

OBLIGATIONS

1. The following are the requisites of an obligation, except:
 - a. Passive subject, debtor or obligor.
 - b. Active subject, creditor, or obligee.
 - c. Efficient cause.
 - d. **Demand.**

2. Obligations may arise from any of the following, except:
 - a. Contracts.
 - b. Quasi-contracts.
 - c. Law.
 - d. **Prestation.**

3. It is the voluntary administration of the property of another without his consent.
 - a. **Negotiorum gestio**
 - b. Solutio indebiti
 - c. Quasi-delict
 - d. Contract

4. It is a wrong committed without any pre-existing relations between the parties.
 - a. Natural obligations
 - b. **Quasi-delict**
 - c. Quasi-contract
 - d. Crime

5. Unless the law or the stipulations of the parties require another standard of care, every person obliged to give something is also obliged to take care of it with:
 - a. Extra-ordinary diligence.
 - b. Diligence of a father of a good family.
 - c. **Diligence of a good father of a family.**
 - d. Good diligence of a father of a family.

6. The creditor has a right that is enforceable against a definite passive subject. This right is known as:
 - a. **Personal right.**
 - b. Real right.
 - c. Natural right.
 - d. Civil right.

7. It is a thing that is particularly designated or physically segregated from all others of the same class.
 - a. Generic thing.
 - b. Indeterminate thing.

- c. **Determinate thing.**
 - d. Real thing.
8. One of the following is a determinate thing. Which is it?
- a. A cow.
 - b. A horse.
 - c. **A Toyota car with engine no. 12345, body no. 34890 and a plate no. ABC 123.**
 - d. A ring with diamond embellishment.
9. Demand must be made on the due date of the obligation in order for delay to exist in one of the following cases. Which is it?
- a. When it was stipulated by the parties that demand need not be made.
 - b. When the law provides that demand need not be made.
 - c. **When the obligation does not indicate whether demand must be made or not on due date.**
 - d. When time is of the essence of the contract.
10. This refers to delay on the part of the creditor.
- a. Mora solvendi ex re
 - b. Compensation morae
 - c. Mora solvendi ex personae
 - d. **Mora accipiendi**
11. There shall be no liability for loss due to fortuitous events in one of the following cases. Which is it?
- a. When the debtor delays.
 - b. When the parties so stipulated that there shall be liability even in case of loss due to fortuitous events.
 - c. When the nature of the obligation requires the assumptions of risks.
 - d. **When the obligation is to deliver a determinate thing and there was no stipulation as to the liability of the debtor in case of loss due to fortuitous events.**
12. The following are the remedies of the creditor to pursue his claims against the debtor, except to:
- a. Pursue the property owned and in possession of the debtor.
 - b. Exercise all the rights and bring all the actions of the debtor (accion subrogatoria)
 - c. Impugn the acts which the debtor may have done to defraud his creditors (accion pauliana).
 - d. **Compel the debtor to perform the service in obligations to do.**
13. D borrowed P50, 000.00 from C. C dies before he has collected the debt leaving S, his son, as heir. Which of the following statements is correct?
- a. **S can collect from D although D and C did not agree that the credit right will pass on to the heirs of C.**
 - b. S cannot collect because the credit right is personal to C.
 - c. S can collect only if D and C agreed that the credit right will pass on the heirs of C.

- d. S cannot collect because the law prohibits the transmission of the credit right.
14. D is obliged to give C a specific car if C passes the CPA Licensure Examination. D's obligation is an example of:
- a. A pure obligation
 - b. An obligation with a suspensive condition.**
 - c. An obligation with a resolutive condition.
 - e. An obligation with a period.
15. One of the following obligations is not immediately demandable.
- a. Pure obligation.
 - b. Obligation with a resolutive condition.
 - c. Obligation with an in diem period.
 - d. Obligation with an ex die period.**
16. One of the following is a void obligation:
- a. D is obliged to give C P5, 000.00 if C does not go to the moon.
 - b. D is obliged to give C P5, 000.00 if D goes to Baguio.**
 - c. D is obliged to give C P5, 000.00 if C goes to Baguio.
 - d. D is obliged to give C P5,000.00 if D wins first prize in the sweepstakes on a ticket that he had already purchased.
17. D is obliged to give C P10,000.00 if X dies. This is an example of:
- a. An obligation with a suspensive condition.
 - b. An obligation with a resolutive condition.
 - c. An obligation with a period.**
 - d. A pure obligation.
18. When the debtor binds himself to pay when his means permit him to do so, the obligation is:
- a. An obligation with a resolutive condition.
 - b. A pure obligation.
 - c. An obligation with a suspensive condition.
 - d. An obligation with a suspensive period.**
19. Whenever a period is designated in an obligation, the said period shall be presumed to have been established for the benefit of:
- a. The debtor.
 - b. The creditor.
 - c. Both debtor and creditor.**
 - d. Neither of the parties.
20. The debtor shall lose the right to make use of the period in the following cases, except when he:
- a. becomes insolvent

- b. Violates any undertaking in consideration of which the creditor agreed to the period.
- c. Attempts to abscond.
- d. **Does not furnish any guaranty or security to the creditor.**

21. An obligation ceases to be alternative and becomes a simple obligation in the following cases, except when:

- a. The debtor has communicated his choice to the creditor.
- b. The right of choice has been expressly granted to the creditor and his choice has been communicated to debtor.
- c. Among the several prestations that are due only one is practicable.
- d. **Three prestations are due but one of them is unlawful or impossible.**

22. D is obliged to give C a specific watch, a specific ring, or a specific bracelet. The parties agreed that C will have the right to choose the thing which will be given to him. Before C could make his choice, the watch and the ring are lost through D's fault, successively. What is the right of C?

- a. **C may choose the delivery to him of the bracelet, or the price of the watch or the price of the ring plus the damages.**
- b. C cannot choose the price of the watch or the price of the ring because the said objects have already been lost.
- c. C can only choose to have the bracelet because anyway, D can still perform his obligation.
- d. C can only choose to have delivery of the bracelet or the price of the ring which was the last item that was lost plus damages.

23. D is obliged to give C a specific ring . The parties agreed that D may give a specific bracelet as substitute.

Which of the following statements is true?

- a. **If the ring is lost through a fortuitous event before substitution, the obligation is extinguished.**
- b. If the bracelet is lost through a fortuitous event before substitution, the obligation is extinguished.
- c. If the ring is lost through a fortuitous event after substitution, the obligation is extinguished.
- d. If the ring is lost through the debtor's fault after substitution, the debtor shall pay damages.

24. A, B, C and D are obliged to give V, W, X, Y and Z, P20,000.00

- a. V may collect from A P20,000.00
- b. V may collect from A P5,000.00
- c. **V may collect from A P1,000.00**
- d. V may collect from A P4,000.00

25. A, B, C, and D, joint debtor, are obliged to give V, W, X, Y, and Z, solidary creditors, P20,000.00

- a. V may collect from B P20,000.00
- b. V may collect from B P4,000.00
- c. **V may collect from B P5,000.00**
- d. V may collect from B P1,000.00

26. A, B, C, and D solidary debtor, are obliged to give V, W, X, Y, and Z, joint creditor, P20,000.00

- a. V may collect from B P20,000.00
- b. **V may collect from B P4,000.00**
- c. V may collect from B P5,000.00
- d. V may collect from B P1,000.00

27. A, B, C and D, solidary debtors, are obliged to give V, W, X, Y and Z, solidary creditor P20,000.0

- a. **V may collect from D P20,000.00**
- b. V may collect from D P4,000.00
- c. V may collect from D P5,000.00
- d. V may collect from D P1,000.00

28. A, 25, B, 35 and C, 17, are solidary debtor of X in the amount of P9,000.00

- a. X may collect from A P9,000.00
- b. **X may collect from A P6,000.00**
- c. X may collect from A P1,000.00
- d. X may collect nothing because the obligation is voidable, C is being minor.

29. The following obligations are divisible, except an obligation:

- a. **To give definite things.**
- b. Which has for its object the execution of a certain of days of work.
- c. Which has for its object the accomplishment of work by metrical units.
- d. Which by its nature is susceptible of partial performance.

30. In obligations with a penal clause, the creditor as a rule may recover from the debtor in case of breach the following:

- a. the penalty as agreed upon, plus damages and interest.
- b. the penalty and damages.
- c. the penalty and interest.
- d. **only the penalty.**

31. Rockman and Company published an advertisement in the newspapers which reads as follows

“INVITATION TO BID: Construction of the company’s warehouse located at 123 Luzon Street, Sta. Quiteria, Quezon City”. The advertisement also included the specifications of the warehouse to be constructed. three companies submitted their bids: ABC Company, with a bid price of P4,5000,000.00. After considering the financial capability, reputation and experience of the bidders, the kind and quality of materials to be used and other factors, Rockman and Company, the lowest bidder, now questions the award made by Rockman Company to DEF Company which submitted a higher bid.

- a. The award to DEF Company is voidable because it was only the second lowest bidder.
- b. **ABC Company should be the winning bidder having submitted the lowest bid.**
- c. The award to DEF Company is valid because Rockman Company was not bound to accept the lowest bidder.
- d. The award to DEF Company is void by reason of Rockman’s violation of the terms of the invitation to bid.

32. One of the following is not incapable of giving his consent.
- Insane persons.
 - Deaf-mutes who do not know.
 - Deaf-mutes who know how to read.
 - Unemancipated minors.**
33. A contract entered into by an incapacitated person is:
- Void.
 - Voidable.
 - rescissible.
 - Unenforceable.
34. Contracts entered into in a state of drunkenness or during hypnotic spell are:
- Valid.
 - Voidable.
 - rescissible.**
 - Void.
35. A contract entered into by an insane person during a lucid interval is:
- Valid.
 - Voidable.
 - rescissible.**
 - Void.
36. Aside from fraud and undue influence, the following are the vices of consent, except:
- Violence.
 - Intimidation.**
 - Mistake.
 - Dealer's talk.
37. Mistake in three of the following will make a contract voidable. Which one will not?
- Mistake as to the substance of the thing which is the object of the contract.
 - Mistake as to the principal conditions which principally moved one or both parties to enter into the contract.**
 - Mistake as to the identity or qualifications of one of the parties, which identity or qualifications have been the principal cause of the contract.
 - Simple mistake of account.
38. D owes C the following debts: P6, 000.00 due on June 12; P6, 000.00 due on June 18; and P6, 000.00 due on June 20. All debts are unsecured except the debt due on June 20 which is secured by a pledge of D's diamond ring to C. By agreement, the benefit of the term on 4 debts was granted to C. Assuming that D has P6, 000.00 on June 18 and is ready to pay C, which of the following statements is correct?
- D may apply his payment of P6, 000.00 to any of the debts due on June 12, June 15, and June 18 since they are all due as of June 18.**
 - D may apply his payment only to the debt due on June 20 because it is the most burdensome to him.

- c. D must apply the payment proportionately to the debts due as of June 18 at P2,000.00 each.
- d. D may apply the payment to any of the four debts.

39. The offer made by the debtor to pay his obligation to his creditor is known as;

- a. Consignation.
- b. **Tender of Payment.**
- c. Application of payment.
- d. Dation of payment.

40. Consignation alone without any tender of payment is sufficient in the following cases, except:

- a. When the creditor is absent or unknown or does not appear at the place of payment.
- b. **When the creditor presents the title to the obligation for collection.**
- c. When without just cause, the creditor refuses to give a receipt.
- d. When two or more persons claim the same right to collect.

41. M owes P P10, 000.00. The obligation is evidenced by a promissory note. Subsequently, P assigned the note to A, to B, B to C, and C back to M. The obligation of M is extinguished by:

- a. Compensation.
- b. **Confusion.**
- c. Condonation.
- d. The obligation is not extinguished because there was no payment.

42. In order that condonation may extinguish an obligation involving a movable property whose value exceeds P5, 000.00-

- a. **It is sufficient that the condonation and the acceptance are in writing, even a private one.**
- b. It is required that the condonation and the acceptance be in public instrument.
- c. The delivery of the document evidencing the debt is sufficient since the property is movable.
- d. The condonation and the acceptance may be made orally.

43. One of the following is not a requisite of legal compensation. Which is it?

- a. That each one of the obligors be bound principally, and that he be at the same time a principal creditor of the other.
- b. That the two debts be due.
- c. That both debts be liquidated and demandable.
- d. **That the debts are payable at the same place.**

44. Henry, husband, and Wilma, wife, are legally separated. By order of the court which decreed the legal separation, Henry is obliged to give a monthly support of P10, 000.00 to Wilma payable within the first five days of the month. Wilma owes Henry P10, 000.00 by way of a business loan. On the other hand, Henry has not yet given Wilma's support of P10, 000.00 for this month. Both debts are already due. Which of the following statements is correct?

- a. Both debts are extinguished by legal compensation because both are already due.
- b. **Wilma will claim compensation but not Henry.**

- c. Henry may claim compensation but not Wilma.
- d. Neither one may claim compensation because the debts are not of the same kind.

45. D owes C P10, 000.00 with G as guarantor. C, on the other hand, owes D, P8, 000.00. Both debts are already due but D is insolvent. In this case-

- a. C may collect from G P10, 000.00.
- b. C may collect from G P2, 000.00 because a guarantor can set up compensation as regards what the creditor owes the principal debtor.
- c. C may collect nothing from G because D is insolvent.
- d. C may collect P8, 000.00.

