

# Indian Contract Act, 1872

## This Chapter Includes

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## Chapter at a Glance

### BASIC TERMS

**Contract** = Agreement + Enforceability at law

**Agreement** = Offer + Acceptance

**Contract** is an agreement between 2 or more parties which is enforceable by law. So contract means an agreement which is enforceable by law.

**Agreement** means every promise & every set of promises forming consideration for each other. The main essence of an agreement is meeting of the minds which mean consent of both the parties in the same name.

Law does not cover social agreements into contract because they are of no legal consequence.

**For example:** If A invites B for dinner & B does not come, here is not legal consequence, so we can say that fall, we the *initial elements of a contract*:

- (a) Offer & acceptance.
- (b) Intension should be to create legal relationship which is present business transaction.
- (c) The consideration should be lawful.
- (d) The parties should be competent to contract which means they are major and of round mind.
- (e) The comment should be free and genuine.
- (f) The object should be lawful.
- (g) The agreement should not be declared void.
- (h) The work should be capable of performance physically as well as legally.
- (i) All the legal formalities like stamp paper, registration, etc. if required should be completed.

### CLASSIFICATION OF CONTRACTS

(a) *According to validity*

- (i) Valid : *Valid contracts* are those which have all the essential elements of a contract.
- (ii) Void : *Void contracts* are those contracts which frequently become unenforceable.
- (iii) Voidable : *Voidable contracts* are those which can be enforced at the option of one party but not at the option of other party.

(b) *According to formation*

- (i) Express contracts
- (ii) Quasi contracts
- (iii) Implied contracts
- (iv) E-commerce contracts

*Express* means written or spoken.

*Implied* means which can be inferred from the circumstances and the conduct of parties.

*Quasi contract* means a contract which is not intentionally entered

but is based on the grounds of equality.

*E-commerce* contract is the contract through internet.

(c) *Classification according to performance*

- (i) Executed contracts – already done.
- (ii) Executory contracts – being done.

### **OFFER & ACCEPTANCE**

**Offer** means when one person signifies to another person his willingness to do or not to do something with a view to obtain the assent for that act or not doing that act.

Following are the three characteristics of offer:

- (a) Expansion of willingness.
- (b) To do or not to do something
- (c) To obtain the assent of another person

### **LEGAL RULES AS TO OFFER**

1. An offer may be express or implied.
2. An offer must give rise to legal consequences.
3. Term of offer must be certain and not vague.
4. Invitation to an offer is not an offer e.g.- newspaper advertisement or a display in the showroom is an invitation to an offer.
5. Offer may be specific or general.
6. Offer should be communicated to the offeree.
7. An offer should not contain any term (condition) the non-compliance of which results in acceptance.
8. An offer can be made subject to any terms and conditions.
9. Two identical offers cannot make a contract.

### **REVOCATION OF OFFER**

1. An offer lapses after reasonable time.
2. An offer lapses by rejection (non-acceptance).
3. If an offer is not accepted according to the mode prescribed or not accepted in a reasonable manner, the offer will lapse.
4. If the offerer or offeree dies or becomes insane before acceptance.
5. It is revoked by non-fulfillment of a condition.
6. If subsequently the event becomes illegal then the offer lapses.

**ACCEPTANCE**

A proposal, when accepted becomes a promise. So, acceptance can be defined as the assent given by the person to whom the offer was made. It is like showing a match to a barrel of gunpowder which cannot be reversed.

**LEGAL RULES FOR VALID ACCEPTANCE**

1. It can be given by a person to whom the offer was made.
2. It should be absolute and on qualified.
3. It should be expressed in some reasonable manner. (by telephone or by post)
4. It should be communicated by the acceptor within a reasonable time.
5. It should be given after the offer is made.

**Communication of offer, acceptance and revocation (book)****CONSIDERATION****MEANING**

Consideration means something for something. If a person promises to do something he must be compensated. It is something for which a promise is purchased.

**CONSIDERATION**

When at the desire of promisor the promisee or any other person does or abstains from doing any act such act or abstinence (not doing) is known as consideration.

**BASIC FEATURES OF CONSIDERATION**

It must move at the desire of promisor.

It may move from the promisee or any other person (Chinnaya vs Ramayya). It means a stranger to consideration can receive. In other words we can say stranger to a contract cannot be. But, it has got some exceptions:

Family settlements

Where a trust is created

Where the defendant himself is the agent of third party.

In case of agency, principles can be although the agreement is done by agent.

Consideration must be something of value, which means it may or may not be adequate. But, if it is grossly inadequate, the Court/Tribunal will look into the matter to see whether it was due to force or some pressure, etc. consideration must be physically and legally possible.

### **“NO CONSIDERATION, NO CONTRACT” GIVE ITS EXCEPTION**

Generally, no contract is there if there is no consideration because law does not recognize promises which are made rashly or without consideration, but, in some cases these contracts can be binding also.

1. Natural love & affection
2. Compensation for past services
3. Agreement to pay a time barred debt. Allowed if it is in writing.
4. Gift
5. Agency
6. Contribution to charity.

### **CAPACITY TO CONTRACT OF PARTIES**

A person can contract only if he is competent to contract. He should be major and of a sound mind and should not be disqualified under any law. In other words we can say the following are incompetent to contract:

1. Minors
2. Person of unsound mind
3. Disqualified persons.

**Minors** – A person who is under 18 years is a minor. But, in some case below 21 years is also a minor. (Where property is with the Court/Tribunal of words).

### **MINOR’S AGREEMENTS**

The law relating to minor’s agreements is as follows:

- (a) An agreement with a minor is absolutely void right from the beginning because Court/Tribunal protects them as they are not able to decide what is good and what is bad for them. (MohiriBibi vs Bharmodas Ghosh).
- (b) The contracts in which the minor gets the benefit are valid.
- (c) Minor cannot ratify the contracts on attaining majority.
- (d) The rule of estoppel does not apply to a minor.

