

## Business Law

1. In an obligation to give a determinate thing, what rights are available to the creditor?  
**First Answer** – To compel specific performance  
**Second Answer** – To recover damages in case of breach of the obligation  
**Third Answer** – To ask that the obligation be complied with at the expense if the debtor.
  - a. All answers are correct
  - b. **Only the first and second answers are correct**
  - c. Only the first answer is correct
  - d. All answers are wrong
2. The following contracts, except one, are void ab initio. Which is the exception?
  - a. That whose object is outside the commerce of men.
  - b. That whose object did not exist at the time of the transaction.
  - c. That which contemplates an impossible service.
  - d. **That which is undertaken in fraud of creditors.**
3. S, minor, owns a specific property valued at P50,000. B capacitated, by means of fraud induced S to sell his property to him for P30,000, which S did so. The contract is in writing. Which is correct?
  - a. **The contract is valid and binding from the start.**
  - b. The contract remains unenforceable because it falls under the Statute of Frauds.
  - c. The contract is rescissible because the ward suffered lesion by more than  $\frac{1}{4}$  of the value.
  - d. The contract is voidable and B can ask for annulment within the period prescribed by law.
4. Legal compensation is allowed when one of the debts
  - a. **Arises from a sale of real property made by a minor to a capacitated person.**
  - b. Arises from the obligation of a depositary.
  - c. Consists in civil liability arising from a penal offense.
  - d. Arises from a claim for support by gratuitous title.
5. This is not a characteristic of a void or inexistent contract.
  - a. The right to raise a defense of illegality cannot be waived.
  - b. The action or defense for declaration of the nullity or inexistence of the contract does not prescribe.
  - c. Not subject to ratification.
  - d. **Defense of illegality of the contract is available to third persons whose interest are not directly affected.**
6. Reformation is not the proper remedy if
  - a. The mutual mistake of the parties causes the failure of the instrument to disclose their real agreement
  - b. One party was mistaken and the other acted fraudulently or inequitably in such a way that the instrument does not show their true intention
  - c. **There was mistake, fraud, inequitable conduct or accident which prevented the meeting of the minds of the contracting parties**
  - d. The true intention of the contracting parties is not expressed in the instrument purporting to embody the agreement by reason of mistake, fraud, inequitable conduct or accident
7. The following contracts are defective. Which one is unenforceable?
  - a. Contract of sale by which a guardian acquires the property of his ward without the approval of the court.
  - b. Contract of sale by which a city mayor acquires a portion of the city part pursuant to a city ordinance enacted by the City Council.
  - c. Contracts whose object is outside the commerce of man.
  - d. **Those were both parties are incapable of giving consent to a contract.**
8. Which of the following is not a requisite of fraud?
  - a. There must be a misrepresentation or concealment
  - b. The fraud must be serious
  - c. A party is induced by fraud to enter into contract
  - d. **The fraud is employed by both parties upon each other**
9. J agreed to pay his debt and in case of non-payment, to render free services as a servant. Is the obligation valid?
  - a. No, the obligation to pay and to render service is contrary to law and morals.
  - b. Yes, if the services will be rendered in satisfaction of the debt and in case of non-performance, the proper remedy is specific performance.
  - c. No, the nullity of the condition carries with it the nullity of the principal obligation.
  - d. **Yes, in so far as the obligation to pay but not as regards the undertaking to render domestic services for free.**
10. E, a manufacturer of locks, hired A for 2 years, on the condition that for 5 years, A should not engage in competitive locks business. After one year, A left for reasons of health. Shortly afterwards, after regaining his health, A competed with E, who now seeks to restrain him from such competition, will the action prosper?
  - a. No, the restriction is void, because it is an unreasonable restraint of trade.

- b. **Yes, it is a reasonable restraint, considering that it was only for 5 years.**  
 c. No, the contract of employment for 2 years was not completed because of a justifiable reason.  
 d. Yes, if E will allow A to complete the 2 years services agreed upon.
11. Which of the following is not correct in rescission?  
 a. Cannot be availed when the party who has been damaged has other legal remedy.  
 b. The person who seeks rescission must be able to return what he ought to return.  
 c. The object of the contract is not in the possession of third persons who have acquired it in good faith.  
 d. **Can be demanded by any of the contracting parties.**
12. A owes B P10,000 with 12% interest. B owes C P1,200. It was agreed between A and B that A would give the interest of P1,200 to C and C communicated his acceptance of the stipulation between A and B. There is  
 a. **Stipulation pour atrui** c. Compensation  
 b. Pactum commissorium d. Assignment
13. - A donated to B a real property, the donation is made orally.  
 - A sold to B a real property, the sale is made orally.  
 a. Both contracts are valid c. Only the first contract is valid  
 b. Both contracts are void d. **Only the second contract is valid**
14. If an obligation is with a penal clause  
**Statement A** – Proof of actual damages suffered by the creditor is not necessary in order that the penalty may be demanded.  
**Statement B** – When the debtor is guilty of fraud in the fulfilment of the obligation, the creditor can demand payment of damages and interest in addition to the penalty.  
 a. **True, True** b. False, True c. False, False d. True, False
15. A, B, and C solidarily owe D and E P30,000. D remitted the entire obligation in favour of A without the consent of E. the effect is  
 a. **A cannot recover from B and C because remission in her favour extends to the benefit of B and C.**  
 b. A can recover from B and C their respective share of the debt.  
 c. The obligation is not extinguished until A collects from B and C.  
 d. The obligation is not yet extinguished until E is paid by D of her share of the credit.
16. In quasi-delict, the liability of a person who is held liable for the fault or negligence of another person who is under his care or responsibility shall cease if,  
 a. There was contributory negligence on the part of the person injured.  
 b. He was not present at the time of the act, hence it was not possible to him to prevent the damage.  
 c. **He observed ordinary diligence to prevent the damage.**  
 d. He observed the diligence of a father of a good family.
17. What is the effect of the loss of the prestations in alternative obligation where the right of choice belongs to the creditor and the loss is due to the fault of the debtor?  
**First Answer:** If only one remains the obligation still subsists, but it ceases to be alternative as it becomes a simple obligation.  
**Second Answer:** If 2 or more objects remain, the obligation still subsists and the choice is limited to the remaining objects.  
**Third Answer:** If none remains, the obligation is extinguished because the debtor chose not to give anything.  
 a. All answers are correct c. Only one of the answers is correct  
 b. Only the first and second answers are correct d. **All answers are wrong**
18. A owes B P20,000 which became due on December 20, 2011. On that date, A offered P10,000, the only money he then had, but B refused to accept the payment. Thereafter A met, C, B's 23 year old daughter, to whom she gave the P10,000 with the request that she turn the money over to her mother. The money was stolen while in C's possession. How much may B still recover from A?  
 a. **P20,000** b. P10,000 c. P15,000 d. P -0-
19. A, wife of B and daughter of C, while employed in a jewelry store owned by D embezzled P100,000 belonging to said jewelry store. In order to prevent her criminal prosecution for estafa, B and C signed a document obligating themselves jointly and severally to pay D the amount embezzled plus interest. Because of their failure to comply with their promise, D brought an action against B and C. will the action prosper?  
 a. Yes, both knowingly and voluntarily agreed to assume the obligation of A.  
 b. No, C should not have been included because A is no longer under his authority.  
 c. Yes, but only in so far as B is concerned because husband and wife are required by law to support each other.  
 d. **No, it is considered contrary to public policy to allow parties to make an agreement designed to prevent prosecution for crimes.**

20. A contract in which a person literally contracts with himself is  
 a. Adhesion contract      **b. Auto contract**      c. Accessory contract      d. Unilateral contract
21. The statement "Contract shall be obligatory in whatever form they have entered into provided all the requisites for their validity are present" refers to  
 a. Real contract      **b. Consensual contracts**      c. Formal contracts      d. Solemn contracts
22. The pre-nuptial agreement of H and W, husband and wife, provides for complete separation of property. Later, H, with violence and intimidation forced W to sell to him (H), W's pieces of jewelry. The sale is  
 a. Rescissible, if W suffered a lesion of more than  $\frac{1}{4}$  of the value of the property  
**b. Voidable, because the consent of W is vitiated**  
 c. Unenforceable, if the value is at least P500  
 d. Void, because husband and wife are not allowed to sell property to each other
23. This obligation is demandable at once  
 a. With a suspensive condition      c. When my means permit me to do so  
**b. With a period in diem**      d. When it depends on the happening of a specified event
24. This contract is without effect unless ratified  
 a. Marriage between first degree cousins      c. Contract of sale between a guardian and his ward  
**b. Contract of sale between two insane persons**      d. Donation between husband and wife
25. One of the following is void  
 a. Politicitation      **b. Pactum commissorium**      c. Stipulation pour atrui      d. Waiver intentionada
26. To be valid and enforceable, the following contracts should be in writing, except:  
 a. Contract to pay interest on loan      c. Contract giving authority to an agent to sell a piece of land  
**b. Contract of donation of real property**      d. Contract made in consideration of marriage
27. A condition which if imposed on an obligation will be disregarded and will therefore make the obligation immediately demandable.  
 a. If Lala kills Lele      c. If Lolo commits suicide  
 b. If Lili passes the CPA board exams      **d. If Lulu will not rise from the dead**
28. If the law or contract does not state the diligence which is to be observed in the performance of an obligation, the obligor is expected to observe.  
**a. Ordinary diligence**      c. Diligence of a father of a good family  
 b. Extraordinary diligence      d. Utmost care
29. Facultative as distinguished from alternative obligation  
 a. **The right of choice is given only to the debtor**  
 b. Various things are due, but the giving of one is sufficient  
 c. If one of the prestations is illegal, the others may be valid and the obligation remains  
 d. If it is impossible to give all except one, that last one must still be given
30. Within what period must recovery be made if the debtor did not know that payment was not yet due?  
 a. Before maturity with regard to both what was paid and the interest.  
 b. Even after maturity with regard to both the interest and what was paid.  
**c. Before maturity with regard to what was paid and even after maturity with regard to the interest.**  
 d. Before maturity with regard to interest and even after the maturity with regard to what was paid.
31. Which of the following is wrong in alternative obligations?  
 a. The obligor shall completely perform one of them  
 b. The obligee cannot be compelled to receive part of one and part of the other undertaking  
**c. The right of choice belongs to the creditor, unless it has been expressly granted to the debtor**  
 d. The debtor shall have no right to choose those prestations which are impossible
32. A remedy in equity by means of which a written instrument is made or construed so as to express or conform to the real intention of the parties when some error or mistake has been committed  
 a. Rescission      b. Annulment      **c. Reformation**      d. Consideration
33. Payment by cession as distinguished from dation in payment  
 a. The debtor is not necessarily in a state of financial difficulty.  
**b. The effect is to release the debtor for the net proceeds of the things ceded or assigned.**  
 c. The property is alienated by the debtor to the creditor in satisfaction of a debt in money.

- d. What is delivered by the debtor is merely a thing to be considered as the equivalent of the performance of the obligation.
34. If a third person pays an obligation. What are the rights, which are available to him if he pays the obligation with the knowledge and consent of the debtor?  
**First Answer** – He can recover from the debtor the entire amount, which he has paid.  
**Second Answer** – He is subrogated to all of the rights of the creditor.  
a. True, True                      b. True, False                      c. False, True                      d. False, False
35. I. The loss or deterioration of the thing intended as a substitute through the negligence of the obligor, does not render him liable  
II. A person alternatively bound by different prestations shall completely perform one of them  
a. True, true                      b. True, false                      c. False, true                      d. False, false
36. There being no express stipulation and if the undertaking is to deliver a determinate thing, the payment shall be made  
a. At the domicile of the debtor  
b. At the domicile of the creditor  
c. **Wherever the thing might be at the moment the obligation was constituted**  
d. Wherever the thing might be at the moment the obligation is to be fulfilled
37. Which of the following statements is not correct?  
a. The validity and compliance of a contract cannot be left to the will of one of the parties  
b. In case of foreclosure and the price of the sale is less than the amount due, the pledgee cannot recover any deficiency  
c. Persons who are prohibited by law to enter in to contract of donation cannot form universal partnership  
d. **Actions for fraud cannot be waived**
38. The right of the creditor to exercise all the rights of his debtor to satisfy his claim, except rights which are inherent and personal on the part of the debtor  
a. **Action subrogatoria**                      b. Action redhibitoria                      c. Accion pauliana                      d. Accion quanti minoris
39. An assignor of credit warrants  
a. Solvency of the debtor                      c. Assurance of payment  
b. Collectability                      **d. Existence and legality of credit**
40. A, B and C executed a promissory note binding themselves to pay P9,000 to X, Y and Z. The note is now due and demandable. Can the creditors proceed against A alone for the payment of the entire debt?  
a. No, each creditor can collect only P3,000 from A.  
b. Yes, either X, Y, Z can collect P9,000 from A.  
c. **No, each creditor can collect only P1,000 from A.**  
d. Yes, since the promissory note is silent with respect to the rights of the creditors, the obligation is presumed to be solidary.
41. Using the preceding number, suppose that C is insolvent, can A and B be held liable for C's share in the obligation?  
a. Yes, the debt shall be presumed to be divided into as many equal shares as there are debtors.  
b. Yes, but A and B will be liable proportionately.  
c. **No, the debts are considered distinct from one another.**  
d. No, only either A and B but not both will be liable.
42. Using No. 40, suppose that the obligation was about to prescribe, but X wrote a letter to A demanding for payment of the entire debt. Will this have the effect of interrupting the running of the period of prescription?  
a. Yes, because the demand made by X covers the entire debt and will therefore inure to the benefit of the other creditors.  
b. **Yes, insofar as A is concerned but not with regard to B and C.**  
c. No, because the demand should have been made to all the debtors.  
d. No, all the creditors should have made the demand.
43. Using the preceding number, and prescription sets in, how much can Y collect from A?  
a. P9,000                      b. P3,000                      c. P1,000                      **d. P-0-**
44. Using the preceding number, how much can X collect from A?  
a. P9,000                      b. P3,000                      **c. P1,000**                      d. P-0-
45. Indivisibility as distinguished from solidarity.  
a. Plurality of subject is indivisible.

