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Multiple Choice Questions on the Negotiable Instruments Act

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Attempt these Multiple Choice Questions on the Negotiable Instruments Act and test your knowledge of the Act today!

1. What is a negotiable instrument under the Negotiable Instruments Act, 1881?

a) A document guaranteeing payment of a specific amount of money

b) A property deed that can be transferred

c) A receipt for payment

d) A certificate of deposit

Correct Answer: a) A document guaranteeing payment of a specific amount of money

2. Which of the following is NOT a negotiable instrument under the Act?

a) Promissory note

b) Cheque

c) Fixed deposit receipt

d) Bill of exchange

Correct Answer: c) Fixed deposit receipt

3. What is the minimum number of parties required in a bill of exchange?

a) One

b) Two

c) Three

d) Four

Correct Answer: c) Three

4. When is a cheque said to be dishonored?

a) When the drawee refuses to accept the cheque

b) When the cheque is post-dated

c) When the drawer issues multiple cheques

d) When the payee delays depositing the cheque

Correct Answer: a) When the drawee refuses to accept the cheque

5. What is the time limit for presenting a cheque for payment?

a) 1 month from the date of issue

b) 3 months from the date of issue

c) 6 months from the date of issue

d) No time limit

Correct Answer: b) 3 months from the date of issue

6. Which section of the Act defines a "promissory note"?

a) Section 4

b) Section 6

c) Section 13

d) Section 138

Correct Answer: a) Section 4

7. What does Section 138 of the Act deal with?

a) Negotiation of instruments

b) Dishonor of cheque for insufficiency of funds

c) Endorsement of instruments

d) Crossing of cheques

Correct Answer: b) Dishonor of cheque for insufficiency of funds

8. What is the maximum punishment for cheque dishonor under Section 138?

a) Imprisonment for 6 months or a fine of ₹1,000

b) Imprisonment for 1 year or a fine equal to the cheque amount

c) Imprisonment for 2 years or a fine up to twice the cheque amount

d) Imprisonment for 3 years or a fine of ₹5,000

Correct Answer: c) Imprisonment for 2 years or a fine up to twice the cheque amount

9. Which of the following is true about an endorsement in blank?

a) The endorser specifies no endorsee

b) The endorser specifies the bank of payment

c) It must be signed by the drawee

d) It is not transferable

Correct Answer: a) The endorser specifies no endorsee

10. In a promissory note, the maker promises to pay:

a) The bearer of the note only

b) The specified payee or his order

c) Only the drawee

d) The bank specified in the note

Correct Answer: b) The specified payee or his order

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