- (e) A minor is always liable for necessities, but only his estate is liable. It is not personally liable.
- (f) Specific performance does not apply to a minor because only his estate is liable.
- (g) A minor can always be a partner only for benefits.
- (h) A minor can be an agent but will not be personally liable.
- (i) Minor can never be declared insolvent.
- (j) If a minor and major jointly enter into a contract only major will be liable for the whole.
- (k) A minor cannot be a shareholder.
- (l) Minor's parents are not liable for minor's agreements.
- (m) A minor is liable for any civil wrong.

### **PERSON OF UNSOUND MIND**

A person is of sound mind when he is capable of understanding and forming a rational judgment about the contract. So, a person who is not capable of the above is called a person of unsound mind.

### **DISQUALIFIED PERSONS (BOOK)**

- (i) *Alien Enemy* – An alien can be a friend or an enemy. Contract with alien enemy are totally void.
- (ii) *Insolvent* – An insolvent cannot enter into a contract because his property rights are with the official receiver.
- (iii) *Convicts* – A convict during his imprisonment cannot make a contract. He may make the contract when he is on “Ticket of Leave”.
- (iv) *Foreign Diplomats* – They can make contracts but cannot be sued.
- (v) *Lunatics* – Mentally deranged person because of some strain or other personal experience.
- (vi) *Idiots* – A person who has completely lost his mental powers.
- (vii) *Drunkards* – A person when drunk, is not capable of forming a rational judgment.

### **OTHER ESSENTIAL ELEMENTS OF A CONTRACT**

**Consent** means *when two or more persons agree on the same thing in the same sense*. The consent is said to be free when it is not caused by:

1. Coercion
2. Undue influence
3. Misrepresentation
4. Fraud
5. Mistake

### **COERCION**

- (a) It is committing or threatening to commit, any act which is forbidden by law.
- (b) It is unlawful detaining or threatening to detain any property.
- (c) With the intention of forcing the person to enter into an agreement.
- (d) This is called coercion.

### **IS THREAT TO COMMIT SUICIDE IS COERCION?**

An attempt to commit suicide or a threat to commit suicide is definitely coercion because if anybody enters into the agreement because of this threat and he is not forbidden by law, then everybody will start doing like this is saying “I have not done it, because after committing suicide the person is out of the reach of the law”.

So, threat is also prohibited by the Court/Tribunal.

### **UNDUE INFLUENCE**

Undue influence means *when one party is in a position to dominate the will of the other and he uses that position to get an unfair advantage*. A person is deemed to be in a position of dominating the will in the following cases:

1. *Apparent authority*  
Police officer & two accused, master & servant
2. *Fiduciary authority*  
Father & son, Doctor & patient, Teacher & student
3. Where mental capacity is affected by age, illness, etc.

In case of contracts with undue influence, it is voidable at the option of party whose consent is caused by undue influence.

*Lack of judgment or lack of knowledge* are not sufficient reasons

for undue influence but if a money lender charge very high rate of interest (really high) then it can be undue influence. But charging more prices by a trader is never an undue influence.

### DIFFERENCE BETWEEN COERCION & UNDUE INFLUENCE

<b>Coercion</b>	<b>Undue Influence</b>
1. It is a threat of an offence forbidden by law.	It is a moral influence by a person who is in a position to dominate.
2. It is physical.	It is moral.
3. Intention to enter into agreement.	Intention is to obtain an unfair advantage.
4. Criminal.	Non-criminal.

### MISREPRESENTATION

A representation means statement of fact made by one party to the other relating to some essential matter of the contract. If it is wrong then it can be misrepresentation (unintentional) and fraud (intentional).

### MISREPRESENTATION

- A + ve aversion.
- Innocently (without knowledge of its true or false nature).
- Any breach of duty without any intention to take any advantage.
- Which results in entering into an agreement.
- Made with an intention that it should be acted upon.
- The other party has acted on it and suffered some loss.
- It must be made before the conclusion of contract.

### EFFECT OF MISREPRESENTATION

The person affected may:

Avoid the contract or

- Accept the contract with the condition that the loss shall be made good.

### WHEN THE RIGHT OF RESCISSION (AVOID) IS LOST?

The person loses his right to rescind (avoid) the contract if:

1. On becoming aware of the misrepresentation, he takes the benefit or he affirms (say yes) to the contract.
2. If it is not possible to rescind the contract.
3. If third party rights have come in between.

### **FRAUD**

It is a representation which is:

1. False
2. Made intentionally
3. Without belief in its truth
4. Frequently, without caring whether it is true or false.
5. A promise made without any intention of performing it.
6. Any other act fitted to deceive.

The main difference between *fraud* & *misrepresentation* is as intention

<b><i>Fraud</i></b>	<b><i>Misrepresentation</i></b>
In fraud there is an intention to deceive.	In misrepresentation there is not such intention.

### **EXPLANATION TO THE ABOVE POINTS**

The representation should be made without caring for whether it is true or false.

*E.g.* – A company issued a prospectus by giving the inf. That there is unbounded wealth existing in a particular mining area, without caring for or having any inf., so this is fraud.

The promise must be made without any intention of fulfilling the promise.

*E.g.* – If a person promises to bring some treasure by magic, it is a promise which cannot be fulfilled, so it is a fraud.

### **DISTINCTION BETWEEN FRAUD & MISREPRESENTATION**

<b><i>Fraud</i></b>	<b><i>Misrepresentation</i></b>
(a) Intention to deceive	No intention to deceive
(b) The person (does not) believe what he is telling is true.	The person believes that what he is telling is true.
(c) Damages can be claimed.	No damages can be claimed.

