Business Laws and Regulations

Midterm Examination

2nd Sem AY 2022-2023

Choose the best answer. Do no forget to submit this form on or before 3:00PM.

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1. **NAME (SURNAME, FIRST NAME MI.) ALL IN CAPITAL LETTERS** *

DELA CRUZ, ANNA MICAELLA B.

2. **STUDENT NUMBER (Ex. 2008-00432-MN-0)** *

2021-04419-MN-0

3. **SECTION (PLEASE CHOOOSE YOUR APPROPRIATE SECTION)** *

- ○ BSA 2-1
- ◉ BSA 2-2
- ○ BSA 2-3
- ○ BSA 2-4
- ○ BSA 2-5
- ○ BSA 2-6
- ○ BSA 2-7
- ○ BSA 2-8

- ◯ BSA 2-9
- ◯ BSA 2-10
- ◯ BSMA 2-1
- ◯ BSMA 2-2
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- ◯ BSMA 2-6
- ◯ BSMA 2-7
- ◯ BSMA 2-8
- ◯ BSMA 2-9

4. In 2016, A, B, C, D and E formed a partnership. A, B and C were capitalist partners who contributed P1,000,000 each, while D, a limited partner, contributed P2,000,000. E joined as an industrial partner, contributing only his services. The Articles of Partnership, registered with the Securities and Exchange Commission, designated A and D as managing partners; A was liable only to the extent of his capital contribution; and E was not liable for losses.

   In 2017, the partnership earned a net profit of P1,600,000. In the same year, E engaged in a different business with the consent of all the partners. However, in 2018, the partnership incurred a net loss of P1,000,000. In 2019, the partners dissolved the partnership. The proceeds of the sale of partnership assets were insufficient to settle its obligation. After liquidation, the partnership had an unpaid liability of P600,000. *

   Assuming that the just and equitable share of the industrial partner, E, in the profit in 2017 amounted to P200,000, how much is the share of D, a limited partner, in the P1,600,000 net profit? (1 Point)

- ◯ P560,000

- ○ P320,000
- ○ P350,000
- ○ P400,000

5. A partner whose connection is concealed and has no voice nor say in the management of the affair of the partnership is called: (1 Point) *

- ○ Secret partner
- ○ Dormant partner
- ○ Ostensible partner
- ◉ Silent partner

6. The industrial partner enjoys priority over capital partners in the distribution of profits. (1 Point) *

- ○ True
- ◉ False

7. Which of the following is not a property right of a partner? (1 Point) *

- ◉ To demand true and full information of all things affecting the partnership
- ○ Rights in specific partnerships property.
- ○ Interest in the partnership
- ○ Right to participate in the management

8. The partner's rights in specific partnership property is not assignable, not subject to legal support, but subject to attachment or execution on a claim against the partnership * (1 Point)

- ○ False
- ◉ True

9. Genevie was admitted to the partnership and given a welcome party in the morning of 2 May 2023. Just before the end of office hours, the partnership incurred obligations in the amount P500,000 in a transaction by another partner named Cleofe. Genevie is liable beyond his capital contribution. * (1 Point)

- ◉ True
- ○ False

10. Where there is a stipulation that none of the managing partners shall act without the consent of the others, the concurrence of _____ the managing partners is required for the validity of the acts. * (1 Point)

- ◉ All
- ○ Simple majority
- ○ None of the above
- ○ Two thirds (2/3)

11. On first principles, as regards the partnership property, the creditors of each partner is preferred over those of the partnership. * (1 Point)

- ○ True

- [x] False

12. The contributions of a limited partner, to qualify her or him as limited, may be: * (1 Point)

- [ ] Cash
- [ ] Property
- [x] Both Cash and Property
- [ ] Services
- [ ] Both Cash and Services

13. As a general rule, a partnership enters into existence or begins to exist upon: * (1 Point)

- [ ] The signing and acknowledgement of the partnership agreement before the notary public
- [ ] All of the above
- [x] Consent by the intended partners
- [ ] Registration of the notarized partnership agreement with the SEC

14. Amy, Antonio, and Nelson are partnership in a limited partnership, Nelson being the only limited partner. In the business of said partnership, Nelson offers his services as an accountant in the filing of tax returns for the business and offers no other service. Nelson thereby becomes liable as a general partner. * (1 Point)

- [x] True
- [ ] False

15. In settling accounts after dissolution, which of the following liabilities of the partnership comes first in the order of preferences? * (1 Point)