- b. When the obligation is converted into one of indemnity for damages because of breach, the character of the obligation remains.
- c. Refers to the legal tie or vinculum.
- d. **Refers to the prestation which constitutes the object of the obligation.**
46. I. When one of the parties has brought an action to enforce the instrument, he cannot subsequently ask for its reformation.  
 II. The injured party may seek rescission even after he has chosen fulfilment if the latter should become impossible.  
 a. **True, true**      b. True, false      c. False, true      d. False, false
47. Culpa aquiliana as distinguished from culpa contractual
- a. Proof of the due diligence in the selection and supervision of employees is not available as a defense
- b. Proof of the contract and of its breach is sufficient prima facie to warrant recovery
- c. The negligence of the defendant is merely an incident in the performance of the obligation
- d. **The source of liability is the defendant's negligent act or omission itself**
48. A passenger on a bus was hurt, but in a criminal case against the driver, said driver was acquitted. The victim now sues the owner of the truck for culpa contractual. May the suit still prosper?
- a. No, this will constitute double jeopardy
- b. No, the acquittal means that the guilt of the accused was not proven by proof beyond reasonable doubt
- c. **Yes, it is sufficient for him to prove the existence of the contract of carriage and the injuries suffered**
- d. Yes, provided he can prove the negligence of the driver
49. A owes B P11, 000 due on July 2, 2011. B owes A P6, 000 due on July 3, 2011 and P4, 000 due on July 10, 2011. B owes C P11, 000 due on July 3, 2011. On July 3, 2011 B cannot pay C so B assigns to C her credit of P11, 000 against A, without the knowledge of A. On July 10, 2011, C tries to collect from A the P11, 000. How much can C compel A to pay?
- a. P11, 000      b. P9, 000      c. P5, 000      **d. P1, 000**
- Question 50-52: A, B, C, and D owe W, Y, and Z P9, 000. On maturity, how much can W collect from A?
50. If debtors are joint and creditors are joint?
- a. P2, 250      b. P3, 000      c. P9, 000      **d. P750**
51. If debtors are joint and creditors are solidary?
- a. P9, 000      b. P750      c. P3, 000      **d. P2, 250**
52. If the debtors are solidary and creditors are joint?
- a. P750      b. P2, 250      c. P9, 000      **d. P3, 000**
53. Using the same data in No. 52, but the share of debtors A,B, C and D in the indebtedness is 1:2:3: and creditors W, Y and Z is 2:3:5. How much can Y collect from B if debtors are joint and creditors are joint?
- a. P1, 800      b. P2, 700      c. P675      **d. P540**
54. How much can Z collect from D, if debtors are solidary and creditors are joint?
- a. P1, 800      b. P9, 000      c. P3, 600      **d. P4, 500**
55. How much should A pay W, if debtor are joint and creditors are solidary?
- a. P180      b. P9, 000      c. P2, 250      **d. P900**
56. A lost P100, 000 in a card game called pusoy, but he had no more cash to pay in full the winner at the time session ended. A promised to pay B, the winner, two weeks thereafter. A failed to pay despite the lapse of two months, so B filed in court a suit to collect the unpaid amount. Will the collection suit against A prosper?
- a. Yes, if A made a negotiable promissory note.
- b. Yes, whether or not a negotiable promissory note was made.
- c. No, if A has no property to pay the obligation.
- d. **No, because pusoy is fundamentally a game of chance.**
57. A filed a suit for ejectment against B for non-payment of condominium rentals amounting to P150, 000. During the pendency of the case, B offered and A accepted the full amount due as rentals from B then filed a motion to dismiss the suit. Is B correct?
- a. Yes, the acceptance of the payment constitutes a waiver of the ejectment case.
- b. Yes, because there is no novation.
- c. No, the payment should first result to benefit to A.
- d. **No, the payment by B of the rentals in arrears is not an abandonment of the ejectment case.**

58. A was employed as professional driver of B Transit Bus owned by C. In the course of his work, A hit a pedestrian who was seriously injured and later died in the hospital as a result of the accident. The victim's heirs sued the driver and the owner of the bus for damages. Which of the following statement is not correct?
- There is a presumption of negligence on the part of the employer C if a passenger is injured.
  - The conviction of A in a criminal case makes C liable for the damage arising from the criminal act.
  - The presumption that C is negligent is rebuttable by proof of observance of ordinary diligence
  - The liability of C shall cease when he proves that he observed ordinary diligence to prevent the damage to passengers and pedestrians.**
59. N, R and J solidarily bound themselves to deliver to S a Honda motorcycle valued at P60, 000. The obligation was not fulfilled through the fault of J. Thereupon, S filed an action in court against N and the court awarded P72, 000 to S representing the value of the motorcycle plus the damages. Which of the following situations is valid?
- If N pays S the P72, 000, N can collect from R and J P24, 000 each.
  - S has to collect P24, 000 each from N, R and J to satisfy the court's award of P72, 000
  - N can refuse to pay the penalty because it should be charged against J, the guilty party.
  - If S succeeds in collecting the P72, 000 from N, N in turn can collect from R P20, 000 and from J P32, 000**
60. In which of the following debts is legal compensation proper? When one of the debts?
- Arises from the obligation of a depository
  - Arises from a voidable contract**
  - Arises from a claim for support by gratuitous title
  - Consists in civil liability arising from penal offense
61. A borrowed P10, 000 from B on Dec. 25, 2010. The debt is evidenced by a promissory note executed by A wherein she promised to pay as soon as she has the money or as soon as possible. B made several demands upon A for payment, the first, an oral demand was made on May 2, 2011 and the last written demand was dated September 25, 2011 but up to now, there is no payment of the debt. B sued A, will the case prosper?
- Yes, A is in default since May 2, 2011
  - Yes, A is in default since September 25, 2011
  - No, the obligation is subject to a suspensive condition.
  - No, the obligation is one with a period and the period has not arrived yet.**
62. On September 25, 2011, A sent a telegram to B in Cebu, offering to sell to B his house and lot for P2M, cash. On the same date, B sent to A a telegram offering to buy A's same house and lot for P2M. Is there a perfected contract?
- No, because both telegram are mere offers.**
  - Yes, a promise to buy and sell a determinate thing for a price certain is reciprocally demandable.
  - No, because B did not offer to buy the house and lot for cash.
  - Yes, being a consensual contract, it is perfected by mere consent.
63. Which of the following statement is incorrect?
- The vendor is bound to deliver the thing sold and its accessions and accessories in the condition in which they were upon the perfection of the contract.
  - All of the fruits of the thing sold shall pertain to the vendor from the day on which the contract was perfected.**
  - The vendor shall not be bound to deliver the thing sold, if the vendee has not paid him the price, or if no period for the payment has been fixed in the contract.
  - The vendor is bound to transfer the ownership of and deliver, as well as warrant the thing which is the object of the sale.
64. As a rule, which of the following contract of sale is void?
- Between two insane persons
  - Between brother and sister
  - Between husband and wife**
  - Between pupil and teacher
65. A and B are co-owners of a one hectare rural land. A sold his ½ share to Y. C, an adjoining land owner interested in buying the share which A sold to Y. Which of the following is correct?
- B can redeem what A sold to Y if Y already owns a rural land.
  - B can redeem what A sold to Y even if Y does not own any rural land.**
  - As adjoining land-owner C has a superior right to redeem what A sold to Y.
  - C can redeem what A sold to Y whether or not Y already owns a rural land.
66. A sells to B her car for P300, 000 on a "sale of return within 10 days" after delivery. On the 5<sup>th</sup> day after delivery, the car was lost through fortuitous event. Who bears the loss?
- A under the principle of "res perit domino"
  - B and he must pay the purchase price**
  - Both A and B jointly
  - No one because the loss was due to fortuitous event

67. P1 and P2 are co-owners of a piece of land and they named and authorized A to sell their land. Who will be liable to A for the payment of his commission?
- Both P1 and P2 jointly
  - Both P1 and P2 solidarily only if stipulated
  - Both P1 and P2 solidarily even without stipulation**
  - 50% from P1 and 50% from P2
68. J is the sole owner of one hectare of land. In need of money, she sold  $\frac{1}{2}$  of the land without specifying which portion she is selling to H. In this case, the sale is
- Void because co-ownership is discouraged by law
  - Void, because the  $\frac{1}{2}$  part is not determinate
  - Valid, only if H has paid the purchase price
  - Valid as the sole owner of a thing may sell an undivided interest therein**
69. E owns a piece of land and sells it to S with a right of repurchase within 4 years from the date of sale. If S sells the property to T, which of the following is not correct?
- The sale is valid because things subject to a resolutive condition may be the object of contract of sale
  - E can still exercise her right of redemption against T
  - The sale is void because it is a condition sale**
  - T acquires the property but subject to the right of conventional redemption
70. In which of the following cases will delivery transfer ownership over the thing sold.
- In case of express reservation by the seller until certain conditions have been fulfilled, particularly the full payment of the purchase price.
  - In case of implied reservation of title as when goods are deliverable to order of the seller or his agent.
  - In sale or approval, or on trial or on satisfaction.
  - In sale or return within seven days.**
71. A owns a piece of land and sells it to B with a right of repurchase within one year from the date of sale. Can B sell the land he purchased from A, to C, a third party?
- Yes, provided the sale is with the consent of A.
  - No, B is not yet the absolute owner of the land.
  - Yes, but A can still redeem the land from C.**
  - No, third parties that acquire real property are bound by prior contracts affecting such property even if the third person is not a party thereto.
72. When goods are delivered to the buyer on "sale or return" for a period of seven days, ownership of the goods passes to the buyer.
- Upon perfection of the contract
  - Upon delivery of the goods**
  - Upon expiration of seven days
  - Upon acceptance by the buyer of the offer of the seller
73. In case of the foreclosure of the personal property mortgaged, where such thing was previously sold to the buyer on an instalment basis and the proceeds of the sale at public auction is less than the principal obligation, can the seller recover the deficiency from the buyer?
- First Answer-** No, the seller is not entitled to recover the deficiency from the buyer.  
**Second Answer-** Yes, if there is a stipulation to that effect in the contract of sale with mortgage.
- True, True
  - True, False**
  - False, True
  - False, False
74. **Statement 1-** If the same thing should have been sold to different vendees, the ownership shall be transferred to the person who may have first taken possession thereof in good faith.  
**Statement 2-** The vendor is responsible to the vendee for any hidden faults or defects in the thing sold, even though he was not aware thereof.
- True, True
  - B. True, False
  - False, True**
  - False, False
75. A, B and C are co-owners of a parcel of land, A sold his  $\frac{1}{3}$  share on Sept. 1, 2011. B his  $\frac{1}{3}$  share on Sept 12, 2011 and C his  $\frac{1}{3}$  share on Sept. 25, 2011, all to D and with the right of repurchase. Which of the following is correct? A may redeem
- The entire property from D if he is required by D to do so.
  - The entire property even if D allows him to redeem  $\frac{1}{3}$  share only.
  - His  $\frac{1}{3}$  share even if D allows him to redeem the whole property.**

- d. His 1/3 share if D allows him to do so.
76. A owns a parcel of land, which he sells to B with a 3 year redemption period. After the second year, A dies leaving his children C, D and E as his heirs. Which of the following is not correct?
- As A can repurchase the whole thing, so any among C, D and E may repurchase the whole thing.
  - C can redeem his 1/3 share, D his 1/3 share and E his 1/3 share if B does not require all of them or any one of them to redeem the whole property.
  - B may demand that all the co-heirs come to an agreement upon the repurchase of the whole thing sold.
  - B cannot be compelled to consent to a partial redemption.
77. A bought a car from B, a minor, for P100, 000. One week later, A discovered that B was a minor at the time of sale so he filed a complaint in court to annul the sale. Will the action prosper?
- Yes, B being a minor is incapacitated to enter into contract
  - No, the right to annul the sale is given to B
  - Yes, B cannot file the action to annul the sale because he is a minor
  - No, unless there is lesion of more than 1/4 of the value of the property
78. Which of the following may not be the object of a contract of sale?
- Thing having a potential existence
  - The sale of hope or expectancy
  - Future inheritance
  - Things subject to a resolatory condition
79. A, a minor sold his ring to B for P4, 000. Later, B borrowed P6, 000 from C and as security pledged the ring to C. B failed to pay C and the latter foreclosed the pledge, sold it at public auction for P5, 000 to X. As a result,
- The title of B is not valid, therefore the pledge of the ring to C is also not valid because in pledge the pledgor must be the owner
  - The deficiency of P1, 000 cannot be recovered by C from B
  - The deficiency of P1, 000 can be recovered if there is a stipulation to that effect
  - If X is in bad faith (X has knowledge that A, the original owner is a minor) ownership will not pass to B.
80. This shall take place when the vendor reserves the right to repurchase the thing sold.
- Policitacion
  - Conventional redemption
  - Equitable mortgage
  - Legal redemption
81. A sold his piano to B for P200, 000 payable in instalment. A chattel mortgage was constituted on the piano. B defaulted in two instalments payments. A demanded payment of the unpaid obligation amounting to P120, 000 and a writ of attachment was issued and the piano was sold for P100, 000. Can A still recover the deficiency?
- First Answer-** No, the foreclosure of the piano extinguished B's obligation
- Second Answer-** Yes, only if it is stipulated that in case of foreclosure the buyer will pay any deficiency
- True, True
  - True, False
  - False, True
  - False, False
82. A and B entered into a "contract to sell" in private writing involving a specific parcel of land for P2M. B paid 50% of the purchase price, the balance payable in 3 years. A delivered the land to B. What is the effect of the delivery of the land to B?
- B is the owner because there was delivery already
  - B's ownership before it is converted into real ownership must compel A to execute a deed of sale in a public instrument
  - The partial payment made B the owner of the land
  - A still the owner because the price is not yet totally paid
83. In 2007, at age of 16, A sold his land to B, of legal age for P4M payable at P1M in 2007, P1M in 2008, P1M in 2009 and P1M in 2010. In 2012, A wants to annul the contract on the ground of minority. Will his action prosper?
- No, A is allowed to ask for annulment of the contract only within 4 years from the perfection of the contract
  - Yes, A has 4 years counted from the time he becomes of legal age to ask for annulment of the contract
  - No, the acceptance of the instalment payments amounted to ratification of the sale
  - Yes, provided A was then acting in good faith when he sold the property
84. Where it is stipulated that the repurchase of the property sold could be made at any time, the repurchase shall be exercised
- Within four years, from the date of contract
  - Within ten years from the date of the contract
  - After ten years after the date of the contract
  - Within six years from the date of the contract

