

FINAL PREBOARD - RFBT

Question #1

A, B and C, co-owners of a particular parcel of land, borrowed P75,000 from X and Y. The three (3) debtors signed a promissory note on January 10, 2016 promising to pay the creditors on or before April 3, 2016. In addition, the debtors constituted a mortgage on their property in favor of the creditors. If C paid X his share in the obligations, can he, as co-owner of the property, seek a partial release of the mortgage constituted thereon?

- a) No, because the obligation is solidary, payment in part shall not extinguish the obligation secured by mortgage
- b) Yes, because C's obligation is already extinguished
- c) No, because mortgages are considered indivisible, payment in part shall not extinguish the obligation
- d) Yes, because C is answerable only for P25,000

Question #2

The secretary is responsible for recording and keeping the minutes of meeting.

- a) True
- b) False

Question #3

Which phrase most accurately completed the statement-if at the time the contract of sale is perfected, the thing which is the object of the contract has been entirely lost:

- a) The buyer bears the risk of loss.
- b) The seller bears the risk of loss.
- c) The buyer may withdraw from the contract,
- d) The contract shall be without any effect.

Question #4

S offered his car to B for P1M and giving the latter one week to decide. B in turn gave S P1,000. In this case, there is,

- a) Contract of sale of the car with the P1,000 as earnest money.
- b) Contract to sell of the car at B's option.
- c) Contract of option with the P1,000 as option money.
- d) Contract to sell of the car at S's option.

Question #5

In A, B, C and D partnership, only B did not deliver his agreed capital contribution in the form of a specific car and office equipment. The proper remedy available to A, C and D is:

- a) Dissolution of the partnership.
- b) annulment of the partnership contract
- c) A, C and D to get back their contributions
- d) Action for specific performance

Question #6

Mr. Debtor owes fifteen (15) persons substantial amounts of money. His financial situation indicates that his liabilities far exceed his assets. If Mr. Debtor cedes or assigns his properties to his creditors

- a) The creditors acquire ownership of the properties assigned or ceded
- b) The creditors shall sell the properties assigned and when sold, the debt of Mr. Debtor shall only be released to the extent of the net proceeds of the sale
- c) The cession or assignment shall extinguish the obligation whether or not the creditors sell the properties assigned
- d) The creditors shall sell the properties assigned and when sold, the debt of Mr. Debtor is deemed paid regardless of whether or not the net proceeds are equal to or less than the amount of the indebtedness

Question #7

To call a meeting for the purpose of removing a director of a corporation the required votes of the stockholders is:

- a) majority of the stockholders present
- b) majority of the outstanding capital stock.
- c) 3/4 of the outstanding capital stock
- d) 2/3 of the outstanding capital stock

Question #8

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

Question #9

A subscribed to 1,000 voting shares of stock of X Corporation. She paid 25% of the said subscription. During the stockholders meeting, can A vote all her subscribed shares?

- a) Yes, as to the paid percentage of subscription
- b) No, because the subscription has not yet been fully paid.
- c) Yes, because unpaid shares not delinquent can be voted.
- d) No, because As shares have become delinquent which cannot be voted.

Question #10

If ABC Corporation will increase its authorized capital stock, the Corporation Code requires 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 only.

the approval of the majority of the stockholders and the Board of Directors

the approval of the majority of the Board of Directors and approval of the shareholders holding 2/3 share of the outstanding capital stock.

Question #11

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

Question #12

A bought 100 boxes of ballpens 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 statements is correct?

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

Question #13

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

Question #14

A, B and C bound themselves to deliver to X, a specific car worth P3M. Due to the fault of A, the car was lost. In this case:

- a) Only A is liable for damages although B and C are liable for their respective shares in the obligation.
- b) X can claim damages from any one of the three for his proportionate part of liability because the obligation is indivisible.
- c) X can claim only from A the whole amount of damages other than the value of the car.
- d) Since it is solidary, liabilities for damages, X can claim the same from any of the three.

Question #15

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?

- a) If X gave a receipt in the name of the partnership he has to give the P45,000 to XYZ partnership.
- b) None of the answers are correct.
- c) 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.
- d) If X gave a receipt in his own name, he is bound to give XYZ Partnership a proportionate which is P30,000.

Question #16

Peter, an Austrian, married Lois, a Filipina. They resided in Boracay Island where Peter ran a resort business on a beachfront lot owned by Lois. He has the necessary governmental permits for his business, except for the registration of this business with the Department of Trade and Industry (DTI). After years of profitable operations, the business suffered losses after losing market share to new and bigger hotels with better facilities. Peter could not make timely payments of his obligations but believed that he could turn around the business as his assets exceed his liabilities. Peter filed a voluntary petition for rehabilitation to get the benefits of the Financial Rehabilitation and Insolvency Act. Is he entitled to file the petition?