46. D borrowed P50, 000.00 from C. Subsequently, D proposed to C that T would assume his (D's) debt. C accepted the proposal of D. This substitution of debtor is known as-

- a. Expromision.
- b. Delegacion.
- c. Tradition.
- d. Dacion en pago.

47. Refer to the facts in No. 46. Assume also that on due date, T could not pay because of his insolvency which was in fact subsisting but was not known to D or of public knowledge at the time that D delegated his debt. In this case-

- a. C can revive D's debts because T's insolvency already existing at the time that D delegated his debt.
- b. C can revive D's debt whether or not he (D) was aware of T's insolvency since he (D) proposed the substitution.
- c. C cannot hold D liable because his (D's) obligation was extinguished when he was substituted by T.
- d. The novation is void because D did not take steps to determine the solvency of T when he (D) delegated his debt.

48. D obliged himself to give 5 grams of "shabu" to C. Later, the parties agreed that D would instead give to C 5 sacks of rice. Which of the following statements is correct?

- a. The novation is void because the original obligation is void, Hence, C cannot demand the delivery of 5 sacks of rice from D.
- b. The novation is valid because the new obligation is valid. Hence, C can demand the delivery of sacks of rice from D.
- c. The original obligation although void is validated by the new obligation. Hence, C can demand the delivery of 5 sacks of rice from D.
- d. The new obligation is only voidable because D had not yet performed the original obligation at the time of novation. Accordingly, the new obligation is binding and C may demand the delivery of 5 sacks of rice from D until the new obligation is annulled by a proper action in court.

49. On July 1, 2015, D is obliged himself to give C P50,000.00 if C will marry X on or before December 31, 2015. The condition of the obligation is a:

- a. Positive condition.
- b. Negative condition.
- c. Joint condition.
- d. Impossible condition.

50. Refer to No. 49. Which of the following statements is incorrect?

- a. The obligation of D is demandable if C marries X on or before December 31, 2015.
 - b. The obligation of D is extinguished if it is already January 1, 2016 and C has not yet married X.
 - c. The obligation of D is extinguished on December 2, 2015 if X dies on the said date and C has not yet married X.
 - d. The obligation is demandable if C marries x on January 1, 2016.
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CONTRACT

1. A meeting of minds between two persons whereby one binds himself with respect to the other to give something or to render some service is known as:
 - a. obligation.
 - b. consent.
 - c. **contract.**
 - d. Stipulation.

2. The stages of a contract according to the order of their occurrence are:
 - a. birth, conception and consummation.
 - b. conception, consummation and birth.
 - c. **conception, birth and consummation.**
 - d. consummation, conception and birth.

3. The elements of a contract without which a contract would not exist are known as:
 - a. accidental elements.
 - b. natural elements.
 - c. special elements.
 - d. **essential elements.**

4. A consensual contract has the following essential elements:
 - a. **consent of the contracting parties, object certain and cause or consideration.**
 - b. consent of the contracting parties, object certain, cause or consideration and delivery of the object.
 - c. consent of the contracting parties, object certain, cause or consideration and formalities required by law.
 - d. Consent of the contracting parties, object certain, delivery of the object, and formalities required by law.

5. A real contract has the following essential elements:
 - a. consent of the contracting parties, object certain and cause or consideration.
 - b. **consent of the contracting parties, object certain, cause or consideration and delivery of the object.**

- c. consent of the contracting parties, object certain, cause or consideration and formalities required by law.
 - d. consent of the contracting parties, object certain, delivery of the object, and formalities required by law.
6. A solemn or formal contract has the following essential elements:
- a. consent of the contracting parties, object certain, and cause or consideration.
 - b. consent of the contracting parties, object certain, cause or consideration and delivery of the object.
 - c. **Consent of the contracting parties, object certain, cause or consideration and formalities required by law.**
 - d. consent of the contracting parties, object certain, delivery of the object, and formalities required by law.
7. Elements that accompany certain contracts unless set aside or suppressed by the parties are known as:
- a. **natural elements.**
 - b. accidental elements.
 - c. essentials elements.
 - d. original elements.
8. The warranty against hidden defects in a contract of sale is an example of:
- a. **natural element.**
 - b. accidental element.
 - c. original element.
 - d. stipulated element.
9. They refer to particular stipulations of the parties in a contract.
- a. **Accidental elements.**
 - b. Natural elements.
 - c. Inherent elements.
 - d. Essential elements.
10. One of the following is a natural element of a sales contract.
- a. Terms of payment.
 - b. Rate of interest.
 - c. Place of delivery.
 - d. **Warranty against eviction.**
11. A contract that can stand by itself is known as:
- a. accessory contract.
 - b. **principal contract.**
 - c. commutative contract.
 - d. Gratuitous contract.
12. A contract that does not have any special name under the law is known as:

- a. nominate contract.
 - b. **innominate contract.**
 - c. special contract.
 - d. nominal contract.
13. A contract where both parties are required to do or give something is known as a:
- a. **bilateral contract.**
 - b. unilateral contract.
 - c. gratuitous contract.
 - d. commutative contract.
14. A contract where the parties contemplate a real fulfilment, hence, equivalent values are given is known as:
- a. **commutative contract.**
 - b. gratuitous contract.
 - c. onerous contract.
 - d. aleatory contract.
15. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient provided they are not contrary to law, morals, good customs, public order or public policy. This is known as the principle of:
- a. **liberty of contract.**
 - b. mutuality contract.
 - c. relativity of contract.
 - d. obligatory force of contract.
16. The contract must bind both contracting parties; its validity or compliance cannot be left to the will of one of them. This is known as the principle of:
- a. **mutuality of contract.**
 - b. relativity of contract.
 - c. consensuality of contract.
 - d. freedom to contract.
17. Contracts take effect only between the contracting parties, their assigns and heirs, except in cases where the obligations and rights arising from the contract are not transmissible by their nature, or by stipulation or provision of law. This principle of contract is known as:
- a. **relativity of contract.**
 - b. mutuality of contract.
 - c. obligatory force of contract.
 - d. liberty of contract.
18. D borrowed P500,000.00 from C. D died without having paid his loan obligation to C. He left S, his son and heir, properties worth P400,000.00.
- a. S is liable to C for P500,000.00.
 - b. **S is liable to C for P400,000.00.**
 - c. S is liable to C for P100,000.00.

- d. S is not liable at all because he should not be made to shoulder the obligation of his father.
19. A contract may be enforced by or against a third person, except:
- in the case of stipulation pour autrui
 - when a third person induces another to violate his contract.
 - in case of contracts intended to defraud creditors.
 - when the benefit to the third person is merely incidental.**
20. The principle that contracts are perfected by mere consent is known as:
- consistency of contract.
 - consensuality of contract.**
 - consummation of contract.
 - mutuality of contract.
21. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith. From perfection, the parties are bound not only to the fulfilment of what has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law. This is known as the principle of:
- consummation of contract
 - consensuality of contract
 - obligatory force of contract and compliance in good faith**
 - mutuality of contract
22. One of the following is not a real contract.
- pledge
 - Commodatum
 - Deposit
 - Sale**
23. D borrowed P100,000.00 from C. The obligation is secured by a mortgage on D's land and building. C registered the mortgage with the Register of Deeds. Thereafter, D sold the land and building to X who was not personally aware of the existence of the mortgage at the time of sale since only the photocopy of the transfer certificate of title which did not yet contain the annotation of the mortgage was shown to him. It was only when he went to the Register of Deeds to register the sale of the land and building to him that he learned of the mortgage.
- C can collect from D and if D cannot pay, C can foreclose the mortgage although the land and building are now owned by X.**
 - C can collect from D, but if D cannot pay, C cannot foreclose the mortgage because X was not aware of the existence of the mortgage at the time he bought the land and building.
 - C cannot collect from D. He can only go after the mortgage which has been given as security.
 - C cannot foreclose the mortgage because X was not a party thereto.
24. It is the manifestation of the meeting of the offer and the acceptance upon the thing and the cause which are to constitute the contract.

- a. Consideration
- b. Contract
- c. **Consent**
- d. Cause

25. On June 1, 2015, S offered to sell his only car to B for P100,000.00. B accepted the offer by mailing his letter of acceptance on June 10, 2015. On June 12, 2015, B revoked his previous acceptance and mailed his letter of revocation on June 15, 2015

- a. The contract was perfected on June 14, 2015 when S received B's letter of acceptance.
- b. **The contract was not perfected because at the time the acceptance was received, the parties were no longer of one mind.**
- c. The contract was perfected on June 10, 2015 when B sent his letter of acceptance.
- d. The perfection of the contract retroacts to June 1, 2015 when the offer was made.

26. On May 1, 2015, S offered to sell a specific car to B for P500,000. B sent his letter of acceptance to S on May 8, 2015. On May 10, 2015, however, S died in a vehicular accident and his secretary received the letter of acceptance on May 12, 2015 unaware that S had already died.

- a. The contract was perfected on May 8, 2015 when B sent his letter of acceptance.
- b. The contract was perfected on May 12, 2015 when the secretary of S received the letter of acceptance.
- c. **The contract was not perfected because the offer of S became ineffective when he died.**
- d. The contract was perfected on May 1, 2015 because the acceptance made by H on May 8, 2015 retroacts to the date of the offer.

27. Three of the following instances will render an offer ineffective before acceptance is conveyed. Which one will not?

- a. Civil interdiction of either party
- b. Insolvency of either party
- c. Insanity of either party
- d. **Intoxication of either party**

28. S offers to sell his car to B for P125,000.00 cash. B accepts the offer but is willing to pay only P120,000.00.

- a. The contract was perfected at the price of P120,000.00
- b. The contract was perfected at the price of P125,000.00
- c. The contract was perfected at the price of P122,500.00, the average price of the offer and the acceptance.
- d. **The contract was not perfected because the acceptance by B was qualified and it constituted a counter-offer.**

29. P appointed A as his agent to sell P's only Honda Civic car for P400,000.00 cash. On November 7, 2015, A, pursuant to the authority granted to him by P, offered to sell the car to B at the price of P400,000.00. B accepted the offer on November 8, 2015 by sending

a letter of acceptance to A, which letter of acceptance was received by A on November 9, 2015. On November 10, 2015, A informed P and B had accepted the offer.

- a. The contract was perfected on November 8, 2015 when B sent his letter of acceptance
- b. **The contract was perfected on November 9, 2015 when A received the letter of acceptance.**
- c. The contract was perfected on November 10, 2015 when A notified P, the true owner of the car that B had accepted the offer.
- d. d. The contract was perfected on November 7, 2015 since the acceptance by B retroacts to the date of the offer.

30. On July 1, 2015, Serrano offered to sell his only Mercedes Benz car for P1,000,000.00 to Benitez, Serrano stated that he was giving Benitez up to July 31, 2015 to make up his mind whether to buy the car or not. On July 25, 2015, Serrano personally went to Benitez to inform him that he was no longer willing to sell the car unless the price was increased in buying the car for the said amount of P1,400,000.00.

- a. Benitez may compel Serrano to sell to him the car for P1,000,000.00
- b. **Serrano may validly withdraw his offer to Benitez because the option was not founded upon a consideration.**
- c. Serrano may not withdraw his offer until after the lapse of the option period that he gave to Benitez.
- d. The increased in the price made by Serrano was not valid because it was made within the option period.

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PARTNERSHIP

1. Which of the following statements is false when no one among the partners was appointed as manager?
 - a. Each partner will be considered as agent of the partnership.
 - b. Any one may make an important alteration in the immovable property of the partnership without the consent of the others provided it is useful to the partnership.
 - c. In case the act of one partner is opposed by another, the decision of the majority of the partners will prevail.
 - d. In case of a tie in the voting, the tie shall be resolved by the vote of the partner owning the controlling interest.

2. The following statements pertain either to a partner appointed as manager in the articles of partnership or through a document after the formation of the partnership.
 - I. He may be removed as manager only for a just or lawful cause by the vote of the partners owning the controlling interest.
 - II. He may be removed as manager with or without just or lawful cause by the vote of the partner owing the controlling interest.
 - III. He may perform all acts of administrators despite the opposition of his partners provided he is in good faith.
 - IV. He may perform all acts of administration in good faith but opposing partners may resort to his removal if he persists.

Based on the foregoing:

- a. I and III pertain to a partner appointed as manager in the articles of partnership.
- b. I and III pertain to a partner appointed as manager through a document after the formation of the partnership.
- c. II and III pertain to a partner appointed through a document after the formation as manager in the articles of partnership.
- d. I and IV pertain to a partner appointed as manager in the articles of partnership.

