

1. Which of the following statements is incorrect?
 - a. A pledge is constituted to secure the fulfillment of a principal obligation
 - b. The invalidity of a pledge will make the principal obligation void
 - c. The pledger must be the absolute owner of the property pledged
 - d. The thing pledged may be sold at public auction when the principal obligation becomes due and no payment is made by the debtor
2. The jurisprudential bias against corporations in general begin qualified to enter into partnerships unless expressly authorized in their articles of incorporation is based on the school of thought that
 - a. The feature of unlimited liability in the partnership setting violates the doctrine of limited liability applicable in the corporate setting
 - b. The feature of delectus personae in the partnership setting violates the doctrine of free transferability of units of ownership in the corporate setting
 - c. The feature of delectus personae in the partnership setting violates the doctrine of strong juridical personality in the corporate setting
 - d. The mutual agency rule in partnership violates the principle of centralized management under Section 23 of the Corporation Code
3. A taxi driver tried to hold-up his passenger, who resisted and was killed. His heirs sued based on the following
 - a. Tort
 - b. Culpa Contractual
 - c. Culpa Aquiliana
 - d. Culpa Criminal
4. D deposited 500 bags of cement in the warehouse of W. The latter issued a negotiable warehouse receipt to D. Five months after, O came to the warehouse to claim the goods alleging that the cement deposited by D were merely stolen by the latter. At the same time D arrived in the warehouse receipt. Confronted with conflicting claims of ownership, W should
 - a. Deliver the cement to O because he is the owner
 - b. Deliver the cement to D because he is the depositor
 - c. Deliver the cement to D because he is the holder of the warehouse receipt
 - d. Compel the claimants to interplead so the court could decide who has the right to the goods
5. "Either of us promises to pay X or order P1,000. (Signed) A and B" The liability of the makers is
 - a. Joint
 - b. Solidary
 - c. Secondary
 - d. None, until the makers are furnished a notice of dishonor
6. A receipt which is stated that the goods received will be delivered to the bearer or the order of any person named in the receipt is called
 - a. Non-negotiable receipt
 - b. Negotiable receipt
 - c. Duplicate receipt
 - d. Marked receipt
7. Which of the following is a Security under the SRC?
 - a. Assignment of playing rights in Manila Golf Club
 - b. Syndicated loan agreement one borrower and several lenders
 - c. U.S. Treasury bills
 - d. Time deposits certificate issued by a bank
8. In a persecution for violation of BP 22
 - a. The failure of the defense to prove the existence and receipt by the accused of a written notice of dishonor and that he was given at least five banking days within which to settle the amount of the check constitutes sufficient ground for an acquittal
 - b. The failure of the prosecution to prove that existence and receipt by the accused of a written notice of dishonor and that he was given at least five banking days within which to settle the amount of the check constitutes sufficient ground for a conviction

- c. The failure of the prosecution to prove the existence and receipt by the accused of a written notice of dishonor and that he was given at least ten banking days within which to settle the amount of the check constitutes sufficient ground for an acquittal
 - d. The failure of the prosecution to prove the existence and receipt by the accused of a written notice of dishonor and that he was given at least five banking days within which to settle the amount of the check constitutes sufficient ground for an acquittal
9. When is an instrument payable to bearer?
- a. When it is payable to the order of the bearer
 - b. When it is payable to the holder of an office
 - c. When it is payable to the order of a specified person
 - d. When the name of the payee does not purport to be the name of any person
10. Protest is necessary if the following instance
- a. Foreign bill of exchange when dishonored either by non-acceptance or non-payment
 - b. Where an inland bill is dishonored
 - c. Where there is a dishonor by non-acceptance
 - d. Where there is dishonor by non-payment
11. This is not negotiation of a negotiable instrument
- a. Assignment
 - b. Delivery of a bearer instrument
 - c. Indorsement completed by delivery of an instrument payable to order
 - d. Delivery of an instrument to the payee
12. A check upon which the holder's signature must appear twice, one to be affixed by him at the time it is issued and the second or counter-signature, to be affixed by him before it is paid, otherwise it is incomplete, is called
- a. Certified Check
 - b. Stale Check
 - c. Traveller's Check
 - d. Answer not given
13. Assuming all the other requisites of negotiability are present, which of the following instruments is not payable to bearer?
- a. "Pay to the order of Cash"
 - b. "Pay to the order of Jose Rizal, national hero"
 - c. "Pay to Tonet Quiogue, bearer"
 - d. "Pay to Tonet Quiogue or bearer"
14. Notice of dishonor given by the maker or acceptor to a party secondarily liable will discharge the latter since
- a. The former are not entitled to give notice of dishonor
 - b. The former are only entitled to make presentment for payment
 - c. The former are not entitled to receive notice of dishonor
 - d. The former are the ones entitled to receive notice of dishonor
15. What is the liability of a drawee?
- a. None, until he accepts the order to pay
 - b. None, until he furnished a notice of dishonor
 - c. None, until the negotiable instrument is presented to him for payment
 - d. None, until the negotiable instrument is presented to him for acceptance
16. "I promise to pay to the order of the bearer P1000. (Sgd) Mel Changco" Is this a negotiable instrument?
- a. No, because it is not payable to order or bearer
 - b. Yes, because it is considered a bearer instrument
 - c. Yes, because it is considered an order instrument
 - d. No, because it is not payable to the order of a specified person or specified bearer
17. The indorsement "pay to Ultimate Bank for collection and deposit only, without recourse to me" is
- a. Blank-qualified-restrictive
 - b. Special-qualified-restrictive
 - c. Special-qualified-non-restrictive
 - d. Special-unqualified-non-restrictive
18. A drawee is given

- a. Twenty-four hours within which to accept a bill and the effectivity of an acceptance, if given does not retroact to the day presentment for acceptance was made
 - b. Twenty-four hours with which to accept a bill and the effectivity of an acceptance, if given, does not retroact to the day presentment for payment was made
 - c. Twenty-four hours with which to accept a bill and the effectivity of an acceptance, if given, retroacts to the day presentment for acceptance was made
 - d. Twenty-four hours with which to accept a bill and the effectivity of an acceptance, if given, retroacts to the day presentment for payment was made
19. Arman drew a bill of exchange, stating "I promise to pay to the order of Bob and Cathy (Sgd.) Arman." Bob and Cathy are not partners. Who should indorse the instrument?
- a. Bob, provided he was authorized by Cathy
 - b. Either Bob or Cathy, whoever is solvent
 - c. Both Bob and Cathy, because they are joint payees
 - d. Both Bob and Cathy, because they are solidary payees
20. "Pay to the order of X P1,000 (Sgd.) Z"
- | |
|------------------------------------------------------------------------------------------------------|
| To: The Dean of the College of Law of UE Recto or the Dean of the College of Accountancy of UE Recto |
|------------------------------------------------------------------------------------------------------|
- Is this a negotiable instrument?
- a. Yes, even if it is undated
 - b. No, because the drawees are named in the alternative
 - c. No, because the drawees are not named with reasonable certainty
 - d. Yes, because it substantially complies with all the requisites under Section 1 of the NIL
21. B forged A's signature as a drawer of a check drawn on Citibank. The check was purportedly payable to the order of B. B then indorsed the check to C, the holder in due course, who deposited the same to his account with BPI. The check passed through the normal with BPI. The check passed through the normal course of clearing and accordingly the drawee Citibank credited the collecting bank BPI with the amount of the check which Citibank in turn debited from A's deposit. Upon receiving his monthly statement from Citibank, together with the canceled checks debited from his deposit account, discovered the forgery. Can A compel Citibank to re-credit to his account the amount the amount of the forged check?
- a. Yes, because the check was actually cleared
 - b. No, because C is a holder in due course
 - c. Yes, because of forgery
 - d. No, because it is the responsibility of the bank to examine the check
22. A makes a promissory note payable to bearer and delivers it to B in turn B negotiates it by mere delivery to C; who indorses it specially to D. D negotiates it by special endorsement to E, who negotiates it to F by mere delivery. A did not pay
- a. D is only liable to E
 - b. B and C are not liable to F
 - c. D and E are not liable to F
 - d. A is not liable to F
23. X executed a promissory note in favor of Y containing the words "I, X, promised to deliver to Y the sum of P500 or a pair of dogs, at X's option." The note is
- a. Negotiable because it contains a promise to deliver a sum of money
 - b. Negotiable because the delivery of a sum of money or a pair of dogs is at the option of the obligor, X
 - c. Non-negotiable because the maker is given the option to deliver something in lieu of money
 - d. Non-negotiable because the oblige is not given the option to choose which should be delivered to him
24. In Philippine Corporation Law, the application of the "control test" to determine the nationality of the corporation
- a. Is made only to domestic corporations
 - b. Is made only in the case of foreign corporations
 - c. Always excludes the application of the "principal place of business test"
 - d. Always excludes the application of the "place of incorporation test"

25. In Corporation Law, the foundation of the primary doctrine of “strong juridical personality” is
- The right of succession
 - The limited liability rule
 - The doctrine of free-transferability of shares of stocks
 - The principle of centralized management
26. Shares of stock that have been issued by the corporation for consideration less than their par value would strictly and technically be called
- “Discounted stock”
 - “Premium stocks”
 - “Watered stocks”
 - “Void stocks”
27. X Shares of stock that have been issued by the corporation for consideration reflected as equal to the par or issued value of the shares, when in fact the amount actually received was less, would technically be called
- “Discounted stock”
 - “Premium stocks”
 - “Watered stocks”
 - “Void stocks”
28. Which of the following is an exception to the secrecy of bank deposits which are in Philippine Pesos, but not an exception to the secrecy of foreign currency deposits?
- Upon inquiry by the Commissioner of Internal Revenue in the event a taxpayer files an application to compromise his tax liabilities on the ground of financial incapacity
 - Upon inquiry in cases of impeachment
 - Upon Bangko Sentral ng Pilipinas (BSP) inquiry into or examination of deposits or investments with any bank, when the inquiry or examination is made in the course of the BSP’s periodic or special examination of said bank to ensure compliance with the Anti-Money Laundering Act (AMLA)
 - Upon Philippine Deposit Insurance Corporation (PDIC) and BSP inquiry into and examination of deposit accounts in case there is a finding of unsafe or unsound banking practice
29. Which of the following circumstances will render a DOSRI loan violative of the General Banking Law of 2000?
- No prior approval of the appropriate supervising and examining department (SED) of the BSP was obtained for the DOSRI loan
 - The written approval of the majority of all the members of the Board of Directors of the bank was NOT obtained in cases where the borrower is not a director but a mere officer
 - The amount of the DOSRI loan extended as a form of fringe to the borrower exceeded the value of his unencumbered deposit and book value of his paid-in capital contribution in the bank
 - The DOSRI loan was made upon terms more favorable to the bank than those offered to others
30. The pre-emptive right if not denied by the corporation generally extends to all issues of shares in proportion to a stockholder’s shareholdings. Even if not denied, the right does not extend to certain specified issuances enumerate below. Which is the exception?
- Shares to be issued in compliance with laws requiring stock offerings to the public
 - Shares to be issued in good faith with the approval of the stockholders representing 2/3 of the outstanding capital stock in exchange for property needed for corporate purposes
 - Shares to be issued to incorporators
 - Shares to be issued in payment of a previously contracted debt
31. The following are remedies available to a corporation to enforce payment of stock except
- Mandamus
 - Extra-judicial sale
 - Withholding of stock dividends
 - Deduction from cash dividends
32. A corporation extended its corporate life by amending its articles of incorporation. A stockholder does not agree to the said extension. What right is available to this stockholder?
- Right of appraisal
 - Derivative suit
 - Pre-emptive right
 - Right to dividends