- a) Yes, because he is a resident married to a Filipina
- b) No, because he did not register his sole proprietor with DTI
- c) No, because he is an alien
- d) Yes, because he is solvent albeit illiquid

Question #17

X sold Y 100 sacks of rice that Y was to pick up from Xs rice mill on a particular date. Y did not, however, appear on the agreed date to take delivery of the rice. After one week, X automatically rescinded the sale without notarial notice to Y. Is the rescission valid?

- a) No, the buyer is entitled to a customary 30-day extension of his obligation to take delivery of the goods.
- b) Yes, automatic rescission is allowed since, having the character of movables and consumable, rice can easily deteriorate.
- c) No, since there was not express agreement regarding automatic rescission.
- d) No, the seller should first determine that Y was not justified in.

Question #18

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 Almas shares he had the right to take the matters place in the board. Who of the two claimants is entitled to sit in the board?

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

Question #19

The following are ways of enforcing payment of unpaid subscription. Which is the exception?

- a) Denying delinquent stock the right to vote and be voted upon.
- b) Filing a court action to recover unpaid subscription
- c) Sale at public auction of delinquent stock
- d) Denying delinquent stock cash dividend

Question #20

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

- a) All properties, interest, claims and the like pertaining to the constituents corporations shall now pertain to the surviving corporation.
- b) 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.
- c) 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.
- d) All actions pending by or against the constituents corporations shall now be litigated by the consolidated corporations.

Question #21

Rafael and Raffy agreed that Rafael will draw a square circle for Raffy for a total contract price of P10,000. They also agreed that if Rafael fail to perform his obligation within one month from the date of their agreement, Rafael will pay a penalty of P3,000. After one month, Raffy demanded for the drawing, but Rafael cannot deliver it, so Raffy demanded for the payment of the penalty. Is Rafael liable for the penalty of P3,000?

- a) Yes, because the stipulation in a contract is the law between the parties and should be complied with in good faith.
- b) No. because the penalty is unconscionable or excessive.
- c) Yes, because Rafael failed to perform his obligation as stipulated.
- d) No, because the obligation is void, hence the penalty is likewise also void.

Question #22

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?

- a) Yes, because their agreement is in writing and it is valid and enforceable.
- b) No. because the condition in this case will never happen

- c) Yes, because the condition in this case shall be deemed fulfilled.
- d) No, because the condition was not fulfilled.

Question #23

Marta offered to sell her 2007 model car to Josie for a price certain but the latter told her that she will decide to buy within three days. At around 9 o'clock in the morning of the third day, Marta sent a letter to Josie withdrawing her offer while Josie, on the same day around 3 o'clock in the afternoon, informed Marta through a messenger that she was accepting the offer. Marta received Josie's acceptance in the morning the fourth day while Josie received Marta's withdrawal in the afternoon of the same day. Is there a perfected contract of sale?

- a) There is none since when the offer was accepted it was no longer existing
- b) There is since the offeror received the withdrawal of the offer later in the day
- c) There is none since there is no consideration given for the exercise of the option whether to buy the car or not
- d) There is because the offer was accepted

Question #24

A and B are partners in buying and selling cars. A, by the partners agreement, was authorized to buy only in cash. One day, A bought on credit a car from X, a client, who did not know of A's lack of authority. A's purchase was made in the name of the partnership. Is the partnership bound in the sale?

- a) It is bound if it ratifies the contract of sale by acceptance of benefits.
- b) It is bound because X was in good faith and the act of A was apparently in the conduct of the business.
- c) The partnership is not bound because the contract is unenforceable, A exceeded his authority.
- d) It is not bound because the contract with X is not in the ordinary course of business.

Question #25

Two corporations agreed to merge. They then executed an agreement specifying the surviving corporation and the absorbed corporation. Under the agreement of merger dated November 5, 1998, the surviving corporation acquired all the rights, properties and liabilities of the absorbed corporation. Must the absorbed corporation undertake dissolution and winding up procedures?

- a) No. There is no need to undertake dissolution and winding up procedures
- b) No. For convenience of the inventory
- c) Yes. There must be dissolution and winding up
- d) Yes. For the benefit of creditors

Question #26

Knowing that the car had a hidden crack in the engine, X sold it to Y without informing the latter about it. In any event, the deed of sale expressly stipulated that X was not liable for hidden defects. Does Y have the right to demand from X a reimbursement of what he spent to repair the engine plus damages?

