



**FOUNDATION EXAMINATION
MODEL QUESTION PAPER
PAPER - 1**

**SET 2
TERM DEC-2025**

FUNDAMENTALS OF BUSINESS LAWS & BUSINESS COMMUNICATION

Time Allowed: 1 Hour

Full Marks: 100

Answer all questions. Each question carries 2 marks.

1.	Which Article of the Constitution of India, deal with inconsistency between laws made by Parliament and laws made by the Legislatures of States?		
	(a)	Article 245	O
	(b)	Article 254	O
	(c)	Article 368	O
	(d)	Article 32	O
2.	A proposal is made when:		
	(a)	Two parties sign a written agreement	O
	(b)	One person demands something from another	O
	(c)	One person signifies willingness to do or not do something, to obtain assent of the other	O
	(d)	An agreement is enforced by law	O
3.	Section 19 of the Sale of Goods Act, deals with passing of property of goods.		
	(a)	Specific or Ascertained Goods	O
	(b)	Future Goods	O
	(c)	Unascertained Goods	O
	(d)	Contingent Goods	O
4.	A bill drawn, accepted, or endorsed for consideration is known as:		
	(a)	Fictitious bill	O
	(b)	Dishonoured bill	O
	(c)	Genuine bill	O
	(d)	Accommodation bill	O



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5.	In which method is the decision of a third party generally binding on the disputing parties?		
	(a)	Mediation	O
	(b)	Conciliation	O
	(c)	Negotiation	O
	(d)	Arbitration	O
6.	During a National Emergency, essential goods with price tags must be sold at the marked price due to:		
	(a)	General commercial law	O
	(b)	Seller's goodwill	O
	(c)	Business ethics	O
	(d)	A specific law requiring sale at marked price	O
7.	Under Sec.2(4) of the Sale of Goods Act, a delivery order enabling a person to obtain delivery on payment of price is		
	(a)	Deemed as a Document of Title	O
	(b)	Not a Document of Title	O
	(c)	Document enabling title to Goods	O
	(d)	Not a valid document at all	O
8.	Which of the following statements about conciliation is TRUE?		
	(a)	The conciliator's decision is legally binding under all circumstances	O
	(b)	Judicial courts control the entire conciliation process	O
	(c)	The settlement is binding only if both parties accept it	O
	(d)	Conciliation is the same as arbitration	O
9.	A gave a watch as a gift to B on his birthday. Later, A demanded the watch back, claiming that there was no consideration for the gift. In this case:		
	(a)	A cannot recover the watch because completed gifts are valid even without consideration	O
	(b)	A can recover the watch because verbal gifts are not valid	O
	(c)	A can recover the watch because gifts require monetary consideration	O
	(d)	B must pay for the watch to keep it	O



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10.	The doctrine of Caveat emptor is not applicable		
	(a)	in case of sale under a patent name.	O
	(b)	in case of sale under a trade name.	O
	(c)	where the seller is guilty of fraud	O
	(d)	where the buyer relies on the skill and judgement of the seller	O
11.	If an instrument may be construed either as a promissory note or bill of exchange, it is---		
	(a)	a valid instrument	O
	(b)	ambiguous instrument	O
	(c)	a returnable instrument	O
	(d)	none of the above.	O
12.	Which of the following is not an objective of the IRDAI?		
	(a)	Ensure fair treatment of policy holders	O
	(b)	Regulate and promote the insurance industry	O
	(c)	Nationalize private insurance companies	O
	(d)	Formulate and enforce standards and regulations	O
13.	When a cheque is payable across the counter of a bank it is called		
	(a)	OTC cheque	O
	(b)	Open cheque	O
	(c)	Crossed Cheque	O
	(d)	Restricted cheque	O
14.	Which of the following statements is True regarding a promise to pay a time-barred debt?		
	(a)	It is always enforceable, even if oral	O
	(b)	It is not enforceable under any circumstances	O
	(c)	It is enforceable only if it is in writing and signed by the promisor or their authorised agent	O
	(d)	It is enforceable only if made before the debt becomes time-barred	O