- Those to limited partners in respect to the capital of their contributions
- Those to general partners in respect to profits;
- Those to general partners in respect to capital.
- Those to creditors, in the order of priority as provided by law, except those to limited partners on account of their contributions, and to general partners

16. Corazon, Thelma, Seferina, and John entered into a universal partnership but the Articles of Universal Partnership which they signed and swore to before a notary public does not specify whether the same is for "present property" or "profits. They are deemed to have entered into * (1 Point)

- A universal partnership of all present property
- No partnership
- None of the above
- A universal partnership of profits

17. That change in the relation of the partners caused by any partner ceasing to be associated in the carrying on is termed or called * (1 Point)

- Termination
- Formation
- Winding up

- [x] Dissolution

18. In a Limited Partnership * (1 Point)

- [ ] the general partners have limited liability
- [ ] all but the general partners have limited liability
- [x] all but the general partners have unlimited liability
- [ ] all partners have limited liability

19. Joel contributed a parcel of land to the partnership for the business of the partnership in the production/propagation and sale of various plants. The business has no managing partner. Egbert, another partner in the business who was in charge of the production/propagation site, wants to erect a building to house the tissue-culture facility which will enhance the production/propagation capability of the partnership. Egbert needs for the project the * (1 Point)

- [ ] Consent of the partners only
- [x] Consent of both Joel and the partners
- [ ] Consent of Joel only
- [ ] Egbert needs no permission from anyone of the above because the project is beneficial to the partnership business

20. Reynaldo, partner is Guiang & Co., received from Alberto the sum of P25,000 which was intended to be used to pay government fees in the registration a parcel of land as part of the services rendered by the partnership. Reynaldo, however, used the money he collected to go on a date with Cynthia. The partners are liable for the loss. * (1 Point)

- [ ] False

- [x] True

21. Rex, Edwin, Susan agreed to contribute P100,000 each to establish a bakery and to divide profits derived from the business among themselves. Under this set of facts, how many persons are involved? * (1 Point)

- [ ] 1
- [ ] 4
- [x] 3
- [ ] 2

22. Arturo, Pamela and Aldrin were designated in the Articles of Partnership as the only managing partners in Ruiz Boniol & Co. The designation is without specification of their respective duties, or without a stipulation that one of them shall not act without the consent of all the others Agerico, partner in the same, objected to a transaction being made by Arturo. Arturo may proceed with the transaction over the objection of Agerico.

Still under the facts above but with the designation of the managing partners being made after the constitution or formation of the partnership, Agerico may seek the revocation of the designation of Arturo by a vote of the controlling interest in the partnership without citing any reason for revocation. *

(1 Point)

- [x] True
- [ ] False

23. Ronald, a partner in a partnership engaged in the business of acquiring and renting out apartment buildings in and around Metro Manila, learning of a vacancy in one of the apartments owned by the partnership, transferred his family to the said vacant apartment and lived there free of rent. He is well within his right to do so. * (1 Point)

- [x] False
- [ ] True

24. Associations whose articles are kept secret among the members, and wherein any one of the members may contract in his own name with third persons are governed by the laws on * (1 Point)

- [x] Co-ownership
- [ ] Lease
- [ ] Partnership
- [ ] Sales

25. One who takes charge of the winding up of partnership affairs upon dissolution. * (1 Point)

- [x] Liquidating partner
- [ ] General partner
- [ ] Silent partner
- [ ] Ostensible partner

26. In settling accounts after dissolution, which of the following liabilities of the partnership comes last in the order of preferences? * (1 Point)

- [ ] Those to limited partners in respect to the capital of their contributions
- [ ] Those to general partners in respect to profits;

- [x] Those to general partners in respect to capital.
- [ ] Those to creditors, in the order of priority as provided by law, except those to limited partners on account of their contributions, and to general partners

27. The liability of the partners, including industrial partners for partnership contracts entered into in its name and for its account, when all partnership assets have been exhausted is pro-rata among them. * (1 Point)

- [x] True
- [ ] False

28. Arturo, Pamela and Aldrin were designated in the Articles of Partnership as the only managing partners in Ruiz Boniol & Co. The designation is without specification of their respective duties, or without a stipulation that one of them shall not act without the consent of all the others Agerico, partner in the same, objected to a transaction being made by Arturo. Arturo may proceed with the transaction over the objection of Agerico. Agerico may seek the revocation of the designation of Arturo by a vote of the controlling interest in the partnership without citing any reason for revocation. * (1 Point)