85. A seller sold to a buyer a brand new car at a price of P500, 000. At the time of sale, the buyer has only P200, 000 cash and his old car with a fair market value of P300, 000 which he offered as payment of the purchase price which was accepted by the seller. The nature of the contract is
- Barter
  - Exchange
  - Sales**
  - Partly sales and partly barter
86. In 2010, A, 17 years old, sold his land orally to B, of legal age, payable in 3 equal annual instalments. B paid in 2010, 2011 and 2012. Which is correct?
- The sale is unenforceable
  - The sale is voidable
  - A cannot ask for annulment**
  - B can ask for annulment
87. If the thing sold had any hidden fault or defect at the time of the sale and should thereafter be lost by a fortuitous event but the seller is not aware of the defect, how much can the vendee recover from the vendor, if the selling price on the date of sale is P100, 000 and the value on the date of loss is P60, 000.
- P100, 000
  - P60, 000
  - P40, 000**
  - P0
88. Using the preceding number, except that the loss is through the fault of the vendee, how much can the vendee recover from the vendor?
- P100, 000
  - P60, 000
  - P40, 000**
  - P0
89. Which of the following contract is void?
- Lease of a piece of land made by a minor without a written authority from his parents (the owners)
  - Oral sale of a piece of land made by the owner to an insane person
  - Written sale of a gold necklace made without authority from the owner
  - Written sale of a piece of land with oral authority from the owner**
90. Which of the following contract is valid?
- Contract of sale between an insane person and a deaf-mute who does not know how to write and read**
  - Contract of donation between a husband and his paramour
  - Contract of sale between husband and wife who are under the conjugal partnership of gains
  - Contract of donation between a wife as done and her former boyfriend as donor
91. As an agent, A, was given a guarantee commission, in addition to his regular commission, after he sold 20 units of refrigerators to a customer. The customer, however failed to pay. A's principal, P demanded payment from A for the customer's accountability. Which is correct?
- A can refuse to pay on the ground that his job was only to sell and not to collect payment
  - P should demand payment from the customer
  - A is not liable if he was authorized to sell in credit
  - A bears the risk of collection and should pay P the proceeds of the sale**
92. The following are the obligations of the agent, except
- In the execution of the agency, the agent shall act in accordance with the instructions of the principal
  - Shall be bound to advance the necessary funds, except when the principal is insolvent**
  - Shall finish the business already begun on the death of the principal, should delay entail any danger
  - In case a person declines an agency he is bound to observe the diligence of a good father of a family in the custody and preservation of the goods forwarded to him by the owner until the latter should appoint an agent
93. Which of the following statements is false?
- P in writing appoints A as his agent to sell his specific parcel of land for P40, 000. A sold it orally to X. The contract of A and X is valid
  - B wrote A, his sister, to sell his parcel of land. The land was purchased by X, but A did not forward the money to B. B now wants to recover the parcel of land. B can recover because the authority of S is not in special power of attorney**
  - P orally appoints A as his agent to sell his land for P40, 000. A sold it to X in writing. The sale by A to X is not valid
  - P orally appointed A to sell a house on a parcel of land belonging to X. A sold it to B orally. The contracts by P and A, and A and B are valid
94. P sends a letter to A in Cavite, authorizing A to sell his specific car for P90, 000. If no reply is made by A, is there a presumption of implied agency between the two of them?

- a. **None, because as between persons who are absent, acceptance of the agency cannot be presumed from the silence of the agent.**
- b. Yes, because no reply was send, there is an implied acceptance or implied consent
- c. Yes, unless A is habitually engaged in the business of selling and buying cars.
- d. None, acceptance must always be expressed
95. M appointed R and Z as her agents to sell her specific property for P100, 000, on cash basis. Solidarity has been agreed upon. Can M hold Z liable if R sell the property for P80, 000?
- a. Yes, because the obligation is solidary
- b. No, because the appointment of 2 or more agents in one and the same obligation is joint and any stipulation to the contrary is void
- c. Yes but only for Z's share that is P10, 000
- d. **No because R acted beyond the scope of his authority**
96. The following may be objects of contract of pledge, except
- a. Shares of stocks
- b. Pieces of jewelry
- c. **An agricultural land**
- d. A negotiable bill of exchange
97. Which of the following is not correct?
- a. A movable or immovable property maybe the object of commodatum.
- b. The bailor in commodatum need not be the owner of the thing loaned.
- c. A stipulation that the bailee may make use of the fruits of the thing loaned is valid
- d. **The bailor is obliged to pay for the ordinary expenses for the use and preservation of the thing loaned**
98. D mortgaged his land to C as security for a loan. Fearing foreclosure of the mortgage due to his inability to pay the loan, D sold the land to B without the consent of C. Which is correct?
- a. The sale is void unless D can give another security
- b. B cannot acquire ownership over the land even if D delivers the land to him
- c. D cannot sell the land if there is an agreement prohibiting the mortgagor from alienating the land
- d. **D can sell the land even without the consent of C**
99. The loan of movable or immovable things, but not fruits
- a. Mutuum
- b. Delegacion
- c. Expromission
- d. **Commodatum**
100. Agreement giving a person the right to enjoy the things as well as is fruits
- a. Quantum meruit
- b. Quantum vabant
- c. **Usufruct**
- d. Pacto de retro sale
101. Which of the following statements is not correct?
- a. If the thing pledged will be returned by the pledgee, the contract of pledge is extinguish
- b. Unlawful partnership is void ab anitio
- c. Any stipulation allowing the pledgee or mortgagee to appropriate the thing pledged or mortgage is void.
- d. **In case the creditor foreclosed the chattel mortgage, he cannot recover any deficiency in case the proceeds of the foreclosure sale are less than the unpaid obligation**
102. Commodatum as distinguished from mutuum
- a. Object is money or consumable or fungible thing
- b. Ownership is transferred to the borrower
- c. **Object or thing, loaned must be returned by the borrower**
- d. Maybe gratuitous or onerous
103. For failure of the debtor to pay two installment payments, the creditor foreclosed the chattel mortgage constituted to secure the obligations amounting to P200, 000. The proceeds amounted to P220, 000. In this case
- a. The debtor gets the P20, 000 only if stipulated
- b. **The debtor gets the P20, 000 even if not stipulated**
- c. The creditor gets the excess even if not stipulated
- d. The creditor gets the excess whether or not it is stipulated
104. A pledged his watch to B for P20, 000. A failed to pay his obligation. B sold it at public auction for P18, 000. Can B recover the deficiency?
- a. Yes, even without stipulation
- b. Yes, if there is stipulation
- c. **No, even if there is stipulation**
- d. No, unless there is stipulation
105. Using the preceding number, if the sale is for P22, 000, can A recover the excess?
- a. Yes, even without stipulation
- b. **Yes, if there is stipulation**
- c. No, even if there is stipulation
- d. No, stipulation allowing recovery is void
106. A mortgaged his car to B for P200, 000. A failed to pay his obligation. B sold it at public auction for P180, 000. Can B recover the deficiency?
- a. **Yes, even without stipulation**
- c. No, even if there is stipulation



117. **First statement**- In all cases of extrajudicial sale, the mortgagor may redeem the property at any time within the term of one year and after the date of registration of the sale.  
**Second statement**- In judicial foreclosure of real estate mortgage, the general rule is that the mortgagor cannot exercise his right of redemption after the confirmation of the sale by the court.  
a. Both statements are correct                      c. Only the first statement is correct  
b. Both statements are wrong                      d. Only the second statement is correct
118. A pledged her ring to F to secure a P10, 000 obligation payable in two years. One year thereafter, F gives a note in writing to A stating that the debt need not be secured and that A may get the ring back at her most convenient time. As a result,  
a. The principal obligation and the contract of pledge are both extinguished  
b. Only the principal obligation is extinguished but not the contract of pledge because A did not get back the ring  
c. Both the principal obligations and the contract of pledge are not extinguished because A did not get back the ring  
d. **The pledge is extinguished and F is constituted as a depository**
119. This is an accessory contract  
a. sales                                      b. mutuum                      c. commodatum                      **d. mortgage**
120. These are real contracts, except  
a. commodatum                      b. deposit                      c. pledge                      **d. chattel mortgage**
121. Ownership is retained despite delivery, except  
a. commodatum                      **b. mutuum**                      c. universal partnership of profits                      d. on trial or satisfaction
122. L pledged his shares of stock to M to secure his obligation. Later, L sold his shares to J. As a result,  
a. L can compel M to surrender the shares certificate to J  
b. J can compel M to deliver the shares certificate to him  
c. The refusal of M to surrender the shares certificate will invalidate the sale  
d. **M can refuse to surrender the shares certificates**
123. **First statement** -The creditor cannot appropriate the thing pledged or mortgaged, or disposed of them. Any stipulation to the contrary is void.  
**Second statement** – The contract of pledge or mortgage may secure all kinds of obligations be they pure or subject to a suspensive or resolutive condition.  
a. True, true                                      c. False, true  
b. True, false                                      d. False, false
124. A limited partnership has A, as general partner, B as limited partner and C, as industrial partner contributing P100, 000, P50, 000 and services respectively. The partnership failed and after disposing all its assets to pay partnership debt, there still remains a note payable in the sum of P30, 000. Against whom can the creditor demand payment?  
a. A- P30, 000    B- P0    C- P0                      c. A- P15, 000    B- P7, 500    C- P7, 500  
**b. A- P15, 000    B- P0    C P15, 000**                      d. A- P10, 000    B- P10, 000    C- P10, 000
125. X, Y and Z form Y Partnership to engage in import-export business. The partners agreed that the profit will be divided on the following ratio: X-20%, Y-30%, Z-50%, but no agreement as to losses. After one year of operation, there was a loss of P10, 000. How will you apportion this loss if the capital contributions are as follows: X- P20, 000; Y-P15, 000; Z- P5, 000?  
a. According to their capital contribution: X- P5, 000; Y- P3750; Z- P1250  
b. Equally among X, Y, and Z  
**c. X- P2, 000; Y-P3, 000; Z- P5, 000**  
d. A third party may be called to make the distribution
126. M, T and E decided to form a universal partnership of all present property. The contract of partnership was executed on October 10, 2010 but they commenced business on October 18, 2011. One of the following is not correct?  
a. If the partnership is for 15 years, but one of the partners withdraws from the partnership on the 12<sup>th</sup> year, the firm is dissolved  
b. The partnership began its existence on October 10, 2010  
c. If after the expiration of its term, the partners continue to transact business, the partnership is converted to a partnership at will  
d. **In the absence of any partnership agreement specifically covering the division of losses among the partners, they will be deemed to share the losses in accordance with their capital contributions**
127. Partners A, B and C met a tragic accident. A and B instantly died on the spot, while C was brought to the hospital but died a few hours later. Who may wind-up partnership affairs?  
a. legal representative of A                      **c. legal representative of C**  
b. legal representative of B                      d. the court should appoint a representative who will wind-up the affairs

128. A, B and C agreed to form Y Partnership. It was orally agreed that A would contribute P20, 000, B P15000 and C P5, 000. It was also orally agreed that in the event the venture proved to be a financial loss, all losses above the amounts of capital contributed would be assumed by A. There were no other express agreements. Under these circumstances, which of the following is correct?
- Profits are to be divided in accordance with the wish of A being the major contributor
  - Profits are to be divided equally
  - The partnership is a nullity because the agreement is not contained in a signed writing
  - Partnership is valid notwithstanding failure to put the agreement in a public instrument**
129. In the preceding question if after exhausting the partnership capital of P40, 000, there is still a liability to X in the amount P40, 000 the liability of the partners to X will be:
- A, P20, 000; B P15, 000; and C P5, 000
  - A will shoulder all P40, 000 because that was their agreement
  - Another agreement will be executed as to who will answer losses
  - All of them will be liable to X**
130. Which of the following is true with respect to a limited partner?
- Must not own limited –partnership interests in other competing limited partnership
  - Is automatically an agent for the partnership with apparent authority to bind the limited partnership in contract
  - Has no liability to creditors even if he takes part in the control of the business as long as he is held out as being a limited partner
  - Should not contribute industry**
131. A, B and C formed a Universal Partnership of profits. The partners contributed the following:  
A-20 sewing machines    B- 14 Furniture & Fixtures    C- 4-storey building  
The parties agreed that only the use and fruits of the objects contributed shall pertain to the partnership. Which of the following statements is true?
- The partnership upon delivery shall be the owner of the objects contributed
  - Upon dissolution, the objects shall be converted into cash and the proceeds shall be divided equally among the partners including the fruits
  - During the term of the partnership, the contributing partner remains to be the naked owner of the object contributed but upon dissolution all objects contributed are to be converted into cash and proceeds shall be divided equally among three partners
  - During the term of the partnership, the loss of the objects contributed shall be borne by the partners concerned**
132. If a partner assigns his interest in the partnership to his personal creditor or to a third person for value, the assignee acquires the right to
- Demand an accounting of partnership affairs
  - Inspect the books and records of the partnership
  - Receive the partner – assignor’s share of the profits**
  - Interfere in the management of the partnership
133. The partners agreed that only the use and fruits of the objects contributed shall pertain to the partnership (Universal partnership of profits). Which of the following statements is true?
- The partnership upon delivery shall be the owner of the objects contributed
  - Upon dissolution, the objects shall be converted into cash and the proceeds shall be divided equally among the partners including the fruit
  - During the term of the partnership, the contributing partner remains to be the naked owner of the object contributed but upon dissolution all objects contributed are to be converted into cash and proceeds shall be divided equally among the partners
  - During the term of the partnership, the loss of the objects contributed due to fortuitous events shall be borne by the partner concerned except if the object contributed is fungible**
134. Which of the following is a characteristic of partnership as a contract
- Preparatory**
  - Formal
  - Innominate
  - Gratuitous
135. S and G established a partnership by contributing P200,000 each. F, a classmate allowed his name to be included in the firm name of the partnership. The partnership was insolvent and after exhausting all the remaining assets, there remains a liability to third persons amounting to P30,000. The creditors can compel
- Either S or G or F to pay the P30,000 liability
  - S and G to pay P15,000 each
  - Either S or G to pay the P30,000 liability
  - S, G and F to pay P10,000 each**
136. Using the preceding number, if the partnership is solvent and there is a profit of P30,000, without any stipulation as regards profit sharing, the participation of the partners on the profit will be
- Just and equitable share for F, and the remainder, equally between S and G
  - Equally, P10,000 each among S, G and F
  - Equally P15,000 each between S and G**
  - The court will intervene