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15.	Unpaid Seller can exercise his right of re-sale of goods—		
	(a)	even when property in goods has passed to the Buyer	O
	(b)	only when property in goods has not passed to the Buyer	O
	(c)	either (a) or (b)	O
	(d)	neither (a) nor (b)	O
16.	If a minor draws, endorses, delivers or negotiates an instrument, such instrument binds :		
	(a)	all parties to the instrument including the minor	O
	(b)	only the minor and not other parties to the instrument	O
	(c)	all parties to the instrument except the minor	O
	(d)	none of the above	O
17.	Money Bill is introduced in which House of the Parliament?		
	(a)	Council of People – Lok Sabha	O
	(b)	Council of States – Rajya Sabha	O
	(c)	Both the Houses	O
	(d)	None of the Houses	O
18.	A Corporation can be party to a Negotiable Instrument if__		
	(a)	authorized by its article of association	O
	(b)	if special permission of Board of Directors taken	O
	(c)	if special resolution by Shareholders is passed	O
	(d)	absolutely without any restrictions	O
19.	For a valid contract of sale, delivery may be:		
	(a)	Actual delivery	O
	(b)	Symbolic delivery	O
	(c)	Constructive delivery	O
	(d)	All of these	O



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20.	A minor enters into an agreement during his minority. Upon attaining majority, he wants to ratify the agreement. Which of the following is legally correct?		
	(a)	He can ratify the old agreement without any new consideration	O
	(b)	He can ratify the agreement only through a court order	O
	(c)	He must create a new agreement with fresh consideration	O
	(d)	The original agreement automatically becomes valid	O
21.	X detains Y's car unlawfully and tells Y he will return it only if Y agrees to sell him a plot of land at half price. Y agrees and signs the contract under protest. Is this coercion?		
	(a)	Yes, because unlawful detention of property to cause agreement is coercion	O
	(b)	No, because the agreement was signed	O
	(c)	No, because coercion only involves threat to person	O
	(d)	Yes, because selling property under market rate is illegal	O
22.	Who among the following cannot cross a cheque?		
	(a)	Drawer	O
	(b)	Holder	O
	(c)	Banker	O
	(d)	Foreigner	O
23.	A Share Certificate is a —		
	(a)	Document of Title to Goods	O
	(b)	Bill of Exchange	O
	(c)	Document Showing Title to Goods	O
	(d)	Instrument of Transfer	O
24.	Which of the following statements is TRUE about the pawnee's right to extraordinary expenses?		
	(a)	The pawnee can retain the goods for extraordinary expenses	O
	(b)	The pawnee can recover extraordinary expenses but cannot retain the goods for them	O
	(c)	The pawnee cannot recover extraordinary expenses at all	O
	(d)	The pawnor must repay such expenses only if mentioned in the contract	O



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25.	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	O
	(b)	before its maturity	O
	(c)	at its maturity	O
	(d)	none of the above	O
26.	Agency by Estoppel arises when:		
	(a)	An agent acts without any authority	O
	(b)	The principal leads a third party to believe someone is his agent	O
	(c)	A person voluntarily acts as an agent	O
	(d)	A contract of agency is created in writing only	O
27.	The property in specific goods in a deliverable state passes to the buyer at the time the contract is made, even if:		
	(a)	Payment is to be made later	O
	(b)	Goods are yet to be manufactured	O
	(c)	Goods are not in deliverable state	O
	(d)	Goods are meant for resale	O
28.	Under the nemo dat rule, if the seller has no title and sells goods, what does the buyer acquire?		
	(a)	A full and valid title	O
	(b)	Ownership only if payment is made in cash	O
	(c)	No better title than the seller had	O
	(d)	Right to claim damages from the real owner	O
29.	A “sub-agent” is a person:		
	(a)	Appointed by the principal directly	O
	(b)	Appointed by and acting under the control of the agent	O
	(c)	Appointed by the court	O
	(d)	Employed by a third party to assist the principal	O