- [x] True
- [ ] False

29. Arturo, Pamela and Aldrin were designated in the Articles of Partnership as the only managing partners in Ruiz Boniol & Co. The designation is without specification of their respective duties, or without a stipulation that one of them shall not act without the consent of all the others Agerico, partner in the same, objected to a transaction being made by Arturo. Arturo may proceed with the transaction over the objection of Agerico. Agerico may proceed with the transaction alone, without the concurrence or agreement of Pamela and Aldrin. * (1 Point)

- [ ] True

- [ ] False

30. X, Y and Z are the only partners in Able Co. W represented himself as a partner in Able Co. to B, who, on the faith of such representation, granted ₱300,000 loan to the partnership. This representation was made in the presence of X and Y, while W, X, Y, and B were having dinner together, X and Y remaining silent about B's claims of partnership who shall be liable to B? (1 Point) *

- [ ] W only
- [x] Only X, Y and W
- [ ] Partners X, Y, and Z and W
- [ ] Partners X, Y and Z

31. A partner in a partnership with a fixed term or formed for a particular undertaking may withdraw from the partnership without the consent of the other partners. (1 Point) *

- [x] True
- [ ] False

32. A corporation may enter into joint venture but not partnership. (1 Point) *

- [ ] False
- [x] True

33. A partnership formed for the practice of a profession is a (1 Point) *

- [ ] Limited partnership

- ○ Universal partnership of profits
- ◉ Particular partnership
- ○ Universal partnership of all present property

34. A newly admitted partner's liability for the pre-existing obligations of the partnership at the time of his admission in favor of partnership creditors is unlimited, going beyond capital contribution. *
(1 Point)

- ◉ False
- ○ True

35. Nikki, Michelle, and Barbara are the only partners in the partnership Torres & Co. to which Donna owes P300,000. Michelle received her share in the credit P150,000 from Donna for which payment Michelle issued a receipt only for her share. Donna thereafter became insolvent. Nikki and Barbara may no longer go after Michelle for * a share in the payment made by Donna earlier.
(1 Point)

- ◉ False
- ○ True

36. The unlimited liability of partners sets in only after all partnership assets have been exhausted to answer for partnership liabilities. *
(1 Point)

- ○ False
- ◉ True

37. Antonio, Gladys, Artemis, and Sylvia signed a limited partnership agreement with Artemis and Sylvia as limited partners. Antonio was assigned to file with the Securities and Exchange Commission the Certificate they all signed and swore to

providing for all the details required by law about their partnership but Antonio failed to do so. This failure means that no partnership was formed. * (1 Point)

- ○ True
- ◉ False

38. Claim to the partners' personal assets by creditors if the partnership cannot pay its debts refers to * (1 Point)

- ◉ Unlimited Liability
- ○ Mutual Agency
- ○ Liquidation
- ○ Dissolution

39. Peter and Tomasito are partnership in the operation of a cinema theater. The house and lot on which the theater was built was mortgaged together theater building to Andre who foreclosed on the mortgage. Peter, in his own name and with his own private funds, redeemed or bought back the lot and building.

Tomasito and the partnership sued Peter for breach of his fiduciary duty to the partnership and argue that Peter holds the property concerned as a trustee of the partnership. Peter may invoke his absolute ownership of the property after he successfully had the title of the partnership cancelled and secured a new title registered in his own name. * (1 Point)

- ○ True
- ◉ False

40. On 3 April 2023, Jay, Odemar, and Cynthia entered into a partnership with Jay and Odemar promised to contribute P250,000 each and Cynthia the use only of a bulldozer reserving ownership, all contributions being due on or before 10 May

2023. On 7 April 2023, delivery to the partnership not having been made, the bulldozer was totally burned during a early morning fire in Cynthia's neighborhood. The partnership is dissolved by operation of law.
(1 Point) *

- ○ True
- ◉ False

41. Which of the following does not result in the dissolution of the partnership? *
(1 Point)

- ○ Withdrawal of a partner
- ○ Sale of partnership assets
- ◉ Admission of a new partner
- ○ Death of a partner

42. Elvira, partner in Manahan Fernandez Perfecto & Co., engaged in the buying and selling residential homes, sold to Melania a house and lot owned by the partnership but proceeded to apply the proceeds to the payment of her personal bank loan. The act of Elvira binds the partnership. *
(1 Point)

- ○ True
- ◉ False

43. The partnership is not liable to a partner for the amounts he may have disbursed or advanced on behalf of the partnership and for the corresponding interest, from the time the expenses are made. *
(1 Point)