- a) Yes, X is liable whether or not he was aware of the hidden defect.
- b) Yes, since the waiver is void. X knew of it but he acted in bad faith in not disclosing the fact to Y.

- c) No, because Y is in estoppel, having changed engine without prior demand.
- d) No, because Y waived the warranty against hidden defects.

Question #27

Damages which are adjudicated in order that a right of the plaintiff, which has been violated by the defendant maybe vindicated.

- a) moral
- b) temperate
- c) liquidated
- d) nominal

Question #28

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) Yes, in consonance with its mission to ensure proper compliance with the laws
- b) No, the questions of policy and management are left to the honest discretion of the officers and directors of the PSE
- c) No, it is the PSE that exclusively determines whether securities will be traded or not in the local stock exchange
- d) 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

Question #29

Which of the following is not correct about partners right over specific partnership property?

- a) A partners right in specific partnership property is not subject to legal support.
- b) A partners right in specific partnership property is not assignable.
- c) A partners right in specific partnership property is not subject to attachment or execution even on a claim against the partnership
- d) A partner is co-owner with his partners of specific partnership property.

Question #30

A promised to deliver to B 100 sacks of palay from the formers summer harvest. A failed to deliver what was promised due to floods which destroyed the crops before the harvest season. Is the obligation extinguished?

- a) Yes, the contract is void due to non-existing object at the time of perfection of contract.
- b) No, the generic thing does not perish.
- c) No, A can still raise the same from future crops.
- d) Yes, the generic thing is delimited.

Question #31

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) the SEC can automatically assume jurisdiction over the corporation
- b) a written petition for corporate rehabilitation must be filed with the SEC
- c) a petition for the appointment of a receiver shall be filed with the RTC
- d) a written petition must be made addressed to the SEC to arbitrate the dispute

Question #32

X, Y and Z are W's sons. Upon the death of W, the three sons found a last will and testament in the cabinet of W. The will showed disposition of a 30 hectare land, the only asset of W at the time of his death in favor of the following: X, 5 hectares; Y, 10 hectares, Z, 15 hectares. X felt discriminated with his share of only 5 hectares. Which is correct?

- a) The law does not allow any remedy in this case.
- b) Reformation of the instrument in order to correct the disparity in the disposal of the property.
- c) Annulment of the instrument is the proper remedy to correct the mistake.
- d) Rescission is the proper remedy to correct the damage on the part of X.

Question #33

Atoy sold to Bitoy a residential lot to be containing an area of 1,000 square meters at P1,000 per square meter. In this connection, which of the following statements is correct?

- a) If the lot should contain 900 sq. meters, B can choose between proportionate reduction of the price or rescission of the contract
- b) If the lot should contain 900 sq. meter, B can choose between proportionate reduction of the price but not rescission of the sale.
- c) If the lot should contain 1,200 sq. meters, B cannot reject the excess and must pay additional price at P1,000 per square meter
- d) If the lot should contain 950 sq. meters only, B can ask for a proportionate reduction of the price and rescission.

Question #34

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) formal contracts
- b) consensual contract
- c) real contract
- d) solemn contracts

Question #35

Mr. Reyes has a tax liability of P100,000. In order to evade the payment of the tax liability, he executed a deed of sale of his only parcel of land valued for P100,000.00 in favor of his brother, Pablo. The deed of sale stated a purchase price of P20,000.00 but the BIR has evidence that said price had never been paid

- a) The BIR should first have the sale rescinded for lesion to the government

- b) The BIR should first have the sale annulled before it may levy upon the land pursuant
- c) The BIR may not levy upon the land because the sale is valid
- d) The BIR, without having the sale annulled may levy upon the land or Mr. Reyes pursuant to the Tax Code

Question #36

Gabriel sold to Andre a car for a price of P750,000. The contract provides that Andre will pay cash of P200,000 and for the balance. Andre will give a land worth P550,000. What is the nature of the contract?

- a) barter
- b) partly sale and party barter
- c) sale
- d) commodatum

Question #37

On July 25, 2015, A obliged himself to give to B his agricultural land if B will pass the October 2015 CPA exam. On July 26, 2015, B orally sold the agricultural land to C and it is agreed that C will pay when B effects the delivery. On October 2, 2015, one day before the first day of the CPA exam, A put poison on Bs food requiring Bs hospitalization resulting to Bs failure to take the exam. As a result, which of the following is correct?

- a) C can demand the delivery of the agricultural land because the sale made by B is valid.
- b) The sale to C is void because B did not fulfill the condition.
- c) B is entitled to the agricultural land hence, the sale to C is valid.
- d) The sale to C is enforceable because A voluntarily prevented B from fulfilling the condition.