33. All actions and claims against the corporations are suspended upon the appointment by the Court of the following
- Rehabilitation receiver
 - Corporate receiver
 - Corporate assignee
 - Corporate trustee
34. Under the Philippines laws, when may a corporation engage in mass media?
- If it be a domestic corporation, then it must be shown that all of its equity, whether voting or non-voting, must be owned by Filipinos
 - If it be foreign corporation, then it must be shown that all of the equity, both voting and non-voting, must be owned by Filipino citizens
 - If it be a domestic corporation, then it must be shown that at least 60% of all equity, both voting and non-voting be owned by Filipino citizens
 - If it be a domestic corporation, then it must be shown that at least 60% of the voting equity be owned by Filipino citizens
35. When the majority of the capital stock of a corporation are owned by another corporation and that a majority of the directors of said corporation are directors or officers of the owning corporation
- Would authorize the application of the doctrine of piercing of the veil of corporate fictions as to make the acting officers and directors who are common to both companies personally liable for the debt and obligations of the controlled company
 - Would authorize the application of the doctrine of piercing of the veil of corporate friction as to make the employees of the owned corporation the employees of the owning corporation
 - Would authorize the application of the doctrine of the piercing of the veil of the corporate fiction as to make the owning corporation liable for the debts and obligations of the owned corporation
 - Would authorize, in case of fraud or conflicting inter-corporate relationships, the application of the doctrine of piercing the veil of corporate fiction
36. The doctrine that being an officer of a corporation does not by itself make one personally liable for corporate debts and obligation is derived from
- The doctrine of limited liability, that one cannot be held liable for corporate debts and obligations beyond his investment or promised investment to the corporation
 - The doctrine of apparent authority, that when the corporation acting through its board of directors hold out one to have authority to bind the corporation in particular acts or types of transactions, then members of the public who deal on the basis of that representation can hold the corporation itself liable
 - The Agency Law doctrine that an agent acting within the scope of his authority and in the name of the principal does not become personally liable for the contracts he entered into in behalf of the principal
 - The doctrine of estoppel, that when the corporation acting through its board of directors knowingly accepts the benefits flowing out of a contract or transaction which it has not previously authorized the officer to enter into, bound to respect the resulting contract and transaction as valid and binding
37. In Corporation Law, the difference of the “promoter’s contract” from a contract covered by the “corporation by estoppel doctrine,” is that –
- A promoter’s contract is entered into in the name of a corporation that exists, whereas, under the corporation by estoppel doctrine, the corporation in whose name the contract is entered into does not exist
 - A promoter’s contract is one entered into with both contracting parties know and acknowledge that the corporation is yet unincorporated or in the process of incorporation; whereas, in the corporation by estoppel doctrine, the third party believes in good faith that the corporation he is dealing with exists, when in fact it does not exist
 - A promoter’s contract is entered into by a true agent who binds the corporate principal to matters pertaining to the founding and organization of the corporation; whereas, under the corporation by estoppel doctrine, the contract is entered into by representatives who have no authority at all on corporate matters
 - In a promoter’s contract the contracting corporation exists or is in the process of incorporation with the SEC, while in the case of corporation by estoppel doctrine, the corporate party does not exist and not in the process of incorporation

38. B forged A's signature as a drawer of a check drawn on Citibank. The check was purportedly payable to the order of B. B then indorsed the check to C, the holder in due course, who deposited the same to his account with BPI. The check passed through the normal with BPI. The check passed through the normal course of clearing and accordingly the drawee Citibank credited the collecting bank BPI with the amount of the check which Citibank in turn debited from A's deposit. Upon receiving his monthly statement from Citibank, together with the canceled checks debited from his deposit account, discovered the forgery.

Can A compel Citibank to re-credit to his account the amount the amount of the forged check?

- a. Yes, because the check was actually cleared
- b. No, because C is a holder in due course
- c. Yes, because of forgery
- d. No, because it is the responsibility of the bank to examine the check

39. In Corporation Law, the difference of the "promoter's contracts" from contracts covered by the "corporation by estoppel doctrine," is that –

- a. A promoter's contract is at the time of perfection void, but become valid upon proper registration and incorporation of the corporation; whereas, under the corporation by estoppel doctrine, the contract is valid and enforceable at the time of perfection
- b. In a promoter's contract the contracting corporation exist or is in the process of incorporation with the SEC, while in the case of corporation by estoppel doctrine, the corporate party does not exist and not in the process of incorporation
- c. A promoter's contract is unenforceable at the time of perfection for lack of proper authority to bind on the part of the promoter from a principal corporation; whereas, under the corporation by estoppel doctrine, the contract is void for lack of the essential elements of consent
- d. A promoter's contract is at the time of perfection valid as against the promoter and void as to the corporation, whereas, under the corporation by estoppel doctrine, the contract is considered valid and enforceable at the time it is perfected

40. The essential distinction between a corporation de jure and a corporation de facto is that

- a. A corporation de jure has a juridical personality; whereas, a corporation de facto has in fact no juridical personality
- b. The juridical personality of a de jure corporation cannot be subject to attack of any kind that would dissolve its juridical personality; whereas, a de facto corporation's juridical personality may be attacked directly through a quo warranto proceeding
- c. The juridical personality of a de jure corporation cannot be subject to a direct attack through a quo warranto proceeding; while the juridical personality of a de facto corporation is subject to collateral subject
- d. A de jure corporation's juridical personality is without legal defect; whereas, a de facto corporation personality is one with legal defect sufficient to be the subject of direct attack through quo warranto proceedings

41. The essential distinction between the contract entered into on behalf of a corporation de jure and that entered into in behalf of a corporation de facto is

- a. No difference at all
- b. The contract of a de jure corporation is valid and binding whereas, the contract of the de facto corporation is voidable for vice or defect in consent
- c. The contract of a de jure corporation is valid and enforceable; whereas, the contract of the de facto corporation is unenforceable
- d. The contract of a de jure corporation is valid and enforceable; whereas, the contract of the de facto corporation is rescissible

42. It is also known as the Data Privacy Act, protects individuals from unauthorized processing of personal information that is (1) private, not publicly available; and (2) identifiable, where the identity of the individual is apparent either through direct attribution or when put together with other available information.

- a. RA 10713
- b. RA 10173
- c. RA 11073
- d. RA 10073

43. I. Data Privacy Act applies only to any natural persons involved in the processing of personal information.

- II. Data Privacy Act is a law that seeks to protect all forms of information, be it private, personal, or sensitive. It is meant to cover both natural and juridical persons involved in the processing of personal information.
- True, True
 - True, False
 - False, False
 - False, True

44. Which of the following reasons are not TRUE?

- Bouncing Check Law purpose is to address the problem of the continued issuance and circulation of unfunded checks by irresponsible persons (specific purpose).
- Bouncing Check Law is prescribed by the state because of the injury it causes to public interests.
- It aims to put a stop to or curbing the practice of issuing checks that are worthless
- None of the Above

45. To declare the issuance of an unfunded check as malum prohibitum is

- to punish the offender in order to stop him and other from committing the offense,
- to isolate him from society
- to reform and rehabilitate him
- to maintain social order

Choose the best answer:

- No. 2 is not true
- No. 4 is not true
- 1, 2, & 3 are true
- 1, 2, 3 & 4 are all true

46. Bouncing Checks are also known as _____ except

- DAIF
- NSF
- DAUD
- Stale Check

47. Below are checks covered by BP 22 except ___

- Checks in general
- Manager's checks
- Crossed checks
- Post-dated checks

48. Cashier Check is deemed as cash

- True
- False

49. BP 22 punish not the non-payment but the mere issuance of a check that is worthless or of a check that is dishonored upon presentation for payment.