- ○ True

- [x] False

44. Can the partnership creditors hold A, D and E liable after all the assets of the partnership are exhausted? *
(1 Point)

- [ ] Yes. The stipulation exempting E from losses is valid as in fact even without the stipulation the law exempts the industrial partner) but E is liable beyond capital contribution when the assets of the partnership don't suffice to satisfy partnership creditors. A is liable because the agreement limiting his liability to his capital contribution is not valid insofar as the creditors are concerned. Having taken part in the management of the partnership, D is liable as capitalist partner.
- [ ] No. The Civil Code allows the partners to stipulate that a partner shall not be liable for losses. The registration of the Articles of Partnership embodying such stipulations serves as constructive notice to the partnership creditors.
- [x] Yes. The stipulations exempting E and A from losses are not binding upon the creditors. D is likewise liable because the partnership was not formed in accordance with the requirements of a limited partnership.
- [ ] No. E is not liable because there is a valid stipulation exempting him from losses. Since the partners allowed him to engage in an outside business activity, the stipulation absolving E from liability is valid. For D, it is basic that a limited partner is liable only up to the extent of his capital contribution

45. A and B are capitalist partners with C as industrial partner. A and B contributed ₱20,000 each to the capital of the partnership. A contractual liability of ₱50,000 was incurred by the partnership in favor of X. The assets of the partnership have been exhausted still leaving an unpaid liability of ₱12,000. Which of the following correctly states the liability of the partners to X? *
(1 Point)

- [ ] Only A and B are liable
- [ ] C only
- [x] A, B and C are liable to X beyond their capital contribution, and C after giving his share may ask reimbursement from A and B, unless otherwise stipulated
- [ ] A, B and C are liable to X beyond their capital contribution but C has no right for reimbursement from A and B.

46. Peter and Tomasito are partnership in the operation of a cinema theater. The house and lot on which the theater was built was mortgaged together theater building to Andre who foreclosed on the mortgage. Peter, in his own name and with his own private funds, redeemed or bought back the lot and building.

Tomasito and the partnership sued Peter for breach of his fiduciary duty to the partnership and argue that Peter holds the property concerned as a trustee of the partnership. Peter may invoke his absolute ownership of the property after he successfully had the title of the partnership cancelled and secured a new title registered in his own name. Tomasito may ask for a formal account detailing the transactions above described. (1 Point) *

- ○ False
- ◉ True

47. The following requires the _____ consent of the partners.

- Assignment of the partnership property in trust for creditors or on the assignee's promise to pay the debts of the partnership;

- Disposal of the good-will of the business; *

- Doing any other act which would make it impossible to carry on the ordinary business of a partnership;

- Confession of a judgment (1 Point)

- ○ Simple majority
- ◉ Unanimous
- ○ Two thirds (2/3)
- ○ The above acts may not be done by the partners at all

48. A partnership may come into existence before a common fund therefor having been established. *
(1 Point)

- [x] True
- [ ] False

49. Arturo, Pamela and Aldrin were designated in the Articles of Partnership as the only managing partners in Ruiz Boniol & Co. The designation is without specification of their respective duties, or without a stipulation that one of them shall not act without the consent of all the others Agerico, partner in the same, objected to a transaction being made by Arturo. Arturo may proceed with the transaction over the objection of Agerico. * (1 Point)

- [ ] True
- [x] False

50. They have priority if the partnership is insolvent: * (1 Point)

- [ ] a. Separate creditors of the partners
- [x] b. Partnership creditors
- [ ] c. Both A and B
- [ ] d. None of the above

51. Florante, one of the industrial partners, while driving the van of the partnership to make a delivery of bread in the bakery business of the partnership, fell asleep at the wheel and the van swerved to the sidewalk causing injury to two vendors. Which of the following statements on liability is correct? * (1 Point)

- [ ] Only the partners are liable
- [ ] The partnership and the partners are solidarily liable
- [x] Only Florante is liable

- ◯ Only the partnership is liable

52. Reynaldo sued Crispolo, partner in very successful Antonio Suarez Panganiban & Co. and obtain judgment against him. Reynaldo may * (1 Point)

- ◉ Obtain a court order charging the interest of Crispolo in the partnership
- ◯ Subject to Crispolo's right in specific partnership property to attachement
- ◯ Execute against Crispolo's right in specific partnership property
- ◯ None of the above

53. The formation of a limited partnership requires the registration of the partnership agreement with the Securities and Exchange Commission. * (1 Point)

