



**FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER – 1**

**SET 1
TERM DEC-2025
SYLLABUS - 2022**

FUNDAMENTALS OF BUSINESS LAWS & BUSINESS COMMUNICATION

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Which is the lowest court to approach for criminal matters?		
	(a)	Munsif Court	O
	(b)	Judicial Magistrate	O
	(c)	Sessions Court	O
	(d)	District Court	O
2.	According to Section 25 of the Indian Contract Act, an agreement made without consideration is:		
	(a)	Valid	O
	(b)	Voidable	O
	(c)	Void	O
	(d)	Enforceable	O
3.	Which of the statement is incorrect in connection with duties of seller and buyer:		
	(a)	It is not the duty of the seller to deliver the goods.	O
	(b)	It is the duty of the buyer to accept and pay for them	O
	(c)	It is the duty of the seller to deliver the goods	O
	(d)	It is the duty of the buyer to take delivery of goods	O
4.	Which of the following may cause an instrument to be ambiguous?		
	(a)	Wrong stamp duty	O
	(b)	Multiple signatures	O
	(c)	Delay in payment	O
	(d)	Faulty drafting that leads to confusion between bill and note	O
5.	Which Article in the Constitution of India, 1950 has provisions for introduction of a bill in the Parliament of India?		
	(a)	Article 119	O



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	(b)	Article 141	O
	(c)	Article 107	O
	(d)	Article 243	O
6.	"Remission" refers to:		
	(a)	Cancellation of contract	O
	(b)	Acceptance of lesser fulfilment than what was agreed	O
	(c)	Substitution of parties	O
	(d)	Enforcement by law	O
7.	Before transfer of possession of contingent goods, the goods must be:		
	(a)	Ascertained and apportioned	O
	(b)	Delivered by the carrier	O
	(c)	Priced according to market rate	O
	(d)	Replaced with existing goods	O
8.	Municipalities are provided for authority under which part of the Constitution of India?		
	(a)	Part IX	O
	(b)	Part IXA	O
	(c)	Part III	O
	(d)	Part I	O
9.	Can an Indian citizen enter into a contract with an alien enemy during wartime?		
	(a)	Yes, freely	O
	(b)	No, it is absolutely prohibited	O
	(c)	Only with the permission of the Government of India	O
	(d)	Only for humanitarian reasons	O
10.	In case of a breach of warranty, the aggrieved party can:		
	(a)	Cancel the entire contract	O
	(b)	Rescind the agreement	O



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	(c)	Demand replacement of goods	O
	(d)	Only claim damages	O
11.	What is an inland bill?		
	(a)	A bill drawn and payable outside India	O
	(b)	A bill drawn by an Indian citizen only	O
	(c)	A bill drawn and payable in India or drawn on a person resident in India	O
	(d)	A bill payable in a foreign country	O
12.	The ancient Indian courts can be divided into six categories based on their rank as _____.		
	(a)	The Gana- The Kula- The Shreni - The Nripa - the Adhikrita -The Sasita	O
	(b)	The Kula - The Shreni - The Gana -the Adhikrita - The sasita - The Nripa	O
	(c)	The Kula -the Adhikrita - The Gana -the Adhikrita - The sasita - The Nripa-The shreni	O
	(d)	The Nripa -the Adhikrita- The Kula - The Gana -The shreni - The sasita	O
13.	The term “a cheque in the electronic form” is defined in the Negotiable Instruments Act, 1881 - under :		
	(a)	Explanation 1(a) of Section 6	O
	(b)	Section 6(1)(a)	O
	(c)	Section 6(a)	O
	(d)	Section 6A	O
14.	A promise made without the intention to perform it is:		
	(a)	Valid consideration	O
	(b)	An example of fraud	O
	(c)	A breach of contract only	O
	(d)	A harmless act	O



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15.	The warranty that the goods are free from any legal claim or charge is called:		
	(a)	Warranty of freedom from encumbrances	O
	(b)	Warranty of fitness for purpose	O
	(c)	Warranty of wholesomeness	O
	(d)	Warranty of quiet possession	O
16.	What does the term "Clearing House" mean as per Section 6 of the Negotiable Instruments Act?		
	(a)	A bank branch	O
	(b)	A clearing house managed by the Reserve Bank of India or recognized by it	O
	(c)	Any financial institution in India	O
	(d)	The Ministry of Finance	O
17.	What type of legal remedy is available under Article 32?		
	(a)	Appeal	O
	(b)	Review	O
	(c)	Writs	O
	(d)	Arbitration	O
18.	What type of cheque ensures payment only into a bank account and not in cash?		
	(a)	Bearer cheque	O
	(b)	Crossed cheque	O
	(c)	Open cheque	O
	(d)	Post-dated cheque	O
19.	Why does the Sale of Goods Act provide exceptions to the "Nemo dat" rule?		
	(a)	To protect importers only	O
	(b)	To punish dishonest sellers	O
	(c)	To allow sellers to avoid responsibility	O
	(d)	To safeguard the interests of bonafide buyers who act in good faith	O