3. Campos, Urbano, Tamesis and Encanto are partners in CUTE Company each one contributing P300,000.00 except for Encanto who is an industrial partner. The partners agreed that Campos shall be exempted from liability to third persons. Three years of continued losses after the formation of the partnership resulted in unpaid partnership liabilities to third persons amounting to P500,000.00. Partnership assets have also been reduced to P200,000.00. From whom may third persons collect the partnership debts?
- From the partnership assets of P200,000.00; thereafter, from the partners for their separate assets at P100,000.00 each except Campos who was exempted from liability to third persons by agreement.
 - From the partnership assets of P200,000.00; thereafter, from the partners for their separate assets at P100,000.00 each except for Encanto since an industrial partner does not share in the losses.
 - From the partnership assets of P200,000.00; thereafter, from all the partners for their separate assets at P75,000.00 each including Campos and Encanto.
 - From the partnership assets of P200,000.00; thereafter, from Urbano and Tamesis only for their separate assets at P150,000.00 since Campos was exempted from liability by agreement, while Encanto, being an industrial partner is not liable for losses.
4. The partnership will bear the risk of the loss of three of the following things. Which is the exception?
- Things contributed to be sold.
 - Fungible things or those that cannot be kept without deteriorating.
 - Things contributed so that only their use and fruits will be for the common benefit.
 - Things brought and appraised in the inventory.
5. A partner's interest in the partnership is his share of the profits and surplus which he may assign to a third person. Which of the following statements concerning such right is correct.
- The conveyance of a partner's interest will cause the dissolution of the partnership.
 - The assignee becomes a partner.
 - The assignee has a right to interfere in the management of the partnership business.
 - The assignee has the right to receive the profits which the assigning partner would otherwise be entitled to.
6. A partner can engage in business for himself without the consent of his co - partners if he is:
- a capitalist partner whether or not the business he will engage in is of the same kind as or different from the partnership business.
 - an industrial partner whether or not the business he will engage in is of the same kind as or different from the partnership business.
 - a capitalist partner and the business he will engage in is of a kind different from the partnership business.
 - an industrial partner and the business he will engage in is of a kind different from the partnership business.
7. The following statements pertain either to a partner appointed as manager in the articles of partnership or through a document after the formation of the partnership.
- He may be removed as manager only for a just or lawful cause by the vote of the partners owning the controlling interest.
 - He may be removed as manager with or without just or lawful cause by the vote of the partner owning the controlling interest.

- VII. He may perform all acts of administrators despite the opposition of his partners provided he is in good faith.
- VIII. He may perform all acts of administration in good faith but opposing partners may resort to his removal if he persists.

Based on the foregoing:

- a. I and III pertain to a partner appointed as manager in the articles of partnership.
- b. I and III pertain to a partner appointed as manager through a document after the formation of the partnership.
- c. II and III pertain to a partner appointed through a document after the formation as manager in the articles of partnership.
- d. I and IV pertain to a partner appointed as manager in the articles of partnership.

8. Campos, Urbano, Tamesis and Encanto are partners in CUTE Company each one contributing P300,000.00 except for Encanto who is an industrial partner. The partners agreed that Campos shall be exempted from liability to third persons. Three years of continued losses after the formation of the partnership resulted in unpaid partnership liabilities to third persons amounting to P500,000.00. Partnership assets have also been reduced to P200,000.00. From whom may third persons collect the partnership debts?

- a. From the partnership assets of P200,000.00; thereafter, from the partners for their separate assets at P100,000.00 each except Campos who was exempted from liability to third persons by agreement.
- b. From the partnership assets of P200,000.00; thereafter, from the partners for their separate assets at P100,000.00 each except for Encanto since an industrial partner does not share in the losses.
- c. From the partnership assets of P200,000.00; thereafter, from all the partners for their separate assets at P75,000.00 each including Campos and Encanto.
- d. From the partnership assets of P200,000.00; thereafter, from Urbano and Tamesis only for their separate assets at P150,000.00 since Campos was exempted from liability by agreement, while Encanto, being an industrial partner is not liable for losses.

9. The partnership will bear the risk of the loss of three of the following things. Which is the exception?

- a. Things contributed to be sold.
- b. Fungible things or those that cannot be kept without deteriorating.
- c. Things contributed so that only their use and fruits will be for the common benefit.
- d. Things brought and appraised in the inventory.

11. The change in the relation of the partners caused by a ceasing to be associated in the carrying on the business known as:

- a. Termination of the partnership.
- b. Winding up of partnership affairs.
- c. Liquidation of the partnership business.
- d. Dissolution of the partnership.

12. What is the order of payment of liabilities of a dissolved general partnership using the code number representing each liability?
- I. Those owing to partners other than for capital and for profits.
 - II. Those owing to creditors other than partners' capital.
 - III. Those owing to partners in respect of profits.
 - IV. Those owing to partners in respect of capital.
- a. I, II, III, IV
 - b. II, I, IV, III**
 - c. II, I, III, IV
 - d. I, II, IV, III
13. In a limited partnership where there are 4 partners:
- a. All the partners must be limited partners.
 - b. The number of limited partners must be equal to the number of general partner, that is, 2:2.
 - c. The number of limited partners must be greater than the number of general partners, that is, 3:2.
 - d. It is enough that there is one limited partner, rest may all be general partners.**
14. A limited partner may contribute:
- a. Money and / or property.**
 - b. Money and /or services.
 - c. Property and / or services.
 - d. Services only.
15. A limited partner shall be liable as general partner in all of the following cases. Which one is the exception?
- a. When he is a general-limited partner as stated in the certificate.
 - b. When he takes part in the control of the business.
 - c. When he participates in the management of the business.
 - d. When his surname which appears in the partnership name is also the surname of a general partner.**
16. Which of the following omissions will make a partnership formed as a limited partnership liable as a general partnership?
- I. The certificate is not signed and sworn to by the partners.
 - II. The certificate is not registered with the Securities and Exchange Commission.
 - III. The partnership name does not include the word "Limited" or "Ltd.", its abbreviation, in the certificate.

- a. I and II.
- b. II and III.
- c. I and III.
- d. I, II and III.**

16. A person admitted to all the rights of a limited partner who has died or who has assigned his interest in the partnership is known as:

- a. An ostensible partner.
- b. A liquidating partner.
- c. A substituted limited partner.**
- d. A general-limited partner.

17. If the assignee does not become the partner referred to in the preceding number, his rights do not include:

- a. The receipt of the assignor's share of the profits.
- b. The receipt of the assignor's other compensation by way of income.
- c. The return of the assignor's contribution.
- d. The inspection of the partnership books or account of partnership transactions.**

18. What is the order of payment of liabilities of a dissolved limited partnership using the code number representing each liability?

- I. Those owing to general partners other than for capital or for profits.
 - II. Those owing to creditors including limited partners, except those to limited partners account of their contributions and general partners.
 - III. Those owing to limited partners by way of their share in the profits and other compensation by way of income.
 - IV. Those owing to limited partners in respect to the capital of their contributions.
 - V. Those owing to general partners in respect of capital.
 - VI. Those owing to general partners in respect of profits.
- a. I, II, III, IV, V, VI.
 - b. II, I, III, IV, V, VI.
 - c. II, I, III, IV, V, VI.
 - d. II, III, IV, I, VI, V.**

19. Which of the following will not cause the automatic dissolution of a limited partnership?

- a. Death of a general partner.
- b. Death of a limited partner.
- c. Insolvency of a general partner.
- d. Insanity of a general partner.**

20. One of the distinctions between a partnership and a corporation is that a partnership:

- a. May be formed by one person.
- b. Is created by operation of law.
- c. Acts through a board of directors.
- d. May exist for an indefinite period.**

CORPORATION

1. The articles of incorporation differ from the by-laws in that the articles of incorporation are:
 - a. the rules of action adopted by a corporation for its internal government.
 - b. adopted before or after incorporation.
 - c. a condition precedent in the acquisition by a corporation of juridical personality.
 - d. approved by the stockholders if adopted after incorporation.
2. The following may be the consideration of the shares of stock of corporation, except :
 - a. actual cash paid to the corporation.
 - b. previously incurred indebtedness of the corporation.
 - c. amounts transferred from unrestricted retained earnings.
 - d. service to be performed by a lawyer on the proposed increase in capital stock of the corporation.
3. A certificate of stock is distinguished from share of stock in that a share of stock :

- a. is the written evidence of a stockholder's interest in the assets and management of a corporation.
 - b. is tangible personal property.
 - c. is one of the unit into which the capital stock is divided.**
 - d. may not be issued if the subscription has not been fully paid.
4. The articles of incorporation of Acme Corporation provide for the issuance of 100,000 shares without par value and an issued price per share of P 10.00. At the time of incorporation, the subscription and paid-up capital should not be less than :
- a. P 250,000 and P 62,500, respectively.
 - b. P 1,000,000.00 and P 250,000.00, respectively.
 - c. P 250,000.00 and P 250,000.00, respectively.**
 - d. P 250,000.00 and P 125,000.00, respectively.
5. Their names are mentioned in the articles of incorporation as originally forming the corporation and are signatories thereof :
- a. Corporators
 - b. Stockholders
 - c. Incorporators**
 - d. Members
6. A corporation acquires juridical personality :
- a. upon filing of the articles of incorporation.
 - b. upon filing of the by-laws.
 - c. upon the issuance of certificate of incorporation.**
 - d. within 30 days from the receipt of the notice of the issuance of the certificate of incorporation .
7. A delinquent stockholder is not entitled to the following rights, except the right :
- a. to be voted.
 - b. to vote or be represented in the meetings of stockholders.
 - c. to dividends.**
 - d. He is not entitled to all the rights of a stockholder.
8. A, B, C, D, E, F and G are the duly elected directors for 2014 of Excellent Corporation whose articles of incorporation provide for 7 directors. On August 1, 2014, Directors A, B, C, D, and E met to fill two vacancies in the board brought by the valid removal of F for disloyalty to the corporation and the death of G. In the said meeting, the remaining directors voted for X to replace F, and Y, a son of G, replace his father. Both X and Y are owners of at least one share of stock of the corporation. The election of X and Y by the remaining directors is :
- a. valid for both X and Y.
 - b. not valid for both X and Y.
 - c. valid with respect to X ; not valid with respect to Y.
 - d. not valid with respect to X ; valid with respect to Y.**
9. In the meeting of the board of directors of Grand Corporation, a construction company, held on August 31, 2014, directors A, B, C, D and E were present among the 9 directors. The meeting had for its agenda the following :
- I. The appointment of a new treasurer

II. The approval of the contract for the purchase of cement worth P 50, 000.00 from X Construction Supplies.

When the voting took place, directors A, B, C and D voted for the election of Y as the new treasurer ; and directors A, B and C voted for the approval of the contract with X Construction Supplies.

- a. Both corporate acts are valid.
- b. Both corporate acts are not valid.
- c. The election of Y as the new treasurer is valid ; the approval of the contract with X Construction Supplies is not valid.
- d. The election of Y as the new treasurer is not valid ; the approval of the contract with X Construction Supplies is valid.

10. Under this theory, the nationality of a corporation is that of the under whose law it was formed.

- a. Control test.
- b. Incorporation test.
- c. Domiciliary test.
- d. Grandfather rule.

11. A corporation created in strict compliance with all the legal requirements and whose right to exist as a corporation cannot be successfully attacked in a direct proceeding for that purpose by the State is a :

- a. de jure corporation.
- b. de facto corporation.
- c. corporation by estoppel.
- d. corporation by prescription.

12. Stock dividends differ from cash dividends in that stock dividends :

- a. do not increase the legal capital.
- b. involve disbursements of corporate funds.
- c. require the approval of both the board of directors and the stockholders.
- d. once received by the stockholders, are beyond the reach of corporate creditors.

13. The subscriber of unpaid shares which are not delinquent shall be entitled to the following rights, except the right to :

- a. vote.
- b. inspect corporate books.
- c. a stock certificate.
- d. dividends.

14. These statements pertaining to the right of a stockholder to inspect books and records of a corporation are presented to you for evaluation :

I. The right maybe delegated to an agent.

II. The right may be denied if in the past, the stockholder improperly used the information which he obtained from the books and records of another corporation of which he is also a stockholder.

- a. Both statements are true.
- b. Both statements are false.
- c. Statement I is true ; Statement II is false.

- d. Statement I is false ; Statement II is true.
15. Under this doctrine, the separate personality of a corporation may be disregarded if it is used for fraudulent or illegal purpose or to escape the faithful compliance of an obligation :
- a. Trust fund doctrine
 - b. Doctrine of piercing the veil of corporate entity**
 - c. Doctrine of corporate opportunity
 - d. Doctrine of limited capacity
16. Consolidation differs from merger in that in consolidation :
- a. The surviving corporation shall enjoy all the rights, powers, and attributes of a corporation under the Corporation Code.
 - b. The existing liabilities of the constituent corporations shall be assumed by the surviving corporation.
 - c. The corporate existence of all the constituent corporations shall be extinguished and a new corporation emerges.**
 - d. The surviving corporation shall possess all the rights, priveleges, immunities, and franchises of the constituent corporations.
17. The right of a stockholder to demand payment of the fair value of his shares when he dissents from certain corporate acts is known as :
- a. pre- emptive right
 - b. appraisal right**
 - c. redemption right
 - d. appreciation right
18. These statements pertaining to the meetings of directors are presented to you for evaluation :
- I. Directors or trustee may attend or vote by proxy at board meetings.
 - II. The articles of incorporation or the by-laws of a corporation may provide for a greater majority for its quorum during the meetings of the board of directors.
- a. Both statements are true.
 - b. Both statements are false.
 - c. Statement I is true ; Statement II is false.
 - d. Statement I is false ; Statement II is true.**
19. A stock that is issued without consideration or below par value or the issued price is known as :
- a. watered stock**
 - b. delinquent stock
 - c. redeemable stock
 - d. preferred stock
20. A non-voting stock may vote in the following corporate acts, except in case of :
- a. approval of the compensation**
 - b. merger or consolidation
 - c. increase or decrease in capital stock

- d. sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of corporate property.
-

SALES

1. A contract whereby one of the contracting parties obligates himself to transfer the ownership of and to deliver a determinate thing and the other to pay therefor a price certain in money or its equivalent is a contract of:
 - a. barter
 - b. **sale**
 - c. dacion en pago
 - d. mortgage

2. The following are essential elements of a contract of sale, except:
 - a. Consent of the contracting parties.
 - b. Subject matter which should be determinate.
 - c. Price which is certain in money or its equivalent.
 - d. **Warranty against eviction and against hidden defects.**

3. The following are the characteristics of a contract of sale, except:
 - a. Principal, which means that a contract of sale can stand by itself.
 - b. **Real, which requires the delivery of the object of the contract of sale for its perfection.**
 - c. Onerous, where the rights are acquired in exchange of a valuable consideration.
 - d. Bilateral, which means that both parties are bound reciprocally to each other.