(d) If there is a fraud the contract can be avoided.	If the suffering party can do cover the truth, contract is not avoidable.
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### MISTAKE

It is defined as a wrong belief about something there can be two types of mistakes:

1. Mistake of law
2. Mistake of fact.

#### Mistake of Law can be:

- (a) **Of the country:** Ignorance of law of the country is not an excuse. So nobody can say that he shall be pardoned if he does not know the law of the country.
- (b) **Of foreign country:** If a person does not know the law of a foreign country, the contract is void and it is treated as mistake of fact.

#### Mistake of fact – Can be two types:

1. Bilateral mistake
2. Unilateral mistake.

**Bilateral mistake** is when both the parties make a mistake. So the essential characteristic of bilateral mistake are:

Mistake is mutual

It is related to a matter which is very essential to the contract.

**Unilateral mistake:** When one of the party is mistake then the contract is not voidable, but there are two exceptions to this:

- (a) *Identify of the person* – If X wants to enter contract with Y then Z cannot accept the offer by saying that he is Y.
- (b) *Nature of contract* – If a person enters into a contract which is different from what was intended by inducement (force) of the 3<sup>rd</sup> part of then he can avoid the contract.

An old woman was forced to sign some papers which were described as *Rent Agreements*, but *infact*, they were *Sale-Deed* of the property. Held, the old woman can set aside the contract because the contract what different from what she was told.

### LEGALITY OF OBJECT

Law recognises only there contracts where object is lawful. An *object will*

*be unlawful in the following cases:*

- 1 *It is forbidden by law*– Anything which is prohibited by any law is unlawful.

*For e.g.* If A promises to B that I will get you a government job for ₹ 50,000, the consideration is void because the object is unlawful.

2. *If permitted it will be against the law* – It is possible that a particular act is not prohibited but if it is permitted it will be against the law.

*For e.g.* Giving loan to a person for marriage is not illegal, but if it is given to a minor for marriage, it will defeat the provision of child marriage act.

3. *If it is fraudulent* – If the object of an agreement is to defraud others, it is unlawful.

4. *If it gives an injury to the person or the property of a person* – Any act where any person is assaulted or his property is broken or put to fire these acts are unlawful.

5. *If the court regards it as immoral* – Any act which is regarded as immoral are unlawful.

*For e.g.* Giving money to a lady for getting divorce from her husband and then marrying the moneylender in an immoral act.

6. *If the court regards it as against the public policy* – Public policy is a very vague term. There is no of public policy. The main aim of public policy is to act that no person commits an act which is against the interest of public, society, country.

Following agreements have been held to be against the public policy:

(a) *Trading with alien enemy* – Any trading with the enemy country is against the public policy because it will boost up the economy of that country. Such agreements are unlawful unless they are made with the permission of Court/Tribunal.

(b) *Agreements which interfere with the course of justice* – If there is any agreement which influence a judge to decide a particular case in favour of one party is unlawful and against the public policy.

(c) *Agreements for stifling criminal prosecution* – Any person who has committed a crime must be punished. So, if a person enters into an agreement whereby he drops a prosecution case (criminal) against B if he gives him some money. It will be unlawful because compromise in a criminal case is illegal.

- (d) *Maintenance and Champerty* – Maintenance means where one person promises to the other to give money for fighting a case against a 3<sup>rd</sup> party whereby he has not legal interest in that case. Champerty means where one person unites the other in a court case (financial or otherwise) where the both will share the proceeds of the case.

Both, these agreements are unlawful but these have some exceptions:

Giving money for maintenance or champerty is valid.

Providing professional services by way of maintenance is valid. *For eg.* If in an agreement 80% of the money goes to the person who provided professional services are not valid to it is reasonable.

- (e) *Trafficking in public officer (Bribe)* – It is not allowed as it is against the public policy.
- (f) *Agreement creating an interest opposed to the duty* – If a person promises to pay money, if he helps his brother to desert the army, it's unlawful.
- (g) *Agreement restraining public liberty* – If any agreement restricts the freedom of a person, it is void and illegal.
- (h) *Agreements interfering with parental duties* – If any is against the right of guardianship, then it will be an illegal agreement.
- (i) *Marriage brokerage agreements* – Any agreement where one person promises to get somebody married for monetary consideration is void.
- (j) *Agreements to defraud the creditors* is void.
- (k) *Agreement in restraint of trade* – Any agreement whereby a person is restrained to do or not to do a particular profession or vocation is against the public policy and so it is void. Everybody is free to work the way he likes, to utilize his talents and skills the way he wants. It is also in the society interest but one thing should be made sure that it is not unlawful. There are some exceptions to this rule:

- (i) If the G/W is sold for a business then we cannot carry that business.
- (ii) In case of partnership if a partner purchases the G/W then that

partner can do the same business but others cannot.

### **VOID AGREEMENTS**

**Agreements**, the meaning of which is uncertain.

All, those agreements whose meaning is uncertain are void. The meaning can be uncertain with respect to:

- (a) Quantity;
- (b) Quality;
- (c) Price;
- (d) Anything.

### **WAGERING AGREEMENT**

A wagering agreement is an agreement between two parties whereby one party promises to other to pay money or money's worth on the happening of any uncertain future event. Its consideration is that the other party will pay if the event does not happen.

### **ESSENTIALS OF WAGERING AGREEMENT**

- (a) Promise to pay money or money's worth.
- (b) The event must be uncertain.
- (c) Each party must stand to loose or win.
- (d) There should be no control over the event.
- (e) No party should have any other interest in the event.

The following transactions are not wagering agreements:

Renewed competition

Puzzle games (picture puzzle, etc).

Share market transactions where shares are actually delivered.

Insurance contracts.

### **EFFECTS OF WAGERING AGREEMENT**

These are void. There can be no Court/ Tribunal action for recovering the money. If any person has deposited money he cannot recover it.

### **VOID CONTRACTS**

1. A contract can become void if in the future anything happens which makes it void.
2. If in a voidable contract, the other party (who's consent is not free)

repudiates the contract.

3. A contingent contract to do or not to do something on the happening of an event will become void if that event becomes impossible.