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30.	A cheque must be presented to the bank within how many months from the date it is drawn, as per the current RBI guidelines?		
	(a)	6 months	O
	(b)	3 months	O
	(c)	12 months	O
	(d)	1 month	O
31.	What is the legal effect of rescission?		
	(a)	Discharge of the contract	O
	(b)	Creation of new contractual rights	O
	(c)	Continuation of the contract with changes	O
	(d)	Renewal of obligations under the same contract	O
32.	Corrective comments with regard to past behaviour -		
	(a)	Encoding	O
	(b)	Positive Feedback	O
	(c)	Negative Feedforward	O
	(d)	Negative Feedback	O
33.	A Bill of Lading is a —		
	(a)	Bill of Exchange	O
	(b)	Promissory Note	O
	(c)	Document of Title to Goods	O
	(d)	Cheque	O
34.	If a material alteration is made without the consent of the other party, the contract becomes:		
	(a)	Valid	
	(b)	Void	
	(c)	Voidable at the option of the party who altered	
	(d)	Voidable at the option of the party who did not consent	



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35.	Business communications help in establishing _____ when marketing?		
	(a)	Professionalism	O
	(b)	Rudeness	O
	(c)	Negativity	O
	(d)	Casualness	O
36.	Feedback is needed in which way communication?		
	(a)	One-way	O
	(b)	Two-way	O
	(c)	Both a and b	O
	(d)	None of the above	O
37.	A negotiable instrument can be transferred:		
	(a)	Only by the payee	O
	(b)	Only by the drawer	O
	(c)	By delivery or endorsement and delivery	O
	(d)	Only with the consent of all parties	O
38.	An agreement which restricts a person's freedom to marry or to marry any person of his choice is against public policy and is :		
	(a)	Lawful	O
	(b)	Illegal	O
	(c)	Void	O
	(d)	None of these	O
39.	Unpaid seller means a seller:		
	(a)	Who refuses to deliver the good	O
	(b)	Who has been fully paid	O
	(c)	To whom the whole of the price has not been paid	O
	(d)	Who cancels the contract	O



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40.	Mr. A and Mr. B belong to two distinct cultural backgrounds. Mr. B believes that his culture is superior compared to the culture of Mr. A. This phenomenon is known as _____.		
	(a)	Defence	O
	(b)	Ethnocentrism	O
	(c)	Denial	O
	(d)	None of the above	O
41.	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	O
	(b)	avoidable agreement	O
	(c)	a wagering agreement	O
	(d)	an illegal agreement	O
42.	The cost incurred in interacting with customers via video call has been _____?		
	(a)	Constant	O
	(b)	Reduced	O
	(c)	Increased	O
	(d)	None of the above	O
43.	In the case of future goods, ownership:		
	(a)	Passes immediately	O
	(b)	Passes after part delivery	O
	(c)	Passes when contract is signed	O
	(d)	Cannot pass before goods are acquired or manufactured	O
44.	Method of delivering the message is known as _____?		
	(a)	Receiver	O
	(b)	Channel	O
	(c)	Sender	O
	(d)	Feedback	O



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45.	A contract with an Alien Friend is:		
	(a)	Always void	O
	(b)	Valid and enforceable	O
	(c)	Valid only during wartime	O
	(d)	Not recognized under Indian law	O
46.	Business attire refers to _____ in a professional conduct?		
	(a)	Manners	O
	(b)	Qualities	O
	(c)	Clothing	O
	(d)	None of the above	O
47.	Affirming comments with regard to future behaviour is called _____.		
	(a)	Positive Feedforward	O
	(b)	Negative Feedforward	O
	(c)	Positive Feedback	O
	(d)	Decoding	O
48.	A person contracted to deliver a part of a specific crop of potatoes. The potatoes were destroyed by blight though no fault of the party. The contract is		
	(a)	Valid	O
	(b)	Voidable	O
	(c)	Void due to frustration of contract	O
	(d)	Illegal	O
49.	Participants involved in the process of communication must be _____.		
	(a)	Judgemental	O
	(b)	Open-minded	O
	(c)	Both a and b	O
	(d)	None of the above	O
50.	Information Overload is when _____.		
	(a)	Listener gets inadequate information	O
	(b)	Listener gets too much information	O
	(c)	Listener gets adequate information	O
	(d)	Listener is inattentive	O