- True
- False

50. The following are defenses in BP 22 cases except ____

- Forgery
- Stop payment order with valid cause
- Prescription
- Full payment after 30 days of presentment

51. Refers to any information whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual.

- Privileged Information
- Personal Information
- Any Information

d. Sensitive Personal Information

52. Sensitive personal information, as defined in Sec. 3(l) of the Data Privacy Act, refers to personal information _____ except
- About an individual's race, ethnic origin, marital status, age, color, and religious, philosophical or political affiliations
 - Issued by government agencies peculiar to an individual which includes, but not limited to, social security numbers, previous or current health records, licenses or its denials, suspension or revocation, and tax returns
 - Information about any individual who is or was an officer or employee of a government institution that relates to the position or functions of the individual
 - About an individual's health, education, genetic or sexual life of a person
53. When the "corporation by estoppel doctrine" is properly applied in a situation, then the terms of the contract on the side of the purported corporate party shall
- Be binding on the corporate part as though it existed with a separate juridical personality
 - Be binding personally on the representative who acted for and in behalf of the purported corporation only to the extent of their investment or promised investment in the venture
 - Not be binding on the side of the purported corporation whose representatives can claim legally that no party properly exist to be bound thereby
 - Be binding personally on the representatives who acted for and in behalf of the purported corporation, to the same extent as though they are general partners
54. In Philippine Corporation Law, the "Trust Fund Doctrine" means that
- The assets of the corporation to the extent of the stockholder's equity are considered to constitute a trust for the benefit of the creditors of the corporation, which cannot be distributed or returned to the stockholders during the corporate life
 - The assets of the corporation to the extent of its capital stock are considered to constitute a trust for the benefit of the creditors of the corporation, which cannot be distributed or returned to the stockholders during the corporate life
 - The Board of Directors of every corporation shall hold all the assets in trust for the benefit of the creditors of the corporation
 - The Board of Directors of every corporation shall hold all the assets in trust for the benefit of the stockholders of the corporation
55. In Philippine Corporation Law, the application of the "Trust Fund Doctrine" would have the legal consequence that
- During the life of the corporation, it is unlawful to distribute in any form funds or assets to the stockholders
 - To provide in the articles of incorporation the redemption of shares stock
 - It becomes unlawful during the life of the corporation to return to the stockholders any portion of their original contribution to the capital stock of the corporation
 - To decrease the authorized capital stock of the corporation
56. The doctrine that "unless possessing actual knowledge thereof, the terms and provisions of the by-laws do not bind third parties who deal with the corporation" is based on the corporate principle that
- The main objective of by-laws is to provide for internal rules of the corporation
 - Unlike Articles of Incorporation, by-laws do not constitute public documents that should bind the public
 - Unlike Articles of Incorporation, by-laws do not constitute a contractual instrument that would bear obligatory force
 - By-laws do not contain provisions that are relevant to the public who deal with the corporation
57. The Credit Foundation of the Philippines is a non-stock corporation, which handles deposit of funds from its members and lends the same funds to the general public. It is composed of at least 100 natural persons, each of whom has deposited some amount of money in the Foundation. It applied with the Bangko Sentral for authority to organize itself into a bank. May the Foundation be granted the said authority?
- Yes. It is qualified as a bank because its funds are obtained from more than 20 persons
 - Yes. The Bangko Sentral has the full discretion and expertise to grant authorities to register as banking institution
 - No. Only stock corporations can be organized as a bank

- d. No. The word "Philippines" as part of the corporate name is reserved for government owner or controlled corporations
58. The Board of Directors decided to shorten the corporate term from 50 years to 23 years by amending its articles of incorporation
- Voluntary Dissolution
 - Volunteer Dissolution
 - Volunteerism Dissolution
 - Volunteered Dissolution
59. A special law creating a corporation was later declared invalid. May such corporation claim that it is a de facto corporation?
- Yes, because the invalidity of the law was not due to the fault of the corporation
 - Yes, because the corporation was created before the special law was nullified
 - No. Because it is considered as a corporation by estoppel
 - No. Because there is no valid law under which it was organized
60. P, a registered stockholder of XYZ Corp. was elected Vice-President of XYZ at a regular monthly meeting. At a subsequent meeting of the Board of Directors, it was resolved to dismiss P as Vice-President due to loss of trust and confidence. P filed with the National Labor Relations Commission a complaint for illegal dismissal with damages against XYZ Corp. claiming he has dismissed without due process. XYZ Corp. filed a motion to dismiss based on lack of jurisdiction. How will you resolve the motion?
- The motion shall be granted. It is an intracorporate controversy and under the jurisdiction of the RTC
 - The motion shall be denied. Dismissal without due process is a labor case
 - The motion shall be denied. The labor arbiter has jurisdiction over the said case
 - The motion shall be granted. SEC has jurisdiction over a corporate act of corporate officer's dismissal. It is an intracorporate controversy
61. M filed a complaint with the Securities and Exchange Commission alleging the Bonanza, Inc. has violated the provisions of the Corporation Code. The SEC seeks to inspect the books of the Corporation. Bonanza, Inc. objected to the inspection on the ground that M, the complainant is not a stockholder of the Corporation. Is the contention of Bonanza, Inc. tenable?
- No, SEC may inspect the books and may order the examination of all documents to dispose cases before it
 - Yes, a non-stockholder has no right to inspect the books of the Corporation
 - No, the RTC has jurisdiction over intracorporate cases
 - Yes, a non-stockholder may inspect the books once it has filed a case with the RTC or SEC
62. The following signature operates as notice that the agent has but a limited authority to sign. The principal is bound only in case the agent so signing acted within the scope of his authority
- By procuracy
 - By accommodation
 - By an S.P.A.
 - By representation
63. Presentment for payment may be waived expressly or impliedly; and in such a case, if there is no presentment
- Parties secondarily liable will be discharged
 - Parties primarily liable will not be discharged
 - Parties primarily liable will not be discharged
 - Parties secondarily liable will not be discharged
64. Which of the following is not a security?
- Landbank bonds
 - Certificate of interest in a business enterprise
 - Promissory note issued by a borrower in a loan
 - Shares in a condominium corporation
65. Which of the following statements is true regarding suspension of payments?
- Suspension of Payment under the FRIA Law is applicable to both individual and corporate debtor
 - Unlike suspension of payments under the insolvency Law, suspension of payments under FRIA Law is applicable only to individual debtor

- c. Suspension of Payments is no longer available under the new FRIA Law as this law allows individual debtor to file for Rehabilitation proceedings just like corporate debtors
 - d. Suspension of payments under the Insolvency Law necessitates that the debtor's asset be more than his liability but foresees the impossibility of meeting his debt when due but under FRIA Law, suspension of payment may still be availed even if the assets is less than his liability
66. Under the Code of Commerce, contracts negotiated through correspondences shall be deemed perfected upon which of the following event?
- a. From the moment the acceptance made by a letter is received by the offeror
 - b. From the moment the acceptance through letter is made
 - c. From the time the offer is made by the offeror
 - d. From the moment the offeror learned of the acceptance of the offeree
67. When the articles of incorporation provide for non-voting shares, the holders of such shares shall nevertheless be entitled to vote on the following matters, except
- a. Dissolution of the corporation
 - b. Sale, lease, exchange, mortgage, pledge or other disposition of all or substantially all of corporate property. Amendment of the articles of incorporation
 - c. Amendment of the articles of incorporation
 - d. Incurring, creating, increasing or assignment of bonded indebtedness
68. The debt of a stockholder is not a debt of the corporation of which he is a stockholder, and conversely, the debt of the corporation is not a debt of any of its stockholders is based on the
- a. Separate and distinct personality principle
 - b. Trust fund doctrine
 - c. Doctrine of piercing the veil of corporate fiction
 - d. Limited liability principle
69. Which of the following acts requires the approval by a least of majority vote of the Board of Directors and the vote of stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of a corporation?
- a. Declarations of property dividends
 - b. Investing corporate funds in a business listed under the secondary purposes in the corporation's Articles of Incorporation
 - c. Decreasing bonded indebtedness
 - d. Adoption, but not amendment, of by-laws
70. In Corporation Law, the foundation of the primary of "strong juridical personality" is
- a. The right of succession
 - b. The limited liability rule
 - c. The doctrine of free-transferability of shares
 - d. The principle of centralized management
71. Shares of stock that have been issued by the corporation for consideration less their par value would strictly and technically be called
- a. "Discounted stock"
 - b. "Premium stocks"
 - c. "Watered stocks"
 - d. "Void stocks"
72. Which of the following best describes a corporation organized under the laws of the State of New York but owned 100% by Filipino Citizens?
- a. A New York corporation
 - b. A Filipino-owned corporation
 - c. A Filipino-owned foreign corporation
 - d. A Filipino-owned New York Corporation
73. Which of the following reflects a correct legal precept?
- a. Private corporations under the Corporation Code are created by law
 - b. A private corporation may always be held civilly liable for negligent acts committed by its employees

- c. The corporate obligations are, as a rule, not the obligations of the corporate officers as long as the absence of liability of the latter is reflected in the corporate by-law
 - d. Private corporation under the Corporation Code may either be de facto or de jure
74. Which of the following is in conformity with both law and jurisprudence?
- a. The separate personality of a corporation may be disregarded when an incorporator dominates and controls the outstanding capital stock
 - b. Shareholders cannot maintain a suit in their own names to recover corporate property
 - c. A corporation does not fall within the constitutional protection against unreasonable searches and seizures
 - d. A corporation has a right against self-incrimination
75. Which of the following acts could be ratified by a vote representing at least 2/3 of the outstanding capital stock?
- a. Acts of directors or trustees who are guilty of gross negligence or bad faith in directing the affairs of the corporation
 - b. An attempt by a director to acquire or actual acquisition of any interest adverse to that of the corporation in respect of any matter reposed upon him in confidence
 - c. Acts of directors constituting an approval of patently unlawful acts
 - d. Acquisition of a business opportunity which should belong to the corporation, thereby acquiring profits which should belong to the corporation
76. Which of the following is correct?
- a. Dividends may be deemed out of a reappraisal surplus or revaluation increment because they constitute profits
 - b. Dividends are profits but not all profits are dividends
 - c. All dividends are taxable as income of the stockholder
 - d. The declaration of any kind of dividend requires the assent of at least 2/3 of the outstanding capital stock
77. An Article of Incorporation is a contract between the following, except
- a. Securities and exchange commission and corporation
 - b. State and corporation
 - c. Corporations and Share Holder
 - d. State and Share Holders
78. A corporation by prescription is a
- a. Corporation sole
 - b. De facto corporation
 - c. Eleemosynary corporation
 - d. Corporation by estoppel
79. A prohibition in articles of incorporation and by-laws that none of the stockholders shall engage in similar competing or antagonistic business or activity to what the corporation is primarily engaged in
- a. is a valid reasonable exercise of corporate authority
 - b. is not a reasonable exercise of corporate powers
 - c. is in consonance with the business judgement rule
 - d. is in violation of fair competition in an industry
80. which of the following acts does not require an amendment to the Articles of Incorporation of a corporation?
- a. Change of corporate name
 - b. Change of principal place of business
 - c. Change in outstanding capital stock
 - d. Change in capital term
81. Which of the following statement is true of a corporation's by-laws?
- a. A corporation's by-laws, being an intramural document, only binds corporate insiders
 - b. A corporation's by-laws, being intramural document binding on corporate insiders, cannot be dispensed with and any act done by corporate insiders in violation thereof is null and void
 - c. A corporation's by-laws, being an intramural document, binds only corporate insiders and such third parties with actual knowledge of its contents
 - d. A corporation's by-laws, being a public document on record with SEC, binds all parties
82. Which of the following statements is true in applying the doctrine of piercing the veil of corporation fiction?