Question #38

When only one prestation has been agreed upon, but the obligor may render another in substitution.

- a) The obligation is facultative.
- b) There is no obligation
- c) The obligation is alternative.
- d) The oblige can refuse the substitute

Question #39

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

- d) Yes, Basilio can foreclose the real estate mortgage. It is binding upon Diego as the mortgage is embodied in a public instrument.

Question #40

Mr. X executed a chattel mortgage over his house and lot to Mr. Y. When the obligation became due, MR. X did not pay despite demand

- a) Mr. Y has no right to foreclose the mortgage because he can sue for collection
- b) Mr. Y has no right to foreclose the mortgage unless Mr. X consents to the foreclosure
- c) Mr. Y may foreclose the mortgage because Mr. X is estopped from claiming the invalidity of the chattel mortgage over the real property, but foreclosure should be made under the procedure of a real estate mortgage
- d) Mr Y has no right to foreclose the mortgage because the house and lot are not chattels

Question #41

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

Question #42

Julie Corporation issued redeemable shares. Under the terms of issuance, the shares shall be redeemed at the end of the 10 years from the date of issuance, at par value plus a premium of 10%.

Choose the correct statement relating to these redeemable shares.

- a) Corporations are not allowed to issue redeemable shares, this, the issuance by Julie Corporation is ultra vires.
- b) Julie Corporation would need unrestricted retained earnings to be able to redeem the shares.
- c) Holders of redeemable shares enjoy a preference over creditors.
- d) Julie Corporation may redeem the shares at the end of 10 years without need for unrestricted retained earnings provided that, after the redemption, there are sufficient assets to cover its debts.

Question #43

Jane, Erik and Matet are partners in buying and selling cars. Jane, by the partners agreement, was authorized to buy only in cash. One day, Jane bought on credit a car from Joanne, a client, who did not know of Janes lack of authority. Janes purchase was made in the name of the partnership. Is the partnership bound in the sale?

- a) It is bound if it ratifies the contract of sale by acceptance of benefits.
- b) The partnership is not bound because the contract is unenforceable, Jane exceeded his authority.
- c) It is not bound because the contract with Joanne is not in the ordinary course of business.
- d) It is bound because Joanne was in good faith and the act of Jane was apparently in the conduct of the business.

Question #44

A constructed a building on a piece of land A rented from B. Is the building a real property?

- a) No, because A is not the owner of the land
- b) Yes, because of the principle of accessory follows the principal
- c) Yes, because of the buildings incorporation to the land
- d) Yes, provided that A is in good faith in constructing the building

Question #45

Assume that the unpaid subscription of S for 10 shares with a par value of P100 each is P400 and the expenses, interest and cost of sales amount to P50. Who is the highest bidder if the bids are as follows:

- a) P400 for 4 shares
- b) P450 for 7 shares
- c) P400 for 5 shares
- d) P450 for 6 shares

Question #46

A special law creating a corporation was later declared invalid. May such corporation claim that it is a de facto corporation?

- a) Yes. Because the corporation was created before the special law was nullified
- b) Yes, because the invalidity of the law was not due to the fault of the corporation
- c) No. Because there is no valid law under which it was organized
- d) No. Because it is considered as a corporation by estoppel

Question #47

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. A foreign corporation may sue in the Philippines whether or not they have license to do business in the Philippines.
- b) 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.
- 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.

Question #48

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

- a) none of the choices are correct
- 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) another remedy is filing an action for collection and then foreclose if collection is not enough

Question #49

The articles of incorporation of ABC Corporation provides for 7 directors. In the monthly meeting of the board of directors held on April 8, 2009, directors B, C, D and E were present and the following resolutions were approved.

I A resolution for the purchase of a delivery truck from E Trading, a sole proprietorship owned by E. B, C, D and E voted for the resolution.

II A resolution appointing T as the new corporate secretary where B, C, D and E voted for the resolution

Which is correct?

- a) Resolution I is not valid. Resolution II needs stockholders approval
- b) Resolution I needs stockholders approval. Resolution II is valid.
- c) Both resolutions are valid and do not need stockholders approval.
- d) Both resolutions are valid but need stockholders approval.

Question #50

After 3 years of operation, Conrad, a domestic corporation wanted to declare dividends to its stockholders. The treasurer reported a net income after tax of P4 million. One million is being appropriated for the acquisition of the machineries to be bought 2 months from now. The treasurer likewise reported an increase in the value of the land previously bought to be used as plant site from P3 million to P5 million. What amount of dividend can be declared by the Board.

