

1. The Negotiable Instruments Act, 1881 is an Act to define and amend the law relating to:
- Cheques
 - Bills of exchange
 - Promissory notes,
 - All the above
 - Only A & C are correct

Ans: D. All the above

2. Which is NOT an example of “Promissory Note”
- “I acknowledge myself to be indebted to B in Rs. 1, 000, to be paid on demand, Tor value received.”
 - Mr B, “I Owe you Rs. 1,000.”
 - “I promise to pay B or order Rs. 500”.
 - None of the above.
 - All of the above.

Ans: B. Mr B, “I Owe you Rs. 1,000.”

3. How many parties are involved in a promissory note?
- One
 - Two
 - Three
 - Four
 - Any number

Ans: B. Two

4. Which of the following is incorrect about the “Promissory Note”.
- It contains a conditional undertaking.
 - It contains the amount mentioned on it.
 - It is an instrument in writing.
 - It is signed by the maker.
 - Both A & C are incorrect.

Ans: A. It contains a conditional undertaking.

5. Find the correct representation of a promissory note.
- I promise to pay B Rs. 500 and to deliver to him my black horse on 1st January next.
 - I promise to pay B Rs. 500 seven days /after my marriage with C .
 - “I acknowledge myself to be indebted to B in Rs. 1, 000, to be paid on demand, for value received.”
 - I promise to pay B Rs. 500 on D’s death, provided D leaves me enough to pay that sum.
 - All of the above.

Ans: C. “I acknowledge myself to be indebted to B in Rs. 1, 000, to be paid on demand, for value received.”

6. Section 5 of the NI Act deals with the following
- Bills of Exchange
 - Holder in due course
 - Cheque
 - Promissory Note
 - A & B are correct.

Ans: A. Bill of Exchange.

7. A ‘Cheque’ is a Bills of exchange and has been defined under:
- The Negotiable Instruments Act, 1881
 - The General Clauses Act, 1897
 - The Reserve Bank of India Act, 1934
 - The Banking Regulation Act, 1949
 - Indian contract act, 1869.

Ans: A. The Negotiable Instruments Act, 1881

8. A promissory note, bill of exchange or cheque payable to order, is negotiable:
- By endorsement and delivery thereof.
 - By the holder by endorsement
 - By delivery thereof.
 - None of the above.
 - Both options A & B are correct.

Ans: A. By endorsement and delivery thereof.

9 A negotiable instrument dated 30th August, 2024, is made payable three months after date. What will be the maturity date:

- a. The instrument is at maturity on the 1st December, 2024.
- b. The instrument is at maturity on the 2nd December, 2024.
- c. The instrument is at maturity on the 3rd December, 2024.
- d. The instrument is at maturity on the 4th December, 2024.
- e. The instrument is at maturity on the 30th November, 2024.

Ans: C. The instrument is at maturity on the 3rd December, 2024.

10 The Instrument entitled to 'period of grace' is called as _____.

- a. a bill or note payable on demand,
- b. a cheque
- c. a bill or note in which no time is mentioned.
- d. a bill or note payable 'after sight'
- e. An Usance bill or note.

Ans: D. A bill or note payable 'after sight'

11 Where an instrument may be construed either as a promissory note or bill of exchange:

- a. A void instrument
- b. A valid negotiable instrument
- c. It is called as ambiguous instrument
- d. It is called as unambiguous instrument
- e. Both A & C are correct.

Ans: C. Is called as Ambiguous instrument.

12 When a promissory note or bill of exchange are payable, in which no time for payment is specified:

- a. They are payable within 3 months
- b. They are payable within 6 months.
- c. They are payable on demand.
- d. They are payable within a reasonable time.
- e. They can't be demanded for payment.

Ans: C. Payable on Demand.

Topic- NI Act

- 13 When a promissory note, bill of exchange or cheque is transferred to any person, to constitute the person the holder thereof, the instrument is said to be called as____.
- a. Mortgaged
 - b. Assigned
 - c. Negotiated
 - d. Pledged
 - e. Invalid.

Ans: C. Negotiated.

- 14 When the day on which a promissory note or bill of exchange is at maturity is a public holiday, the instrument shall be deemed to be due:
- a. On the same day.
 - b. On the next preceding business day.
 - c. On the next business day.
 - d. On the next succeeding business day.
 - e. On the day of presentment.

Ans: B. On the next preceding business day.

- 15 A promissory note, bill of exchange or cheque drawn or made out of India and made payable in, or drawn upon any person resident in India shall be deemed to be:
- a. Incomplete instrument.
 - b. Inchoate instrument.
 - c. Foreign instrument.
 - d. Inland instrument.
 - e. Invalid/Void Instrument.