- a. Corporate insiders (stockholders, directors, officers) can invoke the doctrine of piercing the veil of corporate fiction to pierce the veil of the corporation where they are insiders
 - b. Even a single circumstance can be the basis for piercing the veil of corporate fiction in the case purely alter-ego piercing
 - c. The doctrine of piercing the veil of fiction is not applied, the officers of the corporation cannot be held personally liable for their acts as such officers
83. Which of the following statements is true in applying the doctrine of apparent authority?
- a. Corporate insiders (stockholders, directors, officers) can invoke the doctrine of apparent authority to bind the corporation where they are insiders to acts committed holds out as having apparent authority
 - b. Even a single prior act of corporate officer which the corporation holds out as having apparent authority can be the basis for invoking the doctrine of apparent authority to bind the corporation to a subsequent act performed by such corporate officer
 - c. Once a corporation holds out a corporation as having apparent authority, the corporation is already bound by the acts of such corporate officer, and can no longer repudiate the latter's authority
 - d. Once the doctrine of apparent authority is applied, it is corporation that holds out a corporate officer as having apparent authority, and not such corporate officer, which is solely liable to the third party with whom the corporate officer contracted
84. Which of the following statements is true in applying the trust fund doctrine?
- a. The trust fund doctrine only applies if a corporation has corporate creditors; otherwise, it has no application whatsoever
 - b. The trust fund doctrine only reserves an amount corresponding to the outstanding capital stock of a corporation
 - c. The trust fund doctrine applies whether or not a corporation is insolvent
 - d. The trust fund doctrine does not apply if a corporation is not yet incorporated or is already dissolved
85. Which of the following statements is true³ in applying the corporation by estoppel doctrine?
- a. Corporate insiders (would be stockholders, directors, officers) cannot invoke the corporations by estoppel doctrine with respect to dealings they have with the ostensible corporation
 - b. Notwithstanding that a corporation is eventually incorporated, the acts performed by the incorporators while the application for incorporation is pending will be governed by the corporation by estoppel doctrine
 - c. All persons, who are associates with the ostensible corporation shall be liable as general partners under the corporation by estoppel
 - d. Only persons who actively represent themselves and act as a corporation knowing it to be without authority to do so shall be liable as general partners under the corporations by estoppel doctrine
86. Which of the following statements is true in applying the ultra vires doctrine?
- a. All kinds of ultra vires acts may be ratified by the vote of stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of corporation
 - b. All kinds of ultra vires acts may be the basis for imposing personal liability on the directors or officers responsible thereof
 - c. All ultra vires acts which are not within the primary purpose of the corporation may be ratified
 - d. All ultra vires acts which are outside of the scope of actual authority given to a corporate officer, once ratified, frees such corporate officer from any personal liability thereon
87. A corporate entity per se
- a. Has no direct relationship with its stockholders or members
 - b. Has a personality distinct from its stockholders or members
 - c. Has a separate proprietary interest on its assets, properties, and business enterprise from those of its stockholders or members
 - d. Has to have stockholders or members to continue existing
88. In corporation law, the application of the principle of "Centralized Management" has brought about the jurisprudential doctrine of
- a. Theory of concession
 - b. Business Judgment Rule
 - c. Doctrine of Limited Liability
 - d. Ultra Vires doctrine
89. SEC Opinion No. 04-43, dated 26 October 2004 held that as temporary or permanent cessation of operations of a corporation which does not involve the shortening or corporate term or formal dissolution of the corporation,

may pursued by the Board of Directors only with ratification by stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock, although not particularly governed by the Corporation Code, is in recognition and implementation of the

- a. Theory of Concession
- b. Theory of Delegated Power
- c. Theory of business enterprise
- d. Doctrine of Strong Juridical Personality

90. Is the conduct of the seminar training to participants to recruit potential investors in an investment contract in a common enterprise on the expectation of the profits from the efforts of the others considered a security that must be registered under the Securities Regulation Code?
- a. Yes, it falls within the Howey Test
 - b. No, only corporate registration suffice
 - c. No, since it is an exempt transaction
 - d. Yes, exempt securities must be registered under the SRC
91. May the SEC order the reversal of the decision of the PSE Board denying the listing of the shares of the applicant issuer on the ground that there were questions on the proper ownership over the bulk of real estate assets of the said applicant?
- a. No, the questions of the policy and management are left to the honest discretion of the officers and directors of the PSE
 - b. Yes, it is the entity which has the primary say as to whether or not securities, including shares of stock of a corporation, may be traded or not traded in the local stock exchange
 - c. Yes, in consonance with its mission to ensure proper compliance with the laws
 - d. No, it is the PSE that exclusively determines whether securities will be traded or not in the local stock exchange
92. A subscription contract was entered into which stated that the authorized capital stock was PhP250,000.00. It turned out that it was increased to PhP500,000.00 but it was not disclosed to the subscriber. What is the effect of non-disclosure to the subscriber of the increase of the authorized capital stock?
- a. The subscription was not binding and subscriber may annul the increase in the amount of capital stock.
 - b. The subscription was binding and the subscriber can be compelled to pay his subscription.
 - c. The subscription was not binding and the subscriber cannot be compelled to pay his subscription.
 - d. The subscription was binding and the subscriber may retain the shares of capital stock subscribed.
93. Unknown to the other four proponents, Enrico (who had been given the task of attending to the Articles of Incorporation of the proposed corporation, Auto Mo, Ayos Ko) misappropriated the filing fees and never filed the Articles of Incorporation with the Securities and Exchange Commission (SEC). Instead, he prepared and presented to the proposed incorporators a falsified SEC certificate approving the Articles. Relying on the falsified SEC certificate, the latter began assuming and discharging corporate powers.
Auto Mo, Ayos Ko is a _____
- a. de facto corporation
 - b. corporation by estoppel
 - c. general partnership
 - d. de jure corporation
94. A vessel for carrying passengers and cargo has a certificate of seaworthiness from the Coast Guard. While at sea, a shipment of sugar in the cargo hold was immersed in water due to the negligence of the crew in leaving a porthole open through which sea water seeped while sailing in rough seas. Is the marine insurer of the sugar liable for the damage?
- a. Yes, because the insured does not have control over the seaworthiness of any vessel carrying cargoes
 - b. No, the insurer is not liable because the ship carrying the insured cargo was not seaworthy as far as the cargo is concerned
 - c. Yes, the insurer is liable because the Coast Guard issued a Certificate of Seaworthiness
95. Jose and Maria had a son, Pedro. Jose, before his death, donated a parcel of land which constituted as his exclusive property to his son, Pedro. Later, Pedro died without any issue and the land went to his mother, Maria, by intestate succession. Maria died ten years later. The land is now claimed by (1) Mario, the brother of Jose; and (2) Juanita, the sister of Maria. Who is/ are entitled to the land?
- a. Mario, the brother of Jose, by virtue of reserva troncal
 - b. Juanita, who is the living relative by blood of Maria, by intestate succession
 - c. The State, because neither Juanita nor Mario is entitled to inherit the land by intestate succession

- d. Both Juanita and Mario in equal shares by virtue of reserve truncal
96. An insurance company issued a marine insurance policy covering a shipment by sea from Mindoro to Batangas of 1,000 pieces of Mindoro garden stones against total loss only. The stones were loaded in two lighters, the first with 600 pieces and the second with 400 pieces. Because of rough seas, damage was caused the second lighter resulting in the loss of 325 out of the 400 pieces. The owner of the shipment filed claims against the insurance company on the ground of constructive total loss inasmuch as more than 3/4 of the value of the stones had been lost in one of the lighters. Is the insurance company liable under its policy?
- None of the answers are correct.
 - The insurance company is not liable under its policy covering against total loss only the shipment of 1,000 pieces of Mindoro garden stones. There is no constructive total loss that can claimed since the 3/4 rule is to be computed on the total 1,000 pieces of Mindoro garden stones covered by the single policy coverage.
 - The insurance company is liable under its policy covering against total loss only as there is constructive total loss that can claimed since the 3/4 rule is to be computed on the 400 pieces of Mindoro garden stones in the second lighter covered by the single policy coverage.
 - All of the answers are correct.
97. On October 1, X, Y and Z agreed to enter into a partnership. The following day, the parties signed the document which provides that A will contribute a parcel of land, B will contribute money worth P10M, and Z will contribute his expertise in management. The same document contained a provision that the partnership shall commence on October 30. On October 5, the said document was notarized and registered in the SEC. As among the partners, when did the partnership begin?
- The date when the parties agreed to enter into the partnership
 - The date when the partnership was registered in the SEC
 - The date when the partners signed the partnership contract
 - The date provided in their contract
98. In Philippine Corporation Law, the application of the control test to determine the nationality of the corporation
- is made only to domestic corporations
 - always excludes the application of the principal place of business test
 - always excludes the application of the place of incorporation test
 - is made only in the case of foreign corporations
99. Paolo contributed P50,000; Ronald contributed P75,000, and Paul contributed P25,000. Jay is the industrial partner. There is no stipulation regarding profits and losses. The partnership suffered a P300,000 loss. The loss shall be shared by the partners as follows:
- P75,000, P75,000, P75,000 and P75,000
 - P100,000, P100,000, P100,000 and P100,000
 - P100,000, P150,000, P50,000 and P0
 - P100,000, P100,000, P100,000 and P0
100. X, Y, Z are partners where X was appointed manager with authority to collect. D is indebted to XYZ Partnership in the amount of P100,000 which is already due and demandable and is also indebted to X personally and likewise due and demandable in the amount of P50,000. X collected from D P45,000. Which of these is not a correct statement?
- If X gave a receipt in his own name, he is bound to give XYZ Partnership a proportionate which is P30,000.
 - If Xs credit to D carries an interest of 18% and XYZ partnerships credit to D has an interest of 14% only, when X collects from D P45,000 and gives a receipt in his own name he also has to share the collection with the partnership in proportion.
 - If X gave a receipt in the name of the partnership he has to give the P45,000 to XYZ partnership.
 - None of the answers are correct.
101. Kris Aquino commissioned Mr. Magaling to write a biography of her late father, Ninoy Aquino, for a fee. Upon completion of the work, Kris paid Mr. Magaling the agreed price. The biography was copyrighted. Kris, however, changed her mind again upon reading the book and decided not to have it published. Can Kris Aquino sell the property without the consent of Mr. Magaling?
- Yes, Kris Aquino can sell the copyrighted biography of her father without need of securing the consent of Mr. Magaling, the writer of said biography.