4. One of the following characteristics of dacion en pago is also a characteristics of a contract of sale. Which is it?
 - a. There is a pre-existing credit.
 - b. Obligations are extinguished.
 - c. There is less freedom in fixing the price.
 - d. **Ownership of the object is transferred to the other party.**

5. The following are characteristics of a contract of sale except for one which refers to payment by cession. Which characteristics refers to payment by cession?
 - a. There is no pre-existing credit.
 - b. The cause or consideration is the price.
 - c. There is more freedom in fixing the price.
 - d. **Assignee of the property acquires the right to sell the thing but not the ownership thereof.**

6. The following items pertain to either a contract of sale or a contract to sell.
 - I. Ownership of the thing sold is transferred upon delivery.
 - II. Ownership of the thing is transferred to the buyer at some future time.
 - III. The risk of loss is on the buyer.
 - IV. The risk of loss is on the seller.

Based on the above data, which of the following is correct?

 - a. Items I and III pertain to a contract to sell.
 - b. Items II and III pertain to a contract to sell.
 - c. Items II and IV pertain to a contract of sale.
 - d. **Items I and III pertain to a contract of sale.**

7. One of the following is not a requisite of the object of a contract of sale. Which is it?
- It must be within the commerce of men.
 - It must be licit.
 - It must be determinate or determinable.
 - Vendor must have the right to transfer the ownership of the thing at the time of sale.**
8. The following items pertain to either emptio rei speratae or emptio spei.
- The sale of a future thing.
 - The sale of hope or expectancy.
 - The sale of a present thing.
 - The thing sold must come into existence.

Based on the above information, which of the following is correct?

- Items I and II pertain to emptio rei speratae.
 - Items II and III pertain to emptio spei.**
 - Items II and III pertain to emptio rei speratae.
 - Items III and IV pertain to emptio spei.
9. Santiago sells to Bermejo 500 sacks of rice at P1,000.00 per sack from the stock then stored in the warehouse of Santiago. Unknown to the parties, the warehouse contains only 480 sacks of rice. What is the status of the contract between Santiago and Bermejo?
- The sale is void since the quantity available is less than the quantity sold.
 - The sale is valid up to 480 sacks of rice but void as to the deficiency of 20 sacks of rice.
 - The entire sale is valid up to 500 sacks of rice. Bermejo becomes the owner of the whole stock available and Santiago must deliver the deficiency of 20 sacks of rice.**
 - The sale is valid up to 480 sacks of rice but rescissible as to the deficiency of 20 sacks of rice by reason of damage suffered by Bermejo.
10. Somera sells to Buenviaje at P50 per gallon 300 gallons of gasoline stored in his truck's tank which, unknown to the parties, contains 500 gallons gasoline. What is the status of the contract of sale between Somera and Bermejo?
- The sale is void because the quantity available is more than the quantity sold.
 - The sale is valid up to 500 gallons of gasoline. Buenviaje must pay for the additional 200 gallons of gasoline.
 - The sale is valid up to 300 gallons of gasoline. Buenviaje becomes the owner of 3/5 of the whole stock, while Somera becomes the owner of 2/5 thereof.**
 - The sale is rescissible because Somera will suffer lesion of more than $\frac{1}{4}$ of the value of the whole stock.
11. San Manuel Corporation, which maintains professional basketball team, entered into a contract with Armstrong Rubber Company for the latter to provide a pair of rubber shoes to the former's two imported basketball players, Charles Jordan and Michael Barkley. Armstrong Rubber Company was instructed to make a pair for either or both players in case the company did not manufacture shoes of their size. No pair was, however, immediately available for both the players. Charles Jordan, who is 6'5 tall and wears size 12 rubber shoes, was given a pair the following day from the 300 pairs that

Armstrong was in the process of manufacturing for its customers at the time the orders were received. Michael Barkley, who is 7' tall and wears size 18 shoes, was provided three days later, with a pair that was specially made for him since Armstrong does not make shoes of his size. What kind of contracts were entered into for the shoes provided to the two basketball players?

- a. The contract for the pair of shoes provided to Charles Jordan is a contract for a piece of work, while that for Michael Barkley is a contract for sale.
- b. **The contract for the pairs of shoes provided to Charles Jordan is a contract of sale, while that for Michael Barkley is a contract for a piece of work.**
- c. Both contracts are contracts of sale.
- d. Both contracts are contracts for a piece of work.

12. S and B entered into a contract whereby S transferred to B a specific car for the price of P200,000.00 while B gave to S P90,000.00 in cash and a diamond ring worth P110,000.00. The heading of the written contract signed by the parties reads "Contract of Sale".

- a. The contract is void because the intention of the parties is void since the value of the diamond ring is more than the monetary consideration given.
- b. **The contract is a valid contract of sale as intended by the parties regardless of whether the monetary consideration is more or less than the value of the property consideration.**
- c. The contract is a valid contract of barter since the value of the property given is more than the monetary consideration. The intention of the parties is immaterial.
- d. The contract is partly a contract of barter and partly a contract of sale.

13. The price in a contract of sale is certain, except:

- a. When the parties have fixed or agreed upon a definite amount.
- b. If the price is certain with reference to another thing certain.
- c. **If the fixing of the price is left to the discretion of one of the contracting parties and the price fixed is not accepted by the other party.**
- d. If the price fixed is that which the thing sold would have on a definite day or in a particular exchange or market.

14. On January 1, S orally sold to B a specific ring for P450.00. The parties agreed that S shall deliver the ring to B on January 5, while B shall pay the price on January 7.

- a. The contract is perfected on January 5, when the ring is delivered by S to B.
- b. **The contract is perfected on January 1, when the parties had a meeting of minds on the object and the price.**
- c. The contract is perfected on January 7, when the price is paid, since both parties would by then have performed their obligations in the contract.
- d. There is no perfected contract because the sale was made orally.

15. A sum of money paid, or a thing delivered upon the making of a contract for the sale of goods, to bind the bargain, the delivery and acceptance of which makes the final assent of both parties to the contract.

- a. Option money
- b. **Earnest money**
- c. Reservation money
- d. Down payment

16. S orally offered to sell a certain diamond ring to B for P50,000.00. B accepted the offer and to prove that he was in earnest, he gave S P1,000.00. The parties agreed that the delivery of the ring and the payment of the price would be made 30 days later. On due date:
- S may collect from B P50,000.00.
 - S may collect from B P49,000.00.**
 - S cannot enforce payment because the contract was not reduced to writing.
 - S cannot enforce payment because there was no contract of sale yet.
17. On June 1, 2015, S sold to B 50 units of machines which were scheduled to arrive from Japan the following day on board the vessel "MT Nippon Maru". The sale was evidenced by an invoice identifying each machine by serial number. Each machine was priced at P10,000.00. Unknown to the parties, 30 units were damaged beyond repair by seawater on May 31, 2015. Based on the foregoing, which of the following statement is incorrect?
- B may rescind the whole contract.
 - B may demand delivery of the remaining 20 units and pay the price therefor.
 - S may require payment of the whole shipment from B since S was not aware of the damaged caused on the machines at the time of sale.**
 - S has no option to rescind the whole contract or require payment of the remaining 20 units.
18. It refers to the delivery of the thing sold from hand to hand in case of movables, or the taking of the possession with respect to immovable, in the presence and with the consent of the vendor.
- Actual or real delivery**
 - Traditio constitutum possessorium
 - Traditio longa manu
 - Traditio brevi manu
19. On May 1, 2015, S sold to B through a private instrument 20 sacks of corn stored in the only warehouse of S. On May 10, 2015, S delivered the keys to the warehouse to B. The delivery made by S to B is known as:
- Constructive delivery by legal formalities.
 - Symbolic delivery by traditio clavium.**
 - Traditio longa manu
 - Traditio brevi manu
20. Delivery of incorporeal property may be made through any of the following means, except:
- Execution of a public document.
 - Placing the titles of ownership in the possession of the vendee.
 - Use by the vendee of his rights, with the debtor's consent.
 - Execution of private instrument.**
21. One of the following statements on the transfer of ownership of the thing in "sale on trail" is incorrect. Which is it?
- Ownership of the thing is transferred to the vendee when he signifies his approval or acceptance to the vendor.
 - Ownership of the thing is transferred to the vendee when he does an act adopting the transaction.

- c. Ownership of the thing is transferred to the vendee if the time fixed for the return of the thing has expired and the vendee retains the thing without giving notice of rejection or acceptance to the vendor.
- d. **Ownership of the thing is transferred to the vendee upon delivery.**
22. On March 1, 2015, S sold and delivered to B a television set for P10,000.00 "on sale or return" giving B up to March 16, 2015 within which to return the television set or pay the price. On March 10, 2015, the television set was burned through no fault of B. Based on the foregoing, which of the following statements is incorrect?
- a. B must pay the price of the television set.
- b. **S must bear the loss since the time for the return of the television set had not yet expired.**
- c. The ownership of the television set was transferred to B upon delivery to him.
- d. B must bear the loss of the television set.
23. In one of the following cases, delivery of the goods to a carrier for the purpose of transmission to the buyer transfers ownership to the latter. Which one is it?
- a. When by the terms of the bill of lading, the goods are to be delivered to the seller or his agent.
- b. When by the terms of the bill of lading, the goods are to be delivered to the order of the buyer or his agent but the seller retains the bill of lading.
- c. When the seller draws a bill of exchange on the buyer for the price of the goods and transmits such bill of exchange and the bill of lading to the buyer to secure acceptance or payment of the bill of exchange and the buyer dishonours the bill of exchange.
- d. **When the owner does not reserve the right of possession or ownership of the thing sold upon delivery to the carrier.**
24. In a contract of sale of personal property the price of which is payable in installments, the vendor may exercise any of the following remedies, except to:
- a. Exact fulfillment of the obligations, should the vendee fail to pay any number of installments.
- b. Cancel the sale, should the vendee's failure to pay cover two or more installments.
- c. **Foreclose the chattel mortgage on the property if the vendee's failure to pay cover two or more installments and recover any deficiency after the foreclosure sale if they have stipulated it.**
- d. Foreclose the chattel mortgage on the property if the vendee's failure to pay cover two or more installments but he may no longer recover any deficiency after the foreclosure sale.
25. Baldomero bought a residential house and lot from Sta. Ana Realty for P250,000.00 giving a down payment of P10,000.00 and promising to pay the balance of P240,000.00 in 20 years in monthly installments of P1,000.00. After paying 72 installments, Baldomero defaulted in the payment of the 73rd installments and subsequent ones. Despite the grace period he had earned, he was not able to make any further payments. Accordingly, Sta. Ana Realty cancelled the sale. How much cash surrender value is Baldomero entitled to receive?
- a. **P45,100.00**
- b. P39,600.00
- c. P36,000.00
- d. P41,000.00
26. S stole a ring belonging to O. Subsequently, the ring was offered for sale at a public auction where X, who was not aware that the ring was stolen, bought it. A few weeks later, O saw the ring and recognized it as his. Based on the foregoing information, which of the following statements is correct?

- a. O may recover the ring from X without reimbursing X since O was unlawfully deprived of the ring.
 - b. O may recover the ring from X but he has to reimburse X since X acquired title to the ring.
 - c. O may no longer recover the ring even if he is willing to reimburse X.
 - d. X did not acquire title to the ring since the auctioneer had no valid title thereto.
27. Where the seller of goods has a voidable title thereto, but his title has not been avoided at the time of the sale, the buyer acquires title to the goods. Such acquisition of title has the following requisites, except the:
- a. Buyer must have bought the goods in good faith.
 - b. Buyer must have bought them for value.
 - c. Buyer bought them without notice of the seller's defect of title.
 - d. Party from whom the seller obtained the goods must ratify the sale.
28. An unpaid seller has the following rights, except:
- a. A lien on the goods or the right to retain them for the price while he is in possession of them.
 - b. In case of insolvency of the buyer, a right of stopping the goods in transitu after he has parted with the possession of them.
 - c. A right of repurchase.
 - d. A right to rescind.
29. An unpaid seller loses his lien on the goods in the following cases, except:
- a. When he delivers the goods to a carrier or other bailee for the purpose of transmission to the buyer without reserving the right of ownership in the goods.
 - b. When the buyer or his agent lawfully obtains possession of the goods.
 - c. When the seller waives his possessory lien.
 - d. When he has obtained judgement for the price of the goods.
30. Three of the following are the requisites in order that an unpaid seller may exercise his right of stoppage of transitu. Which one is not?
- a. The seller is unpaid.
 - b. The seller has not parted with the possession of goods.
 - c. The goods are in transit.
 - d. The buyer is or becomes insolvent.
-

PLEDGE, MORTGAGE AND ANTICHRESIS

1. One of the distinctions between pledge and mortgage is that pledge:
 - a. is constituted to secure the fulfillment of a principal obligation.
 - b. requires absolute ownership on the part of the persons constituting the security.
 - c. requires that the one constituting the security must have the free disposal of the thing or be legally authorized for the said purpose.
 - d. **requires the actual delivery of the thing given as security to the creditor or a third person by common agreement.**

2. In order to bind third persons, a pledge:
 - a. must be recorded with the Register of Deeds.
 - b. **must be in a public instrument showing a description of the thing pledged and the date of the pledge.**
 - c. is sufficient that it be in a private instrument showing a description of the thing pledged and the date of the pledge.
 - d. must be accompanied by an affidavit of good faith.