### **RESTITUTION (REINSTATEMENT)**

It means *compensating the other party for the benefit which we have taken*. In other words it is called restoration. It is based upon the principle that nobody should become rich at the excuse of other.

*E.g.* – A contracts to sing for B for ₹ 1,000. It is paid in advance. A is ill and cannot sing so the money is compensated back to B.

### **PERFORMANCE CONTRACT**

#### **OFFER TO PERFORM (TENDER)**

Sometimes the promisor offer to perform his obligation at a proper time and a proper place, but the promisee does not accept. This is called 'tender' as attempted performance.

#### **CHARACTERISTIC OF VALID TENDER**

- (a) It should be unconditional.
- (b) It must be of the whole quantity contracted for or the whole obligation. Any deviation (plus (+) or minus (-)) will not amount to valid tender.
- (c) It should be made by a person who is in a position to perform the promise.
- (d) Should be made at a proper time and a proper place.
- (e) It should be made to a proper person.
- (f) It should be made in a proper form.
- (g) A reasonable opportunity should be given to inspect the goods.

Following contracts should not be performed:

1. Which become impossible?
2. Where a new contract is made (novation).
3. Where a person, at whose option it was voidable, repudiates it.
4. When it is illegal.
5. When the promisee refuses to give reasonable facilities to the promisor to perform his promise.
6. When promisee gives more time to the promisor.

#### **WHO SHOULD PERFORM THE CONTRACT?**

- (a) *Promisor himself* – If the contract is of a personal nature or involve personal skill or personal confidence, it should be performed by promisor himself.

- (b) *By the agent* – Where personal consideration is not the main foundation of the contract, it may be performed by the agent.
- (c) *Legal representative* – If the contract was not of a personal nature and the promisor dies then it has to be performed by legal representation. Unless a different intention is clearly made in the contract.
- (d) *Third person's* – If the promisee accepts the contract from third person then he cannot afterward say that promisor shall again do it for him.

### **DEVOLUTION OF JOINT LIABILITIES & RIGHTS**

Devolution means *passing from one person to another*. If more than one person promise to do something it is called *joint promise*. If any of them dies his legal representative should from truth the serving promisor. If they do not discharge their obligation on their own then between 43 lays down 3 rules.

1. Anyone promisor can be compelled to perform the promise in totality. This means that the liability of promisor is joint and several.
2. A joint promisor who has been compelled to perform the promise can claim contribution from others.
3. If a loan occurs from default in contribution the remaining promisors will bear that loss in equal proportion.

### **DEVALUATION OF JOINT RIGHTS**

When a person has made promise to more than one person then they are known as joint promises. Any of the joint promisee can claim performance. If any of them die then his legal representative can join with the other surviving promisor.

### **RECIPROCAL PROMISES**

Promises which are the consideration for each other are called the reciprocal promises. They can be:

*Mutual & independent* – Under this kind both the parties should perform the promise whether or not other party has performed the promise or not.

*Conditional & dependent* – In this one party performance depends on the other parties performance.

*Mutual & concurrent* – Under this kind both parties has to fulfill there promise side by side.

For example: Cash sales.

### **APPROPRIATION OF PAYMENTS**

When a debtor has to pay several debts to a creditor then on payment he has the choice to joint, otherwise the creditor has the choice. If both do not make a choice then rule of *clay ton to is case* will apply which says that *debts will be allowed in chronological order (date wise)*.

When the debtor intimates, creditor should follow that intervention.

When the debtor does not intimate and the circumstances do not indicate to any particular payment, then payment shall be applied first towards interest and then towards debt. But if the debt is disputed, it cannot be applied towards disputed debt.

If nobody intimates, debts are satisfied in chronological order as per the rule in clay ton case.

### **ASSIGNMENT OF CONTRACTS**

**Assignment of obligation** – Assignment means transferring of rights and liabilities. It can be done by:

(a) Act of parties (b) Operation of law.

#### **Act of parties**

1. Those contracts which involve personal skill and abilities cannot be assigned.
2. A promisor cannot assign his liabilities or obligation because no promisee can be compelled to accept the performance from a 3<sup>rd</sup> party.

But if the party who has to accept the performance gives his consent that I will accept the performance from a 3<sup>rd</sup> party then he must accept.

#### **Operation of Law**

- (a) By death
- (b) By insolvency

### **ASSIGNMENT OF CONTRACTUAL RIGHTS**

1. The right and benefit which do not involve personal skill can be assigned subject to the condition that the original parties will be subject to equities.
2. An actionable claim (cheque, bill of exchange, etc.) can be assigned if

it is in writing and complete in all respect.

### **DISCHARGE OF CONTRACT**

**Discharge** means termination of the contract rights and liabilities. It can be done in six ways:

1. *By performance*
  - (a) Actual
  - (b) Attempted (tender)
2. *By agreement or consent*
  - (a) by express consent
  - (b) by implied consent – Novation (New Contract)
    - Rescission (Some or all terms cancelled)
    - Alteration (Terms altered by mutual)
    - Remission (Accepting less than what is due)
    - Waiver (Abandonment of Rights)
    - Merger (Inferior right merge into a superior right)
3. *By impossibility of performance*
  - (a) Known to the parties (void)
  - (b) Unknown to the parties (e.g.- ship sunk)
  - (c) Supervening impossibility (e.g.- Pakistan post contractual)
4. *By lapse of time* – Reasonable time
5. *By operation of law*
  - (a) Death (Person skill contract comes to an end. Other can be fulfilled)
  - (b) Merger (Inferior into superior – Rent and purchase)
  - (c) Insolvency
  - (d) Unauthorised alteration in the terms of contract
  - (e) When rights and liabilities merge in the same person.  
B/P of a party received by him back as B/R
6. *By breach of contract*
  - (a) Actual breach
  - (b) Anticipatory breach.