- b. The assignees rights include the right to sell the work without the consent of the writer, Mr. Magaling.
- c. All of the statements are correct.
- d. Mr. Magaling entered into a contract with Kris Aquino and having compensated, he had parted with all his rights to the said book, in effect making Kris his assignee.

102. In Mannion v. Coors, the protectible elements of a photograph may emanate from its rendition, timing and/ or creation of the subject. Which of the following statements is correct?

- a. Creation of the subject to the extent that the photographer created the scene or subject to be photographed is not important
- b. Copyright confers no right over the subject matter not created by the photographer
- c. By rendition, such specialties as angle of shot, light, and shade, exposure, effects achieved by means of filters and developing techniques are not important considerations
- d. By timing, being at the right place at the right time are incidental considerations

103. A share held by a third person to be released only upon the performance of a condition or the happening of a certain event contained in the agreement

- a. Escrow share
- b. Common share
- c. Preferred share
- d. Treasury share

104. The following are principal characteristics of commercial law except,

- a. Progressive
- b. Uniform
- c. Equitable
- d. Particular

105. Which one of the following is not a requisite prescribed by law in order that a partnership may be held liable to a third party for the acts of one of its partners?

- a. The partner must have the authority to bind the partnership.
- b. The partner must act on behalf of the partnership.
- c. The contract must be in the partnership name or for its account.
- d. The partner binds the partnership by acquiescence for obligations he may have contracted in good faith.

106. Which of the following works are protected and can be copyrighted?

- a. A biography containing your life, love and success.
- b. News of the day and other facts having the character of mere press information.
- c. Your musical compositions with or without words.
- d. A biography containing your life, love and success and Your musical compositions with or without words only

107. The following are generally disqualified to become merchants, except:

- a. Those sentenced to the penalty of civil interdiction
- b. Insolvents
- c. Commercial brokers
- d. Minors

108. Ely commissioned Marcus, a renowned artist, to paint a mural in the lobby of his newly renovated building located at Binondo, for the sum of P2.0 million. Later on, an infringement case was filed by Marcus against Raimund. Raimund contended that Marcus has no right to file the case. Rule.

- a. Marcus has no right since Ely owns the painting
- b. Marcus has no right because he has no interest to the painting
- c. Marcus has a right since he owns the copyright to the painting, being its creator
- d. Marcus has a right provided he obtains the consent of Ely being as the owner of the painting

109. Corporations are subject to the Foreign Equity Participation Rule (FEPR) under the Constitution. Thus, in the case of a corporation that is engaged in public transportation, it should comply with the

- a. 65-35% FEPR
- b. 70-30% FEPR

- c. 50-50% FEPR
- d. 60-40% FEPR

110. ABC Corporation, a private corporation engaged in the business of importing used cars from Japan was issued a certificate of incorporation by virtue of R.A. 27890. Because of a failed business transaction, ABC Corporation sued Mr. X for a damage arising from the latter's alleged breach of its contractual obligations
- a. Attacking the existence of ABC Corporation may be done through a motion to dismiss because its creation is void
 - b. Mr. X cannot allege lack of legal capacity to sue of ABC Corporation in its motion to dismiss because it has a legal personality conferred by law
 - c. ABC Corporation is a de jure corporation and its existence can be attacked only through a quo warranto proceeding
 - d. Mr. X cannot allege; lack of legal capacity in its motion to dismiss because it is not allowed to attack the existence of the corporation collaterally
111. Mark manufactured rubber shoes under the brand name of Koby. He did not register it but it became popular. Years later, Nelson manufactured rubber shoes using the same design and color as Koby but named it as Shak. Mark filed a case against Nelson. Nelson contended that the name Koby is not protected. Rule.
- a. Nelson is not liable since the name is not registered
 - b. Nelson is liable since the name is already popular
 - c. Nelson is not liable because he gave it a different name
 - d. Nelson is liable but not for infringement
112. Boboy, Jim and Danny executed a joint venture agreement to form a close corporation under the Corporation Code, the outstanding capital stock of which three of them would equally own. They also provided therein that any corporate act would need the vote of seventy percent (70%) of the outstanding capital stock. The terms of the agreement were accordingly implemented and corresponding close corporation was incorporated. After three (3) years, Boboy, Jim and Danny could not agree on the business in which to invest the funds of the corporation. Boboy wants the deadlock broken. What will he do to break the deadlock?
- a. A written petition must be made addressed to the SEC to arbitrate the dispute
 - b. The SEC can automatically assume jurisdiction over the corporation
 - c. A written petition for corporate rehabilitation must be filed with the SEC
 - d. A petition for the appointment of a receiver shall be filed with the RTC
113. May the SEC order the reversal of the decision of the PSE Board denying the listing of shares of the applicant issuer on the ground that there were questions on the proper ownership over the bulk of real estate assets of the applicant?
- a. No, the questions of the policy and management are left to the honest discretion of the officers and directors of the PSE
 - b. Yes, it is the entity which has the primary say as to whether or not securities, including shares of stock of a corporation, may be traded or not traded in the local stock exchange
 - c. Yes, in consonance with its mission to ensure proper compliance with the laws
 - d. No, it is the PSE that exclusively determines whether securities will be traded or not in the local stock exchange
114. A is the owner of several inactive securities. To create an appearance of active trading of such securities, A connives with B by which A will offer for sale some of his securities and B will buy them at a certain fixed price, with the understanding that although there would be an apparent sale, A will retain the beneficial ownership thereof. This transaction is considered a
- a. Short swing transaction
 - b. Wash sale
 - c. Transaction deemed sale
 - d. Tender Offer
115. Plaintiffs filed a collection case against ABC Corporation. Upon execution of the court's decision, ABC Corporation was found to be without assets. Thereafter plaintiffs filed an action against its present and past stockholder XYZ Corporation which owned substantially all the stocks of ABC Corporation. The two corporations have the same board of directors and ABC Corporation financed the operations of XYZ Corporation. May XYZ Corporation be held liable for the debts of ABC Corporation?
- a. Yes. Piercing the veil of corporate fictions applies

- b. No. They have separate legal personalities
- c. No. Both should be impleaded in the case
- d. Yes. Because both have the same board of directors

116. A penalty cannot be enforced under the following except:

- a. when the non-performance of the debtor is due to a fortuitous event.
- b. when the principal obligation is void.
- c. when there is a breach of obligation
- d. when the agreed penalty is contrary to moral.

117. Andy, Besta and Cutie are solidary liable to Yolly for P900,000 but Andys consent had been obtained by intimidation. If Yolly sue Andy, Besta or Cutie:

- a. B is liable for P900,000 because he has no available defense since fraud was applied to Andy not to him.
- b. Andy is not liable because as to him it is a complete defense.
- c. C is not liable because he can use a defense that the consent of Andy was obtained by intimidation and therefore voidable
- d. Andy is liable for P900,000 minus his own share of P300,000 leaving a balance of P600,000 since their liability is solidary.

118. Which of the following statement is not correct?

- a. The contracting parties are bound by the determination of performance by a third person from the moment a third person decided.
- b. The validity or compliance of the contract cannot be left to the will of one of the contracting parties.
- c. The contracting parties are not bound by the determination of a third person if it is evidently inequitable as when the third person acted in bad faith or under mistake.
- d. The determination of the performance may be left to a third person.

119. Which phrase best completes the statement. When a debt is secured by a real estate mortgage, upon default of the debtor

- a. another remedy is filing an action for collection and then foreclose if collection is not enough
- b. the only remedy of the creditor is to foreclose the real estate mortgage
- c. the creditor can foreclose the mortgage the demand collection for any deficiency
- d. none of the choices are correct

120. In negotiorum gestio, the officious manager shall be liable for fortuitous event under the following except?

- a. He fails to return the property upon demand by the owner.
- b. He assumed the management in bad faith.
- c. He takes charge of abandoned property without the consent of the owner.
- d. He undertakes risky operations which the owner was not accustomed to embark upon.

121. Gary is a tobacco trader and also a lending investor. He sold tobacco leaves to Homer for delivery within a month, although the period for delivery was not guaranteed. Despite Garrys efforts to deliver on time, transportation problems and government red tape hindered his efforts and he could only deliver after 30 days. Homer refused to accept the late delivery and to pay on the ground that the agreed term had not been complied with.

As lending investor, Gary granted a P1,000,000 loan to Isaac to be paid within two years from execution of the contract. As security for the loan, Isaac promised to deliver to Gary his Toyota Innova within 7 days, but Isaac failed to do so. Gary was thus compelled to demand payment for the loan before the end of the agreed two-year term.

Can Gary compel Isaac to pay his loan even before the end of the two-year period?

- a. No, Gary cannot compel Isaac to immediately pay the loan. Equity dictates that Gary should have granted a reasonable extension of time for Isaac to deliver his Toyota Innova. It would be unfair and burdensome for Isaac to pay the P1 million simply because the promised security was not delivered.
- b. Yes, Gary can compel Isaac to immediately pay the loan. Non-compliance with the promised guaranty or security renders the obligation immediately demandable. Isaac lost his right to make use of the period.
- c. Yes, Gary can compel Isaac to immediately pay the loan. The delivery of the Toyota Innova is a condition for the loan. Isaacs failure to deliver the car violated the condition upon which the loan was granted. It is but fair for Gary to demand immediate payment.
- d. No. Gary cannot compel Isaac to immediately pay the loan. The delivery of the car as security for the loan is an accessory contract; the principal contract is still in the P1 million loan. Thus, Isaac can still make use of the period.

122. In January 2019, Victor entered into a written agreement with Vernon that he will sell his five-door apartment to Vernon for P6 million, if Vernon will pass the CPA Board Examinations. Vernon passed the said examinations as

shown by the results issued by the Board of Accountancy in October, 2020. Can Victor demand for the interest of the purchase price for one year and ten months and is Vernon entitled to the fruits of the five-door apartment for one year and ten months?

- a. Yes, because it is beneficial to both parties.
- b. No, because the fruits and interest are not included in their agreement.
- c. Yes, because the effect of a conditional obligation to give, once the condition is fulfilled, shall retroact to the day of the constitution of the obligation.
- d. No, because the fruits and interest in this case shall be deemed mutually compensated.