- a) 3,000,000
- b) 9,000,000
- c) 4,000,000
- d) 8,000,000

Question #51

S sold to B his parcel of land worth P10 million for only P5 million. After the sale and realizing his damage, S is now seeking to set aside the sale. Decide:

- a) The contract is voidable because of mistake of the seller.
- b) The sale is valid, binding and enforceable because as a rule, lesion or inadequacy of cause or price in a sale does not invalidate a contract.
- c) S has the right for an increase in the price to prevent unjust enrichment on the part of B.
- d) It is rescissible because of the lesion or damage suffered by S.

Question #52

Unknown to the other four incorporators, Ruel (who had been given the task of attending to the Articles of Incorporation of the proposed corporation, misappropriated the filing fees and never filed the Articles of Incorporation with the 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.

- a) corporation by estoppel
- b) de jure corporation
- c) general partnership
- d) de facto corporation

Question #53

M and N were good friends. N borrowed P1M from M. Because of their close relationship, the promissory note executed by N provided that he would pay the loan “whenever his means permit”. Subsequently M and N quarreled. M is now demanding immediate payment from N to which the latter refuses. Decide.

- a) It is an obligation which is demandable at once because no period was agreed upon by the parties
- b) It is an obligation with a suspensive condition dependent upon the debtor’s will and therefore is void.
- c) The obligation is one with a condition dependent upon the capability of N to pay who shall be obliged to pay only if he has the money
- d) It is an obligation with a period which depends upon the debtor’s will which the court may fix

Question #54

During an original registration proceeding, the applicant mortgaged the subject land by means of a deed of sale with right of repurchase (pacto de retro) but failed to redeem within the period of redemption. The court must:

- a) Require the mortgagee/ vendee to file his opposition in the proceeding
- b) Suspend the proceeding in case of the dispute between the applicant and the mortgagee/ vendee
- c) Substitute the vendee for the applicant
- d) Continue the proceeding even without substitution of the applicant

Question #55

Vacancy in the board of directors can be filled up by the remaining directors in the following cases, except

- a) resignation of a director
- b) increase in the number of directors
- c) death of a director
- d) all of the answers are correct

Question #56

Which statement best describes the profit sharing relationship of a general partnership where the partners have agreed only on voting percentage and the voting shares are unequal?

- a) Partners cannot share until they unanimously agree upon a distribution
- b) Partners share in proportion to their voting percentage
- c) Partners share in proportion to their contributions to the capital and assets of the partnership
- d) Partners share equally

Question #57

The Articles of Incorporation of DD Corporation was approved by the Securities and Exchange Commission (SEC). After the receipt of the Certificate of Approval from the SEC, DD Corporation decided to immediately start the operation of its business despite the fact that it has no approved BY-laws. What is the legal status of the DD Corporation?

- a) A corporation by estoppel
- b) A de jure corporation
- c) A de facto corporation
- d) An unregistered corporation

Question #58

Borrower borrowed P1,000,000 from Lender. In the loan contract, Borrower agreed to pay (a) interest monthly at the rate of 1.1% per month and (b) the principal on or before the second anniversary of the loan. To secure payment, Borrower gave Lender written authority to collect the rentals due from lessees of Borrower's three (3) condominium units and to apply them to the interests and the principal as they accrue pursuant to the loan contract. If Borrower defaults, can Lender foreclose the units?

- a) Yes, because the written authority and the loan contract evidence an antichresis
- b) No, because the written authority did not state the principal and interest
- c) Yes, because the written authority includes the authority to foreclose
- d) No, because an antichresis requires a possession by Lender of the units

Question #59

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

Question #60

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.

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

Question #61

ABC Corporation has an authorized capital stock of P1 million divided into 50,000 common shares and 50,000 preferred shares. At its inception, the corporation offered for subscription all the common shares. However, only 40,000 shares were subscribed. Recently, the directors thought of raising additional capital and decided to offer to the public all the authorized shares at their market value. Would X, the stockholder of 4,000 shares have pre-emptive right to the remaining shares?

- a) No, because he has waived this right when he subscribed to a part only of the issuance of shares.
- b) Yes, because pre-emptive right applies only to the issuance of unissued shares
- c) Yes, because all stockholders have the pre-emptive rights to all issues of shares of any class in proportion to their shareholdings
- d) No, because pre-emptive right does not apply to unissued shares to be issued

Question #62

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) 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.
- b) 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.
- c) The contract of W with T is valid, and therefore, rescission will not be available as a remedy.
- d) Correct remedy not indicated.