3. The following is required in order that a chattel mortgage will bind third persons.
 - a. **The chattel mortgage must be accompanied by an affidavit of good faith and record in the Chattel Mortgage Register.**
 - b. The Chattel Mortgage must be in a public instrument showing a description of the thing mortgaged and the date of the chattel mortgage.
 - c. it is sufficient that the chattel mortgage be in writing, public or private.
 - d. The thing mortgaged must be delivered to the creditor.

4. The following is required in order that a real mortgage will bind third persons.
 - a. the real mortgage must be accompanied by an affidavit of good faith and recorded with the Registry of Property.
 - b. The real mortgage must be in a public instrument showing a description of the thing mortgaged and the date of the real mortgage.
 - c. It is sufficient that the real mortgage be in writing, public or private.
 - d. **The real mortgage must be recorded in the Registry of Property.**

5. When is appropriation by the creditor of the thing given as security allowed in pledge, real mortgage and chattel mortgage?
 - a. When the thing given as security in real mortgage is not sold at two public auctions.
 - b. **When the thing is given as security in pledge is not sold at two public auctions.**
 - c. When the thing given as security in chattel mortgage is not sold at one public auction.
 - d. No appropriation is allowed in either pledge, real mortgage or chattel mortgage.

6. This is a stipulation in pledge or mortgage providing that the ownership of the thing given as security will pass to the pledgee or mortgagee upon the default of the debtor.
- Constitutum possessorium.
 - Pactum commissorium**
 - Legal subrogation
 - Redemption.
7. D borrowed P30,000 from C. To secure the debt, D pledged his ring, wristwatch, and necklace. Before the debt could be paid, C died leaving X,Y and Z as heirs. By agreement among the heirs who inherited the credit, the ring would secure the share of X of the credit, the wristwatch the share of Y, and the necklace the share of Z. Later, D pays X P10,000.
- D can demand the extinguishment of the pledge of the ring.
 - X may release the pledge of the ring.
 - The pledge of the ring will remain until the shares of Y and Z are paid by D.**
 - D can demand the extinguishment of the pledge of the ring, wristwatch, and necklace because there has been partial payment.
8. The following may be the object of pledge, except:
- all movable within the commerce of men which are susceptible of possession.
 - bills of lading
 - shares of stock
 - parcel of land**
9. A kind of Mortgage which lacks the formalities required by law but nevertheless shows the intention of the parties to secure a debt with real property is known as:
- conventional mortgage
 - voluntary mortgage
 - equitable mortgage**
 - legal mortgage.
10. The debtor/pledger has the following rights, except to:
- ask for the return of the thing pledged after he has paid for the debt, its interests, and with expenses in a proper case.
 - continue to be the owner of the thing pledged unless it is expropriated.
 - require the deposit of the thing with a third person if it is in danger of being impaired or lost through the negligence or willful act of the pledgee.
 - alienate the thing pledged without the consent or the pledgee.**
11. The creditor/pledgee has the following rights, except to:
- retain the thing in his possession until the debt is paid.
 - use the thing pledged even without authority if such use is necessary for its prevention.
 - demand reimbursement of the expenses made for the preservation of the thing.
 - automatically appropriate the thing pledged upon default of the debtor in the payment of his debt.**

12. On March 1, 2015, D obtained a loan of P 10,000 from C. To secure the debt which is payable on May 1, 2015, D pledged a promissory note amounting to P12,000 which was executed in his favor by M. The promissory note is due April 25, 2015 and properly endorsed by D to C.
- On April 25, 2015, C can collect the note of P12,000 from M. The entire proceeds will belong to C.
 - On April 25, 2015, C can collect the note of P12,000 from M. However, he must give P2,000 to D.**
 - C cannot collect from M. D is the one entitled to collect the note from M.
 - C cannot collect from M. He must sell the note at public auction at maturity if D cannot pay.
13. A third person who pledges his property to secure another person's debt is released from liability in the following cases, except:
- when the creditor voluntarily accepts an immovable property in payment of the debt.
 - when the creditor voluntarily accepts a movable property in payment of the debt.
 - if an extension of time is granted to the debtor by the creditor with the pledgor's consent.**
 - if through some acts of the creditor, the pledgee cannot be subrogated to the rights, mortgages and preferences of the creditor.
14. A pledge is extinguished through any of the following, except:
- sale of the thing pledged.
 - appropriation of the thing pledged after the thing is not sold at one public auction.**
 - written abandonment of the pledge.
 - return of the thing pledged.
15. D pledged his 100 shares of stock on San Miguel Corporation to C to secure his debt of P5,000. On due date, D was not able to pay the debt, so C caused the sale of the shares at public auction. The shares of stock were sold at P4,500
- To extinguish the obligation, C may recover the deficiency of P500.00 from D if there is a stipulation to that effect.
 - To extinguish the obligation, C may recover the deficiency even if there is no stipulation to that effect.
 - The obligation is extinguished even if there is a deficiency of P500.00. Accordingly, C can no Longer recover the deficiency.**
 - The obligation is extinguished only if the proceeds of sale amount to P5,000 or more.
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AGENCY

- A contract whereby one person binds himself to render some service or to do something in representation or in behalf of another, with the consent and authority of the latter.

- a. Contract for lease of services
 - b. **Contract of agency**
 - c. Contract for a piece of work
 - d. Contract to sell
2. One of the following is not a characteristic of the contract of agency.
- a. Consensual
 - b. **Accessory**
 - c. Nominate
 - d. Preparatory
3. P, 25 years old, appointed A, 17 years old, as his agent to sell certain goods for P20,000.00. Thereafter, A sold the goods to B for the said amount. P, however, learned that the price of the goods had increased to P22,000.00 so he sought to disaffirm the sale made by A to B, and brought an action to recover the goods from B on the ground that A's act was voidable, A being a minor, and hence, could not be an agent. Decide.
- a. **The sale is valid because the principal is capable.**
 - b. The sale is void, because A is a minor and therefore, cannot be an agent.
 - c. The sale is voidable, because A is a minor.
 - d. The sale is unenforceable, because A exceeded his authority.
4. Pantaleon appointed Arturo as the manager of his coconut plantation in Quezon Province. After managing the plantation for 10 years, Arturo informed Pantaleon that on account of failing health, he, Arturo, was turning over the administration of the plantation to Bartolome, an experienced coconut plantation administrator. Arturo also informed Pantaleon that he had given a general power of attorney to Bartolome and that if such authority were not sufficient, Pantaleon could send Bartolome a new power of attorney or appoint a manager of his choice. Pantaleon neither repudiated the designation of Bartolome nor appointed a new agent. Instead, he allowed Bartolome to manage the plantation and continued to receive the reports on the plantation from the latter without any protest. Was Bartolome an agent of Pantaleon?
- a. No, because Pantaleon himself, did not give a general power of attorney to Bartolome.
 - b. No, because the designation of Bartolome as manager by Arturo was without Pantaleon's authority.
 - c. **Yes, Bartolome became an agent of Pantaleon because of Pantaleon's failure to repudiate the agency.**
 - d. Yes, because Bartolome was highly qualified to administer the plantation.
5. One of the following acts may be delegated by a principal to his agent. Which is it?
- a. **Vote during the meeting of stockholders of a corporation where the principal is a stockholder.**
 - b. Attend meetings of the board of directors of a corporation where the principal is a director.
 - c. Purchase land in the Philippines of which the principal is an alien.
 - d. Represent the principal in a marriage ceremony where the principal is a party to the marriage contract.
6. One of the following acts requires a special power of attorney granted by the principal to his agent. Which is it?
- a. To make gifts to employees in the business managed by the agent.
 - b. To borrow the money which is urgently needed to preserve then property of the principal under the administration of the agent.
 - c. To make payments for purchases in the ordinary course of the business.

- d. **To lease the real property of the principal to another person for more than one year.**
7. One of the following acts requires only a general power of attorney, not a special power of attorney, for the agent. Which is it?
- To bind the principal in a contract of partnership.
 - To loan money of the principal.
 - To enter into a contract by which the ownership of an immovable is transmitted or acquired gratuitously or for a valuable consideration.
 - To make such payments as are usually considered acts of administration.**
8. Pedro, a Filipino who was on a business trip in Timbuktu, learned that Federico, also a Filipino, was interested in buying his lot located in Fairview, Quezon City. To take advantage of the opportunity, he made an overseas call to Almario, his business associate who was in Manila, to sell the lot in his (Pedro's) behalf, to Federico, for P1,000,000.00 cash. Almario thus sold the lot promptly to Federico. The contract of sale was in a public instrument which was signed by Almario in behalf of Pedro as seller, and Federico as buyer. The said contract of sale is:
- Valid, because it is in a public instrument and Almario was duly authorize to represent Pedro.
 - Void, because the authority of Almario was not in the form required by law.**
 - Unenforceable, because Pedro did not sign the contract of sale and so he had no consent thereto.
 - Rescissible, because the contract was entered into in the representation of an absentee.
9. P, the owner of a certain car, wanted to sell the car. A learned that P was selling the car. Without the authority of P, A sold the car in his (A's) name to B. What is the status of the sale of the car?
- Valid between A and B but A must be able to transfer the ownership of the car to B at the time of delivery.**
 - Unenforceable against P because he did not authorize A to sell the car.
 - Void because A was not the owner of the car at the time of sale.
 - Voidable because the sale was without the consent of P.
10. Purefine Corporation published in the Manila Bulletin that it was appointing Armando Arcos as its duly authorized agent for the sale of "Purofino" flour, one of its products. With the authority, Armando sold the "Purofino" flour to various bakeshops all over Luzon. After three years, Purefine revoked Armando's authority giving notice of revocation to Armando and publishing a notice of revocation to Armando and publishing a notice of revocation in the Philippine Star. Despite the revocation, Armando still sold 50 bags of "Purofino" flour to Barbie's Bakeshop, a single proprietorship owned by Barbie Barredo now wants to have the flour she ordered delivered to her by Purefine but Purefine seeks to set aside the sale of 50 bags of flour to Barbie's Bakeshop.
- Purefine is not obliged to deliver 50 bags of flour because Barbie Barredo is deemed to have known of the revocation of Armando's authority.**
 - Purefine is obliged to deliver 50 bags of flour to Barbie Barredo because the latter did not read the publication of the revocation of Armando's authority.
 - Purefine is obliged to deliver 50 bags of flour because the revocation was not binding upon Babie Barredo since it was published in another newspaper.
 - Purefine is not obliged to deliver 50 bags of flour because the notice of revocation to Armando is sufficient.
11. Precision Appliances Corporation, which is based in Metro Manila, sent a letter with a special power of attorney, to Alberto Aguado, an agent dealing with appliances, in the latter's office in Cebu, appointing

Alberto as the agent of Precision to sell its new appliances. The letter, which was sent through LBC Courier Services, was duly received by Alberto Aguado, who signed in the logbook of LBC. Alberto, however, did not respond to the letter. Based on the foregoing data:

- a. **An agency was created between Precision and Alberto by the implied acceptance of Alberto of the agency.**
- b. No agency was created between Precision and Alberto because Alberto did not respond to the letter.
- c. An agency was created by the ratification of Alberto when he duly received the letter with a special power of attorney.
- d. No agency was created because of the inaction of Alberto.

12. The following statements refer either to authority or instruction given by the principal to his agent.

- I. Relates to the kind of business or transaction upon which the agent is commissioned to act.
- II. Concerns the principal and the agent.
- III. Refers to the mode of action by the agent in carrying out the agency.
- IV. Third persons can require the agent to present it to them since they are chargeable with knowledge thereof.

You are to determine whether the above statements pertain to authority or instruction.

- a. I and II refer to authority.
- b. **I and IV refer to authority.**
- c. II and IV refer to instruction.
- d. III and IV refer to instruction.

13. Pamela, a professional singer based in Cebu, authorized Allona, also a professional singer, to go to Manila to look for a nightclub where Pamela could sing. When Allona arrived in Manila, she presented herself, not Pamela, as the singer, to the Twinkle Night Club which engaged her services to sing nightly for two months at the club. Based on the foregoing information, which of the following statements is correct?

- a. Pamela has a right of action against Twinkle Night Club.
- b. Twinkle Night Club has a right of action against Pamela.
- c. **The contract between Allona and Twinkle Night Club is valid contract between them, not between Pamela and Twinkle Night Club.**
- d. The contract between Allona and Twinkle Night Club is void because Pamela was not the party thereto.

