automatically terminates on the expiry of specific period.

79. Pledge is a specie of bailment.

A. True, pledge is a variety or specie of bailment.

80. In a pledge goods are delivered to pledge for specific purpose.

A. False, In pledge goods are delivered as a security for repayment of money or for performance of an obligation.

81. In a pledge goods are delivered as a security for repayment of money only.

A. False, in a pledge goods are delivered as a security for repayment of money or for performance of an obligation.

82. Bailment of goods as a security for payment of debt or performance of a promise is called pledge.

A. False, Bailment of goods as a security for payment of debt or performance of a promise is called pledge.

83. A pledge of Documents of Title to Goods by a Mercantile Agent is a valid pledge. (M 08)

A. True: A Mercantile Agent who is in possession of goods or document of title of goods, with the consent of owner, can pledge them while acting in the ordinary course of business as a mercantile agent. Such pledge is valid as if it were made with the authority of the owner of goods. The pledge shall be valid only if the pawnee

a) Act in good faith,

b) Has no notice at the time of pledge that the pawnor had no authority to pledge.

84. In pledge there shall be a change in ownership of the property.

A. False, In pledge there is no change in ownership of property.

85. Pledge has no right to sell the property pledged.

A. False, under exceptional cases the pledgee has a right to sell the property pledged.

86. All the essential elements of bailment are not present in case of pledge.

A. False, all the essential elements of bailment are present in case of contract of pledge.

87. Pledge must be on future goods.

A. False, Goods pledged must be in existence.

88. In the pledge there must be a delivery of goods from pawnor to pawnee.

A. True.

89. All bailment are pledges but all pledges are not bailment.

A. False, all pledges are bailments but all the bailments are not pledges.

90. Right to redeem is the right of pawnee.

A. False, Right to redeem is the right of pawnor.

Pawnor has a basic right to redeem the goods pledged by performing his promise.

91. Pawnor has the right to sue after 3years in the event of pawnee refusing to return the goods even after payment of debt.

A. False, Pawnor has a right to sue, but within a period of 3 years in view of provision of limitation act only in the event of pawnee refusing to return the goods even after payment of debt etc.

92. Pawnor has no right to demand pawnee to take all reasonable care and preservation of the goods pledged.

A. False, Pawnor has a right to demand a pawnee to take all reasonable care and preservation of goods pledged.

93. Pawnor has a right to receive increase or profit from the goods if there is any increase/profit relating to it during the pledged period.

A. True.

94. Pawnee has no right to retain the goods pledged for payment of debt.

A. False, Pawnee has a right to retain the goods pledged for payment of debt.

95. Pawnee has a right to retain the goods pledged subject to such right being specifically contemplated in the contract.

A. True, Pawnee has a right to retain the goods pledged subject to such right being specifically contemplated in the contract.

96. Pawnee has no right to seek reimbursement of extraordinary expenses incurred.

A. False, Pawnee has a right to seek reimbursement of extra ordinary expenses incurred.

97. Pawnee has a right to retain the goods if pawnor does not pay any extraordinary expenses.

A. False, Pawnee has right to retain the goods for extraordinary expenses but his right is restricted to ordinary expenses.

98. Pawnee has a right to sue pawnee in the case of default in payment

A. True.

99. If the pawnor makes a default in the payment of Debt. Or performance of duty as agreed, the pawnee has a right to sell the thing pledged for which no reasonable notice of the sale is required.

A. False: Where the pawnee does not give a reasonable notice to the pawnor, the sale is valid, but pawnee is liable to pay damages to pawnor.

2. INDEMNITY AND GUARANTEE

1. Contract of Insurance is not fully covered under the contract of indemnity. (N 08)

A. False: Indemnity means to make good the loss suffered by the party.

2. In a contract of Guarantee, Forbearance by the creditor to sue the principal Debtor discharges the surety. (M 08)

A. False: Mere forbearance to sue the principal Debtor does not discharge the surety, in the absence of agreement to the contrary.

3. In contract of guarantee there are three contracts. (N 13)

A. True

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3. CONTRACT OF AGENCY

1. **Agency coupled with interest is irrevocable.** (M 15)
 - A. **True:** Agency coupled with interest is irrevocable because the agent has interest in the subject matter of agency. Such agency cannot be terminated to cause prejudice to the interest of the agent.
2. **A Minor cannot be appointed as Agent** (N 07)
 - A. **False:** Any person can become the agent. Then the person has not attained majority, (or) is of unsound mind, can become an agent of another. But such persons are not responsible to their principal. It is in the principal's interest that the agent should have contractual capacity.
3. **An agreement to create an agency, in which consideration is absent is invalid.**
 - A. **False:** No consideration is required for an Agency.
4. **An agency coupled with interest may be terminated by principal, at any time.** (N 09)
 - A. **False:** where the agent has an interest in the property that forms the subject matter of agency, the agency cannot be terminated to the prejudice of such interest.
5. **Any variation in terms of contract made between the principal Debtor and the creditor without the consent of the surety, absolves the surety's liability.** (M 09)
 - A. **True:** Variation in terms without surety's consent, absolves the surety of his liability.
6. **Where there are co-sureties a release of one of them by the creditor does not discharge the others** (N 10)
 - A. **True:** when there are co - sureties, release of one of them by creditor does not discharge the other sureties. Also, it does not free the surety so released from his responsibility towards other co - sureties.
7. **Agency cannot be created without consideration.** (N 13)
 - A. **False.**
8. **Ratification of agency is valid even if knowledge of the principal is materially defective.** (PM)
 - A. **False:** Sec.198 of the Indian Contract Act, 1872 provides that for a valid ratification, the person who ratifies the already performed act must be without defect and have clear knowledge of the facts of the case. If the principal's knowledge is materially defective, the ratification is not valid and hence no agency.
9. **No consideration is necessary to create an Agency.** (PM)
 - A. **True:** Unlike other regular contract, a Contract of Agency does not need consideration. In other words, the relationship between the Principal and Agent need not be supported by consideration as per Sec. 185 of the Contract Act, 1872.
10. **Principal is not always bound by the acts of a sub-agent**
 - A. **True:** Normally, a sub-agent is not appointed, since it is a delegation of power by an agent given to him by his principal. The governing principle is, a delegate cannot delegate'. (Latin version of this principle is, "delegates non potest delegare"). However, there are certain circumstances where an agent can appoint sub-agent.

THE END

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