137. A limited partner who takes active participation in the management of the partnership shall become
- A managing partner
  - A general partner
  - Liable as a general partner**
  - An ostensible partner
138. Three of the following are rights of a partner, which one is not? Right to
- Associate another person to his share
  - Admit another person**
  - Inspect and copy partnership book
  - Ask dissolution of the firm at proper time
139. A partnership which comprises all that the partners may acquire by their work or industry during the existence of the partnership is
- Universal partnership of present property
  - Universal partnership of profits**
  - Particular partnership
  - General partnership
140. The following are the effects of unlawful partnership, except
- The profits shall be confiscated in favor of the government
  - The instruments or tools and proceeds of the crime shall be forfeited in favor of the government
  - The contribution of the partners shall be confiscated in favor of the government**
  - The contract is void ab initio and the partnership never existed in the eyes of the law
141. As regards the limited partner, which of the following is correct?
- He is automatically an agent for the partnership with apparent authority to bind the limited partnership in a contract
  - He can not own limited partnership interest in other competing limited partnership
  - He has no liability to creditors even if he takes part in control of the business as long as he is held out as being a limited partner
  - He can contribute money and/or property but not services**
142. Absent any contrary provisions in the agreement, under which of the following circumstances will a limited partnership be dissolved?
- A limited partner dies and his estate is insolvent
  - A personal creditor of a general partner obtains a judgment against the general partner's interest in the limited partnership
  - A general partner retires and all the remaining general partners do not consent to continue**
  - A limited partner assigns his partnership interest to an outsider and the purchaser becomes a limited partner
143. A, B and C are partners contributing services, P20,000 and P40,000 respectively. The distribution of P80,000 profit shall be
- |               |            |           |
|---------------|------------|-----------|
| a. A=P20,000; | B=P20,000; | C=P40,000 |
| b. A=P5,000;  | B=P25,000; | C=P50,000 |
| c. A=P32,000; | B=P16,000; | C=P32,000 |
| d. A=P26,667; | B=P26,667; | C=P26,667 |
144. Using the preceding number, if the P80,000 represents net assets, the distribution shall be
- |                     |                   |                  |
|---------------------|-------------------|------------------|
| a. A=P20,000;       | B=P20,000;        | C=P40,000        |
| <b>b. A=P5,000;</b> | <b>B=P25,000;</b> | <b>C=P50,000</b> |
| c. A=P32,000;       | B=P16,000;        | C=P32,000        |
| d. A=P26,667;       | B=P26,667;        | C=P26,667        |
145. A, B and C are partners contributing services, P40,000 and P80,000 respectively. The distribution of P60,000 loss shall be
- |                  |                   |                  |
|------------------|-------------------|------------------|
| a. A=P15,000;    | B=P15,000;        | C=P30,000        |
| b. A=P20,000;    | B=P20,000;        | C=P20,000        |
| <b>c. A=P0 ;</b> | <b>B=P20,000;</b> | <b>C=P40,000</b> |
| d. A=P0 ;        | B=P30,000;        | C=P30,000        |
146. Using the preceding number, if the P60,000 represents net assets, the distribution shall be
- |                  |                   |                  |
|------------------|-------------------|------------------|
| a. A=P15,000;    | B=P15,000;        | C=P30,000        |
| b. A=P20,000;    | B=P20,000;        | C=P20,000        |
| <b>c. A=P0 ;</b> | <b>B=P20,000;</b> | <b>C=P40,000</b> |
| d. A=P0 ;        | B=P30,000;        | C=P30,000        |

147. A limited partnership has A, as general partner, B, as limited partner, and C, as capitalist- industrial partner contributing P50,000; P50,000; and P50,000 and services respectively. The partnership failed and after disposing all its assets to pay partnership debts only P30,000 remains. The distribution shall be?
- a. **A=P10,000; B=P10,000; C=P10,000**  
 b. A=P15,000; B=P15,000; C=P0  
 c. A=P15,000; B=P0 C=P15,000  
 d. A=P0 ; B=P30,000; C=P0
148. He shall preside at all meetings of the directors or trustees as well as of the stockholders or members, unless the by-laws provide otherwise
- a. Chairman of the board      **b. President**      c. Secretary      d. Treasurer
149. Non-voting shares may vote, except
- a. Increase in capital stock      b. Merger      c. Dissolution      **d. Management contract**
150. Which of the following statements is correct?
- a. Treasury stock sold for less than their par or issued value are considered “watered stock” and as such is prohibited by law.  
 b. Five but not more than fifteen juridical and natural persons, majority of whom are residents of the Phils may form a private corporation  
 c. **No par value shares of stock cannot be issued by banks, trust companies, insurance companies, building and loan association and public utilities.**  
 d. Membership in non-stock corporation and rights arising there from are personal and non-transferable and there cannot be transferred even if provided I the articles of incorporation or in the by-laws.
151. This group of persons may not be the incorporators of a corporation in the Phils.
- a. 15 Japanese citizens who are resident of Quezon City  
 b. 10 Resident aliens and 5 non-resident aliens  
 c. 10 Americans residing in the Phils and 5 Filipinos residing in Australia  
 d. **15 Filipinos who are residents of USA**
152. A corporation is deemed dissolved
- a. Ceased operation for at least 5 years  
 b. **No commencement of business transaction within 2 years from issuance of certificate of incorporation**  
 c. A member of the board is convicted of an offense  
 d. Majority of the members of the board are dead
153. Every corporation whose charter expires by its own limitation, or annulled by forfeiture or otherwise, or whose existence for other purposes is terminated in any other manner shall nevertheless be continued as a body corporate for 3 years after the time when it would have been dissolved for the purpose of the following, except
- a. Prosecuting and defending suits by or against it and enabling it to settle and close its affairs  
 b. To dispose and convey its property  
 c. To distribute its assets  
 d. **Continuing the business for which it as established**
154. Which of the following corporate acts requires the approval of the majority of the outstanding capital stock or of the members of the corporation?
- a. To invest corporate funds in another corporation or business  
 b. **To adopt by-laws**  
 c. To dissolve the corporation  
 d. To amend the articles of incorporation
155. As a rule, pre-incorporation subscription is irrevocable for a period of at least
- a. 30 days      b. 60 days      **c. 6 months**      d. 1 year
156. A, B, C, D, and E, are directors of a corporation. Two days before the meeting of the board, whereby a unanimous vote, a resolution declaring a 50% stock dividend was passed, A, B, and C sold and transferred their shares. The transferred were duly registered in the books of the corporation immediately after the sale. Is the dividend declaration legal?
- a. Yes, A, B, and C are still qualified to sit as members of the board in hold-over capacity until their successors shall have been elected and qualified.  
 b. **No, at the time the resolution was passed, A, B, and C were no longer qualified to sit as directors since they are no longer stockholders.**  
 c. Yes, unanimous vote means all directors approved the resolution  
 d. No, if the other members of the board were not informed of the transfer made

157. Which of the following is the disadvantage of forming a corporation?  
 a. The free and ready transferability of ownership  
 b. The shareholders are not liable for the debts of the business  
 c. Because of the power of succession, the existence of the entity is not affected by the personal vicissitudes of the individual stockholders  
 d. The subservience of minority stockholders to the wishes of the majority subject only to equitable restraints
158. Cash dividend as distinguished from stock dividend  
 a. Corporate capital is increased  
 b. Concurrence of the stockholders is required  
 c. Involves disbursement to the stockholders of accumulated earnings  
 d. Being part of corporate property, maybe reached by creditors
159. J is one of the directors of Delightful Corporation. Later, she sold all her shares to K. Subsequently, a meeting of the board of directors was held and both J and K attended said meeting, each claiming the right to participate in the deliberation of the board. J contented that she has the right to continue as director until the stockholders could elect her successor. On the other hand, K argued that having purchased all of J's shares she has the right to take the latter's place in the board. Which of the following is not correct?  
 a. Both J and K are disqualified to sit as directors in the Board of Directors  
 b. J cannot qualify as she disposed all the shares  
 c. K cannot qualify as she must have to be elected by the stockholders  
 d. K can qualify because a stockholder as well as the heirs and assigns of a stockholder of the same corporation has the right of succession
160. The articles of incorporation is required to state the name, nationalities and residence of persons who shall act as directors or trustees until the first regular directors or trustees are duly elected and qualified. This requirement is intended to provide a basis by which the SEC could determine whether the articles of incorporation has complied with the requirement that  
 a. At least majority of the directors or trustees are residents of the Phils.  
 b. At least majority of the directors or trustees are citizens of the Phils.  
 c. 2/3 of the directors or trustees are residents of the Phils.  
 d. 2/3 of the directors or trustees are citizens of the Phils.
161. At an annual meeting of stockholders, a resolution was approved empowering the president of the corporation to inter into a contract with a New York firm. Can the president validly act by virtue of such resolution?  
 1<sup>st</sup> answer- Yes, the action the stockholders was approved during annual stockholders meeting  
 2<sup>nd</sup> answer- No, the power to contract for and in behalf of the corporation resides primarily in the board of directors.  
 a. True, true                      b. True, false                      c. False, true                      d. False, false
162. If there are 9 members of the board and the by laws provide for the creation of an executive committee, the minimum number of its members is  
 a. 7                                      b. 5                                      c. 4                                      d. 3
163. The executive committee shall act  
 a. Unanimous vote              b. majority vote              c. 2/3 vote                      d. ¾ vote
164. In a meeting to elect officers only 9 out of 11 members of the board attended. How many votes will be needed to elect the president of the corp.?  
 a. 9                                      b. 7                                      c. 6                                      d. 5
165. The powers cannot be exercised by the executive committee, except  
 a. to fill-up vacancy in the board  
 b. to distribute cash dividend  
 c. to increase the minimum number of shares needed before a shareholder may qualify to be a member of the board  
 d. to inter into contract for the supply of goods needed by the corporation
166. Shares of stocks cannot be issued if the consideration received is (are)  
 a. money                      b. property                      c. previous services rendered                      d. promissory notes
167. He must be a resident citizen  
 a. president                      b. secretary                      c. treasurer                      d. chairman of the board
168. He must be a member of the board  
 a. president                      b. secretary                      c. treasurer                      d. incorporator

169. He cannot be the secretary of the corporation  
 a. **president**                      b. treasurer                      c. chairman of the board      d. incorporator
170. Must be a natural person  
 a. stockholder                      b. subscriber                      c. **incorporator**                      d. highest bidder
171. Should not be more than fifteen (15)  
 a. stockholder                      b. subscriber                      c. **incorporators**                      d. members
172. Corporate acts performed outside of its express, incidental or implied powers  
 a. **ultra-vires acts**                      b. illegal acts                      c. intra-vires acts                      d. legal acts
173. The board of directors or trustees may amend or repeal the by-laws or adopt new by-laws by  
 a. **majority vote**      b. unanimous vote                      c. 2/3 vote                      d. 3/4 vote
174. The stockholders or members may delegate to the board of directors or trustees the power to amend or repeal the by-laws or adopt new by-laws by  
 a. majority vote      b. unanimous vote                      c. **2/3 vote**                      d. 3/4 vote
175. Regular meetings of stockholders or members shall be held  
 a. monthly                      b. quarterly                      c. semi-annual                      d. **annual**
176. Unless the by-laws provide otherwise regular meetings of the board of directors or trustees shall be held  
 a. **monthly**                      b. quarterly                      c. weekly                      d. annually
177. 1<sup>st</sup> statement- Treasury shares shall have no voting rights as long as such stock remains in treasury.  
 2<sup>nd</sup> statement- Shares of stocks shall not be issued in exchange for future services.  
 a. **True, true**                      b. true, false                      c. false, true                      d. false, false
178. Except as condition in a loan agreement, the voting trust agreement shall not exceed  
 a. 6months                      b. 1 year                      c. 3 years                      d. **5 years**
179. A bill of exchange as distinguished from a check  
 a. the drawee is always a bank  
 b. it is always payable on demand  
 c. **the death of the drawer, if known to the bank does not revoke the authority of the drawee to pay**  
 d. it is drawn on a deposit or checking account
180. The following are functions of a negotiable instrument, except  
 a. it is a substitute for money  
 b. it increases credit circulation  
 c. it increases purchasing power in circulation  
 d. **it extinguishes obligations if its delivery is accepted by the creditor**
181. A promissory note reads- I promise to pay B or order eighty zero pesos only (P800.00), Sgd. A. The amount due is  
 a. P80.00                      b. **P800.00**                      c. zero                      d. not determinable
182. A promissory note reads- I promise to pay B or order one hundred pesos only (P200.00). Sgd. A and C. which of the following is correct?  
 a. either A or C can be required to pay P100.00  
 b. either A or C can be required to pay P200.00  
 c. the promissory note is not negotiable because the sum payable is not certain in money.  
 d. **A and C can be required to pay P100.00 each.**
183. A, a minor issued a negotiable promissory note payable to the order of B, also a minor. Later B endorsed the note to C and C to D and D to E, and E to F. Which of the following is correct?  
 a. **A cannot question the incapacity of the payee**  
 b. if C made a qualified endorsement to D, C is not liable to F  
 c. the note is not negotiable because the maker and the payee are both minors  
 d. all endorsers are liable to F, if F is a holder in due course