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20.	What is the key element that distinguishes an offer from an invitation to offer?		
	(a)	Expression of final willingness to obtain assent from the other party	O
	(b)	Intention to create legal relations	O
	(c)	Final willingness to negotiate	O
	(d)	Use of legal language	O
21.	Who can initiate insolvency proceedings against a person?		
	(a)	only the government	O
	(b)	Only the person himself	O
	(c)	Any of his creditors	O
	(d)	Only a court-appointed officer	O
22.	Which of the following best describes a valid promissory note?		
	(a)	"I owe you ₹5,000."	O
	(b)	"I promise to pay ₹5,000 to Mr. A or order."	O
	(c)	"I promise to pay ₹5,000 after receiving payment from Mr. X."	O
	(d)	"I agree to pay as per my convenience."	O
23.	Which of the following statements is false regarding future goods?		
	(a)	They are goods that will be acquired by the seller after the contract	O
	(b)	A present sale of future goods transfers ownership immediately	O
	(c)	They are subject to the rules of agreement to sell	O
	(d)	The contract for future goods becomes a sale once the goods come into existence and are appropriated	O
24.	Which of the following is true regarding revocation of acceptance?		
	(a)	Acceptance can be revoked any time before the contract is signed	O
	(b)	Acceptance can be revoked after the letter is received by the offeror	O
	(c)	Acceptance can be revoked any time before the letter of acceptance is received by the offeror	O
	(d)	Acceptance cannot be revoked under any condition	O



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25.	What is the effect of a minor drawing, indorsing, delivering, or negotiating a negotiable instrument?		
	(a)	The instrument becomes void	O
	(b)	The minor becomes bound to the extent of 50% of the value	O
	(c)	All other parties are discharged	O
	(d)	The instrument remains valid and binding on all parties except the minor	O
26.	Under Section 125(1) of the Indian Contract Act, the indemnity holder has the right to recover:		
	(a)	Only part of the damages paid in any suit	O
	(b)	All damages he may be compelled to pay in a suit related to the indemnity contract	O
	(c)	Damages incurred through his own negligence	O
	(d)	No damages unless explicitly mentioned in the contract	O
27.	When can property in goods be transferred by one joint owner to a buyer?		
	(a)	Only if the buyer pays full price	O
	(b)	If the joint owner sells with permission from all co-owners	O
	(c)	If the joint owner is in sole possession with co-owners' permission, and the buyer purchases in good faith without notice of lack of authority	O
	(d)	Only if the sale is registered	O
28.	Which of the following is 'true' under Section 37 regarding short delivery?		
	(a)	The buyer may accept or reject the short delivery	O
	(b)	The buyer must accept any quantity the seller delivers	O
	(c)	The seller is entitled to full payment regardless of quantity delivered	O
	(d)	The seller can sue the buyer for not accepting the lesser quantity	O
29.	A pledge is valid only when:		
	(a)	The contract is verbal	O
	(b)	Goods are delivered as security for a debt or obligation	O



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	(c)	Ownership of the goods is transferred	O
	(d)	Money is lent at interest	O
30.	If the due date of a negotiable instrument (after adding grace days) falls on a public holiday, it becomes payable on:		
	(a)	The same day	O
	(b)	The next working day	O
	(c)	The date of execution	O
	(d)	The previous working day	O
31.	On what principle are quasi-contracts primarily based?		
	(a)	Free consent	O
	(b)	Mutual agreement	O
	(c)	Equity and justice	O
	(d)	Offer and acceptance	O
32.	What does “Encoding” refer to in communication?		
	(a)	Converting feedback into a message	O
	(b)	Translating an idea into a message using verbal or non-verbal form	O
	(c)	Choosing the receiver	O
	(d)	Blocking a message from being delivered	O
33.	If a negotiable instrument is lost or destroyed , who is considered the holder?		
	(a)	The person entitled to possession at the time of such loss or destruction	O
	(b)	The bank that last had custody	O
	(c)	No one can be considered the holder in such case	O
	(d)	The finder of the instrument	O
34.	A and B enter into an agreement to trade goods next year, but the type, price, and date of delivery are not decided. Later, A backs out, and B sues for breach. Will the court treat this as a valid contract?		
	(a)	Yes, because both agreed in principle	O