Question #63

The redhibitory action, based on the faults or defects of animals, must be brought within

- a) six months from the perfection of the contract
- b) forty days from the perfection of the contract
- c) forty days from the date of their delivery to the vendee
- d) six months from the date of their delivery to the vendee.

Question #64

The officer or employees of this corporation may be elected or appointed by the stockholders not by the board of directors?

eleemosynary

close corporation

open corporation

sole corporation

Question #65

X subscribed 10,000 shares in the capital stocks of BB 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?

- a) 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.
- b) The Corporate Secretary cannot refuse because a Stock Certificate can be issued corresponding to the percentage of share which were paid.
- c) The Corporate Secretary is correct because the Corporation provides that no certificate of stock shall be issued to a subscriber until the shares as subscribed have been fully paid.
- d) 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.

Question #66

The Coop wants to purchase a Photocopy Machine. What is the effect of this purchase in the accounting equation?

- a) Debit Expenses, Credit Cash
- b) None of the answers are correct.
- c) Debit Cash, Credit Assets
- d) Debit Assets, Credit Cash

Question #67

X is not a partner of A, B and C. Without the consent or knowledge of C but with the implied consent of A and B, X made T believe that he is a partner of A, B, and C. Who shall be liable for the payment of a debt of P500,000 in favor of T who extended credit on the basis of the misrepresentation?

- a) X, A, B and C pro rata
- b) X, A and B pro rata
- c) X, A, B and C solidarily
- d) X, A and B solidarily

Question #68

A sells to B her car for P300,000 on a sale or return within 10 days after delivery. On the 5th day after delivery, the car was lost through fortuitous event. Who bears the loss?

- a) B and he must pay the purchase price.
- b) No one because the loss was due to a fortuitous event
- c) A under the principle of res perit domino
- d) Both A and B jointly.

Question #69

Cesar Corporation is a foreign corporation that wants to operate a representative office here in the Philippines. As required by the Corporation Code, there is a need to appoint a resident agent as a condition precedent to the issuance of a license to transact business in the Philippines. After 2 years, Cesar Corporation removed its resident agent and did not appoint anyone anymore. Which statement is the most accurate?

- a) This can be ground for revocation or suspension of its license to do business.

- b) This can be a ground for suspension only.
- c) There is no more effect in the license because anyway at the time of registration, a resident agent was appointed.
- d) This will result in automatic revocation of its license to do business in the Philippines.

Question #70

What is the effect of the loss of the prestations in alternative obligation where the right of choice belongs to the creditor and the loss is due to the fault of the debtor?

I If only one remains the obligation still subsists, but it ceases to be alternative as it becomes a simple obligation.

II If 2 or more objects remain, the obligation still subsists and the choice is limited to the remaining objects.

III If none remains, the obligation is extinguished because the debtor chose not to give anything.

- a) All answers are correct
- b) All answers are wrong.
- c) Only one of the answers is correct
- d) Only the first and second answers are correct

Question #71

Where an indorsement is conditional, may the maker make payment although the condition has not been fulfilled?

- a) Yes, he may disregard the condition but he becomes liable if the endorsee fails to fulfill the condition
- b) No, the person who received payment will hold the proceeds subject to the right of the conditional indorser
- c) Yes, he may disregard the condition without incurring any liability.
- d) No, the qualified indorsement becomes part of the contract

Question #72

Raphael and Gabriel entered into a universal partnership without specification whether it is of profits or of all present property. It shall be

- a) universal partnership of all present property
- b) universal partnership of profits
- c) universal partnership of present profits
- d) universal partnership of property and profits

Question #73

Seller wrote Buyer offering to sell his only house for a specified price. The letter was mailed on the same date it was written. Buyer offered to buy the same house for the same price and the letter containing the offer to buy was also mailed on the same date it was written. On the same date the time Seller and Buyer received the letters written to each other

- a) There is a perfected contract only when they have orally confirmed their having received the letters written to each other

- b) There is no contract because there was no acceptance
- c) There is a perfected contract
- d) There is no contract because the offers were not certain

Question #74

A owes B P150,000 due on August 31, 2015. A executed a mortgage in favor of B on As building to guaranty the obligation. On August 10, 2015, the mortgaged building was totally lost due to an earthquake. On August 12, 2015, B demanded payment from A. Is Bs demand valid?

- a) Yes. The debt becomes due at once because the guarantee was lost although through a fortuitous event, unless the debtor can mortgage another property that is equally satisfactory.
- b) Yes. The debt becomes due at once because the periods benefit is given solely to the creditor thereby giving the creditor the right to demand performance even before the due date.
- c) No. The mortgage was extinguished because the object of the contract was lost through a fortuitous event.
- d) No. The obligation is one with a definite period, thus the creditor cannot demand fulfillment of the obligation before it is due.