**Actual breach** – It can take place:

1. When performance is due
2. During the performance of contract.

- (a) *Express* – When he say by his word or refuses to do the work.
- (b) *Implied* – When a party during the performance makes the contract as impossible then the other party is discharged.

**Anticipatory breach** – When a party tells in advance that he will not complete the work it is called anticipatory breach. It can be done in any of the fall ways:

1. By expressly (written or words spoken) telling the other party.
2. By doing some act which make the performance impossible (*Ex.- A promises to marry B but marries C. It is now impossible for A to marry B).*

### REMEDIES FOR BREACH OF CONTRACT

There are five kinds of remedies:

- (a) Rescission
- (b) Damages
- (c) Quantum Meruit
- (d) Specific performance
- (e) Injunction

### RESCISSION

If a *contract is broken by one party the other party can refuse further performance*. In that case, he will not perform his obligation at all.

Court will give rescission if:

- (a) Contract is voidable
- (b) Contract is unlawful.

Court will not grant rescission if:

- (a) The party has impliedly or expressly ratified the contract.
- (b) Where 3<sup>rd</sup> party rights have come in between.
- (c) Where only a part of contract is required to be rescinded. It cannot be bifurcated from the other part.
- (d) Where the parties cannot be restored to their original positions. *For ex. - If goods are consumed or 3<sup>rd</sup> party right have come in between.*

### DAMAGES

Damages are the *monetary compensation which are allowed by the Court/Tribunal so as to put the injured person in the same position (Monetarily Law) as he would have been*. This is called *Doctrine of*

*Restitution.* This is based upon the famous case *Hadley vs Baxandle*. In this case a person machine was broken and he asked Mr. B to get it repaired. But he did not tell him that in case of delay there will be loss of profit. Somehow the repair of machine got delayed. The Court/Tribunal held that the repairer is not responsible for the loss of profit because he had not been told about that. In case this person had told B that for delay, he will incur loss, B must compensate.

Damages are of different kinds:

- (a) Ordinary damages
- (b) Special damages
- (c) Exemplary damages
- (d) Nominal damages
- (e) For reputation damages
- (f) For discomfort damages

**Ordinary damages** are the damages which we approx. to the real loss. These damages are natural and direct. *For e.g.*-If a person promised to deliver the thing costing ₹ 500 and he was not able to give the thing and repurchase the thing for ₹550 so he must pay ₹ 50 as damages.

**Special damages** are those damages which may be recovered as the probable result of the breach of contract. These are agreed in advance. They can be claimed only if we have told the other party about the special circumstances.

**Exemplary damages** are those damages which are given by way of compensation as punishment. These are not allowed in India except in two cases:

- (i) Breach of promise to marry.
- (ii) Dishonour of a cheque by a bank even after having money in an account.

**Nominal damages** are those damages which are given just to acknowledge the fact that a particular person has won the case.

**Damage for loss of reputation** are generally not recoverable except in case of dishonor of a cheque.

**Damages for inconvenience and discomfort** are also recoverable.

**MITIGATION OF DAMAGES (MINIMISATION OF LOSS)**

It is the duty of the injured party to take all reasonable steps to mitigate the loss. He cannot claim the compensation which could have been avoided, had he been no careful.

**DIFFICULTY OF ASSESSMENT**

One cannot say that it is difficult to assess the damages so we are unable to pay. Court/Tribunal should try their best to estimate the loss and provide the other person a compensation.

**LIQUIDATED DAMAGES AND PENALTY**

Liquidated damages are a genuine pre-estimate of the probable loss which might occur as a breach of contract. Penalty is something which is disproportionate to the actual loss. It is fixed in terrorism, to make the other party so much frightened so that he should not even think of making a breach of contract.

*For e.g.* - If somebody does not pay the amount on a due date, it is OK to charge interest from that date on a market rate of interest. But if we charge 50% interest per year it is in the nature of penalty which will not be allowed by the Court.

**QUANTUM MERUIT**

It means *as much as is earned*. One should pay for what one gets (next chapter).

**Specific Performance**

In some cases damages are not an adequate remedy. In those cases Court/Tribunal can ask for specific performance of the contract. But it will not be granted where:

- (a) Damages are an adequate remedy.
- (b) Contracts are revocable.
- (c) Contract to marry.
- (d) Where the contract is made by the Co. and the Co. has exceeded its powers.

**INJUNCTION**

If a party is doing something which he has promised not to do, the Court/Tribunal can restrain him from doing what he promised not to do.

This is called injunction.

## CONTINGENT AND SPECIAL CONTRACTS

### CONTINGENT CONTRACTS

A contract will be:

- (a) Absolute contract
- (b) Contingent contract.

*Absolute contract* is a contract where promisor binds himself to perform the promise without any condition.

A *contingent contract* is a contract to do or not to do something if some event does or does not happen. So, there are 5 essential characteristics of a *contingent contract*:-

- (a) It depends upon the happening or non-happening of a future event.
- (b) This event is uncertain.
- (c) The event must be collateral (additional) which means it is incidental to the contract.

*For e.g.* – If the supply of goods depends on the arrival of a particular ship, railway, etc. & that particular conveyance does not arrive then this contract is a contingent contract.

### DIFFERENCE BETWEEN WAGERING AGREEMENT & CONTINGENT CONTRACT

<b><i>Wagering agreement</i></b>	<b><i>Contingent contract</i></b>
(i) It contains reciprocal promises.	It may not contain reciprocal promises.
(ii) It is of a contingent nature.	It may not be of a wagering nature.
(iii) Void.	Valid.
(iv) Future event is the main factor.	Future event is collateral factor.
(v) Parties have no interest in the subject matter.	It is not so in contingent contract.

These are really not contracts but they are just like the contracts. A person may receive a benefit to which another person is better entitled. The law requires that such other person should be compensated for that. These

relationships are known as quasi contracts. These are based on the law of restitution.