14. Paramount Auto Corporation, an authorized dealer of Honda cars, appointed Armando as its agent to sell the cars of the company. The authority of Armando includes giving of a discount of P20,000.00 to customers who pay in cash. One day, Carmina, a customer, went to the company's car center and told Armando that she wanted to buy a car with a sales price of P600,000.00. However, as she only had P550,000.00, she told Armando that she would take the car if Armando agreed to discount of P50,000.00. Armando agreed and sold the car to Carmona at P550,000.00 in behalf of the corporation. What is the status of the sale made by Armando to Carmina?

- a. Voidable at the instance of Paramount because it did not give its consent to the sale at the discount of P50,000.00.
- b. **Unenforceable against Paramount, the Principal, because Armando acted beyond the scope of his authority.**
- c. Void, because the additional discount of P30,000.00 given by Armando was not authorized by Paramount.

d. Rescissible, because Paramount suffered damage of P30,000.00.

15. Perez gave Almendras a special power of attorney wherein it was written that Almendras was being authorized to sell the two cars of Perez. However, Perez and Almendras had an understanding that Almendras should sell only one of the cars. Almendras sold the two cars to Bernarte who was not aware of the instruction given by Perez to Almendras.

- a. Perez is bound by the sale of only one car in accordance with his understanding with Almendras.
- b. **Perez is bound by the sale of two cars because that is what is contained in the special power of attorney as written.**
- c. Perez is not bound at all by the sale of either one or both of the two cars because Almendras violated the instruction given by Perez.
- d. Perez will not be bound by the sale of one or both cars at his opinion.

16. Ponciano gave a power of attorney to Alfonso for the sale of his 2 cars, a Toyota and a Lancer. Their agreement included, among other provisions, the following: (1) Alfonso shall be entitled to a commission of 10% based on the actual selling price of the cars which Ponciano fixed at a minimum of P400,000.00 for the Toyota; and P500,000.00 for the Lancer; and (2) Alfonso need not to render to Ponciano any accounting of his transaction as long as Alfonso turns over the actual selling price of the cars net of the commission of 10%. Alfonso was able to sell the Toyota to Teodolfo for P410,000.00; and the Lancer for P500,000.00 to Leoncio who gave Alfonso a tip of P20,000.00. After the sale, Ponciano demanded from Alfonso an accounting of the transactions that he had made but Alfonso refused claiming that it was enough that he turned over the net selling price of P810,000.00 (900,000 less 10% of 900,000.00 as commission) to Ponciano as agreed to by the two of them. Decide.

- a. Alfonso need not render an accounting to Ponciano because that was their agreement.
- b. Alfonso must account and deliver to Ponciano only the sum of P900,000.00.
- c. Alfonso must account and deliver to Ponciano P910,000.00.
- d. **Alfonso must account and deliver to Ponciano P930,000.00.**

17. The following statements pertain to either a commission agent or a broker.

- I. He has a relation not only with his principal, and the buyers or sellers, but also with the property which is the object of the transaction.
- II. Maintains no relation with the thing he purchases or sells.
- III. The goods are placed in his possession and disposal.
- IV. He is merely an intermediary whose function is to bring the parties to the transaction.

Determine whether the above statements pertain to commission agent or broker.

- a. **I and III pertains to a commission agent.**
- b. I and IV pertains to a commission agent.
- c. II and III pertains to a broker.
- d. I and IV pertains to a broker.

18. The principal is not liable for the expenses incurred by the agent in the following, except when:

- a. **although the agent acted in contravention of the principal's instructions, the principal wishes to avail himself of the benefits derived from the contract.**
- b. it was stipulated that the agent would be allowed only a certain sum.
- c. the agent incurred them with the knowledge that an unfavorable result would ensue, if the principal was not aware thereof.

d. the expenses were due to the fault of the agent.

19. When two persons contract with regard to the same immovable thing, one of them with the agent, and the other with the principal, and the contracts are incompatible with each other, ownership shall belong to the:

- a. first purchaser in good faith.
- b. one who first completed the payment of the price in good faith.
- c. **one who first registered in good faith the transaction.**
- d. one who presents the oldest title who must be in good faith.

Answer: If the thing is an immovable – ownership shall belong to: (1) *The first registrant in good faith* (2) In the absence thereof, the first possessor in good faith. (3) In the absence of both, the one who presents the oldest title in good faith.

20. An agency is impliedly revoked in three of the following cases. Which is the exception?

- a. When a new agent is appointed for the same business or transaction.
 - b. When the principal directly manages the business entrusted to the agent, dealing directly with third persons.
 - c. When a special power of attorney is granted to another agent pertaining to a special matter involved in a general power of attorney issued to a previous agent.
 - d. **When the desire of the principal is help the agent manage the business.**
-

NEGOTIABLE INSTRUMENTS

1. An instrument which is not dated will be considered dated as the time of:

- a. acceptance.
- b. first indorsement.
- c. last indorsement.
- d. **Issuance.**

2. “I promise to pay P or his order the sum of P10,000.00 30 days after the death of X”. This is an instrument payable:

- a. **at a determinable future time.**
- b. on demand.
- c. upon the fulfillment of a condition.
- d. at an indefinite time, hence, non-negotiable.

3. Who among the following is the holder of a negotiable instrument originally payable to order?

- a. The original payee who has negotiated the instrument.
- b. **The indorsee who is in possession of the instrument.**
- c. The possessor of the instrument to whom the instrument was delivered without any indorsement.

- d. The indorsee who has negotiated the instrument.
4. An instrument payable to bearer may be negotiated through any of the following means, except by:
- special indorsement plus delivery.
 - mere delivery.
 - blank indorsement plus delivery.
 - No delivery is required as long as there is an indorsement, whether blank or special.**
5. The following instruments are presented to you for evaluation:
- "Pay to the order of Pablo Patricio P20,000.00"
 - "Pay to the order of Pablo Patricio P20,000.00 or delivery to him a computer of the same value at his option."
 - "Pay to the order of Pablo Patricio P20,000.00 or deliver to him a computer of the same value."
 - "Pay to the order of Pablo Patricio a computer worth P20,000.00"

Assuming all the other requisites of negotiability are present, which of the foregoing instruments are negotiable?

- Instruments I and II.**
 - Instruments I and III.
 - Instruments II and III.
 - Instruments III and IV.
6. The separate paper attached to an instrument on which an indorsement or acceptance of the instrument is written is called:
- allonge.**
 - memorandum.
 - enclosure.
 - attachment.
7. Assuming all the other requisites of negotiability are present, which of the following instruments is not payable to bearer?
- "Pay to the order of Cash."
 - "Pay to the order of Jose Rizal, national hero."
 - "Pay to Pedro Padernal, bearer."**
 - "Pay to Pedro Padernal or bearer."
8. Consider these two statements:
- An instrument originally payable to order may be converted into a bearer instrument.
 - An instrument originally payable to bearer may be converted into an order instrument.

In your evaluation of the foregoing statements:

- Both statements are true.
- Both statements are false.
- Statement I is true; Statement II is false.**

- d. Statement I is false; Statement II is true.
9. Which of the following is a valid address to a drawee so as to make the instrument negotiable?
- "To Walter Wenceslao or Wilfredo Wycoco."
 - "To Walter Wenceslao, or in his absence, Wilfredo Wycoco."
 - "To Walter Wenceslao and Wilfredo Wycoco."**
 - "To Walter Wenceslao and another drawee named Wilfredo."
10. M signs a promissory note payable to the order of P which is blank as to amount. M delivers the note to P with the instruction to type the amount of P20,000.00 on the blank. P, however, types the amount of P50,000.00, and negotiates the same to A, A to B, B to C, and C to H, a holder in due course. A, B, C and also H had no knowledge of the wrongful completion of the blank.
- H may collect from M nothing because P violated M's instructions.
 - H may collect from M P20,000.00 the amount M instructed P to place on the space for the amount.
 - H may collect from M P50,000.00, the amount actually placed by P.**
 - H may collect from A, B or C P20,000.00 since they had no knowledge of the wrongful completion.
11. R signs a check amounting to P50,000.00 but which is blank as to the name of payee. He keeps the check in his drawer but S, his secretary, steals it, places her name as payee on the blank, and negotiates it to A, A to B, B to C, and C to H, holder. A, B, and C have no knowledge of the theft of the check and its unauthorized completion by S. Based on the foregoing, which of the following statements is incorrect?
- H may enforce payment of the check against R if H is a holder in due course.**
 - H may enforce payment of the check against S, whether H is a holder in due course or not.
 - H may enforce payment of the check against A, B and C, whether H is a holder in due course or not.
 - H may not enforce payment of the check against R, whether H is a holder in due course or not.
12. M makes a note payable to the order of P. He delivers the note to P with the instruction that P should keep the same until M has obtained the proceeds of his loan from the bank. P, however, disregarded the instruction of M and indorsed the note to A, A to B, B to C, and C to H, holder. A, B and C have no knowledge of P's defective title. Based on the foregoing, which of the following statements is incorrect?
- H may enforce payment against M if H is a holder in due course.
 - H may not enforce payment against M if H is not a holder in due course.
 - H may not enforce payment against A, B and C, whether H is a holder in due course or not.**
 - H may enforce payment against P, whether H is a holder in due course or not.
13. One of the following can set up the defense of forgery in an instrument payable to order. Who is it?
- An indorser, if the maker's signature is forged.
 - The acceptor, if the drawer's signature is forged.
 - A person negotiating by mere delivery if a prior party's signature is forged.
 - The maker, if an indorser's signature is forged.**

14. M makes a note payable to P or bearer and delivers the note to P. P indorses the note to A. A keeps the note in his drawer but it is stolen by F who negotiates the same to B by forging A's signature, B indorses the note to C, C indorses the note to H, a holder in due course. Who among the following can set up the defense of forgery?
- M, maker.
 - P, payee.
 - A, indorser.
 - Forgery is not available as defense to any party to the instrument.
15. One of the following is not a restrictive indorsement. Which is it?
- An indorsement that prohibits the further negotiation of the instrument.
 - An indorsement that constitutes the indorser a mere assignor of the title to the instrument.
 - An indorsement that constitutes the indorsee an agent of the indorser.
 - An indorsement that vests title in the indorsee in trust for some other person.
16. M makes a note payable to the order of P in the amount of P10,000.00. P indorses the note to A as follows
"Pay to A if he passes the 2015 Bar Examination."
- M must wait for the condition to be fulfilled before he can pay A.
 - M may pay A even if the condition has not been fulfilled but A has to hold the proceeds subject to the rights of P.
 - M cannot be compelled to pay even if the condition is fulfilled because the conditional indorsement renders the instrument non-negotiable.
 - M may pay A even if the condition has not been fulfilled. The fulfillment of the condition becomes immaterial and A becomes the absolute owner of the proceeds of the note.
17. In order that a person may be held liable as an accommodation party, the following requisites must concur, except:
- He has signed the instrument as maker, drawer, acceptor or indorser.
 - He has not received any value for such making, drawing, accepting or indorsing the instrument.
 - His purpose of signing the instrument is to lend his name or credit to some other person.
 - The holder must have no knowledge that such person signed the instrument as an accommodation party.
18. An indorsement where the indorser signs only his name at the back of the instrument is a:
- special indorsement.
 - blank indorsement.
 - qualified indorsement.
 - restrictive indorsement.
19. An indorsement where the indorser waives the benefit of any law intended for his protection is known as:
- an absolute indorsement.
 - a facultative indorsement.
 - a conditional indorsement.

- d. a successive indorsement.
20. M makes a note payable to the order of P. P specially indorses the note to A, A specially indorses the note to B, B indorses the note in blank and delivers it to C, C specially indorses the note to D, D specially indorses the note to H, holder. Which of the indorsements may H strike out?
- The special indorsement of P to A.
 - The blank indorsement of B to C.
 - The special indorsement of C to D.
 - The special indorsement of D to H.
21. Which of the following is not a right of a holder in due course?
- To hold the instrument free from defect of title of prior parties.
 - To hold the instrument free from personal defenses available to prior parties among themselves.
 - To enforce payment of the instrument for the full amount thereof against all parties liable thereon.
 - To hold the instrument free from real defenses available to the prior parties among themselves.
22. Which of the following statements pertaining to indorsements is incorrect?
- The indorsement must be of the whole instrument.
 - The signature of the indoser without additional words is sufficient.
 - Indorsers are liable in the order in which they indorse.
 - If an instrument is delivered without indorsement, negotiation takes effect at the time of delivery even if the instrument is subsequently indorsed.
23. M executed a note payable, to the order of P. P indorsed the note to A, A to B (by qualified indorsement), B to C (by general indorsement), and C (by general indorsement) to H, a holder in due course. Later, it was discovered that P was a minor. None, except P, knew that he was a minor. Who, aside from P, may avail himself of the minority of P as a defense?
- M, maker.
 - A, qualified indorser.
 - B, general indorser.
 - None, only P may avail himself of his minority as a defense.
24. Which of the following does not discharge the instrument?
- Payment in due course by the accommodated party.
 - Intentional cancellation of the instrument by the holder.
 - When the principal debtor becomes the holder in his own right before maturity.
 - Payment in due course by or on behalf of the principal debtor.
25. A party secondarily liable is discharged through any of the following means, except by the:
- intentional cancellation of his signature by the holder.
 - discharge of a prior party.
 - release of the principal debtor.
 - extension of the time of payment which is assented to by such party secondarily liable.