184. A person who for value negotiates or transfers a document of title by endorsement or delivery warrants the following, except
- that the document is genuine
  - that prior party have the capacity**
  - that he has a legal right to negotiate or transfer it
  - that he has no knowledge of any fact which would impair the validity or worth of the document
185. On October 1, 2010, A issued bills set with 2 parts to B. On October 15, B indorsed the first part to C who negotiated in to D. On October 30, B indorsed the second part to E who negotiated it to F. Which of the following is not correct?
- D is the true owner, hence he can require the drawee to pay him**
  - B and C are liable to D
  - B and E are liable to F
  - B is liable to D and F
186. A complete but undelivered promissory note reads: I promise to pay P or bearer P100,000. Sgd M. P too the note from M's drawer and delivered it to A who later delivered it to B who likewise delivered it to C. As a result,
- C can collect from P if M dishonor the note
  - P is liable to C even if notice of dishonor is not given by C to P
  - P's warranty extends in favor of A only**
  - C should give notice of dishonor to P to make P liable to him
187. Using the preceding number, but P made a qualified indorsement but A and B made a special indorsements, in case M dishonors the note, which of the following is correct?
- P is liable to C for breach of warranty**
  - A and B, but not P are liable to C
  - P is liable to A only
  - It is only from B that C can recover
188. A holder in due course is a holder who has taken the instrument under the following conditions, except:
- That the instrument is genuine and in all respect what it purports to be**
  - That he became the holder of it before it was overdue, and without notice that it has been previously dishonored, if such was a fact
  - That he took it in good faith and for value
  - That at the time it was negotiated to him, he had notice of any infirmity in the instrument or defect in the title of the person negotiating it
189. Which of the following is a real defense?
- Want of delivery of an incomplete instrument**
  - Total absence of consideration
  - Fraud in inducement
  - Material alteration
190. Which of the following is a personal defense?
- Insertion of a wrong date where the instrument is undated**
  - Fraud in factum
  - Forgery of a signature
  - The instrument is incomplete and undelivered
191. Where a bill payable after sight is accepted for honor, its maturity is calculated from the date of
- The acceptance for honor
  - The noting for non-acceptance**
  - The presentment for acceptance
  - The receipt of notice of dishonor from the notary public
192. Ordinary acceptance as distinguished from acceptance for honor
- Protest is a prerequisite
  - Consent of the holder is necessary
  - Involves the entire instrument**
  - The liability of the acceptor is secondary
193. The bank is both the drawer and the drawee of the check
- Cashier's check**
  - Certified check
  - Crossed check
  - Post dated check
194. Where a person's signature appearing on a negotiable instrument will make him liable thereon
- When a person signs an undelivered and incomplete instrument
  - In case of an indorsement of an instrument by an infant or other incapacitated persons

- c. When a person signs in a trade or assumed name  
 d. In case of a signature by an authorized agent, indicating that he signs as an agent and disclosing his principal
195. Which of the following is not correct? Where a negotiable promissory note has been issued for an illegal purpose  
 a. The note as a contract is void  
 b. The payee may have no cause of action against the maker  
 c. No legal effects may flow therefrom considering that the contract is void  
 d. Once negotiated, the liability in favor of a holder in due course may ensue against the maker
196. The crossing of a check where the words written between the two parallel lines are “and Co.” Or “for payee’s account only” is  
 a. general                      b. Special                      c. Qualified                      d. Restrictive
197. The crossing of a check where the name of a bank or a business institution is written between the two parallel lines, which means that the drawee should pay only with the intervention of that company is  
 a. general                      b. Special                      c. Qualified                      d. Restrictive
198. Which of the following is not requirement for the sufficiency of presentment for payment?  
 a. It must be made by the holder or by some person authorized to receive payment on his behalf  
 b. It must be made at a reasonable hour on a business day  
 c. There must be a previous notice of dishonour to the parties secondarily liable except if notice is excused  
 d. It must be made to the person primarily liable on the instrument or if he is absent or inaccessible, to any person found at the place where the presentment is made
199. The requirement before payment can be considered as payment in due course are as follows, except  
 a. Payment must be made in good faith and without notice that the title of the holder is defective  
 b. Payment made by the indorser where the instrument was previously accepted for the honor of such indorser  
 c. Payment must be made to the holder or any authorized representative  
 d. The payment is made at or after the maturity of the instrument
200. If a negotiable promissory note is not presented for payment and presentment is not excused, which of the following is correct?  
 a. Only the maker is discharged.  
 b. Only the indorser is discharged.  
 c. Both the maker and indorser are discharged  
 d. Neither the maker nor the indorser is discharged because the holder can still give notice of dishonour
201. If notice was given by or in behalf of the holder, who will be benefited by such notice of dishonour?  
**Answer 1** – All subsequent holders  
**Answer 2** – All prior parties who have a right of recourse against the party to whom notice is given  
 a. Both answers are correct  
 b. Both answers are not correct  
 c. Only answer 1 is correct  
 d. Only answer 2 is correct
202. Where the instrument has been dishonoured in the hands of an agent, which of the following is not correct?  
 a. The agent may give notice to the parties liable thereon  
 b. If the agent gives notice to his principal, he must do so within the same time as if he were the holder  
 c. The principal may also give notice within the same time as if it were dishonoured in his hands  
 d. The principal, upon the receipt of notice from his agent, has the same time for giving notice as if the agent had been an independent holder
203. To whom notice of dishonour should be given?  
**Answer 1** – Where the parties to be notified are partners, notice to any one partner is notice to the firm, even though there has been dissolution  
**Answer 2** – Notice to persons jointly liable who are partners must be given to each of them unless one of them has authority to receive such notice for the others  
 a. Both answers are correct  
 b. Both answers are not correct  
 c. Only answer 1 is correct  
 d. Only answer 2 is correct
204. Notice of dishonour is not required to be given to the drawer in the following cases, except  
 a. Where the drawer is the agent of the drawee and the drawee dishonored the instrument  
 b. Where the drawer closed his account with the drawee bank  
 c. Where the drawee is a minor  
 d. Where the bill was renegotiated to the payee

205. A issued negotiable bill of exchange payable to the order of B. Subsequent indorsement are: B to D, D to E and E to F. When F presented the instrument for acceptance, the drawee C dishonored the instrument. F gave notice of dishonor to D. Later F indorsed the bill to G who likewise indorsed the bill to H, a holder in due course. If the bill is again dishonored by non-acceptance in the hands of H, which of the following is correct?
- D, F and G are liable to H even if notices of dishonor are not given to them
  - The notice previously given to D inures to the benefit of E, F, G and H**
  - F cannot collect from E if H required F to him
  - A, B and E were previously discharged hence, H should give notice of dishonor to G and E
206. He is a party on the face of the bill and yet he is not yet liable
- Drawer
  - Drawee**
  - Acceptor
  - Indorser
207. M issued a negotiable promissory note to the order of P. P indorsed and delivered the note to A. A, in turn indorsed and delivered the note to B and B, later negotiated the note to C. On due date, C did not present the note to M for payment. Later, C went to court and sued M and the indorsers. Will the case against them prosper?
- Yes, because M as maker is primarily liable and the indorsers are secondarily liable
  - No, because C should first make a presentment for payment to M
  - Yes, in so far as M is concerned but no in so far as the indorsers are concerned**
  - No, in so far as M is concerned but yes in so far as the indorsers are concerned
208. In payment of merchandise purchased by A from B, A made a promissory note which reads:” I promise to pay B P100, 000”. Sgd.A. B indorsed and delivered the note to C. Later, Y stole the note and indorsed and delivered it to D, who acquired it in good faith. When they presented the note to A, A paid the note in good faith. As a result
- The obligation of A is extinguished
  - C should collect from B
  - C can collect from A and if A will not pay, C can collect from B
  - C can collect from A but not from B**
209. Using the preceding number, but the promissory note reads “I promise to pay B or order P100, 000. Sgd.A”
- The obligation of A is extinguished
  - C should collect from B
  - C can collect from A and if A will not pay, C can collect from B**
  - C can collect from A but not from B
210. Using the preceding number, but the promissory note reads “I promise to pay B or bearer P100, 000”. Sgd.A
- The obligation of A is extinguished**
  - C should collect from B
  - C can collect from A and if A will not pay, C can collect from B
  - C can collect from A but not from B
211. A issued a negotiable promissory note payable to bearer. He delivers the note to B. B indorsed the note especially to C, then C negotiates the note by delivery to D. Which of the following is not correct?
- D can enforce the note against C.
  - D can enforce the note against B.**
  - D can enforce the note against A.
  - C can enforce the note against B.
212. This is not a requisite of a valid acceptance for honor.
- There must be consent of the holder
  - The acceptor for honor is party already liable on the instrument.**
  - The acceptance for honor must be in writing and signed by the acceptor for honor.
  - The bill must have been previously protested for non acceptance or for better security.
213. M issued to P, accommodated party, a negotiable promissory note for P10, 000. P indorsed it to A, A to B, B to C. Which one of the following is incorrect?
- M can collect from P, if M will pay C
  - P may directly pay C
  - Between M and P, M is secondarily liable while P is principally liable.
  - P can collect from M if P will pay C.**
214. M makes a negotiable promissory note in favor of P payable on December 25, 2010 with the following successive indorsements P to A, A to B and B to C. On the due date, M is paying C, but C extends the payment up to Dec. 25, 2011. Which of the following is not correct?
- C may still enforce the instrument against M
  - If M becomes insolvent on Dec. 25, 2011, P, A, and B are discharged from their obligation.
  - If the indorsers consented to the extension of time and M becoming insolvent on Dec. 25, 2011, the indorsers are still liable
  - If before Dec. 25, 2011, C cancels the signature of P as indorser, P,A,B and the instrument are discharged.**

215. This is not negotiable
- I promise to pay to the order of myself P10, 000 signed by A, the maker
  - Pay to the order of the Commissioner of Internal Revenue P10, 000 to ABC Bank. Sgd. A
  - I promise to pay to order P10, 000 Sgd. A**
  - Pay to the order of X, Y and Z, P10, 000 to B. Sgd. A
216. Omissions that do not affect the negotiability of an instrument, except
- It is not dated
  - Does not specify the value given
  - Does not specify the place where it is drawn
  - Does not name the payee where the instrument is payable to order**
217. Which of the following instruments is not negotiable for the reason that the instrument is not payable at a determinate future time?
- 30 days after demand, drawer A directs drawee B to pay C or order P10, 000.
  - 20 days after the death of R, I promise to pay to the order of B P10,000. Sgd. Q
  - 10 days after A passes that CPA board exam. I promise to pay to the order of B P10, 000. Sgd.C**
  - On or before February 28, 2012, I promise to pay A or order P10, 000. Sgd.B
218. X obtains the signature of Y for autograph purpose. X writes a negotiable promissory note above Y's signature. The note was validly negotiated to Z who is a holder in due course. What kind of defense can Y avail against Z?
- Personal defense
  - Real defense**
  - Equitable defense
  - Qualified defense
219. A issued a promissory note to the order of B for P10, 000 payable on Sept, 30, 2010 in payment of a TV set sold by B to A. B failed to deliver the TV set to A and instead transferred the note to C for value but without indorsement. Which of the following is correct?
- C is deemed a holder for value when B transferred the note to him
  - C becomes a holder in due course when B indorsed the note to C on Oct. 9, 2010
  - C has no right to compel B to make the proper indorsement to him**
  - C cannot collect from A because of A's defense of lack of consideration
220. M issues a promissory note payable to P or bearer. If P indorses the note to A, which of the following is correct?
- A must also indorse to negotiate the note
  - If A merely negotiates by delivery to B, P is liable to B because of his indorsement to A
  - If A merely negotiates by delivery to B, B becomes a holder even if P indorsed it to A.**
  - The instrument is converted to an order instrument.
221. Which of the following statements is not correct?
- Where the instrument is payable on demand and it is negotiated after an unreasonable length of time after its issue, the holder is not deemed a holder in due course.
  - A holder in due course is a holder for value.
  - A holder for value may not be a holder in due course
  - An accommodation party is liable to holder for value only if such holder at the time of taking is the instrument is not aware that he is an accommodation party.**
222. Negotiation as distinguished from assignment
- Refers generally to an ordinary contract
  - Does not warrant the solvency of the prior parties
  - Transferee is a holder**
  - Subject to both real and personal defences
223. Which of the following is a negotiable bill of exchange?
- Pay to the order of R the sum of P 20,000. Sgd. S
  - Pay to the order of R the sum of P 20,000. Sgd. S to A or in her absence to M
  - Pay to the order the sum of P 20,000. Sgd. S to A or M
  - Pay to the order of R or J the sum of P 20,000 Sgd. S to A and M**
224. A issued a negotiable promissory note to the order of B for P 10,000 payable in 30 days after date. Later B, endorsed the note to C. Then X stole the note from C, forged the signature of C and negotiated it to D, and D to E, E to F, the holder. On maturity of the note, which of the following statements is not correct?
- F can collect from either D or E because their signatures are genuine and the note is operative against them
  - F can collect from A because A cannot put up forgery as his defense as his signature is genuine**
  - F cannot collect from C because it was C's which was forged
  - F cannot collect from B because B is a party prior to the forgery
225. Which is not correct? The acceptor by accepting a negotiable instrument
- Admits the capacity of the payee to endorse
  - Admits the genuineness of the drawer's signature

- c. Admits the genuineness of the endorser's signature  
d. Admits that he will pay it according to the tenor of his acceptance
226. "I promise to pay B or order P 100,000, one month after B's father dies. Sgd. A. The instrument is  
a. Negotiable from the time B's father dies  
b. Subject to a condition  
c. None negotiable because payment is indefinite  
d. Payable at a determinable future time
227. What are the effects of indorsement after maturity?  
**First Answer-** There is assignment and not negotiation  
**Second Answer-** The holder cannot be deemed a holder in due course  
a. True, True                      b. True, False                      c. False, True                      d. False, False
228. A promissory note reads " I promise to pay B or order P 100,000. Sgd. A". Then B made a qualified indorsement to C. On maturity, A dishonours the instrument due to insolvency, As a result  
A.) C can collect from B, if he is a holder in due course  
B.) C can collect from B, regardless of whether or not he is a holder in due course  
C.) C cannot enforce the instrument against B  
a. A only                      b. B only                      c. C only                      d. A and B
229. Using the preceding number, if A dishonors the instrument due to forgery, that his signature has been forged by B, the effect is  
A.) C can collect from B, if he is a holder in due course  
B.) C can collect from B, even if he is not a holder in due course  
C.) C can collect from B, regardless of whether or not he is a holder in due course  
a. A only                      b. B only                      c. C only                      d. A, B and C
230. A issues a bill payable to the order of B. Later B without endorsing the bill transfers for a consideration said bill to C. The following, except one, are the valid effects of the transfer. The exception is  
a. C becomes a holder  
b. C acquires the right to have the indorsement of B  
c. The transfer vests in C such title as B had thereon  
d. The bill is merely assigned and not negotiated
231. Where an indorsement is conditional, may the maker of a negotiable promissory make payment although the condition has not been fulfilled?  
a. Yes, he may disregard the condition without incurring any liability  
b. Yes, he may disregard the condition but he becomes liable if the endorsee fails to fulfil the condition  
c. No, the qualified indorsement becomes part of the contract  
d. No, the person who received payment will hold the proceeds subject to the right of the conditional indorser
232. M issues a promissory note payable to P or bearer. Which of the following is not correct?  
a. If indorsed by P to A and A also indorses it to B, B may negotiate the note to C by delivery  
b. If indorsed by P to A and A also indorses it to B, P is liable to A and B  
c. If indorsed by P to A and A also indorses it to B, and B negotiates the note to C by delivery, A is liable to B and C  
d. If P negotiates the note to A by delivery and A indorses it to B, B may negotiate the note to C by delivery
233. Which of the following is not correct?  
a. where the instrument is negotiated back to a prior party, all intervening indorsements are not necessary to the holders title  
b. Where the instrument is originally payable to order, the holder may not strike out the payee's indorsement  
c. The indorser whose indorsement is struck out and all indorsers are thereby relieved from liability on the instrument  
d. The holder may at any time strike out an indorsement which is not necessary to his title
234. A bill of exchange as distinguished from a promissory note  
a. The one issuing the instrument is primarily liable  
b. Acceptance of the instrument is not required  
c. Original parties are the maker, and the payee or bearer  
d. Contains an unconditional order
235. A issued a negotiable promissory note payable to bearer. He delivers the note to B. B indorsed the note especially to C, and then C negotiates the note by delivery to D. Which of the following is correct?  
a. D can enforce the note against C and B  
b. D can enforce the note against B and A  
c. D can enforce the note against A and C  
d. C can enforce the note against B and D