Question #75

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.

- a) False, false
- b) True, true
- c) True, false
- d) False, true

Question #76

Obligations between husband and wife, peoples obligation to pay taxes, obligation of the employer to pay the salaries and benefits of their employees, and the obligation of the winner in gambling to return his winning to the loser are obligations derived from law.

Death of the victim through mistake of fact mistaken to be an aswang, hitting a bystander through recklessness, reckless digging on his own property that triggered a landslide and fall of the residential structure of the adjacent property owner will give rise to an obligation derived from quasi-delict.

- a) Only A is correct
- b) Both are correct
- c) Only B is correct
- d) Both are wrong

Question #77

The members of the Board of Directors maybe given compensation by any of the following acts, except

- a) If approved by the Board of Directors giving them a reasonable per diem.
- b) If provided in the by-laws
- c) If approved by the Board of Directors if the salary given is not more than 10% of the net income before income tax during the preceding year.
- d) If approved by the vote of the stockholders representing majority of the outstanding capital stock.

Question #78

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

Question #79

An insolvent debtor may initiate involuntary proceeding by filing a petition for rehabilitation with the court only if with the prior approval of the following (choose the incorrect one):

- a) the owner in the case of a sole proprietorship
- b) the majority of the partners in the case of a partnership
- c) the vote of at least $\frac{2}{3}$ of the members of a nonstock corporation, in a member's meeting called for the purpose
- d) the the majority of the vote of the board of directors or trustees and authorized by the vote of the stockholders representing at least majority of the outstanding capital stock, in a meeting called for the purpose

Question #80

Which of the following is not an effect of a stay order or suspension order?

- a) It suspends all actions or proceedings, in court or otherwise, for the enforcement of claims against the debtor.
- b) It suspends all actions to enforce any judgment, attachment or other provisional remedies against the debtor.
- c) It prohibits the debtor from selling, encumbering, transferring or disposing in any manner any of its properties even if it is in the ordinary course of business.
- d) It prohibits the debtor from making any payment of its liabilities outstanding as of the commencement date except as may be provided in the Act.

Question #81

If an obligation is with a penal clause

I Proof of actual damages suffered by the creditor is not necessary in order that the penalty may be demanded.

II When the debtor is guilty of fraud in the fulfillment of the obligation, the creditor can demand payment of damages and interest in addition to the penalty.

- a) False, true
- b) True, true
- c) True, false
- d) False, false

Question #82

A owes B P20,000 which became due on December 20, 2015. On that date, A offered P10,000, the only money he then had, but B refused to accept the payment. Thereafter A met C, B's 23 year old daughter, to whom she gave the P10,000 with the request that she turn the money over to her mother. The money was stolen while in C's possession. How much may B still recover from A?

- a) 10,000
- b) 0
- c) 15,000
- d) 20,000

Question #83

Which of the following conditions must be met for an implied warranty of fitness for a particular purpose to arise in connection with a sale of goods?

I The warranty must be in writing.

II The seller must know that the buyer was relying on the seller in selecting the goods.

- a) I only
- b) II only
- c) Both I and II
- d) Neither I nor II

Question #84

Lisa bought a lot from Meg. Lisa paid a 30% downpayment and undertook to pay the balance of the price in 60 equal monthly installments. Lisa mortgaged the lot to Meg to secure payment of the balance. Lisa defaulted in the payment of the installments. Meg sued to resolve the sale. Can Meg opt to resolve the sale?

- a) Yes, because the creditor can opt for resolution, collection or foreclosure
- b) No because availability of foreclosure precludes an action for resolution
- c) No, because the mortgage of the lot consummated the sale transaction
- d) Yes, because Meg gave up remedy of foreclosure upon suing for resolution

Question #85

There is novation of the obligation if

I The period for payment is shortened from 5 years to 3 years.

II The period for payment is extended from 3 years to 5 years.

- a) True, false
- b) False, false
- c) True, true
- d) False, true

Question #86

What is not proper contribution of a limited partner?

- a) engineering expertise
- b) P500,000 and an office building
- c) a piece of land
- d) an expensive sports car

Question #87

The following are characteristic of partnership except?

- a) aleatory
- b) principal
- c) nominate
- d) bilateral

Question #88

The corporation has a nine-member board of directors. Two of the members sold their shares while two others are abroad. To have a quorum, the number required is

- a) five
- b) three
- c) four
- d) seven

Question #89

A owns a piece of land and sells it to B with a right of repurchase within one year from the date of sale. Can B sell the land he purchased from A to C, a third party?