- c. P10,000.00
 - d. Nothing, because the note is void since it reads "I promise to pay" but it was signed by three makers.
30. At a movie premier, Perfecto Palmares approached Sharon Morales, the star of the movie, and requested an autograph from her. Sharon Morales willingly obliged and signed her name at the bottom right portion of a white 8" x 11" stationery which Perfecto Palmares presented to her. Shortly after reaching home, Perfecto Palmares printed above the signature of Sharon Morales through his computer the following: "I promise to pay Perfecto Palmares or his order P50,000.00". Thereafter, Perfecto Palmares negotiated the paper to Arturo Alvarez, Arturo Alvarez to Bernardo Benitez, and Bernardo Benitez to Henry Hilado, holder. Alvarez, Benitez, and Hilado knew nothing about how the apparent note came into being.
- a. If he is a holder in due course. Henry Hilado can collect from Sharon Morales.
 - b. Whether he is a holder in due course or not, Henry Hilado cannot collect from Sharon Morales.**
 - c. Whether he is a holder in due course or not, Henry Hilado cannot collect from Arturo Alvarez.
 - d. Whether he is a holder in due course or not, Henry Hilado cannot collect from Bernardo Benitez.

Financial Rehabilitation and Insolvency Law (FRIA) of 2010

- 1. Under R.A. No. 10142, otherwise known as the Financial Rehabilitation and Insolvency Act (FRIA) of 2010, the term "debtor" includes:
 - a. Banks
 - b. Government-owned or -controlled corporations
 - c. Both (a) and (b)
 - d. Neither (a) nor (b)**
- 2. Which of the following acts is within the ambit of a Stay or Suspension Order under the Financial Rehabilitation and Insolvency Act (FRIA)?
 - a. Cases pending appeal before the Supreme Court as of commencement date of the Stay or Suspension Order
 - b. Claims against issuers of letters of credit where the property is not necessary to the rehabilitation of debtor
 - c. Both (a) and (b)
 - d. Neither (a) nor (b)**
- 3. An Out-of-Court Informal Restructuring Agreement or Rehabilitation and Insolvency Act (FRIA) requires the agreement of the debtor and approval of creditors representing at least:
 - a. 75% of secured claims, 75% of unsecured claims, and 80% of total secured and unsecured claims
 - b. 67% of secured claims, 75% of unsecured claims, and 85% of total secured and unsecured claims**
 - c. 70% of secured claims, 70% of unsecured claims, and 75% of total secured and unsecured claims
 - d. 50% of secured claims, and 50% of unsecured claims, and 75% of total secured and unsecured claims
- 4. An insolvent juridical debtor, such as partnerships and corporations, may be liquidated by way of voluntary liquidation whereby the insolvent debtor shall file a verified petition for its liquidation with the court containing:
 - a. Schedule of the debtor's debts and liabilities and inventory of all its assets**

- b. Name of one (1) nominee to the position of liquidator
 - c. Both (a) and (b)
 - d. Neither (a) nor (b)
5. In the involuntary liquidation of a debtor under the Financial Rehabilitation and Insolvency Act (FRIA), the initiating three (3) or more creditors must have claims against the debtor in the aggregate amount of:
- a. At least P500,000 or at least 50% of the subscribed capital stock or partners' contributions, whichever is lower
 - b. At least P500,000 or at least 50% of the subscribed capital stock or partners contributions, whichever is higher
 - c. At least P1,000,000 or at least 25% of the subscribed capital stock or partners' contributions, whichever is lower
 - d. At least P1,000,000 or at least 25% of the subscribed capital stock or partners' contributions, whichever is higher
6. Under the Financial Rehabilitation and Insolvency Act (FRIA), what remedy is available to an individual debtor who, possessing sufficient property to cover all his debts, foresees the impossibility of meeting them when they respectively fall due?
- a. Voluntary liquidation
 - b. Involuntary insolvency
 - c. Suspension of payments
 - d. None of the foregoing
7. To form a majority vote on any proposed agreement during the creditor's meeting in suspension of payments, it is necessary:
- a. That three-fourths (3/4) of the creditors voting unite upon the same proposition.
 - b. That the claim represented by said majority vote amount to at least four-fifths (4/5) of the total liabilities of the debtor.
 - c. Both (a) and (b)
 - d. Neither (a) nor (b)
8. What are the grounds for which an objection may be made to the decision of the majority in the creditors' meeting?
- a. Defects in the call of the meeting, in the holding thereof, and in the deliberations had thereat which prejudice the rights of the creditors.
 - b. Fraudulent connivance between one or more creditors and the individual debtor to vote in favor of the proposed agreement.
 - c. Fraudulent conveyance of claims for the purpose of obtaining a majority.
 - d. All of the foregoing.
9. X filed a petition for suspension of payments in court. During the pendency of the proceedings, a writ of execution was issued by another court in favor of C, an unsecured creditor, against X. M, a creditor-

mortgagee, also initiated the foreclosure of the mortgaged property of X. Which of the following statements relative to Suspension of Payments under the FRIA is correct?

- a. Both the execution in favor of C and the foreclosure on the mortgage in favor of M shall be suspended.
- b. Fraudulent connivance between one or more creditors and the individual debtor to vote in favor of the proposed agreement.
- c. Fraudulent conveyance of claims for the purpose of obtaining a majority.
- d. All of the foregoing.**

10. Under the Financial Rehabilitation and Insolvency Act (FRIA), which of the following petitions amounts to an act of insolvency?

- a. Voluntary liquidation**
- b. Suspension of payments
- c. Rehabilitation
- d. None of the foregoing

Intellectual Property Law (Intellectual Property Office)

1) The term "Intellectual property rights," may consists of:

- a. Layout-Designs (Topographies) of Integrated Circuits
- b. Protection of Undisclosed Information
- c. Both a and b**
- d. Neither a nor b

2) One of the following bureaus does not exist in the Intellectual Property Office:

- a. Bureau of Copyright**
- b. Bureau of Trademarks
- c. Bureau of Patents
- d. Management Information System and EDP Services Bureau

3) The Director of the Bureau of Legal Affairs decided a petition for the cancellation of a patent against X. X appealed before the Director General of the Intellectual Property Office who also decided against his petition. A motion for reconsideration was likewise denied by the same office. Under R.A No. 8293, otherwise known as the Intellectual Property Code, in relation to Rules 43 and 45 of the Rules of Court, the remedy of X is to:

- a. File an ordinary appeal before the Regional Trial Court
 - b. File a petition for review before the Court of Appeals on questions of law or of fact or both questions of law and of fact**
 - c. File an ordinary appeal before the Court of Appeals on questions of facts
 - d. File a petition for review on certiorari before the Supreme Court on questions of law
- 4) Which of the following intellectual property cases belongs to the exclusive original jurisdiction of the regular court?
- a. License dispute involving a composer's right to air his musical piece over a radio stations
 - b. Complaint for violation of trademark right with prayer for damages in the um of ₱200,000
 - c. Complaint for violation of patent right with prayer for damages in the sum of ₱350,000
 - d. None of the foregoing**
- 5) The decision or ruling of the Director General of the IPO cannot be appealed directly before the regular court if it emanates from the decision or ruling of the Director of the:
- a. Documentation, Information and technology Transfer Bureau**
 - b. Bureau of Legal Affairs
 - c. Bureau of Patents
 - d. None of the following
- 6) In determining the requisite of "non-obviousness" in an invention, the following factors, among others, are considered:
- a. Level of ordinary skill in the field of the invention
 - b. Commercial success
 - c. Both a and b**
 - d. Neither a nor b
- 7) X filed an application for patent before the Bureau of patents of the IPO. He believes his invention will not be appreciated and used at the moment by the public. However, he is very optimistic that it will help the computer technology in the near future. If you were the Patent Examiner, how would you act on X's patent application?
- a. Grant the patent to X
 - b. Deny the application for lack of novelty
 - c. Deny the application for lack of "inventive step."
 - d. Deny the application for lack of "industrial applicability."**
- 8) X is an engineer of a multi-national company. He was able to create an invention while in the employ of his employer. Which of these statements relative to the patent of X's invention is true?
- a. X owns the patent if the inventive activity is part of his regularly-assigned duties
 - b. X owns the patent if the inventive activity is not part of his regularly-assigned duties and only if he did not use the time, facilities and materials of the company
 - c. X owns the patent if the inventive activity is not part of his regularly-assigned duties and whether or not he used the time, facilities and materials of the company**

- d. X does not own the patent which legally belongs to his employer
- 9) Which of the following statements relative to the disclosure requirement in patent applications is false?
- a. The “best mode test” determines whether the inventor both knew of and concealed a better mode of carrying out the claimed invention than what was set forth in the specification
 - b. The “enabling test” determines whether the specification in the patent application supplies the novel aspects of the invention so as to enable one who is not skilled in the art to practice it
 - c. One of the two-fold purpose of the law in requiring the patentee to describe clearly and completely the invention in his application for patent is to secure him all the protection he is entitled
 - d. The other purpose of the law in full disclosure of the invention is to apprise the public of what is still open for them to appropriate
- 10) X filed her patent application before the Bureau of Patents of the IPO on July 1, 200A. Which of the following statements relative to X’s patent application is true?
- a. The application shall be published in the IPO Gazette on January 2, 200C or anytime thereafter
 - b. Assuming the application is published in the IPO Gazette on June 30, 200C, X shall file a written request for examination not later than June 30, 200D
 - c. Both a and b
 - d. Neither a nor b
-

Rules of Procedure on Corporate Rehabilitation

1. Which of the following pleadings or motions is permitted in corporate rehabilitation proceedings?

- a. Motions to dismiss
- b. Intervention
- c. Third-party complaint
- d. None of the foregoing

2. One of the following is an improper venue for filing the petition for rehabilitation:

- a. RTC which has jurisdiction over the principal office of the debtor as specified in the articles of incorporation or partnership.
- b. RTC of the city or municipality where the head office is located if the principal office is registered with SEC as Metro Manila.
- c. RTC which has jurisdiction over the principal office of any of the member companies in case of a joint petition filed by a group of companies.
- d. None of the foregoing.

3. Which of the following is uncharacteristic of rehabilitation proceedings on corporations, partnerships and associations under the Rules of Procedure on Corporate Rehabilitation?

- a. Proceedings are in rem.
- b. Jurisdiction is acquired upon commencement of the proceedings.
- c. Proceedings are non-adversarial.
- d. Proceedings are summary in nature.

4. Which of the following claims is covered by the “stay order?”

- a. Claims against letters of credit.
- b. Claims against trust receipts.
- c. Foreclosure by the creditor of property belonging to the debtor under corporate rehabilitation.

d. None of the foregoing

5. Which of the following liabilities is prohibited from being paid by the debtor during its rehabilitation?

- a. Payment to suppliers for goods or services supplied after issuance of the stay order.
- b. Payment in full of the fees of the Rehabilitation Receiver and all persons employed by him.
- c. Payment of new loans obtained for the rehabilitation of the debtor with prior court approval.
- d. Payment of secured loan where security is about to be foreclosed.

6. Which of the following circumstances will qualify a person to be appointed as a Rehabilitation Receiver?

- a. He is a creditor of the debtor.
- b. He is engaged in a business that competes with debtor.
- c. He was employed as the debtor's accountant until his resignation three (3) years prior to the filing of the petition for rehabilitation.
- d. None of the foregoing.

7. Which of the following activities of foreign corporations were held by the Court as "not doing business in the Philippines?"

- a. A foreign shipping company loaded cargoes in the Philippines once a year for two consecutive years.
- b. A foreign corporation that manufactures cars appointed a Philippine distributor who merely transmits to it orders from buyers, the former fixing the price and the down payment, receiving payment directly from buyers, and shipping the cars directly to the buyers.
- c. A foreign corporation licensed a domestic corporation to manufacture its products.
- d. A foreign corporation appointed an exclusive distributor of its products in the Philippines, registered its trade name, and sent an officer to conduct a training program four times.

8. Which of the following is a characteristic of a "stay order?"

- a. The enforcement of claims against the debtor's guarantors and persons jointly liable with the debtor is also stayed.
- b. The debtor cannot dispose his properties in the ordinary course of business.
- c. The suppliers may discontinue supplying goods or services to the debtor even if they are being paid after the issuance of the stay order.
- d. None of the foregoing.

9. The stay order may not be terminated or modified, or the creditor's claim relieved from its coverage where:

- a. Any allegation in the petition, its attachments or verification has ceased to be true.
- b. A creditor does not have adequate protection over the property securing its claim.
- c. The debtor's secured obligation is less than the fair market value of the property subject of the stay order.
- d. The property covered by the stay order is not essential or necessary to the rehabilitation and the creditor's failure to enforce its claim will cause more damage to the creditor than to the debtor.

10. One of the following is not a legal consequence of the approval of the rehabilitation plan by the court:

- a. The plan and its provisions shall be binding upon the debtor and all persons who may be affected thereby, excluding the creditors who have not participated in the proceedings, or opposed the plan, or their claims have not been scheduled.
- b. The debtor shall comply with the provisions of the plan and shall take all actions necessary to carry out the plan.
- c. Contracts and other arrangements between the debtor and its creditors shall be interpreted as continuing to apply to the extent that they do not conflict with the provisions of the plan.
- d. Any compromises on amounts or rescheduling of timing of payments by the debtor shall be binding on creditors regardless of whether or not the plan is successfully implemented.