236. A issued a promissory note payable to B or order for P 10,000 for 10 bottles of whisky sold by B to A. Later B negotiated the note to C. Subsequently, A discovered that only 5 bottles of whisky are genuine. As a result
- C can enforce the note against A for P 10,000 regardless of whether C is holder in due course or not
  - C cannot enforce the note against A for P 10,000 even if he is a holder in due course
  - Ca can enforce the note against A only for P 5,000 regardless of whether he is a holder in due course or not
  - C can enforce the note against A for P 5,000 if he is not a holder in due course**
237. A makes a negotiable note to bearer and delivers it to B for safekeeping. The note is negotiated by B to C. Can A refuse to pay C on the ground that the note was originally delivered to B for a special purpose only?
- Yes, A can prove that he delivered the instrument to B for a special purpose
  - No, where the instrument is in the hands of any holder, a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed
  - Yes, because B negotiated the note without authority
  - No, if C is a holder in due course**
238. A made a negotiable promissory note in favor of B or order who negotiated it to C under the following indorsements. "Pay to C after passing the CPA examination in October 2011". C presented it to A for payment and it was duly paid, C did not pass the CPA examination. Which of the following is correct?
- The promissory note is not negotiable because of the condition imposed.
  - The promissory note becomes void because the condition was not satisfied
  - A had no right to pay C and thereof can be compelled to pay again
  - A may disregard the condition and make payment whether the condition is fulfilled or not.**
239. When the instrument is complete but undelivered, delivery is presumed to have been made in favor of the holder, the presumption is
- Conclusive whether holder in due course or for value
  - Prima-facie whether holder in due course or for value
  - Conclusive if holder for value and prima facie if holder in due course
  - Prima-facie if holder for value and conclusive if holder in due course**
240. This is a personal defense
- Absolute defense
  - Equitable defense**
  - Real defense
  - National defense
241. The following are functions of a negotiable instrument. Choose the exception
- It increases credit circulation
  - As substitute for money
  - As legal tender**
  - It increases purchasing power in circulation
242. Which of the following does not discharge a negotiable instrument?
- Intentional cancellation of the instrument by the holder
  - Payment by the party primarily liable to holder or his representative
  - Payment by maker of a promissory note before maturity date**
  - Voluntary surrender of the instrument by the holder to the maker without collecting
243. A bill of exchange to which document is attached when presentment for payment or acceptance is made
- Trade acceptance
  - Bank acceptance
  - Clean bill of exchange
  - Documentary bill of exchange**
244. A transfer of negotiable instrument where the holder of the instrument dies and his title thereto is transferred to his heirs or personal representative is
- By assignment
  - By negotiation
  - By operation of law**
  - By accommodation
245. The effects of a forged signature or one made without authority of the person whose signature it purports to be, except
- The instrument is wholly inoperative**
  - No right to retain the instrument
  - No right to give a discharge therefore
  - No right to enforce payment through or under such signature can be required
246. The writing of the name of the indorser on the instrument itself or upon a paper attached thereto in evidence of his transaction of the title to it, or of his assuring its payment or both.
- Allonge
  - Forgery
  - Signature by procuration
  - Indorsement**
247. Indorsement made by a person not otherwise a party to the instrument, who places therein his signature in blank before delivery
- Blank
  - Special
  - Facultative
  - Irregular**
248. Indorsement the where the indorser enlarges his liability by waiving the usual demand and notice of dishonor

a. Qualified                      **b. Facultative**                      c. Restrictive                      d. Conditional

249. A who has a current account in a local bank employs B as a bookkeeper. While in his employ B forges A's signature to a check which finally finds its way to the bank, the bank pays the check and debits A's account with the amount appearing on the check. A objects to the action of the bank and files a suit against the bank for the recovery of the amount of the check debited to his account. The bank sets up a defense that A has been negligent in having permitted B to have access to his papers. In whose favor should the judgement be rendered?
- a. Judgement should be rendered in favor of the bank. A's negligence in hiring B and allowing to have access to the check was the proximate cause of the act
  - b. Judgement should be rendered infavor of A. When a signature is forged, it is wholly inoperative, and no right to retain the instrument, or to enforce payment thereof against any party thereto.**
  - c. Judgement should be modified that is A may claim only on-half on the amount of the check
  - d. Against A , but he can go after B, the guilty party
250. Which of the following is a restrictive endorsement, pay to J?
- a. In trust for E, Sgd. M**
  - b. If he passes the CPA examination, Sgd. E
  - c. At his own risks
  - d. Notice of dishonour waived. Sgd. E
251. Which of the following instruments is negotiable?
- a. Pay to bearer, D P 10,000. Reimburse yourself out of the rental of my house in Manila. To B. Sgd. E
  - b. Pay to D P 10,000 or his order out of the rental of my house in Manila. To B. Sgd. E
  - c. Pay to D P 10,000 and reimburse yourself out of the rental of my house in Manila. To B. Sgd. E
  - d. Pay to the order of D P 10,000. Reimburse yourself out of the rental of my house in Manila. To B. Sgd. E.**
252. This is negotiation as distinguished from assignment
- a. The transferee is subject to both real and personal defences.
  - b. The transferor does not warrant the solvency of prior parties
  - c. The transferee may acquire a title better than that of the prior party**
  - d. The transferor is liable even without notice of dishonour
253. An alteration committed by a stranger to a negotiable instrument is
- a. Policitation
  - b. Spoliation**
  - c. Option Contract
  - d. Material Alteration
254. This is not a restrictive indorsement
- a. Pay to A for collection
  - b. Pay to A only
  - c. Pay to A at his own risk**
  - d. Pay to A in trust for B
255. Which of the following is not negotiable?
- a. Pay to B or order P 10,000 on or before Decpember 31,2012. Sgd. A. To C
  - b. Pay to B or order P 10,000 notice of dishonor waived. Sgd. A. To C
  - c. I promise to pay B or order P 10,000 or to deliver two horses at the option of the holder. Sgd.A
  - d. Pay to B or order P 10,000. Sgd. A**

The end!!  
Goodluck!

## **BUSINESS LAW & TAXATION**

1. Upon the proposal of a third person, a new debtor substituted the original debtor without the latter's consent. The creditor accepted the substitution. Later, however, the new debtor became insolvent and defaulted in his obligation. What is the effect of the new debtor's default upon the original debtor?
  - a. **The original debtor is freed of liability since novation took place and this relieved him of his obligation**
  - b. The original debtor shall pay or perform the obligation with recourse to the new debtor
  - c. The original debtor remains liable since he gave no consent to the substitution
  - d. The original debtor shall pay or perform 50% of the obligation to avoid unjust enrichment on his part
  
2. Lennie bought a business class ticket from Alta Airlines. As she checked in, the manager downgraded her to economy on the ground that a Congressman had to be accommodated in the business class. Lennie suffered discomfort and embarrassment of the downgrade. She sued the airlines for quasi-delict but Alta Airlines countered that, since her travel was governed by a contract between them, no quasi-delict could arise. Is the airline correct?
  - a. **No, the breach of contract may in fact be tortious as when it is tainted as in this case with arbitrariness, gross bad faith and malice**
  - b. No, denying Lennie the comfort and amenities of the business class as provided in the ticket is a tortious act
  - c. Yes, since the facts show a breach of contract, not a quasi-delict
  - d. Yes, since quasi-delict presupposes the absence of a pre-existing contractual relation between the parties
  
3. Rudolf borrowed P 1M from Rodrigo and Fernando who acted as solidary creditors. When the loan matured, Rodrigo wrote a letter to Rudolf demanding payment of the loan directly to him. Before Rudolf could comply, Fernando went to see him personally to collect and he paid him. Did Rudolf make a valid payment?
  - a. No, since Rudolf should have split the payment between Rodrigo and Fernando
  - b. **No, since Rodrigo, the other solidary creditor, already made a prior demand for payment from Rudolf**
  - c. Yes, since the payment covers the whole obligation
  - d. Yes, since Fernando was a solidary creditor, payment to him extinguished the obligation
  
4. Roy and Carlos both undertook a contract to deliver to Sam in Manila a boat docked in Subic. Before they could deliver it, however, the boat sank in a storm. The contract provides that fortuitous event shall not exempt Roy and Carlos from their obligation. Owing to the loss of the motor boat, such obligation is deemed converted into one of indemnity for damages. Is the liability of Roy and Carlos joint or solidary?
  - a. Neither, solidary nor joint since they cannot waive the defense of fortuitous event to which they are entitled
  - b. Solidary or joint upon the discretion of Sam
  - c. Solidary since Roy and Carlos failed to perform their obligation to deliver the motor boat
  - d. **Joint since the conversion of their liability to one of indemnity for damages made it joint**

5. A natural obligation under the New Civil Code of the Philippines is one which
  - a. The obligor has a moral obligation to do, otherwise entitling the obligee to damages
  - b. Refers to an obligation in writing to do or not to do
  - c. The obligee may enforce through the court if violated by the obligor
  - d. **Cannot be judicially enforced but authorizes the obligee to retain the obligor's payment or performance**
  
6. A writes a promissory note in favor of his creditor, B. It says: "Subject to my opinion, I promise to pay B Php 1M or his order or give Php 1M worth of cement or to authorize him to sell my house worth Php 1M signed A". Is the note negotiable?
  - a. **No, because the exercise of the option to pay lies with A, the maker and debtor**
  - b. No, because it authorizes the sale of collateral securities in case the note is not paid at maturity
  - c. Yes, because the note is really payable to B or his order, the other provisions being merely optional
  - d. Yes, because an election to require something to be done in lieu of payment of money does not affect negotiability
  
7. Can future inheritance be the subject of contract of sale?
  - a. No, since it will put the predecessor at the risk of harm from a tempted buyer, contrary to public policy
  - b. Yes, since the death of the decedent is certain to occur
  - c. **No, since the seller owns no inheritance while his predecessor lives**
  - d. Yes, but on the condition that the amount or inheritance can only be ascertained after the obligations of the estate have been paid
  
8. S sold his coconut plantation to A Inc. for Php 100M, payable in instalments of Php 10M per month with 6% interest per annum. S married L after 5 months and they chose conjugal partnership of gains to govern their property relations. When they married, A had an unpaid balance of Php 50M plus interest in S favor. To whom will A's monthly payment go after the marriage?
  - a. The principal shall go to the conjugal partnership but the interest to S
  - b. Both the interest and principal shall go to S since they are his exclusive properties
  - c. Both principal and interest shall go to the conjugal partnership since they become due after the marriage
  - d. **The principal shall go to S but the interest to the conjugal partnership**
  
9. L entered into a contract to sell with R, undertaking to convey to the latter one of the five lots he owns, without specifying which lot it was for the price of Php 1M. Later, the parties could not agree which of five lots he owned L undertook to sell to R. What is the standing of the contract?
  - a. Unenforceable
  - b. Voidable
  - c. Rescissible
  - d. **Void**
  
10. Knowing that the car had a hidden crack in the engine, X sold it to Y without informing the latter about it. In any event, the deed of sale expressly stipulated that X was not liable for hidden defects. Does Y have the right to demand from X a reimbursement of what he spent to repair the engine plus damages?
  - a. Yes, X is liable whether or not he was aware of the hidden defects
  - b. **Yes, since the defect was not hidden, X knew of it but he acted in bad faith in not disclosing the fact to Y**
  - c. No, because Y is in estoppel, having changed engine without prior demand
  - d. No, because Y waived the warranty against hidden defects
  
11. Acme Cannery produced sardines in cans known as "Sards". Mylene bought a can of Sards from a store, ate it and suffered from poisoning caused by a noxious substance found in the sardines. Mylene filed a case for damages against Acme. Which of the following defense will hold?
  - a. **The expiry date of the Sards was clearly printed on its can, still the store sold and Mylene bought it**
  - b. Mylene must have detected the noxious substance in the sardines by smell, yet she still ate it
  - c. Acme had no transaction with Mylene; she bought the Sards from a store, not directly from Acme
  - d. Acme enjoys the presumption of safeness of its canning procedure and Mylene has not overcome such presumption
  
12. P sold to M 10 grams of shabu worth Php 5,000. As he had no money at the time of the sale, M wrote a promissory note promising to pay P or his order Php 5,000 then indorsed the note to X (who did not know about the shabu) and X to Y. Unable to collect from P, Y then sued X on the note. X set up the defense of illegality of consideration. Is he correct?
  - a. No, since X, being a subsequent indorser, warrants that the note is valid and subsisting
  - b. **No, since X, a general indorser, warrants that the note is valid and subsisting**
  - c. Yes, since a void contract does not give rise to any right
  - d. Yes, since the note was born of an illegal consideration which is a real defense
  
13. Allan bought Billy's property through Carlos, an agent empowered with a special power of attorney to sell the same. When Allan was ready to pay as scheduled, Billy called, directing Allan to pay directly to him. On learning of this, Carlos, Billy's agent, told Allan to pay through him as his SPA provided and to protect his commission. Faced with two claimants, Allan consigned the payment in court. Billy protested, contending that the consignment is ineffective since no tender of payment was made to him. Is he correct?
  - a. **No, since consignment without tender of payment is allowed in the face of the conflicting claims on the plaintiff**