- a) No, third parties that acquire real property are bound by prior contracts affecting such property even if the third person is not a party thereto.
- b) No, B is not yet the absolute owner of the land.
- c) Yes, provided the sale is with the consent of A.
- d) Yes, but the A can still redeem the land from C.

Question #90

Pedro hailed a taxicab owned and operated by Jim. On the way to Pedros office, the taxicab collided with a jeepney, as a result of which Pedros left arm was dislocated. Pedro sued Jim for damages, and won the suit. Jim wants to challenge the decision of the court on the ground that there was no express finding as to whether or not he was responsible for the collision and, hence, not civilly liable to Pedro. He seeks your advice on this matter. What would your advice be?

- a) I will counsel Jim to challenge the decision because every decision rendered by any court must clearly and distinctly express the facts and the law on which it is based
- b) I will counsel Jim to challenge the decision only if he presented evidence of extraordinary diligence which obliges the court to make an express finding of whether he has responsible for the collision
- c) I will counsel Jim to desist from challenging the decision because the cause of action is culpa contractual, hence, the carriers negligence is presumed

- d) I will counsel Jim to desist from challenging the decision because his liability for damages may only be increased on appeal

Question #91

After ten years, five out of the nine incorporators who organized the corporation and signed the articles of incorporation died. The corporation is:

- a) dissolved as the Corporation Code requires that the incorporators be alive during the operation of the business.
- b) not dissolved as it enjoys the right of succession.
- c) not dissolved as it still has forty years left in its term.
- d) dissolved as there will be only four left which is below the minimum number of five incorporators required by the law.

Question #92

A form of corporate combination where all the constituent corporations are dissolved and out of them a new one is formed

- a) joint venture
- b) sale of all assets of one partnership to another corporation
- c) merger
- d) consolidation

Question #93

Multi-purpose cooperatives must have a minimum paid-up capital of

- a) P15,000
- b) P50,000
- c) P100,000
- d) P250,000

Question #94

A verbal contract for the future sale of shares in Meralco to be performed on 16 October 16, 2020 at a fixed price of Php1,000 per share

- a) Void
- b) Not defective
- c) Voidable
- d) Unenforceable

Question #95

The plaintiff proved his loss but did not present competent evidence for the amount of the loss. He can be awarded

- a) Actual and moral damages
- b) Liquidated and exemplary damages
- c) Temperate and moral damages
- d) Nominal and moral damages

Question #96

On February 14, 2016, a partnership was entered into between Steve and Joshua to operate a fishpond. Neither partner contributed a fishpond or a real right to any fishpond. Their contributions were limited to the sum of P10,000 each. The partnership contract was in a public instrument, but an inventory of the fishpond to be operated was not attached to said instrument.

- a) The contract is valid despite the lack of inventory because the purpose of the partnership was not to engage in a fishpond business but to operate a fishpond.
- b) The contract is void because the requisites of the law for perfection of contract is not complied with.
- c) The contract of partnership is void because there is no inventory of the fishpond and attached to public instrument.
- d) The contract is valid only if the inventory of the fishpond was made and attached to public instrument.

Question #97

A owned a parcel of land which both B and C wanted to buy. A sold the land to C. The sale was not registered upon the request of A. Later, the same land was sold to B by A. Upon knowledge of the second sale of the same land to B, C tried but failed to see B to inform him of the prior sale to him. Thereupon C annotated in the Registry of Property his adverse claim on the property. A week later, B registered the sale in his favor and took possession by building house on the land. Who is the rightful owner?

- a) C is the rightful owner he having the oldest title in good faith.
- b) C is the owner because he was the first buyer of the land.
- c) B is the owner having obtained title in his name.
- d) B is the owner being the first to register the sale and possess.

Question #98

Which of the following are covered by the bank secrecy law?

- a) Only demand deposits
- b) All deposits of whatever nature
- c) Investments in bonds issued by the Philippine Government
- d) B and D

Question #99

A purchased on installment from B a house and lot. After a year of installment payment, A died. B refuses to accept the monthly installment being tendered by his heirs contending that upon the death of their father with whom he has a contract, the contract automatically terminated or cancelled. B is:

- a) Correct because the parties did not agree on the transmissibility of the right
- b) Wrong for the right to continue the payment is personal only to A
- c) Correct for the contract is between him and A only
- d) Wrong for right acquired in virtue of an obligation is transmissible

Question #100

If a debtor gives a property to his creditor who accepts it in payment of an obligation in money, this will be governed by

- a) sales
- b) cession
- c) barter
- d) exchange