123. Amador obtained a loan of P300,000 from Basilio payable on March 25, 2016. As security for the payment of his loan, Amador constituted a mortgage on his residential house and lot in Basilio's favor. Cacho, a good friend of Amador, guaranteed and obligated himself to pay Basilio, in case Amador fails to pay his loan at maturity.

If Amador sells his residential house and lot to Diego, can Basilio foreclose the real estate mortgage?

- a. No, Basilio cannot foreclose the real estate mortgage. To deprive the new owner of ownership and possession is unjust and inequitable.
- b. Yes, Basilio can foreclose the real estate mortgage. It is binding upon Diego as the mortgage is embodied in a public instrument.
- c. No, Basilio cannot foreclose the real estate mortgage. The sale confers ownership on the buyer, Diego, who must therefore consent.
- d. Yes, Basilio can foreclose the real estate mortgage because real estate mortgage creates a real right that attaches to the property.

124. After the election of the directors, trustees and officers of the corporation, within what period the secretary, or any other officer of the corporation shall submit the report of election of directors, trustees and officers to the SEC?

- a. 60 days
- b. 45 days
- c. 30 days
- d. 15 days

125. The co-owner cannot stipulate the property be undivided for a period more than

- a. 10 years
- b. 30 years
- c. 15 years
- d. 20 years

126. The majority vote of its board of directors and by the vote or written assent of the stockholders representing at least two-thirds of the subscribed capital stock of the corporation is prescribed under the Corporation Law for this purpose

- a. for declaration of stock dividends
- b. to invest its corporate funds in any corporation or business, or for any purpose other than the main purpose for which it was organized
- c. to amend the articles of incorporation
- d. for adoption of any by-law or by-laws

127. Alfred obliged himself to deliver specific car to Arnold on February 1, 2018. However, Alfred failed to deliver the car on February 1, 2018. In this case Alfred is already:

- a. Mora solvendi ex persona
- b. Ordinary delay
- c. Mora solvendi ex re
- d. Mora accipiendi

128. This share can be acquired by the corporation which issued it even without unrestricted retained earnings:

- a. Redeemable shares
- b. Treasury shares
- c. Founders shares
- d. Promotion stock

129. The contract shall be presumed to be an equitable mortgage, in any of the following cases, except

- a. when upon or after the expiration of the right to repurchase another instrument extending the period of redemption or granting a new period is executed
- b. when the vendor remains in possession as lessee or otherwise
- c. when the price of a sale with a right to repurchase is unusually inadequate.

- d. when the vendee binds himself to pay the taxes on the thing sold.
130. The redhibitory action, based on the faults or defects of animals, must be brought within
- forty days from the date of their delivery to the vendee
 - forty days from the perfection of the contract
 - six months from the date of their delivery to the vendee.
 - six months from the perfection of the contract
131. Which of the following cannot be the object of mortgage?
- land owned by the mortgagor
 - apartment to be acquired by the mortgagor
 - car owned by the mortgagor
 - building owned by the mortgagor but under lease contract
132. Which of the following is the characteristic of payment by cession.
- Insolvency of the debtor is not required.
 - The creditor become the owner of the thing given by the debtor.
 - It is an act of novation
 - It extends to all properties of the debtor subject to attachment or execution.
133. If the thing is lost after perfection and after delivery, who suffers the loss?
- distributed equally between the vendor and the vendee
 - the vendee
 - the vendor
 - either the vendor or the vendee depending upon the circumstances of each particular case.
134. GHI Company, P5,000,000. 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 accepted the bid of DEF Company. ABC Company, the lowest bidder, now questions the award made by Rockman Company to DEF Company which submitted a higher bid.
- The award of DEF Company is voidable because it was only the second lowest bidder.
 - The award of DEF is void by reason of Rockman's violation of the terms of the invitation to bid.
 - ABC Company should be the winning bidder having submitted the lowest bid.
 - The award of DEF Company is valid because Rockman Company was not bound to accept the lowest bidder.
135. The officer or employees of this corporation may be elected or appointed by the stockholders not by the board of directors?
- eleemosynary
 - open corporation
 - sole corporation
 - close corporation
136. I Consignation may be judicial or extrajudicial.
II Tender of payment is an act on the part of the active subject of offering to the passive subject the thing or amount due.
- False, false
 - True, false
 - False, true
 - True, true
137. When both the principal obligation and the penal clause can be enforced
- alternative penal clause
 - subsidiary penal clause
 - cumulative penal clause
 - compensatory penal clause
138. The draft made in the Philippines calls for payment in Canadian dollars.

- a. The draft is nonnegotiable because the rate of exchange may fluctuate thus violating the sum certain rule.
- b. The draft is nonnegotiable because it calls for payment in money of another country.
- c. The instrument is negotiable if it satisfies all of the other elements of negotiability.
- d. The instrument is negotiable only has the exchange written on the draft.

139. Alma was one of the directors of Xerex Corporation. Baby obtained a judgment against Alma and had all of the latter's shares of stock in Xerex Corporation attached and sold at public auction. Baby bought all the shares at the public auction sale. Subsequently, a meeting of the board of Directors of Xerex Corporation was held and both Alma and Baby appeared in said meeting, each claiming the right to participate in the deliberation of the board. Alma contended that he had the right to continue as director until the stockholders could elect his successor. Baby on the other hand, contended that having purchased all of Alma's shares he had the right to take the latter's place in the board. Who of the two claimants is entitled to sit in the board?

- a. Baby
- b. Alma
- c. Neither Alma or Baby
- d. Both Alma and Baby

140. S orally sold to B a specific parcel of land for P1,000,000 where the latter made a down payment of P500,000 to the former. Can B compel S to execute a deed of sale in a public instrument?

- a. No because the sale is void.
- b. Yes because the sale is valid and enforceable.
- c. No because oral sale of land is unenforceable if the sale is not in writing.
- d. Yes because the sale is valid although rescissible.

141. In three of the following corporate proposals, a dissenting stockholder has the right to surrender his shares of stock to the corporation and demand for the payment of their fair market value. Which is the exception?

- a. Shortening or extending the corporate term
- b. Entering into management contract with another corporation
- c. Investment of corporate funds in another corporation or business
- d. Sale, mortgage or disposition of all or substantially all of the corporate assets

142. The following are void contracts, except:

- a. Pactum de non alienando
- b. Pacto de retro
- c. Pactum leonina
- d. Pactum commissorium

143. The capital stock of ABC Corporation is divided into common shares and preferred shares. Preferred shares are preferred as to dividends and common shares are those shares which have the regular and ordinary attributes of a share of a corporation. Which statement is most accurate?

- a. This kind of classification may not be allowed or else it will violate the Doctrine of Equality of shares.
- b. Classifications of shares may be allowed with the approval of the stockholders and the Board of Directors
- c. Classifications of shares may be allowed for as long as it is clearly stated as such in the Articles of Incorporation of the Corporation.
- d. Classifications of shares is mainly for business purpose to attract investors.

144. A bought a parcel of land from B on installment. When the first installment fell due, A did not pay. His defense was that he did not have available money, and he therefore pleaded impossibility of performance.

- a. A is liable. A mere pecuniary inability to fulfill an engagement does not discharge the obligation of the contract.
- b. A is liable because the obligation is to pay specific money.
- c. A obligation is extinguished because A has no available money.
- d. A obligation is extinguished because of impossibility of performance.

145. When a founder's shares are classified as such in the articles of incorporation is given the exclusive right to vote and be voted for in the election of directors, it must be for a limited period of:

- a. not to exceed ten years but can be renewed for another five years subject to the approval by the SEC.

- b. not to exceed ten years subject to the approval of the SEC.
- c. not to exceed five years subject to the approval of the SEC
- d. without limitation provided approved by the SEC

146. Which of the following is not correct about director?

- a. The number of directors of stock corporation is not less than five but not more than fifteen.
- b. A person is disqualified to become a director if he is convicted by final judgment of an offense punishable by imprisonment for a period exceeding 6 years.
- c. A director must be an owner of at least one share of stock.
- d. A juridical person like partnership is allowed to be a director.

147. On dissolution, the liquidation of the business of the corporation may be undertaken by:

- a. all of the answers are correct
- b. board of directors or trustees.
- c. assignee or assignees appointed by the board of directors
- d. receiver appointed by the courts

148. S sold his Honda car with Plate no. CPA 123 to B for P500,000. When the car was delivered to B, he found out that the stereo and air-conditioning units of the car were no longer there. Does S have the right to remove the cars stereo and air-conditioning unit?

- a. Yes, because stereo and air-conditioning unit are not included in the sale.
- b. Yes, because S is the vendor.
- c. No, because when what is to be delivered is a specific thing, accessions and accessories are deemed included even though not mentioned.
- d. No, because when the thing to be delivered is a generic thing, accessions and accessories are included even though not mentioned.

149. Annulment is a proper remedy under the followings, except:

- a. dolo causante
- b. when the consent of one party is obtained by serious and irresistible force.
- c. dolo incidente
- d. one of the parties is incapable of giving consent.

150. The Articles of Incorporation of James Corporation was approved by the SEC. After the receipt of the Certificate of Approval from the SEC, James Corporation decided to immediately start the operation of its business despite the fact that it has no approved Bylaws. What is the legal status of the James Corporation?

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

151. Roger binds himself to deliver to Rona a specific laptop. This is

- a. none of the answers are correct
- b. an alternative obligation
- c. both answers are correct
- d. a facultative obligation

152. On October 3, 2019, D requested for a loan of P10,000 from C and he offered to pledge his ring as security for the loan. C granted his request and promised to give him the money on October 5, 2019. On October 5, 2019, C handed the amount of P10,000 to D and on October 6, 2019. D delivered his ring to C. Which of the following statements is correct?

- a. The contract of loan was perfected when C gave the money to D on October 5, 2019.
- b. The contract of loan between them was perfected when C accepted the offer of D on October 3, 2019.
- c. Both contracts of loan and pledge were perfected only on October 6, 2019.
- d. The contract of pledge was perfected when C gave the money to D on October 5, 2019.

153. Which of the following requires citizenship as a qualification?

- a. corporate director
- b. corporate secretary

- c. corporate president
- d. incorporator

154. Which phrase most accurately completes the statement. Any third person who induces another to violate his contract

- a. shall not be liable for damages to the other contracting party.
- b. shall be liable for damages to the other contracting party.
- c. shall not be liable for damages if the parties are in pari delicto
- d. shall be liable for damages only if he is a party to the same contract.