### KINDS OF QUASI CONTRACTS

(a) **Supply of necessities** – If a person who is incapable of entering into a contract (minor), if he has to support somebody then he must reimburse the person supplying the goods, out of his property. *For e.g.*-Minor case.

(b) **Payment by an interested person** – If a person who makes a payment which another is bound to pay, he has to be remembered by the other person if:

- (i) The payment was bona fide.
- (ii) It should not be a voluntary one.
- (iii) The other party was legally bound to pay.

*Example* – If a tenant pays for a notice in the abstinence of landlord, the landlord must compensate.

(c) **Obligation to pay for non-gratuitous act** – If a person does something for somebody and he does not do gratuitously, then the latter must compensate him. *E.g.*- Fire in a house. B saved on his own, no compensation.

(d) **Responsibility of finder of goods** – A person who finds good of another has to take care of the goods as a man of ordinary prudence would do and try to trace the owner. If he does not then he will be guilty of wrongful conversion. *For e.g.*- If a person picks up a diamond on the floor of somebody's shop. He should hand it over to the owner of the shop till its true owner is found. Despite all the advert, if the true owner is not located then that person (who has found the diamond) is the real owner and not the shopkeeper.

The finder of the goods can sell these goods in the following cases:

1. When the goods are of perishable nature.
2. If the owner cannot be found out despite best efforts.
3. If the owner is found but he refuses to pay the lawful charges.
4. Where the lawful charges are more than  $\frac{2}{3}$ <sup>rd</sup> of the value of the things found.

**(e) Mistake or coercion**

If a person gets anything by mistake or under coercion, he must pay it back to the person from whom he has got it. *For e.g.-* If A pay money to B by mistake whereas actually it was due to C then B must refund the money to A. But C cannot recover money from B.

**QUANTUM MERUIT (AS MUCH AS EARNED)**

If a person has done some work and the remaining part becomes impossible or if some event happens to make the remaining part impossible, then the party who has performed some work must get compensation for what he has done. This is called the claim on a/c of Quantum Meruit.

*The claims under Quantum Meruit arise only when the original comes to an end in the following cases:*

- (a) *When an agreement is discovered to be void, then one can claim for the part of work done already e.g.-Minor supplying goods.*
- (b) *Where something is done without any intention of doing it gratuitously (social work). For e.g.- If there is a fire in A's home and B saves the goods without any intention of doing it gratuitously then he must be compensated.*
- (c) *When there is an express contract to pay for the services. For e.g.-If A say to B that you do this thing for me and I will pay you reasonably then he must pay.*
- (d) *If the contract is divisible then you must pay for that part which has been completed.*
- (e) *If the contract is indivisible and is completely done but badly then the person should pay for the whole contract minus (–) any deduction for the bad work.*

**CONTRACT OF INDEMNITY AND GUARANTEE****CONTRACT OF INDEMNITY**

A contract, by which one party **promises to save the other from loss** caused to him by the conduct of the promisor, or of any other person, is called indemnity **[section 124]**.

***It is a type of contingent contract.***

**Indemnifier (promisor):** The person who promises to make good the

loss.

**Indemnified (Indemnity holder):** The person whose loss is to be made good.

	<b>Right of Indemnity holder when sued [section 125]</b>
Indemnity holder is entitled to recover :	All damages which may be compelled to pay in any suit in any matter to which indemnity applies.
	All sums paid as compromise to such suit.

### CONTRACT OF GUARANTEE

	<b>Contract of Guarantee</b>
<b>[Section 126]</b>	<i>"It is a contract to perform the promise, or discharge the liability, of a third person in case of his default"</i>
<b>Surety</b>	<i>"Is person who gives the guarantee" [Section 126].</i>
<b>Principal Debtor</b>	<i>Person if or whose default guarantee is given <b>Section 126.</b></i>
<b>Creditor</b>	<i>The person to whom guarantee is given <b>Section 126.</b></i>
<b>Essentials elements of a Contract of Guarantee</b>	
All essential element of a valid contract <b>except principal debtor can be minor.</b>	
<b>Anything done, or any promise made, for the benefit of the debtor, may be sufficient consideration to the surety for giving the guarantee" [Section 127].</b>	
There must be concurrence between creditors, principal debtor and surety.	
<b>Primary liability is on principal debtor (but if principal debtor is minor then surety is liable) and surety is liable on the default of principal debtor.</b>	
There is implied contract between debtor and surety that principal debtor will indemnify to the surety, if in the event of his default the surety has paid something but not for any sum which surety has paid wrongfully. <b>Section 145.</b>	

**DISTINCTION BETWEEN INDEMNITY AND GUARANTEE**

<b>Contract of Indemnity</b>	<b>Contract of Guarantee</b>
Two parties – Indemnifier and Indemnified. One contract- between Indemnifier and Indemnified.  Indemnifier liability is primary and independent.  No such request as in case of contract of indemnity. There is no existing liability; it arises on happening of contingent event. Indemnifier cannot recover the loss from any one.	Three parties- principal debtor, creditor and the surety. Three contract- namely- principal debtor & creditor, surety & creditor and surety & principal debtor. Primary liable of principal debtors and surety's liability is collateral or secondary. Surety will act on the request on the principal debtor. In this liability is already subsists (i.e. existing debts) for which guarantee is given. Surety can sue to principal and recover the amount paid by him.
<b>Kind of Guarantee</b>	
Retrospective guarantee	Guarantee for past transactions
Prospective guarantee	Guarantee for future transactions
Specific guarantee	Guarantee for single transaction
Continuing guarantee	Guarantee for series of transactions

**NATURE OF SURETY'S LIABILITY**

The liability of surety is co-extensive with that of principal debtor **Sec 128**. Therefore the surety is liable for what the principal debtor is liable. Even contract between creditor and debtor is void then surety is liable.

***Surety is liable even when principal debtor is not liable.*** Surety's liability arises **immediately on default** by the principal debtor. Discharge of the principal debtor by operation of law does not discharge the surety. For example- if claim is time barred.