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	(b)	No, because the agreement lacks certainty and is void	O
	(c)	Yes, if they are business partners	O
	(d)	No, because B didn't confirm in writing	O
35.	Which of the following refers to the use of touch in communication?		
	(a)	Haptics	O
	(b)	Chronemics	O
	(c)	Vocalics	O
	(d)	Artifacts	O
36.	What should a business do before reacting to information seen online?		
	(a)	Share it immediately	O
	(b)	Ignore it	O
	(c)	Cross-check for authenticity	O
	(d)	Copy it into a post	O
37.	If a cheque is marked with the name of a banker along with the words "Not Negotiable", what type of cheque is it?		
	(a)	Uncrossed cheque	O
	(b)	Special crossed cheque	O
	(c)	General crossed cheque	O
	(d)	Order cheque	O
38.	What does the doctrine of privity of contract state?		
	(a)	Only parties with mutual consent can form a contract	O
	(b)	Only parties involved in the contract can sue or be sued upon it	O
	(c)	All persons affected by the contract can sue	O
	(d)	A third party can always sue for benefits under the contract	O
39.	Under which condition does the rule of Caveat Emptor not apply?		
	(a)	When goods are sold as-is	O
	(b)	When the buyer is careless	O



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	(c)	When buyer inspects the goods thoroughly	O
	(d)	When the buyer relies on the seller's skill and judgment	O
40.	What should a communicator avoid to prevent semantic barriers?		
	(a)	Use of jargons and dual-meaning words	O
	(b)	Feedback	O
	(c)	Listening actively	O
	(d)	Use of official documents	O
41.	Quantum Meruit applies when:		
	(a)	The price is fixed and paid in advance	O
	(b)	Nothing is done under the contract	O
	(c)	Both parties are minors	O
	(d)	One party partially performs and the other party prevents further performance	O
42.	The communication starts when a person tells something to a group of people, and then they pass on the information to some more people and in this way the information is passed on to everyone.		
	(a)	Gossip Chain	O
	(b)	Probability Chain	O
	(c)	Either (a) or (b)	O
	(d)	None of the above	O
43.	A seller shows a cotton fabric sample to the buyer and describes it as 100% organic. The delivered goods match the sample but are not organic. The buyer may:		
	(a)	Accept the goods with a discount	O
	(b)	Return the goods as they match the sample	O
	(c)	Reject the goods due to mismatch with the description	O
	(d)	Sue only for negligence	O
44.	Which of the following best describes the Denial stage of intercultural sensitivity?		
	(a)	Individuals are aware of cultural differences and judge them negatively	O



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	(b)	Individuals are completely unaware of cultural differences	O
	(c)	Individuals recognize differences but try to minimize them	O
	(d)	Individuals fully adapt to other cultures	O
45.	Which of the following is <i>not</i> a condition for applying Section 70?		
	(a)	The act must be done gratuitously	O
	(b)	The act must be lawful	O
	(c)	The person must not intend to act gratuitously	O
	(d)	The other party must have enjoyed the benefit	O
46.	What type of letter does a seller send in response to an enquiry letter to provide product details and prices?		
	(a)	Recovery Letter	O
	(b)	Quotation Letter	O
	(c)	Complaint Letter	O
	(d)	Purchase Letter	O
47.	Which of the following is not a direct benefit of cloud usage mentioned in the text?		
	(a)	Reduced maintenance cost	O
	(b)	Higher hardware dependency	O
	(c)	Increased collaboration	O
	(d)	Saves time and money	O
48.	What is the legal status of a contract entered into under a mistake of law of the land (India)?		
	(a)	The contract is void	O
	(b)	The contract is voidable	O
	(c)	The contract is not voidable	O
	(d)	The contract is illegal	O



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49.	Why is upward communication encouraged in modern organizations?		
	(a)	It enforces strict control from the top	O
	(b)	It reflects democratic work culture	O
	(c)	It delays the decision-making process	O
	(d)	It avoids confusion among subordinates	O
50.	The main difference between a Cluster Chain and a Gossip Chain is:		
	(a)	Cluster Chain is only used by senior manager	O
	(b)	Cluster Chain is formal; Gossip Chain is informal	O
	(c)	Gossip Chain is slower than Cluster Chain	O
	(d)	Gossip Chain spreads randomly; Cluster Chain spreads through trust-based links	O