155. Which of the following is not correct about price in a contract of sale?

- a. Gross inadequacy of price as a rule affect a contract of sale.
- b. The fixing of the price can never be left to the discretion of one of the contracting parties.
- c. In a contract of sale, if the price is simulated, the sale is void.
- d. In order that the price may be considered certain, it shall be sufficient that it be so with reference to another thing certain.

156. F disappeared without his whereabouts having been known sometime in 2007. Whereupon in 2009, W, his wife, sold his house and lot worth P10 million for only P8 million in favor of T in order to support his family. In 2011, F resurfaced and began staying with his family. In 2016, F decided to file an action to rescind the contract with T. In this case:

- a. Even if F can return the P8 million and the house and lot has not been sold to a buyer in good faith, rescission will not lie because more than 4 years had elapsed from the reappearance and, therefore, his right to rescind had already prescribed.
- b. Correct remedy not indicated.
- c. The contract of W with T is valid, and therefore, rescission will not be available as a remedy.
- d. If F can return the P8 million to T and the house and lot has not been sold to a buyer in good faith, he can validly ask for rescission.

157. The quorum required to elect directors:

- a. majority vote of the outstanding capital, voting and non-voting
- b. 2/3 of outstanding capital voting
- c. majority vote of the outstanding capital voting
- d. 2/3 of outstanding capital, voting and non-voting

158. Which of the following is not correct about removal of director?

- a. A director may be remove by majority vote of the directors if the by-laws expressly provided otherwise.
- b. If the ground of vacancy of director is due to removal from office, only the stockholders can fill up the vacancy in the board.
- c. The remaining director may fill up the vacancy in the board if the ground of the vacancy is due to death provided the remaining director still constitute quorum.
- d. A director can be remove by at least 2/3 vote of the outstanding capital stock.

159. Martin Corporation and Marty Corporation have agreed to be merged into one corporation. To facilitate the merger, both corporations agreed that the merger be made effective on May 31, 2016. The Securities and Exchange Commission approved the Articles of Merger on June 30, 2016. Which statement is most accurate?

- a. The effective date of the merger is always the date of the approval of the Articles of Merger by the SEC.
- b. The effective date of the merger would be the date approved by the Board of Directors and the stockholders.
- c. The stockholders and the Board of Directors can set the effective date of the merger any time after the approval of the SEC.
- d. The effective date of the merger is May 31, 2016, the date stipulated by the parties as the effective date.

160. X, the President of ZZZ Corporation, was authorized by the Board of Directors of ZZZ Corporation to obtain a loan from YYY Bank and to sign documents in behalf of the corporation. X personally negotiated for the loan and got tile loan at very low interest rates. Upon maturity of the load, ZZZ Corporation was unable to pay. Which statement is most accurate?

- a. If ZZZ Corporation cannot pay, X can be held subsidiarity liable

- b. Because X was personally acting in behalf of the Corporation, he can be held personally liable.
- c. X, as President, cannot be personally held liable for the obligation of the corporation even though he signed all the loan documents, because the loan was authorized by the Board.
- d. YYY Bank can choose as to who it wants to hold liable for the loan.

161. The statement contracts shall be obligatory in whatever form they have been entered into provided all the requisites for their validity are present refers to

- a. solemn contracts
- b. real contract
- c. formal contracts
- d. consensual contract

162. Which of the following complies with the legal requirements for incorporation?

- a. Authorized capital stock (500,000); Subscribed capital stock (300,000); Paid-up capital (80,000)
- b. Authorized capital stock (64,000); Subscribed capital stock (16,000); Paid-up capital (4,000)
- c. Authorized capital stock (1,000,000); Subscribed capital stock (500,000); Paid-up capital (123,000)
- d. Authorized capital stock (300,000); Subscribed capital stock (100,000); Paid-up capital (24,000)

163. The following are real contract except?

- a. donation of real property
- b. contract of commodatum
- c. contract of deposit
- d. contract of pledge

164. Jane asked Joshua if the latter can grant him a loan of P50,000 payable in one year plus 12% interest and Joshua nodded his head. The contract of loan is in the stage of

- a. Perfection
- b. Preparation
- c. Consummation
- d. None of the answers are correct

165. Stipulation in the bill of lading which provides that No matter how negligent the carrier will be, it will not be responsible for the damages caused. The stipulation is:

- a. Void being contrary to moral.
- b. Perfectly valid.
- c. The stipulation can be ratified by the party injured.
- d. Void being contrary to public policy.

166. When the obligation modified its object and also the principal conditions.

- a. There is delegacion.
- b. There is mixed novation.
- c. There is real novation
- d. There is personal novation.

167. The following are the legal effects of merger or consolidation. Except one

- a. The liabilities and obligations or claims against the constituents corporations may not be assumed by the consolidated corporations because of the theory of separate legal entity.
- b. The consolidated corporation shall enjoy the same rights, powers, privileges and immunities and shall be subject to the same duties and obligations of corporations established under the Corporation Law.
- c. All properties, interest, claims and the like pertaining to the constituents corporations shall now pertain to the surviving corporation.
- d. All actions pending by or against the constituents corporations shall now be litigated by the consolidated corporations.

168. One of the requirements needed for a holder of a negotiable instrument to be a holder in due course is the value requirement. Rodrigo is a holder of a P10,000 check written out to him. Which of the following would not satisfy the value requirement?

- a. Rodrigo received the check from a tax client to pay off a four-month-old debt.
- b. Rodrigo took the check in exchange for a negotiable note for P11,200 which was due on that day.
- c. Rodrigo received the check for a tax service debt for a close relative.
- d. Rodrigo received the check in exchange for a promise to do certain specified services three months later.

169. A foreign company has been exporting goods to a Philippine company for several years now. When the Philippine company failed to pay the latest exportation, the foreign company sued to collect in the Philippines. The Philippine company interposed the defense that the foreign company was doing business in the Philippines without a license; hence, could not sue before a Philippine court. Is this defense tenable?

- a. The defense is not tenable. The mere act of exporting from ones own country, without doing any specific commercial act within the territory of the importing country. Thus, the foreign company may sue in the Philippines despite lack of license to do business in the Philippines.
- b. The defense is not tenable. A foreign corporation may sue in the Philippines whether or not they have license to do business in the Philippines.
- c. The defense is tenable, foreign corporation without license to do business cannot sue in the Philippines.
- d. The defense is tenable because the foreign corporation is already guilty of estoppel.

170. Elmer bought a gold necklace with a heart-shaped pendant from Ernest for the price of P20,000. After payment of the price, he requested Ernest to put it in a small box and wrap it with a birthday wrapper because he will give it as a birthday gift to his girlfriend. After the birthday of his girlfriend, she happily showed the golden necklace and expressed her gratitude to Elmer, who discovered that the necklace has a square-shaped pendant and of very low quality, which is different from the one he purchased from S. What remedy is available to Elmer against Ernest in this case?

- a. File action for the rescission of the contract of sale
- b. File action for the annulment of the contract of sale
- c. Demand for the return of the purchase price
- d. Demand for the payment of damages.

171. Which of the following cannot be the object of contract of sale?

- a. transmissible right
- b. lawful services
- c. future property
- d. present property

172. Which of the following is not included in the article of incorporation.

- a. name of the corporation
- b. The number of directors or trustees, which shall not be less than five nor more than fifteen.
- c. form for proxies of stockholders
- d. term for which the corporation is to exist

173. A bought 100 box of ballpen at P1,500 per box from B. However, the contract mistakenly showed a total contract price of P210,000 because of arithmetical computation. Which of the following statement is correct?

- a. The contract between A and B has no binding legal effect.
- b. A may rescind the contract.
- c. A may ask for the reformation of the instrument.
- d. A may ask for its correction.

174. Which of the following expresses a correct principle of law. Choose the best answer.

- a. Violence or intimidation does not render a contract annulable if employed not by contracting party but by a third person.
- b. Simulation of a contract always results in a void contract.
- c. Failure to disclose facts when there is a duty to reveal them, does not constitute fraud.
- d. A threat to enforce ones claim through competent authority, if the claim is legal or just, does not vitiate consent.

175. A, B, C and D are solidary debtors of X in the amount of P800,000. X then made a demand from A but collected only P600,000 because he (X) was remitting As share (P200,000). How much can A recover from B, C and D?

- a. P200,000 each from B, C and D
- b. Answer not given
- c. P266,667 each from B, C and D
- d. P150,000 each from B, C and D

176. B, F and T are solidary debtors of A. Twelve (12 years) after the obligation became due and demandable, B paid A and later on asked for reimbursement of F and T shares. Is B correct? Why?
- No, because the obligation has already prescribed.
 - No, because in solidary obligation any one of the solidary debtors can pay the entire debt.
 - Yes, because F and T will be unduly enriched at the expense of B
 - Yes, because the obligation is solidary.
177. Which of the following do not require stockholders meeting as a rule?
- amendment of the articles of incorporation
 - increasing bonded indebtedness
 - decrease of capital stock
 - merger or consolidation
178. Which of the following is not correct about management contract?
- Management contract shall have been approved by the board of directors and by stockholders owning at least the majority of the outstanding capital stock, or by at least a majority of the members in the case of a non-stock corporation, of both the managing and the managed corporation
 - Where a stockholder or stockholders representing the same interest of both the managing and the managed corporations own or control more than 1/3 of the total outstanding capital stock entitled to vote of the managing corporation, the management contract must be approved by the stockholders of the managed corporation owning at least 2/3 of the total outstanding capital stock entitled to vote.
 - The maximum period of management contract as a rule is 5 years for any one term.
 - Where a majority of the members of the board of directors of the managing corporation also constitute a majority of the members of the board of directors of the managed corporation, then the management contract must be approved by the stockholders of the managing corporation owning at least 2/3 of the total outstanding capital stock entitled to vote.
179. Which of these is not a conditional obligation?
- Benjie will pay Fernan P2,000,000 twenty days after he passes the CPA exams for May 2019.
 - Jess will pay Carlos P500,000 as soon as his financial means will permit him to do so.
 - Dennis will pay Elaine P5,000,000 thirty days after his 80th birthday.
 - Zoe will pay Beth P1,000,000 if he finishes his LL.B at UP College of Law.
180. If ABC Corporation will increase its authorized capital stock, the Corporation Code requires
- the approval of the majority of the stockholders and the Board of Directors
 - the approval of the majority of the Board of Directors only.
 - the approval of 2/3 of the shareholders of the outstanding capital stock as well as the approval of the SEC.
 - the approval of the majority of the Board of Directors and approval of the shareholders holding 2/3 share of the outstanding capital stock.
181. Which of the following is void if the formality prescribed by law is not complied with?
- contract of lease of house and lot for 2 years
 - contract of barter involving immovable property.
 - holographic will
 - sale of land worth P1,000,000
182. The number of the Board of Trustees of a non-stock nonprofit educational institution should be
- 5 only
 - any number for as long as it is not less than 5 and no more than 11.
 - any number in multiples of 5, for as long as it is not less than 5 and no more than 15.
 - not less than 5 nor more than 10 in multiples of 5
183. A bought A parcel of land from B on installment. When the first installment fell due, A did not pay. His defense was that he did not have available money, and he therefore pleaded impossibility of performance.
- A is liable. A mere pecuniary inability to fulfill an engagement does not discharge the obligation of the contract.

