BLOGS

Multiple Choice Questions on Negotiable Instruments Act, 1881

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QUESTIONS ON NEGOTIABLE INSTRUMENTS ACT

1. Which of the following is a negotiable instrument as per the Negotiable Instruments Act, 1881?

a) Cheque

b) Fixed Deposit Receipt

c) Letter of Credit

d) All of the above

2. A bill of exchange must be accepted within how many days of presentment for acceptance?

a) 24 hours

b) 48 hours

c) 72 hours

d) 36 hours

3. Which section of the Negotiable Instruments Act defines a promissory note?

a) Section 4

b) Section 5

c) Section 6

d) Section 7

4. Who is primarily liable on a promissory note?

a) Drawer

b) Acceptor

c) Payee

d) Maker

5. What is the maximum period allowed for the presentation of a cheque?

a) 3 months

b) 6 months

c) 1 month

d) 2 months

6. Which of the following is true about a 'holder in due course'?

a) He is a holder of the instrument who has obtained it for consideration.

b) He has obtained the instrument without consideration.

c) He cannot sue on the instrument in his own name.

d) He does not have any privileges over a holder.

7. Which section of the Negotiable Instruments Act deals with dishonor of cheque for insufficiency of funds?

a) Section 138

b) Section 139

c) Section 140

d) Section 141

8. In the case of dishonor of a cheque, the drawer is liable to imprisonment for a term which may extend to:

a) One year

b) Two years

c) Three years

d) Six months

9. A negotiable instrument can be transferred by:

a) Delivery

b) Endorsement and delivery

c) Only by delivery

d) Only by endorsement

10. Who among the following is not a party to a cheque?

a) Drawer

b) Drawee

c) Acceptor

d) Payee

11. What is the effect of crossing a cheque?

a) It cannot be cashed at the counter.

b) It can only be cashed at the counter.

c) It becomes a bearer cheque.

d) It can be endorsed further.

12. Which of the following is not a type of crossing of cheques?

a) General Crossing

b) Special Crossing

c) Not Negotiable Crossing

d) Limited Crossing

13. A bill of exchange requires acceptance by:

a) Drawer

b) Drawee

c) Payee

d) Endorser

14. An instrument which is payable to order can be negotiated by:

a) Delivery only

b) Endorsement and delivery

c) Mere endorsement

d) Registration

15. Which of the following is not a negotiable instrument under the Negotiable Instruments Act?

a) Cheque

b) Bill of Exchange

c) Share Certificate

d) Promissory Note

16. When the person primarily liable on the instrument makes the payment, it is called:

a) Dishonor

b) Presentment

c) Payment in due course

d) Endorsement

17. Which section of the Negotiable Instruments Act deals with the definition of a cheque?

a) Section 5

b) Section 6

c) Section 7

d) Section 8

18. A cheque is valid for how many months from the date of issue?

a) 1 month

b) 2 months

c) 3 months

d) 6 months

19. In case of a dishonored cheque, the payee must give notice to the drawer within how many days?

a) 15 days

b) 30 days

c) 60 days

d) 90 days

20. Which of the following statements is correct regarding ‘not negotiable’ crossing?

a) The cheque can be endorsed but not further negotiated.

b) The cheque cannot be endorsed.

c) The cheque can be cashed at the counter.

d) The cheque becomes invalid.

21. What is the primary characteristic of a negotiable instrument?

a) Transferability

b) Validity

c) Expiration

d) Specific use

22. Who can cross a cheque?

a) Drawer

b) Holder

c) Banker

d) All of the above

23. Which of the following is not a form of endorsement?

a) Blank endorsement

b) Special endorsement

c) Restrictive endorsement

d) Open endorsement

24. What happens if a cheque is not presented within the stipulated time?

a) It is invalid.

b) It can still be cashed.

c) It must be revalidated by the drawer.

d) It must be endorsed again.

25. What does the term ‘dishonor of cheque’ imply?

a) Cheque is returned unpaid

b) Cheque is paid on presentation

c) Cheque is lost

d) Cheque is endorsed

26. A promissory note must contain:

a) An order to pay

b) A conditional promise to pay

c) An unconditional promise to pay

d) A request to pay

27. Who can endorse a negotiable instrument?

a) Holder

b) Drawer

c) Banker

d) Any third party

28. A bearer cheque can be negotiated by:

a) Endorsement only

b) Delivery only

c) Endorsement and delivery

d) Registration

29. Which of the following instruments is not covered under the Negotiable Instruments Act?

a) Cheque

b) Promissory Note

c) Bill of Exchange

d) Fixed Deposit Receipt

30. The liability of the endorser of a negotiable instrument is:

a) Conditional

b) Absolute

c) Limited

d) Non-existent

ANSWERS

1. A
2. B
3. A
4. D
5. A
6. A

7. A
8. B
9. B
10. C
11. A
12. D
13. B
14. B
15. C
16. C
17. B
18. C
19. B
20. A
21. A
22. D
23. D
24. A
25. A
26. C
27. A
28. B
29. D
30. A

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