**CONTINUING GUARANTEE**

1. *It is a guarantee that extends to a series of transactions* **Section 129**.
2. The **liability of surety is for all the transactions**.
3. Continuing guarantee may be revoked by surety by notice **S- 130**.

4. The death of surety operates as revocation of a continuing guarantee, **as regards future transaction** **S-131** even if creditor has no notice of death.

RIGHT OF SURETY	
Against principal debtor	1. <u>Right of subrogation</u> – <b>Section 140</b> , he will stand in the shoes of the creditor. 2. <u>Right to indemnity</u> – <b>Section 145</b> .
Against creditor	3. <u>Right to claim security</u> – A surety is entitled to benefit of security with creditor <b>Section 141</b> 4. <u>Right of setoff</u> –surety may have the benefit of setoff against the creditor.
Right of surety against co-sureties	5. Equal contribution between co-sureties 6. <i>When two or more persons are co-sureties for the same debt, co-sureties are liable to pay each and equal share of the whole debts [Section 146].</i>

### DISCHARGE OF SURETY

**By revocation:** The surety, by giving notice to the creditor, may revoke, continuing guarantee, for future transactions **[Section 130]**,

- Specific guarantee cannot be revoked.
- A continuing guarantee is revoked by death of surety, **Section 131**.
- By substituting a new contract in place of old contract, discharge surety's liability under original contract of guarantee **[Section 62]**.

### BY CONDUCT OF THE CREDITOR

- “Any variation made **without the surety’s consent**, in the contract between debtors and creditor, discharge the surety” **[Section 133]**.
- The surety is discharged by any contract between debtor and the creditor, by which debtor is released **[Section 134]**.
- The surety is discharged by any contract between creditor and debtor, by which the creditor makes a composition with debtor **Section 135**.
- When creditors losses any security given to him **Section 141**.

**By invalidation of contract of guarantee** “Any guarantee, which is

obtained by misrepresentation by creditor is invalid" [Section 142].

Any guarantee, which the creditor has obtained by concealment of material circumstances [Section 143].

## BAILMENT AND PLEDGE

Contract of Bailment	
Meaning	Bailment is <b>delivery of goods</b> by one person to another for <b>some purpose</b> , upon a contract that they shall, when the purpose is accomplished, <b>be returned</b> according to the <b>directions of the person delivering them</b> Section 148.
Parties	The person delivering goods is called the " <b>bailor</b> ". Person to whom they are delivered is called the " <b>bailee</b> ". Section 148
Essential characteristics of bailment	<ul style="list-style-type: none"> <li>• Same <b>goods to be returned</b> but form of goods may be changed. E.g. when cloth is stitched by tailor.</li> <li>• <b>Deposit of money in a bank is not bailment as money returned is not of the identical currency notes.</b></li> </ul>
Examples	<b>Placing an ornament in a bank locker is not bailment. It is just a contract of hiring a bank locker. The ornaments remain in possession of the owner, though kept in the bank. As the key to the locker is always with the hirer of the locker.</b>
Rights & Duties of Parties	
Duties of Bailor	<ul style="list-style-type: none"> <li>• The bailor is bound to disclose to the bailee faults in the goods bailed, of <b>which the bailor is aware</b>, he is responsible for damage arising to the bailee directly from such faults [Section 150].</li> <li>• To indemnify bailee for loss in case of premature termination of gratuitous bailment [Section 159].</li> <li>• To indemnify the bailee for loss, which the bailee may sustain because bailor was not entitled to make bailment or to receive back the goods</li> </ul>

	<p><b>Section 164.</b> The bailor is bound to accept the goods after expiry of bailment.</p>
<b>Rights of Bailor</b>	<ol style="list-style-type: none"> <li>1. The bailor can enforce all the duties of bailee, as his rights.</li> <li>2. Terminate the contract of bailment if bailee does any act inconsistent with terms of bailment <b>[Section 153]</b>.</li> <li>3. In <b>gratuitous bailment</b>, bailor can demand back of goods before the specified time or purpose, however, bailor has to pay any compensation for loss caused to bailee <b>Section 159</b>.</li> <li>4. To claim increase or profit which may accrued from the goods <b>Section 163</b>.</li> <li>5. Bailor and bailee both have right to bring suit against third person, who does them any injury <b>[Section 180]</b>.</li> </ol>
<b>Duties of Bailee</b>	<ul style="list-style-type: none"> <li>• To take reasonable care of goods bailed <b>[Section 151]</b>.</li> <li>• Not to make unauthorized used of goods bailed otherwise he is liable to make compensation to the bailor <b>Section 154</b>.</li> <li>• Not to mix with own goods.</li> <li>• To return the goods <u>without demand</u>, as soon as purpose of bailment accomplished <b>[Section 160]</b>.</li> <li>• Bailee is bound to return any accretion or profit that may have accrued from the goods bailed <b>[Section 163]</b>.</li> <li>• Not to setup adverse title.</li> </ul>
<b>Rights of the bailee</b>	<ol style="list-style-type: none"> <li>1. The bailee can enforce all the duties of the bailor, as his rights.</li> <li>2. If several joint owners of goods bailed then, the bailee may deliver them back to one joint owner <b>Section 165</b>.</li> <li>3. If the bailor has no title to the goods and the bailee in good faith, deliver the goods to the</li> </ol>

	<p>bailor, the bailee is not responsible to the true owner <b>[Section 166]</b>.</p> <p>4. In such case, third party may apply to court to stop delivery of goods to bailor and to decide title to the goods <b>Sec. 167</b>.</p> <p>5. Right to take action against third party who wrongfully deprives the use or possession of goods <b>[Section 180]</b>.</p> <p>6. Where the bailee has rendered any service involving labour or skill in respect of goods, he has a right to retain such goods until he receive lawful charges in respect of services <b>Sec. 170</b>.</p>
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### TERMINATION OF BAILMENT

- (a) A contract of bailment is terminated under the following circumstances-
- (b) When bailment is for a specific period it terminated after expiry of period.
- (c) When bailment is for specific purpose it terminates when purpose is accomplished.
- (d) The bailor can terminate bailment if the bailee does any act with regard to the goods, inconsistent with conditions of the bailment **Sec. 153**.
- (e) A gratuitous bailment is terminated by the death either party **Sec. 162**.
- (f) The bailor can also terminate a gratuitous bailment before the specified time. However if any loss is caused to the bailee because of this then bailor is liable to indemnify the bailee for such loss **Sec. 159**.
- (g) A contract of bailment is terminated when the subject matter is destroyed.