- b. A obligation is extinguished because A has no available money.
- c. A obligation is extinguished because of impossibility of performance.
- d. A is liable because the obligation is to pay specific money.

184. X sold all his shares in ABO Hotel Corporation to Y. X owns 99% of ABO Hotel Corporation. As the new owner, Y wanted a reorganization of the hotel which is to include primarily the separation of all existing employees and the hiring of new employees. Which statement is most accurate?

- a. Y, as the new shareholder, has the right to retain only those employees who in his judgment are qualified.
- b. With the change in ownership, in effect there is a new juridical entity and therefore all employees are considered separated.
- c. For as long as the existing employees are given their separation pay, they can be terminated.
- d. Despite the change in shareholder, there is actually no change in the juridical entity and therefore existing employees can not automatically be considered separated.

185. Which of the following is a valid payment?

- a. payment made to the creditor by the debtor after the latter has been judicially ordered to retain the debt.
- b. payment made in good faith to any person in possession of the credit.
- c. payment made to the creditor by the debtor after the latter has been extra-judicially ordered to retain the debt.
- d. payment to incapacitated person when the latter kept the thing delivered.

186. A sold to B his only car with a fair market value of P500,000 for only P370,000. The status of the contract of sale is:

- a. rescissible because the vendor suffers a lesion of more than one fourth of the value of the thing sold.
- b. valid because lesion or inadequacy of cause as a rule does not invalidate contract, unless there are vices of consent.
- c. voidable, because mistake or fraud are presumed.
- d. void ab initio because the price is considered simulated.

187. The following are the modes of extinguishments of a contract of sales. Which is the exception?

- a. death of vendor
- b. cancellation of sale
- c. conventional redemption
- d. legal redemption

188. Which of the following is not correct about compensation of director or trustee?

- a. The directors shall not receive any compensation, as such directors, except for reasonable per diems.
- b. The compensation other than per diems may be granted to directors by the vote of the majority of stockholders at a regular or special stockholders meeting
- c. The law presumes that the service of the directors, as such director is free.
- d. If compensation is granted to director, the total yearly compensation of directors, as such directors shall not exceed 10% of the net income before income tax of the corporation during the preceding year.

189. Paul entered into a written agreement to sell a parcel of land to Steve. At the time the agreement was executed, Paul had consumed alcoholic beverages. Pauls ability to understand the nature and terms of the contract was not impaired. Steve did not believe that Paul was intoxicated. The consent is:

- a. voidable at Steves option
- b. legally binding on both parties
- c. voidable at Pauls option
- d. void as a matter of law

190. The corporation has a twelve-member board. Two of the members of the Board have sold their shares while two others are abroad. To have a quorum, this number is required:

- a. 7
- b. 5
- c. 4
- d. 3

191. The term of 1 year of the Board of Directors of ABC Corporation expired last September 5, 2016. No new election of the Board of Directors was called, hence, the existing members of Board continue as Directors in hold over capacity. Which statement is most accurate?
- Acting as members of the Board of Directors in a hold over capacity must be ratified by the stockholders.
 - This is not allowed because the term of the directors must only be for 1 year.
 - The positions of the members of the Board of Directors will be automatically declared vacant.
 - This is allowed provided there is a valid and justifiable reason for not calling for an election of the new members of the Board.
192. Noli agreed in writing to give all his CPA review materials to Noni if he passes the May 2019 CPA Board Examinations. In the May 2019 CPA Board Exam, Noli took the examination on the first Sunday, but he did not report anymore in the succeeding examinations. Can Noni compel Noli to give his CPA review materials to him?
- Yes, because their agreement is in writing and it is valid and enforceable.
 - No, because the condition in this case will never happen
 - Yes, because the condition in this case shall be deemed fulfilled.
 - No, because the condition was not fulfilled.
193. Amador obtained a loan of P300,000 from Basilio payable on March 25, 2016. As security for the payment of his loan, Amador constituted a mortgage on his residential house and lot in Basilio's favor. Cacho, a good friend of Amador, guaranteed and obligated himself to pay Basilio, in case Amador fails to pay his loan at maturity. If Amador fails to pay Basilio his loan on March 25, 2016, can Basilio compel Cacho to pay?
- Yes, Basilio can compel Cacho who bound himself to unconditionally pay in case Amador fails to pay; thus the benefit of excussion will not apply.
 - Yes, Basilio can compel Cacho to pay because the nature of Cachos undertaking indicates that he has bound himself solidarily with Amador.
 - No, Basilio cannot compel Cacho to pay because as guarantor, Cacho can invoke the principle of excussion, all the assets of Basilio must first be exhausted.
 - No, Basilio cannot compel Cacho to pay because Basilio has not exhausted the available remedies against Amador.
194. Whereas, a decrease of the authorized capital stock will not be approved by the SEC if the effect is to prejudice the rights of the creditors, and yet no such qualification is provided for under section 38 of the corporation Code when it comes to the increase in authorized capital stocks, because
- It is an application of the coverage of the trust fund that always makes an increase of authorized capital stock favorable or non-prejudicial to the creditors of the corporation
 - It is presumed that the creditors of the corporation will always be happy with the increased of its authorized capital stock
 - No appraisal right is triggered by an increase in the authorized capital stock of the corporation
 - Creditors of the corporation, not being within the intra-corporate relationship, have no standing on matters that pertain to the capital structure of the corporation
195. The principle that "By-law provisions cannot contravene law", is based on the rationale that
- A corporation's articles of incorporation constitute the law as the corporation
 - The corporation being a creature of the law, it cannot, in the exercise of its inherent powers like adopting a set of by-laws, contravene the law, public policy or public order
 - A corporation being a creature of the law, cannot in the exercise of its inherent powers, contravene its own character
 - A corporation being a creature of law, it is mandated, in the exercise of its inherent powers, to carry on the business pursuant to the interest, and not to unduly restrict or disadvantage, those who are intended to be the beneficiaries thereof
196. Pedro, President of ACD Corporation, was allowed the use of a Ford Expedition registered in the name of the corporation. Upon his retirement, he continued to use the Ford Expedition and refused to return it. Which of the following would be a correct reason for not returning the vehicle?
- The corporation owes him some money
 - He bought the vehicle from the corporation
 - He owns all of the outstanding shares of the corporation
 - The vehicle was acquired to the corporation

197. The corporation was formed by fifteen (15) incorporators and its certificate of incorporation was duly issued. A year after its attainment of juridical personality, the stockholders, who are themselves the members of the board adopted a resolution, providing (i) That all of the corporation's issued stock of all classes, exceeding twenty (20): (ii) That all of the issued stock of the corporation shall be subject to certain specified restrictions and (iii) That the corporation shall not list in any stock exchange or make any public offering of any of its stocks of any class
- The corporation is a close corporation because the resolution constraints the elements of a close corporation
 - The corporation id de facto close corporation because although it has a certificate of incorporation, the provisions is the resolution should have been contained in the articles
 - The corporation is an open corporation. The corporation is a corporation by estoppel because although it operates as a corporation, it did not comply with certain legal requirements for the establishment of a close corporation
198. X subscribed to 1000 shares of stock in ABC. He paid 5-% of the subscription but such was later on declared delinquent. The total liability of X, including the balance, accrued interest costs and other expenses amounted to 50,000. Which bidder is considered the highest bidder in the delinquency sale?
- A bid of 45,000 for 500 shares
 - A bid of 43,000 for 504 shares
 - A bid of 50,000 for 900 shares
 - A bid of 40,000 for 300 shares
199. Iglesia ng Dias kay Cristo Jesus, Haligi at Suhay ng Katotohanan is a non-stock religious corporation registered in 1936. A group headed by Eliseo Soriano disassociated themselves from such society and succeeded in registering in March 1977, a new religious corporation named Igelsia ni Kristo Hesus, Haligi at Suhay ng Katotohanan. When the first corporation filed a protest with SEC against the use of similar named by the second corporation, the Soriano group caused the region in April.1980 of a new corporation named Ang Mga Kaanib sa Iglesia ni Cristo Hesus H.S.K., sa Bansang Pilipinas, Inc.
- Can the second corporation keep its registered name against the protest of the first corporation?
- No, since the SEC has the authority to de register all the times corporate names to spawn confusion
 - Yes, since the second corporation was registered with the SEC. a vested right was created
 - Yes, since a corporate personality was created distinct from the first corporation having a different incorporator
 - No, since it registered another corporation under a different name to avoid confusion
200. X subscribed 10,000 shares in the capital stocks of AAA Corporation. He paid 50% of the 10,000 shares. X asked the Corporate Secretary to issue him the corresponding stock certificate representing the 50% of what he already paid. The Corporate Secretary of the corporation refused. Was the Corporate Secretary correct?
- The Corporate Secretary is correct because the Corporation Code provides that no certificate of stock shall be issued to a subscriber until the shares as subscribed have been fully paid.
 - The Corporate Secretary cannot refuse because a Stock Certificate can be issued corresponding to the percentage of shares which were paid.
 - The Corporate Secretary cannot refuse because it is his legal duty to issue a stock certificate corresponding to the number of shares actually subscribed regardless of the actual payment.
 - The Corporate Secretary cannot refuse because a Certificate of Stock can be issued provided it is indicated in the Certificate the actual percentage of what has been paid.

"I can do all this through him who gives me strength. - Phil 4:13"

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