- b. Yes, as owner of the property sold, Billy can demand payment directly to himself  
 c. Yes, since Allan made no announcement of the tender  
 d. Yes, a tender of payment is required for a valid consignment
14. X borrowed money from a bank, secured by a mortgage on the land of Y his close friend. When the loan matured, Y offered to pay the bank but it refused since Y was not the borrower. Is the bank's action correct?  
 a. Yes, since X, the true borrower did not give his consent to Y's offer to pay  
 b. No, since anybody can discharge X's obligation to his benefit  
 c. **No, since Y, the owner of the collateral, has an interest in the payment of the obligation**  
 d. Yes, since it was X who has an obligation to the bank
15. On X's failure to pay on his loan to ABC bank, the latter foreclosed the Real Estate Mortgage he executed in its favor. The auction sale was set for Dec. 1, 2010 with the notices of sale published as the law required. The sale was, however, cancelled when Dec. 1, 2010 was declared a holiday and re-scheduled to Jan. 10, 2011 without republication of notice. The auction sale then proceeded on the new date. Under the circumstance, the auction sale is  
 a. Rescissible                      b. Unenforceable                      **c. Void**                      d. Voidable
16. X is a director in T Corp. who was elected to a 1- year term on February 1, 2010. On April 11, 2010, X resigned and was replaced by R, who assumed as director on May 17, 2010. On Nov. 21, 2010, R died, S was then elected in his place. Until which time should serve as director?  
 a. April 11, 2011                      c. May 17, 2011  
**b. February 1, 2011**                      d. Nov. 21, 2011
17. A, the proprietor of a fleet of 10 taxicab, decided to adopt, as his business name, "A Transport Co. Inc.", May this be allowed?  
 a. **No, it would be deceptive since he is a proprietor, not a corporation**  
 b. No, since "A" is a generic name, not suitable for registration  
 c. Yes, since his line of business is public transportation  
 d. Yes, since such name would give his business a corporate identity
18. In a special meeting called for the purpose, 2/3 of the stockholders representing the outstanding capital stock in X. Co. authorize the company's Board of Directors to amend its By-laws. By majority vote, the Board then approved the amendment. Is this amendment valid?  
 a. No, since the stockholders cannot delegate their right to amend the By-laws to the board  
 b. **Yes, since the majority of the votes in the Board was sufficient to amend the By-laws**  
 c. No, because the voting in the Board should have been by majority of a quorum  
 d. Yes, since the votes of 2/3 of the stockholders and majority of the Board were secured
19. A law was passed disqualifying former members of Congress from sitting in the Board of Directors of government owned or controlled corporation. Because of this, the Board of Directors of ABC Corp., a government owned and controlled corporation, disqualified C, a former Congressman, from continuing to seat as one of its members. C objected, however, insisting that under the Corporation Code, members of the Board of Directors of corporation may only be remove by vote of stockholders holding 2/3 of its outstanding capital stock in a regular or special meeting called for that purpose. Is C correct?  
 a. Yes, since the new law cannot be applied to members of the board of directors already elected prior to its passage  
 b. **No, since the disqualification takes effect by operation of law, it is sufficient that he was declared no longer a member of the board**  
 c. Yes, since the provisions of the Corporation Code applies as well to government owned and controlled corporations  
 d. No, since the board has the power to oust him even without the new law
20. The corporate term of a stock corporation is that which is stated in its articles of incorporation. It may be extended or shortened by an amendment of the articles when approve by majority of its Board of Directors and  
 a. Approve and ratified by at least 2/3 of all stockholders  
 b. Approve by at least 2/3 of the stockholders representing the outstanding capital stock  
 c. Ratified by at least 2/3 of all stockholders  
 d. **Ratified by at least 2/3 of the stockholders representing the outstanding capital stock**
21. M makes a promissory note that states: "I, M, promise to pay Php 5,000 to be or bearer. Signed, M". M negotiated the note by delivery to B, B to N and N to O. B had known that M was bankrupt when M issued the note. Who would be liable to O?  
 a. M and N since they may be assumed to know of M's bankruptcy  
 b. **N, being O's immediate negotiator of a bearer note**  
 c. B, M and N, being indorser by delivery of a bearer note  
 d. B, having known of M's bankruptcy
22. X executed a promissory note with a face value of P50, 000 payable to the order of Y. Y indorsed it to Z, to whom Y owed P30, 000, if X has no defense at all against Y, for how much may Z collect from X?

- a. Php 20,000 as he is a holder for value to the extent of the difference between Y's debt and the value of the note
  - b. Php 30,000 as he is a holder for value to the extent of his lien
  - c. **Php 50,000 but with the obligation to hold Php 20,000 for Y's benefit**
  - d. None, as Z's remedy is to run after his debtor Y
23. X is a holder of an instrument payable to him (X) or his order, with Y as maker. X then indorsed it as follows "Subject to no recourse, pay to Z. Signed X". When Z went to collect from Y, it turned out that Y's signature was forged. Z now sues X for collection. Will it prosper?
- a. Yes, because X as a conditional indorser, warrants that the note is genuine
  - b. **Yes, because X, as a qualified indorser, warrants that the note is genuine**
  - c. No, because X made a qualified indorsement
  - d. No, a qualified indorsement does not include the warranty of genuineness
24. X a drawee of a bill of exchange, wrote the words:"accepted with promise to make payment within 2 days. Signed X". The drawer questioned the acceptance as invalid. Is the acceptance valid?
- a. **Yes, because the acceptance is in reality a clear assent to the drawer to pay**
  - b. Yes, because the form of the acceptance is really immaterial
  - c. No, because the acceptance must be clear assent to the order of the drawer to pay
  - d. No, because the document must not express that the drawee will perform his promise within two days
25. D, a debtor of C wrote a promissory note payable to order of C. C's brother, M, misrepresented himself as C's agent, obtained the note from D, then negotiated it to N after forging C's signature. N indorsed it to E, who indorsed it to F, a holder in due course. May F recover from E?
- a. No, since the forgery of C's signature results in the discharge of E
  - b. **Yes, since only the forged signature is inoperative and E is bound as indorser**
  - c. No, since the signature of C, the payee was forged
  - d. Yes, since the signature of C is immaterial, he being the payee
26. A bill of exchange has D as drawer, E as drawee and F as payee. The bill was then indorsed to G, G to H and H to I. I, the current holder presented the bill to E for acceptance. E accepted but, as it later turned out, D is a fictitious person. Is E freed from liability?
- a. **No, since by accepting, E admits the existence of the drawer**
  - b. No, since by accepting, E warrants that he is solvent
  - c. Yes, if E was not aware of that fact at the time of acceptance
  - d. Yes, since a bill of exchange with a fictitious drawer is void and inexistent
27. Due to his debt to C, D wrote a promissory note which is payable to the order of C. C's brother M, misrepresented himself as agent of C, obtained the note from D. M, then negotiated the note to N after forging the signature of C. May N enforce the note against D?
- a. Yes, since D is the principal debtor
  - b. **No, since the signature of C was forged**
  - c. No, since it is C who can enforce it, the note being payable to the order of C
  - d. Yes, since D as maker, is primarily liable on the note
28. M, maker, issued a promissory note to P, the payee which states: "I, M, promise to pay P or order the amount of Php 1M, signed M." P negotiated the note by endorsement to N, then N to O also by endorsement and O to Q again by endorsement. But before O endorsed the note to Q, O's wife wrote the figure "2" on the note after "Php 1M" without O's knowledge, making it appear that the note is for Php 12M. For how much is O liable to Q?
- a. Php 1M since it is the original tenor of the note
  - b. Php 1M since he warrants that the note is genuine and in all respects what it purports to be
  - c. Php 12M since he warrants his solvency and that he has a good title to the note
  - d. **Php 12M since he warrants that the note is genuine and in all respects what it purports to be**
29. X found a check on the street, drawn by Y against ABC Bank, with Z as payee. X forged Z's signature as an endorser, then endorsed it personally and delivered it to DEF bank. The latter, in turn, endorse it to ABC Bank which charged it to Y's account. Y later sued ABC Bank but it set up the forgery as its defense. Will it prosper?
- a. No, since the payee's signature has been forged
  - b. No, since Y's remedy is to run after the forger X
  - c. Yes, since forgery is only a personal defense
  - d. **Yes, since ABC Bank is bound to know the signature of Y, its client**
30. Can a drawee who accepts a materially altered check recovered from the holder and the drawer?
- a. **No, he cannot recover from either of them**
  - b. Yes, from both of them
  - c. Yes, but only from the drawer
  - d. Yes, but only from the holder

31. X executed a promissory note in favor of Y by way of accommodation. It says “Pay to Y or order the amount of Php 50,000, signed by X”. Y then endorse the note to Z and Z to T. When T sought collection from Y, the latter countered as endorser that there should have been a presentment first to the maker who dishonors it. Is Y correct?
- No, since Y is the real debtor and thus, there is no need for presentment for payment and dishonor by the maker**
  - Yes, since an endorser who is secondarily liable, there must first be presentment for payment and dishonor by the maker
  - No, since the absolute rule is that there is no need for presentment for payment and dishonor to hold an endorser liable.
  - Yes, since the secondary liability of Y and Z would only arise after presentment for payment and dishonor the maker
32. A promissory note states on its face: “I, X, promise to pay Y the amount of Php 50,000 five days after completion of the on-going construction of my house. Signed X”. Is the note negotiable?
- Yes, since it is payable at a fixed period after the occurrence of a specified event
  - No, since it is payable at a fixed period after the occurrence of an event which may not happen**
  - Yes, since it is payable at a fixed period or determinable future time
  - No, since it should be payable at a fixed period before the occurrence of a specified event
33. A bill of exchange states on its face: “One month after sight, pay to the order of Mr. R, the amount of Php 50,000 chargeable to the account of Mr. S signed, Mr. T”. Mr. S, the drawee, accepted the bill upon presentment by writing on it the words “I shall pay Php 30,000 three months after sight”. May he accept under such terms, which varies the command in the bill of exchange?
- Yes, since a drawee accepts according to the tenor of his appearance**
  - No, since, once he accepts, a drawee is liable according to the tenor of the bill
  - Yes, provided the drawer and payee agree to the acceptance
  - No, since he is bound as drawee to accept the bill according to its tenor
34. May the endorsee of a promissory note endorsed to him “for deposit” file a suit against the endorser?
- Yes, as long as the endorser received value for the restrictive endorsement**
  - Yes, as long as the endorser received value for the conditional endorsement
  - Yes, whether or not the endorser received value for the conditional endorsement
  - Yes, whether or not the endorser received value for the restrictive endorsement
35. ABC Corp. increased its capital stocks from the Php 10M to Php 15M and, in the process, issued 1,000 new shares divided into Common Shares “B” and Common Shares “C”. T, a stockholder owing 500 shares, insists on buying the newly issued shares through a right of pre-emption. The company claim, however, that its By-laws deny T any right of pre-emption. Is the corporation correct?
- No, since the By-laws cannot deny the shareholders his right of pre-emption**
  - Yes, but the denial of his pre-emptive right extends only to 500 shares
  - Yes, since the denial of the right under the By-laws is binding on T
  - No, since the pre-emptive rights are governed by the articles of incorporation
36. A insured his life for Php 10M. In case A dies, the proceeds of the life insurance shall be:
- Excluded from gross estate if the beneficiary is the estate, executor or administrator whether revocable or irrevocable
  - Part of the gross income if the beneficiary is a third person and the designation is revocable
  - Part of the gross estate if the beneficiary is a third person and the designation is irrevocable
  - Excluded from the gross income whether beneficiary is revocable or irrevocable**
37. XYZ, a domestic corporation was determined to be improperly accumulating its earnings for the taxable year 2009 based on its records as follows:
- |   |            |
|---|------------|
| Net Income from business                  | P1,000,000 |
| Dividends actually or constructively paid | 150,000    |
| Income tax paid for the year              | 270,000    |
| Income subjected to 20% final tax         | 60,000     |
| Income exempt from tax                    | 50,000     |
| Income excluded from gross income         | 10,000     |
| Net operating income (2008)               | 100,000    |
- The tax on improperly accumulated earnings is
- P81,500
  - P71,500
  - P80,000
  - P70,000**
38. Real property with a cost of Php 300,000 and a fair market value at the time of death of Php 1M, but subject to a mortgage of Php 200,000

- a. Shall be in the taxable net estate at Php 800,000
- b. Shall be in the gross estate at the decedent equity of Php 800,000
- c. Shall be in the gross estate at Php 300,000
- d. Shall be in the gross estate the owner's equity of Php 100,000

39. A acquired his residential land in 2000 at a cost of Php 1M. He sold the property on January 1, 2009 with a fair market value of Php 5M for a consideration of Php 4M. Within 18 months, he purchased his new residence at a cost of Php 7M. How much is the capital gains tax?

- a. **Php 300,000**
- b. Php 240,000
- c. Php 75,000
- d. Php 0

40. Using the same data, except that A acquired his new principal at a cost of Php 3M, how much is the capital gains tax?

- a. **Php 300,000**
- b. Php 240,000
- c. Php 75,000
- d. Php 0

41. One of the following is not correct

- a. The estate must be valued at the time of death of the decedent
- b. Real estate situated in foreign countries will be included in the gross estate of a resident alien decedent
- c. **The commissioner shall have the authority to grant, in meritorious cases, a reasonable extension not exceeding 6 months for filing the estate tax return**
- d. Vanishing deduction is subject to limitation

42. Mabuhay Corporation organized in 2002 has the following data:

	2008	2009
Sales	1,700,000	2,300,000
Cost of Sales	1,050,000	1,425,000
Operating Expenses	615,000	480,000

The income tax payable in 2008 is

- a. **Php 13,000**
- b. Php 5,250
- c. Php 10,500
- d. Php 12,250

43. Using the data, the income tax payable by Mabuhay Corporation in 2009 is

- a. Php 118,500
- b. Php 110,750
- c. **Php 117,750**
- d. Php 108,000

44. A filed his income tax return for the calendar year 2007 on March 20, 2008. When is the last day for the BIR to collect, assuming A did not pay the tax due upon filing?

- a. March 20, 2011
- b. **April 15, 2011**
- c. April 15, 2013
- d. March 20, 2013

45. Using the data above, assuming A filed his income tax return on April 20, 2008 and the return is not fraudulent, when is the last day for the BIR to make an assessment?

- a. **April 20, 2011**
- b. April 15, 2011
- c. April 20, 2013
- d. April 15, 2013

46. Using the above data, if the BIR issued a deficiency income tax assessment on March 10, 2010, when is the last day for the BIR to collect?