Ans: C. Foreign instrument.

- 16 A 'Holder in due course' of a Negotiable Instrument: Choose the most appropriate.
- a. Can sue on the instrument in his own name.
 - b. Can sue only if permitted by the competent court of law.
 - c. Can sue on the instrument if permitted by the payee.
 - d. Cannot sue on the instrument in his own name.

- e. Both options A & C are correct.

Ans: A. Can sue on the instrument in his own name.

17 Who is entitled at the time of loss or destruction of a note, bill or cheque: Select the most appropriate.

- a. Drawee.
- b. Drawer.
- c. Holder.
- d. Payee.
- e. None of the above.

Ans: C. Holder.

18 The maker of a bill of exchange or cheque is called:

- a. The drawee.
- b. The payee.
- c. The drawer.
- d. The banker.
- e. Holder.

Ans: C The Drawer.

19 A cheque is adrawn upon a specified banker and payable on demand:

- a. Bill of exchange
- b. Hundi
- c. Promissory note
- d. A negotiable instrument.
- e. Both options A & D are correct.

Ans: E. Both options A & D are correct.

20 Which of the following is incorrect w.r.t Bill of Exchange.

- a. It is an instrument in writing
- b. It is signed by the maker
- c. Certain sum of money is mentioned on the instrument.
- d. It contains a conditional order
- e. All of the above options are correct.

Ans: D. It contains a conditional order

- 21 The nature of “promissory note” is:
- a. It contains an unconditional order to the drawee to pay the payee.
 - b. It contains an unconditional promise by maker to pay the payee.
 - c. It is drawn on specified banker to pay on demand.
 - d. It is an instrument to pay a certain sum of money to the order of, a certain person, or to the bearer of the instrument.
 - e. Both options B & D are correct.

Ans: E. Both options B & D are correct.

- 22 The person who is directed by the maker of a bill of exchange or cheque to pay is called the:
- a. Payee
 - b. Drawee
 - c. Endorsee
 - d. Drawer
 - e. Holder

Ans: B. Drawee.

- 23 The person named in the instrument, to whom or to whose order the money is by the instrument directed to be paid, is called the:
- a. Banker
 - b. Drawee
 - c. Drawer
 - d. Payee
 - e. Holder

Ans: D. Payee.

- 24 A Holder in due course is a person who becomes the possessor of the instrument. Select the most appropriate.
- a. Before maturity,
 - b. For consideration,
 - c. Without any notice as to the defect in title of the Transferor.
 - d. All of the above are correct.
 - e. Only options B & C are correct

Ans: D. All of the above are correct.

Topic- NI Act

25 A negotiable instrument drawn in favor of Minor is

- a. Valid
- b. Void
- c. Invalid
- d. Void Ab initio
- e. All of the above are correct except option A.

Ans: A. Valid

26 Where the endorser signs his name on the back of the instrument only, without indicating the payee, then such endorsement is said to be__.

- a. In Full.
- b. Facultative Endorsement.
- c. Conditional Endorsement.
- d. Blank Endorsement.
- e. Sans recourse Endorsement.

Ans: D. Blank Endorsement.

27 Which section of the NI Act defines the words, 'Negotiable Instrument'

- a. Sec 14
- b. Sec 15
- c. Sec 13(A)
- d. Sec 13
- e. Sec 15 (A)

Ans: D. Sec 13

28 What are the liabilities of a collecting banker:

- a. To serve notice of dishonor on the customer so that customer can claim the amount from his debtors.
- b. To present a cheque within a reasonable time or else liable for damages.
- c. To handover the proceeds after the realization without delay.
- d. All of the above
- e. All of the above except option C.

Ans: D. All of the above

Topic- NI Act

29 All offences under cheque bounce shall be tried by____ Select the most appropriate.

- a. A metropolitan magistrate.
- b. A judicial magistrate of first class.
- c. Any judicial authority.
- d. All of the above are correct.
- e. Only A & B are correct.

Ans: E. Only A & B are correct.

30 In an appeal by the drawer against conviction under section 138, the Appellate Court may order the appellant to deposit such sum which shall be a minimum of ____or compensation awarded by the trial Court.

- a. 10 % of the fine/compensation.
- b. Equal amount of fine or compensation.
- c. 5 % of the fine/compensation.
- d. 25 % of the fine/compensation.
- e. 20 % of the fine/compensation.

Ans: E. 20 % of the fine/compensation.