Securities Regulation Code

- 1) The term "securities" does not include:
 - a. Shares of stock
 - b. Voting trust certificates
 - c. Lease contracts
 - d. Bonds

- 2) Which of the following statements is false?
 - a. A "broker" is a person who is engaged in the buying and selling of securities for the account of others.
 - b. A "dealer" is a person who is casually engaged in the buying and selling of securities for his own account.
 - c. An "associated person of a broker or dealer" does not include the employees of the broker or dealer whose functions are solely clerical or ministerial.
 - d. An "associated person of a broker or dealer" does not include his salesmen performing non-discretionary functions.

- 3) Which of the following statements relative to the Commissioners of the Securities and Exchange Commission (SEC) is false?
 - a. They are appointed by the President of the Philippines to serve a 7- year term each.
 - b. They must all be natural-born citizens of the Philippines.
 - c. At least three (3) of the Commissioners must be members of the Philippine Bar.
 - d. None of the foregoing.

- 4) Which of following cases falls under the jurisdiction of the SEC?
 - a. Petition for insolvency where the corporation, partnership or association has no sufficient assets to cover its liabilities.
 - b. Petition for suspension of the payments where the corporation, partnership or association having sufficient assets to cover its liabilities foresees the impossibility of meeting them as they fall due.
 - c. Intra-corporate or partnership controversies.
 - d. None of the foregoing.

- 5) One of the following securities must be registered with the SEC:
- a. Securities issued or guaranteed by the Philippine government
 - b. Certificates issued by a trustee in bankruptcy duly approved by the proper adjudicatory body
 - c. Bank's own shares of stock**
 - d. None of the foregoing
- 6) The sale of securities requires SEC registration where the qualified buyer is a:
- a. Bank
 - b. Investment company
 - c. Insurance company
 - d. None of the foregoing**
- 7) Which of the following statement is false?
- a. A "pre-need plan" includes life, pension, education, and internment plans.
 - b. All "commodity future contracts" are gambling and against public policy.**
 - c. A "tender offer" is an offer to acquire at least 15% of any class of any equity security of a listed corporation by filling a declaration to that effect with the SEC.
 - d. None of the foregoing
- 8) Which of the following persons is exempted from registration with the SEC before he engages in the business of buying and selling of securities in the Philippines?
- a. Brokers and dealers
 - b. Associated persons of the broker or dealer
 - c. Salesmen of broker or dealer
 - d. None of the foregoing**
- 9) X connived with several brokers to engage among themselves in the buying and selling of his securities in order to create false appearance of active trading with respect to his securities at the stock exchange. This transaction is what to is known as:
- a. Wash sale**
 - b. Short sale
 - c. Insider trading
 - d. None of the foregoing
- 10) An "exchange" is an organized marketplace or facility that brings together buyers and sellers and executes trades of securities and/ or commodities.
- a. It may be incorporated as a stock or non-stock entity.**
 - b. It must engaged solely in the business of operating an exchange, unless exempted under the rules and regulations adopted by the SEC.
 - c. The brokers in the board of the Exchange shall comprise of not more than 49% of such board.
 - d. None of the foregoing.

New Central Bank Act

1) Under R.A No. 7653, otherwise known as the New central Bank Act, whose appointment among the following members of the Monetary Board must be confirmed by the Commission on Appointments?

- a. Governor of Banko Sentral
- b. Member from Cabinet
- c. Members from private sector
- d. All of the foregoing must be confirmed

2) Who among the following officers from the private sector is qualified to be a member of the Monetary Board without need to resign or divest himself of his position and interest?

- a. Director of STV Banking Corporation
- b. Area Manager of TVW Pawnshop, Inc.
- c. President of WXY Building & Loan Association
- d. None of the foregoing

3) Which of the following is a feature of conservatorship?

- a. The conservator takes over the management of the bank whenever the bank fails or is unwilling to maintain its liquidity
- b. The conservatorship may exceed one year
- c. Conservatorship shall always precede receivership
- d. The conservator must be an official of the BSP

4) Under the New Central Bank Act, Which of the following cases is not a justifiable ground for placing a bank under the receivership of the Philippine Deposit Insurance Corporation (PDIC) summarily and without need for prior hearing?

- a. Inability to meet the withdrawals of depositors during a period of financial panic in the community.
- b. Insufficient realizable assets to meet its liabilities.
- c. Inability to continue without probable losses to its depositors and creditors.
- d. Willful violation of cease and desist order involving fraudulent acts.

5. Which of the following statements relative to a bank conservator and bank receiver under the New Central Bank Act is false?

- a. Both take charge of the assets and liabilities of the subject bank.
- b. Both have the power to rehabilitate or liquidate the corporate life of the subject bank.
- c. Both need not be officers/ employees of the Bangko Sentral.
- d. None of the foregoing.

6. Which of the following statements relative to the replacement of notes and coins under the New Central Bank Act is true?

- a. Notes and coins may be called in for replacement by the Bangko Sentral when they are more than ten (10) years old and five (5) years old, respectively.
- b. Notes and coins which are called in for replacement cease to be legal tender upon the date of call.

c. Notes and coins become demonetized one (1) year from the date of call.

d. Notes and coins that have been called in for replacement and have ceased to be legal tender may still be exchange at par value for a period of one (1) year or for a longer period as may be prescribed by the Monetary Board.

7. Which of the following cases constitutes payment in legal tender in accordance with the New Central Bank Act?

a. Manager's check duly signed by the bank manager and already debited against the drawer's account, with the creditor's name written as the payee thereof.

b. P200.00 payment consisting of the following: P1.00 coins totaling P80.00; and P0.25 & P0.1 coins totaling P120.

c. Notes offered for payment to a creditor on July 2, 200B, already called in for replacement by the Bangko Sentral ng Pilipinas on July 1, 200A.

d. None of the foregoing.

8. The international reserves of the Bangko Sentral may include but shall not be limited to the following assets:

a. Foreign notes and coins

b. Demand and time deposits in commercial banks abroad.

c. Both (a) and (b)

d. Neither (a) nor (b)

9. The term "deposit substitutes" under the New Central Bank Act includes:

a. Promissory notes

b. Banker's acceptances

c. Both (a) and (b)

d. Neither (a) nor (b)

General Banking Act

1. The Bangko Sentral ng Pilipinas exercises supervisory and regulatory powers over:

- a. Finance companies
- b. Pawnshops**
- c. Building and loan associations
- d. Homeowner's associations

2. Under R.A. No. 8791, otherwise known as the General Banking Act, which of the following statements relative to banks is false?

- a. Banks must be stock corporations with par value shares.
- b. Banks obtain its funds from the public, which shall mean twenty (20) or more persons.
- c. Bank directors and officers can borrow money or act as guarantors in their banks if approved in writing by the majority of all the directors and the BSP is furnished with a copy thereof.
- d. The board of directors of banks must consist of at least one (1) independent director who is not connected with such bank or its affiliates.**

3. Which of the following is not a characteristic of a bank?

- a. Its board of directors may conduct meetings through video-conferencing.
- b. The Monetary Board, after due notice, has the power to disqualify, suspend or remove any bank director or officer found unfit for his position.
- c. It can only issue par value shares of stock
- d. It must dispose its treasury shares within one (1) year from their acquisition.**

4. Which of the following may be legally done by a bank?

- a. Engage in insurance business.
- b. Enter into contracts of deposit on its safety deposit boxes.**
- c. Hire casual employees in the conduct of its business involving deposits.
- d. Enter into stipulations exempting it from liability for damages in case of error or delay in transmitting telegraphic transfer.

5. XYZ Corporation obtained a loan from ABC Bank secured by real estate mortgage on its land. XYZ Corporation defaulted payment, and so the mortgage was foreclosed and the land was sold at public auction. The redemption period of XYZ Corporation is:

- a. Within three (3) months from the date of the auction sale.
- b. Within one (1) year from the date of the auction sale

c. Until the registration of the certificate of foreclosure sale with the Register of Deeds, but in no case exceeding three (3) months.

d. Until the registration of the certificate of foreclosure sale with the Register of Deeds, but in no case exceeding one (1) year.

6. Assume the same facts in Q. 389, except that the mortgagor is X, an individual person. The redemption period of X is:

a. Within three (3) months from the date of the auction sale.

b. Within one (1) year from the date of the auction sale.

c. Until the registration of the certificate of foreclosure sale with the Register of Deeds, but in no case exceeding three (3) months.

d. Until the registration of the certificate of foreclosure sale with the Register of Deeds, but in no case exceeding one (1) year.

7. BCD Banking Corporation was able to acquire a house and lot that was mortgage to it in good faith by way of security for a loan. As a general rule, the bank is required by law to dispose the real property within a period of:

a. Six (6) months

b. One (1) year

c. Five (5) years

d. Ten (10) years

Bank Secrecy Law

1) Under R.A No. 1405, otherwise known as the Bank Secrecy Law, which of the following acts of a bank official is covered by the Bank Secrecy Law?

- a. Disclosing the amount of deposit of a judgment debtor to the court sheriff who is executing a garnishment order against him
- b. Disclosing the name of the drawer of a check to the payee
- c. Disclosing the amount of deposit of a taxpayer to a duly authorized BIR officer who is examining his income tax liability
- d. Disclosing the amount of deposit exceeding ₱500,000 in one banking day to the Anti-Money Laundering Council

2) X, a government employee, purchased Land Bank bonds with a total value of ₱1,000,000 and receives bi-annual interest income from his investment. Under the Bank Secrecy Law, X's investment may be inquired into without need of a court order by the:

- a. Public Prosecutor handling an estafa case against
- b. BIR officer auditing the value-added taxes of X
- c. Credit investigator of a lending institution where X applied for a loan
- d. None of the foregoing

3) X maintained the following deposits at CDF Bank:

- ₱600,000 – savings deposit in the name of “X and/or Y”
- 200,000 – time deposit in the name of “XYZ Partnership”
- 300,000 – current account in the name of “X”

ABC Bank was liquidated by the Banko Sentral ng Pilipinas due to financial reverses. How much can X personally recover from the Philippine Deposit Insurance Corporation (PDIC)?

- a. ₱900,000
- b. ₱600,000
- c. ₱500,000**
- d. ₱300,000

4) R.A Act No. 3765, otherwise known as the Truth in Lending Act, applies to:

- a. Pawnshops
- b. Small-loan money lenders
- c. Both a and b**
- d. Neither a nor b

5) Under R.A No. 6426, otherwise known as the Foreign Currency Deposit Act, which of the following statements relative to foreign currency deposits is false?

- a. The foreign currency deposits maintained abroad by Filipino citizens are not covered by the provisions of the Act
- b. Depository banks which have been qualified by the Monetary Board to function under the expanded foreign currency deposit system are exempt in maintaining the fifteen percent foreign currency cover for their liabilities in the form of foreign currency deposit with the Bangko Sentral
- c. Foreign currency deposits are of absolutely confidential nature, except upon the written permission of the depositor
- d. Foreign currency deposits are subject to attachment, garnishment, or any other order or process of the court**

Anti-Money Laundering Act

1) Under R.A 9160, as amended, otherwise known as the Anti-Money Laundering Act (AMLA), the Anti-Money Laundering Council's membership does not include:

- a. Secretary of Finance**
- b. Governor of the Bangko Sentral ng Pilipinas
- c. Insurance Commissioner
- d. Chairman of the Securities and Exchange Commission

2) The AMLA, penalizes both money laundering and unlawful activity, which of the following statements relative to both offenses is false?

- a. A person may be charged with and convicted of both the offense of money laundering and the unlawful activity
- b. Where a person is charged with both the offense of money laundering and the offense of unlawful activity, the proceeding relating to the former shall be given precedence than the proceeding relating to the latter**
- c. An unlawful activity includes any act or omission or series of combination thereof involving or having direct relation, among others, to kidnapping for ransom, drug trafficking, plunder, jueteng and masiao

- d. The offense of money laundering committed by public officers and private persons in conspiracy of such public officers shall be under the jurisdiction of the Sandiganbayan.

3) Under the Anti-Money Laundering Act, a “covered transaction” and a “suspicious transaction” must be reported by the “covered institutions”(those under the supervision and regulation of the Bangko Sentral ng Pilipinas, the Insurance Commissioner and the Securities and Exchange Commission) within five working days from the occurrence thereof. A “covered transaction” is a transaction in cash or other equivalent monetary instrument with a total amount of:

- a. ₱250,000 or more in one banking day
- b. ₱500,000 or more in one banking day
- c. Over ₱500,000 in one banking day**
- d. ₱1,000,000 or more in one banking day

4) The Court of Appeals, upon application ex parte by the Anti-Money Laundering Council (AMLC) and after determination that probable cause exist that any monetary instrument or property is in any way related to an unlawful activity, may issue a freeze order which shall be effective immediately. The freeze order shall be for a period of (unless extended by the Court)

- a. Ten days
- b. Twenty days**
- c. Thirty days
- d. Sixty days

5) The AMLC may inquire into or examine bank accounts only with an order of a competent court in cases involving:

- a. Kidnapping for ransom
- b. Drug trafficking
- c. Hijacking
- d. Jueteng and masiao**

6) To provide legal safeguards against any possible harassment to candidates for electoral offices, which of the following acts shall be prohibited during an election period?

- a. Provisional remedy of attachment on assets of the candidate**
- b. Barring prosecution of money laundering cases filed before the election period
- c. Both a and b
- d. Neither a nor b

---Nothing follows---