- a. March 10, 2013
- b. April 15, 2013
- c. **March 10, 2015**
- d. April 15, 2015

47. One of the following is not within the powers of the Commissioner of Internal Revenue

- a. Compromise the payment of internal revenue tax on the ground of taxpayer's financial incapacity
- b. Compromise the payment of internal revenue tax on the ground that there is reasonable doubt as to the validity of the assessment
- c. **Compromise criminal violation if already filed in the court and those involving fraud**
- d. Abate or cancel a tax liability on the ground that the cost of collection is greater than that of the tax to be collected

48. The export sale of a vat registered enterprise is

- a. Exempt from the vat
- b. **Subject to 0% vat**
- c. Subject to 12% vat
- d. Subject to percentage tax

49. A filed his ITR for 2012 on April 15, 2013 and will pay his tax liability in installment. The return shows an income tax due of Php 100,000 and income tax withheld of Php 60,000. If A pays the 2<sup>nd</sup> installment only on October 15, 2013, the amount to be paid (excluding compromise penalty) is

- a. Php 26,00
- b. Php 35,000
- c. **Php 55,000**
- d. Php 37,500

50. Using the above data, the amount due on April 15, 2013 is

- a. Php 20,000
- b. Php 40,000
- c. **Php 0**
- d. Refund of Php 10,000

51. Which of the following statements is not correct?
- When a compulsory heir is given by will less than his legitime, the provisions of the will should be modified in such a way that he will receive his legitime
  - The CIR may examine the bank deposit of a decedent for the purpose of determining his gross estate even if the estate did not request for a compromise on the ground of financial incapacity
  - The Php 500,000 standard deduction for medical expenses for estate tax purposes is a legal mechanism to further exempt the less privileged estate and heirs from tax burden**
  - The sharing of heirs in testamentary succession must satisfy the rules of the legitime
52. A stockholder remitted P 11,250 to the BIR representing collection of tax withheld from clients. The peso volume of his stock transactions from which the tax was withheld is
- Php 93,750
  - Php 112,500
  - Php 225,000
  - Php 2,250,000**
53. A vat taxpayer has the following data for a particular quarter during the current year:
- |   |               |
|---|---------------|
| Sale of shares of stock:                      |               |
| Held as inventory                             | Php 1,000,000 |
| Held as investment                            | 500,000       |
| Cost of the shares sold:                      |               |
| Held as inventory                             | 300,000       |
| Held as investment(thru local stock exchange) | 600,000       |
- The stock transaction tax is?
- Php 0
  - Php 1,500
  - Php 2,500**
  - Php 7,500
54. A race track bettor won on the following bets:
- On double, a bet of Php 200 and dividend of Php 200 per Php 20 ticket
  - On winner take all, a bet of Php 500 and dividend of Php 1,000 per Php 50 ticket
  - On forecast, a bet of Php 1,000 and dividend of Php 100 per Php 20 ticket
- The total percentage tax due from the winnings is
- Php 682
  - Php 1,182**
  - Php 1,280
  - Php 1,530
55. In a transfer in contemplation of death, revocable transfer and transfer under a general power of appointment, there are rules to observe to determine what amount to include in the gross estate, which is not a rule to observe?
- If the transfer was in the nature of a bona fide sale for an adequate and full consideration in money or money's worth, no value shall be included in the gross estate
  - If there was no consideration received on the transfer as in donation inter-vivos, the value to include in the gross estate shall be the fair market value of the property at the time of transfer**
  - If the consideration received on the transfer was less than adequate and full, the value to include in the gross estate shall be the excess of the fair market value of the property at the time of decedent's death over the consideration received
  - If there was no consideration received on the transfer as in donation mortis causa, the value to include in the gross estate shall be the fair market value of the property at the time of the decedent's death
56. For proceeds of life insurance not to constitute part of the gross estate
- Must have been taken out by the decedent upon his life
  - Must have designated the estate of the decedent as irrevocable beneficiary
  - Must have designated a third person as, the decedent's executor or administrator as the irrevocable beneficiary
  - Must have designated a third person other than the estate, the decedent's executor or administrator as irrevocable beneficiary**
57. Which of the following statement is false?
- Donations can be made to conceived and unborn children
  - The first Php 100,000 donation is exempted from donor's tax**
  - Juridical persons can also make donations
  - Husband and wife can make moderate donations to each other on account of family celebrations
58. Which of the following is subject to VAT?
- Importation of personal or household effects belonging to the residents of the Philippines returning from abroad and non-resident citizen coming to resettle in the Philippines where such goods were subjected to customs duties**
  - Importation of passenger or cargo vessel and aircrafts, including engine, equipment and spare parts thereof for domestic or international transport operation
  - Importation of fuel, goods and supplies by persons engaged in international shipping or air transport operations
  - Sale of real property not primarily held for sale to customers or held for lease in the ordinary course of business
59. Which of the following is exempt from VAT?

- a. Sale of passenger or cargo vessels and aircraft, including engine, equipment and spare parts thereof for domestic or international transport operations.
- b. Sale of professional instruments and implements wearing apparel, domestic animals and personal household effect.
- c. Sale of fuel, goods and supplies by persons engaged in international shipping or air transport operations.
- d. Importation by persons who are not VAT registered.

60. C, vat- registered person, imported machines to be used in the Philippines as follows:

Machines	Purchase Price	Purpose
1	P 100,000	Personal use
2	200,000	Business use
3	300,000	For sale

The importations were subjected to 50% excise tax based on purchase price. Machine 3 was sold for P 1,000,000 (net of vat). How much is the vat paid on importation?

- a. P 108,000
- b. P 90,000
- c. P 54,000
- d. P 36,000

61. Using the above data, the vat payable is

- a. P 12,000
- b. P 30,000
- c. P 106,000
- d. P 84,000

#### Items 62 to 74

P. Nagpala, a good looking Filipino 19 years old, single, high school graduate from a remote province, brought his 50 year old mother went to Manila in 2012 to try their luck here. He applied, and was hired, as a janitor in Mapagpala Corporation. As soon as he was hired, he enrolled in the College of Accountancy. For the year 2012, he earned and incurred the following:

Salaries, net of SSS, PhilHealth contributions, and Union dues of P 8,000, and withholding tax of P 10,000	P 162,000
13 <sup>th</sup> month pay and Christmas bonus	25,000
Tuition fee, boarding and lodging and other living expenses	60,000
Money sent to his grandparents in the province	40,000

62. P. Nagpala's income tax payable (refundable) for the taxable year 2012 is:

- a. P 4,900
- b. P 6,900
- c. P 10,500
- d. P 8,900

In 2013, P. Nagpala's good looks and his being ambitious and hardworking caught the attention of Makiri, the company president's daughter. On February 14 of that year, Makiri treated P. Nagpala to snacks. She put a tablet in his drinks which made P. Nagpala very much attracted to her. They went out often since then, and on March 31, they got married because Makiri was already one month pregnant.

For their wedding, Makiri's father gave them the following:

- a. Cash of P 500,000 and \$ 100,000, which they invested as follows:
  - a. They deposited P300,000 in a long-term trust fund
  - b. They deposited P200,000 in a current account
  - c. They deposited \$ 100,000 in a bank authorized by the BSP to operate as an FCUD
- b. P. Nagpala's promotion – P. Nagpala was promoted, from janitor to accounting department staff.
- c. Mapagpala Corporation shares of stock worth P1M.

In December, P. Nagpala and Makiri counted the blessings they received during the year:

- a. The first baby, born on November 30, 2013: A baby boy!

- b. Their receipts/expenses:

	P. Nagpala	Makiri	Couple
Compensation income, net of SSS/PhilHealth, Pag-ibig contributions of P 10,000 and withholding tax of P 18,300	P 211,700		
13 <sup>th</sup> month pay and midyear bonus	36,000		
Rice subsidy	18,000		
Medical benefit for P. Nagpala	10,000		
Uniform/Clothing allowance	5,000		
Laundry allowance	3,000		
Rental value of the house and lot within the company compound used by the couple as residence. They are required to			

reside therein so that P. Nagpala would be available to the company anytime		P 180,000
Yield from the long-term trust fund, net		38,250
Interest, current account, net		6,400
Interest, dollar account, net		103,600
Dividend income, net	225,000	
Income from practice of profession, net		P 540,000
Expenses, practice of profession		200,000

63. On account of donation by reason of marriage, the father of Makiri
- Can claim a deduction of Php 10,000 from the gifts made to P. Nagpala and Makiri
  - Can claim a deduction of Php 20,000 from the gifts made to P. Nagpala and Makiri
  - Shall file the donor's tax return within 30 days after the gift is made and the tax due thereon shall be paid at the time of filing.
  - Is not subject to donor's tax on the first Php 100,000 of his gross gifts to Makiri

64. Final taxes remitted by the couple's payors for their income totaled:
- P 44,662
  - P 19,562
  - P 35,000
  - P 31,550

65. Income tax still due from the couple for the taxable year 2013:
- P 44,662
  - P 19,562
  - P 35,000
  - P 31,550

In 2017, P. Nagpala passed the CPA Licensure Examination. He was promoted as the Accounting Manager in the company's Accounting Department. Makiri stopped working to have more time for her husband and three (3) children (three more were born from 2014 to 2017, but the youngest died at the age of 3 months in 2017 while the eldest lives with Makiri's parents).

The year was a lucky year (financially) for the couple. They were able to buy a 2-storey commercial building. A book about "Makiri's code" written by Makiri was published and became a bestseller. They were able to sell one-half of their interest in the corporation to a friend at a gain of P 300,000 (SP is Php 1.3M). At year-end, they computed their financial blessings:

a. Rental income-net of withholding tax (Expenses-Building rental business- P 200,000)	P 684,000
b. Royalty income from the book, net	450,000
c. A brand new car, purchased by the company for P. Nagpala (the car was registered in the name of P. Nagpala) -purchase cost	1,088,000
d. Other benefits given by the company to P. Nagpala	
Groceries for the family	40,800
Salary increase, P 20,000 per month	240,000
Tuition fee, shouldered by the company when P. Nagpala attended a computer crash course to learn about the software being used in the company's accounting department	30,000

For the taxable year 2017,

66. P. Nagpala may claim personal exemption (basic and additional) of:
- P 150,000
  - P 125,000
  - P 100,000
  - P 75,000

67. Makiri's taxable income is:
- P 210,000
  - P 192,000
  - P 310,000
  - P 460,000

68. The final taxes on the couple's passive income and capital gain for 2017 totaled:
- P 75,000
  - P 50,000
  - P 56,500
  - P 62,500

69. The fringe benefit tax withheld by the company pertaining to the benefits given to P. Nagpala during the year totaled:
- P 531,200
  - P 545,317
  - P 289,317
  - P 275,200

In November 2018, while the couple were talking about having another child, P. Nagpala suffered a cardiac arrest and died 3 days after, without any last will and testament. By year-end, the estate tax was paid and the estate was distributed to his legal heirs. Makiri went back to the practice of her profession and continued operating the commercial building.

70. If an income tax return is to be filed for the 2018 income of P. Nagpala, how much personal and additional exemptions maybe claimed?
- P 20,000
  - P 125,000
  - P 75,000
  - P 100,000

Later in November 2019, Mariki married P. Nansalo, the best friend of P. Nagpala. Unfortunately, the married did not last long when Mariki died in January 2, 2021, one day after giving to thie first child. Mariki left the ff.

	<u>Mariki</u>	<u>P. Nansalo</u>
a. Property owned before marriage	P 2,000,000	P 3,000,000
b. Income in property in (a)	500,000	750,000
c. Property acquired during marriage:		
1. By gratuitous title	1,900,000	2,200,000
2. By onerous title	4,000,000	2,000,000
d. Income of property in		
C-1	300,000	350,000
C-2	800,000	200,000
e. Proceeds of life insurance where the beneficiaries is:		
1. Her mother – revocable	1,200,000	
2. Her son - - irrevocable	800,000	
f. Receipt of proceeds of insurance on property owned before the marriage which were destroyed by fire on March 31, 2021		
FMV – March 31, 2021	2,200,000	2,800,000
Insurance recovery	1,800,000	2,500,000
g. The property acquired during marriage – by gratuitous title were acquired through inheritance:		
FMV (time of inheritance), 4 ½ years ago	1,800,000	
FMV (time of inheritance), 1 year ago		2,400,000

Deduction claimed by the estate:

a. Funeral expenses (40% was covered by a memorial plan)	P 250,000
b. Unpaid mortgage of property	
1. By Makiri (used as family home)	800,000
2. By P. Nansalo (used as rest house)	200,000
c. Claims against the state	100,000

71. The exclusive property of Makiri is  
a. P 4,700,000      b. P2,200,000      c. P1,900,000      d. P 3,400,000

72. The gross state of Makiri is  
a. P16,650,000      b. P 16,750,000      c. P 15,850,000      d. P 15,950,000

73. The vanishing deduction is  
a. P 321,313      b. P 317, 015      c. P 318,089      d. P 331, 891

74. The net taxable estate is  
a. P7, 407,985      b. P 7,403,687      c. P 7,393,109      d. P 7,406,911

75. Sales during the year:

Subject to:	A	B	C	D
12%	P 900,000	P 1,000,000	P 950,000	P 1,000,000
0%	1,000,000	900,000	950,000	1,000,000
Exempt	<u>4,000,000</u>	<u>2,100,000</u>	<u>3,100,000</u>	<u>1,000,000</u>
<b>Total</b>	<b>P 6,000,000</b>	<b>P 4,000,000</b>	<b>P 5,000,000</b>	<b>P 3,000,000</b>

Who is/are subject to VAT?

- a. A, B, C and D
- b. B and C
- c. **Only D**
- d. A, B and C

**SCHEDULAR INCOME TAX RATES-INDIVIDUALS:**

Not over 10,000	5%
Over P 10,000 but not over P 30,000	P 500 + 10% of the excess over P 10,000
Over P 30,000 but not over P 70,000	P 2,500 + 15% of the excess over P 30,000
Over P 70,000 but not over P 140,000	P 8,500 + 20% of the excess over P 70,000
Over P 140,000 but not over P 250,000	P 22,500 + 25% of the excess over P 140,000
Over P 250,000 but not over P 500,000	P 50,000 + 30% of the excess over P 250,000
Over P 500,000	P 125,000 + 32% of the excess over P 500,000

**THE END!!**