Negotiable Instruments

SET :- I

1) Which of the following section in the Negotiable Instruments Act deals with the Bill of Exchange?

A. Section 5
B. Section 6
C. Section 4
D. Section 13
E. Section 8

2) Which of the followings are not the Negotiable Instruments as defined by the Statute...

A. Banker's Note
B. Promissory Note
C. Bill of Exchange
D. Cheques
E. All of the Instruments are Negotiable Instruments

3) Which of the following is/are true about the Negotiable Instruments Act, the Promissory Note is ...

(I) Definition of Promissory Note is given in section 8 of the Negotiable Instrument Act

(II) Containing an unconditional undertaking

(III) To pay a certain sum of money only to a specific person or the bearer

(IV) The seller is bound to accept the promissory note

(V) A document was written and signed by the payer/maker

A. (I), (II) and (III)
B. (II), (III) and (V)
C. (II), (III), and (IV)
D. (I), (III) and (IV)
E. All of the above

4) Dishonour of Negotiable Instrument by Non Payment is covered under section in Negotiable Instrument Act 1882…

A. Section 90
B. Section 91
C. Section 92
D. Section 93
E. Section 94

5) The Negotiable Instruments (Amendment) Bill, 2017 inserted a provision allowing a court trying an offence related to cheque bouncing, to direct the drawer (person who writes the cheque) to pay interim compensation to the complainant. The interim compensation will not exceed ___% of the cheque amount?

A. 15%
B. 25%
C. 30%
D. 33%
E. 20%

6) Which of the following is/are true about Bill of Exchange?

(I) A bill of exchange requires in its inception two parties.

(II) A bill of exchange or “draft” is a written order by the drawer to the drawee to pay money to the payee.

(III) Bills of exchange are used primarily in international trade, and are written orders by one person to his bank to pay the bearer a specific sum on a specific date.

(IV) Definition of ‘ Bill of Exchange’ is mentioned in Section 6 of the Negotiable Instrument Act.

A. (I) and (IV)
B. (I), (II) and (IV)
C. (II) and (III)
D. (III) and (IV)
E. All of the Above

(7) If the holder of a bill of exchange allows the drawee more than ___ hours, exclusive of public holidays, to consider whether he will accept the same, all previous parties not consenting to such allowance are thereby discharged from liability to such holder.

A. 24
B. 12
C. 36
D. 48
E. 60

(8) Section 6 of the Negotiable Instruments Act defines ___

A. Cheque
B. Bill of Exchange
C. Promissory Notes
D. Dishonour by non-payment
E. Dishonour by non-acceptance

(9) If a Minor draw, indorse, deliver and negotiate Negotiable Instruments, it binds __

A. All the parties except minor
B. All the parties including minor
C. Minor Only
D. Minor and Only Drawer
E. Minor and the Drawee

(10) Which of the following is/are false about Dishonour of Cheque ?

(I) Section 138 defines Dishonour of cheque for insufficiency, etc., of funds in the account.

(II) Such cheque has been presented to the bank within a period of twelve months from the date on which it is drawn or within the period of its validity, whichever is earlier

(III) Imprisonment for such offence may be extended for period of five year

(IV) Section 138 apply unless – the drawer of such cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.

A. (I) and (IV)
B. (II) and (III)
C. (II),(III) and (IV)
D. Only (IV)
E. Only (III)

Check Below Answer with explanation for the above questions.

The negotiable instruments act 1881 multiple choice questions and answers pdf:

1). Answer :Section 5 of the Negotiable Instruments Act, 1881 defines bills of exchange. According to this definition, a bill of exchange is an instrument in writing containing an unconditional order.

2). Answer : Banker's Note. Promissory Notes, Bill of Exchange and Cheques are Negotiable Instruments.

3). Answer :(II), (III) and (V)

A promissory note refers to a written promise to its holder by an entity or an individual to pay a certain sum of money by a pre-decided date. Definition is mentioned in the section 4 of Negotiable Instrument Act. The seller isn't bound to accept the promissory note.

4). Answer : Section 92 : Dishonour by non-payment.—A promissory note, bill of exchange or cheque is said to be dishonoured by non-payment when the maker of the note, acceptor of the bill or drawee of the cheque makes default in payment upon being duly required to pay the same.