- ◉ True
- ◯ False

54. A partner's interest in the partnership consists of * (1 Point)

- ◉ a. Profits
- ◯ b. Right to manage the partnership business
- ◯ c. Surplus
- ◯ d. Losses
- ◯ e. Both letters a. and b. above

55. The following are instances, except one, when a partnership is unlawful. Which is the exception? *
(1 Point)

- ○ A partnership formed for smuggling of contrabands
- ○ A partnership formed to create cartel for monopolies
- ◉ A partnership formed to furnish apartment houses to be used as venue for illegal gambling
- ○ A partnership formed for the purpose of buying public lands

56. Which of the following remedy or remedies is available to capitalist partner/s against an industrial partner/s who engaged in a business for himself without the expressed permission from the partnership: *
(1 Point)

- ○ a. To compel him to sell his interest to the said capitalist partners
- ○ b. To exclude him from the firm with a right to damages
- ○ c. To avail themselves of the benefits which he may have obtained in violation of this provision, with a right to damages
- ○ d. To choose between letters a. and b. above
- ◉ e. To choose between letters b. and c. above

57. The dissolution of a partnership necessarily results in the winding up and termination of the partnership. *
(1 Point)

- ○ False
- ◉ True

58. A partner's interest in the partnership is assignable. * (1 Point)

- [x] True
- [ ] False

59. That main purpose of a _____ is to permit a form of business enterprise, other than a corporation, in which persons can invest their money without becoming liable for the debts of the enterprise. * (1 Point)

- [ ] Partnership
- [ ] Limited partnership
- [x] Joint Venture
- [ ] Single proprietorship

60. Dionisia donated to Fruto and Ramon her apartment building in Dagupan City. Fruto and Ramon agreen to divide rents equally between them. They are in partnership with each other. * (1 Point)

- [ ] False
- [x] True

61. Martin is managing partner in Romualdez & Co. Perla owes P20,000 to Martin at an interest rate of 15% and another P20,000 to Romualdez & Co. at an interest rate of 12%, both credits being due and demandable. Perla paid P30,000 to Martin who issued a receipt therefor for the account of the partnership. Martin may apply said payment to both the debt owed to him and the debt to the partnership, in proportion to their amounts. Perla has an option to prefer to pay Partner Martin over payment to the partnership. * (1 Point)

- [x] True

- ◯ False

62. Martin is managing partner in Romualdez & Co. Perla owes P20,000 to Martin at an interest rate of 15% and another P20,000 to Romualdez & Co. at an interest rate of 12%, both credits being due and demandable. Perla paid P30,000 to Martin who issued a receipt therefor for the account of the partnership. Martin may apply said payment to both the debt owed to him and the debt to the partnership, in proportion to their amounts. * 
(1 Point)

- ◯ False
- ◉ True

63. Where the partners did not agree as to the amount of their contributions, they shall contribute equal shares to the capital of the partnership. * 
(1 Point)

- ◉ True
- ◯ False

64. The capitalist partners may engage in any operation which is of the kind of business in which the partnership is engaged as long as this is not for their own account but for the account of some other person. * 
(1 Point)

- ◯ True
- ◉ False

65. Where the partnership agreement involves the contribution of immovable property or other real rights, for the validity of the formation of the partnership, it is required that * 
(1 Point)

- a. The partnership agreement be in a public document
- b. An inventory of the immovable property or other real rights signed by the parties, and attached to the partnership agreement
- c. That the partnership agreement in a public document and to which is attached the inventory of the immovable property or other real rights signed by the parties be registered with the SEC
- d. Only letters a. and b. above
- e. All of letters a., b., and c.

66. Under the same facts as in No. 4 immediately preceding, in 2018, how much is the share of D, a limited partner, in the net loss of P1,000,000? * (1 Point)

- P200,000.
- P400,000
- P 0
- P250,000.

67. Which of the following is not an effect of the conveyance by a partner of his whole interest in the partnership * (1 Point)

- a. Dissolution of the partnership
- b. Entitles the assignee, during the continuance of the partnership, to participate in the management or administration of the partnership
- c. Assignee has the right to require any information or account of partnership transactions
- d. None of the above
- e. All of letter a., b., and c. above

68. Fred Castro Ruiz, one of the limited partners, with Aldrin C. Ruiz and Antonio Fernandez as general partners, allowed his surname to be included in the partnership or firm name. Fred Castro Ruiz is liable as a general partner with unlimited liability. * 
(1 Point)

- (●) True
- ( ) False

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