5). Answer :The Bill inserts a provision allowing a court trying an offence related to cheque bouncing, to direct the drawer (person who writes the cheque) to pay interim compensation to the complainant. This interim compensation may be paid under certain circumstances, including where the drawer pleads not guilty of the accusation. The interim compensation will not exceed 20% of the cheque amount, and will have to be paid by the drawer within 60 days of the trial court's order to pay such a compensation.

6). Answer :(II) and (III). A bill of exchange requires in its inception three parties—the drawer, the drawee, and the payee. Definition of ' Bill of Exchange' is mentioned in the Section 5 of Negotiable Instrument Act.

7). Answer :If the holder of a bill of exchange allows the drawee more than 48 hours, exclusive of public holidays, to consider whether he will accept the same, all previous parties not consenting to such allowance are thereby discharged from liability to such holder.

8). Answer :Section 6 of Negotiable Instruments Act 1881: "Cheque" A "cheque" is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

9). Answer :A minor may draw, indorse, deliver and negotiate such instrument so as to bind all parties except himself.

10). Answer : (II) and (III) Section 138 : Where any cheque drawn by a person on an account maintained by him with a banker for payment of any amount of money to another person from out of that account for the discharge, in whole or in part, of any debt or other liability, is returned by the bank unpaid, either because of the amount of money standing to the credit of that account is insufficient to honour the cheque or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank, such person shall be deemed to have committed an offence and shall, without prejudice to any other provision of this Act, be punished with imprisonment for 8 [a term which may be extended to two years'], or with fine which may extend to twice the amount of the cheque, or with both:

Provided that nothing contained in this section shall apply unless—

(a) the cheque has been presented to the bank within a period of six months from the date on which it is drawn or within the period of its validity, whichever is earlier;

(b) the payee or the holder in due course of the cheque, as the case may be, makes a demand for the payment of the said amount of money by giving notice; in writing, to the drawer of the cheque, 9 [within thirty days] of the receipt of information by him from the bank regarding the return of the cheque as unpaid; and cheque fails to make the payment of the said amount of money to the payee or, as the case may be, to the holder in due course of the cheque, within fifteen days of the receipt of the said notice.

Set :- II

Q1. Which section of the Negotiable Instruments Act, 1881 deals with Negotiable Instruments?

1. Section 4
2. Section 118
3. Section 6
4. Section 7
5. Section 138

Q2. Which of these is not a Negotiable Instrument according to Negotiable Instruments Act, 1881?

1. Cheque
2. Bill of Exchange
3. Currency Note
4. Promissory Note
5. None of these

Q3. Section 4 of the Negotiable Instruments Act deals with:

1. Cheques
2. Promissory Note
3. Hundis
4. Bill of Exchange
5. Both 2 and 4

Q4. Parties to a bill of exchange are:

1. Drawer
2. Drawee
3. Payee
4. Only 1 and 2
5. All of these

Q5. A Promissory Note is:

1. A conditional order to pay
2. An unconditional order to pay
3. A conditional promise to pay
4. An unconditional promise to pay

5. Both 1 and 3

Q6. Which section of the Negotiable Instruments Act deals with Cheque?

1. Section 6
2. Section 5
3. Section 118
4. Section 7
5. None of these

Q7. In case of a Promissory Note, there are:

1. 3 Parties
2. 5 Parties
3. 2 Parties
4. 4 Parties
5. 6 Parties

Q8. Which of the following statements qualifies a Promissory Note?

I. I Promise to pay Shyam Rs. 50,000 on demand.

II. I Promise to pay Shyam Rs. 5,00,000 along with my car on demand.

III. I Promise to pay Shyam Rs. 50,000 and rest of the fines on demand.

1. Only I
2. Only II
3. Only III
4. Both I and II
5. None of these.

Q9. A Cheque:

1. Is a type of bill of exchange
2. Includes electronic image of a truncated cheque
3. Payable on demand
4. All of these
5. Only 1 and 3

Q10. A Bill of Exchange is:

1. A conditional promise to pay
2. An unconditional order to pay
3. An unconditional promise to pay
4. A conditional order to pay
5. Both 2 and 3

Answer Key

Set :- II

Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
4	3	2	5	4	1	3	1	4	2