### CONTRACT OF PLEDGE

<b>Meaning</b>	Pledge is a special kind of bailment. " <i>The Bailment of goods as security for payment of a debt is called pledge</i> " <b>Sec. 172</b> .
<b>Parties</b>	<i>Bailor is in this case Pawnor and bailee is called Pawnee</i> <b>Sec. 172</b> .

<b>Distinction between Bailment and Pledge</b>	<p>Pledge is the bailment of goods for security whereas bailment can be for any purpose. For example- for safe custody, repair etc.</p> <p>Pawnee has right to sell if pawnor makes defaults in repaying the debts but bailee has no right to sell the goods.</p> <p>Pledgee cannot use the goods but bailee can use the goods if contract of bailment so provided.</p>
<b>Rights of Pawnee</b>	<p>Pawnee can retain the goods pledged till the recovery of principal amount, interest and all expenses incurred for preservation of the goods pledged <b>[Section 173]</b>.</p> <p>When Pawnee lends money to the same Pawnor after date of pledge, it is presumed that right of retainer over the pledged goods extends to subsequent advances also <b>Sec. 174</b>.</p> <p>Pawnee is entitled to receive from Pawnor extraordinary expenses incurred for preservation of goods pledged <b>Sec. 175</b>.</p> <p>When Pawnor makes defaults, Pawnee may bring a suit against the Pawnor and retain the goods as a security <b>Sec. 176. or</b></p> <p>When Pawnor makes default Pawnee may sell the goods pledged after giving the Pawnor reasonable notice of the sale <b>Sec. 176</b>.</p>
<b>Pledged by Non-owner</b>	<p>General rule is that only owner can pledge but in the following cases even a non-owner can also create valid pledge.</p>
<b>Pledge by mercantile agent</b>	<p><i>Where a mercantile agent is in possession of goods any pledge made by him shall be as valid.</i></p> <p>Pledge by a person having the goods under a voidable contract is valid <b>[Section 178A]</b>.</p> <p><i>When a person pledges goods in which he has limited interest, the pledge is valid to the extent of that interest [Section 179].</i> For example- a finder of goods can pledge goods to the extent of</p>

	interest. One of the several co-owners of the goods in possession thereof with the assent of the other co-owners can make valid pledge.
<b>Agent</b>	<i>"An agent is a person employed to do act for another or to represent another in dealing with third person" [Section 182].</i>
<b>Principal</b>	<i>Person for whom such act is done is called principal Sec. 182</i>
<b>Features of agency</b>	<ol style="list-style-type: none"> <li>1. Relationship between a principal and his agent is that the latter can render the former answerable to a third party by his act.</li> <li>2. The contract done by the agent will have same consequence if the contacts made by the principal himself <b>[Section 226]</b>.</li> <li>3. A person who has contractual capacity (i.e. major and sound mind person) can employ an agent <b>[Section 183]</b>.</li> <li>4. Any person may become an agent <b>[Section 184]</b>.</li> <li>5. No consideration is necessary to create agency <b>Sec. 185</b>.</li> </ol>

## MODES OF CREATION OF AGENCY RELATIONSHIP

### Express agreement

*An authority is said to be express when it is given by words Sec. 187.*

### By implied agreement

*An authority is said to be implied when it is to be inferred from the circumstances of the case Sec. 187.*

### Agency by estoppel

When principal induced third party to believe that a person acting is his agent then principal is stopped from denying that person is not his agent.

### Agency by holding out

Agency by holding out is a branch of estoppel. In this case, a prior positive act on the part of the principal is required to establish agency by holding

out.

### **By necessity**

An agency in necessity is also a part of implied authority. In certain circumstances, the law confers an authority on one person to act as agent for another without requiring the consent of that another.

### **By ratification**

Where one person on behalf of another, but without his knowledge or prior authority does acts, if such another person subsequently, accepts or ratifies the acts, it is called agency by ratification [**Section 196**].

### **RULES REGARDING RATIFICATION**

1. *It may be express or implied* [**Section 197**].
2. It must be done for whole transaction **Sec. 199**.
3. It must be done by the person for whom act was done.
4. It must be done by a person who was competent to enter into contract.
5. The person who was in existence at the time when act was done can ratify.
6. It must be done within the reasonable time.
7. Illegal act cannot be ratified.
8. Ratification may be made of an act done by agent in excess of his authority.
9. Ratification must be communicated to the third person.

### **BY OPERATION OF LAW**

Sometimes agency relationship also arises because of operation of law. For instance the promoters are treated as agent of the company. As per Section 18 of the Partnership Act, 1932, *“a partner is the agent of the firm for the purpose of the business of the firm”*.

### **DUTIES OF AN AGENT**

1. To conduct business in accordance with directions given by principal or
2. In the absence of direction, according to the customs.
3. If agent acts otherwise, he must compensate the principal for loss suffered or if he has made any profit, he must give it to the principal **Sec. 211**.

4. To work with reasonable care, skill and diligence.
5. To render proper accounts to his principal on demand **[Section 213]**.
6. To communicate with his principal and seek his instructions **Sec. 214**.
7. Not to deal on his own account, but if he wants to do so, he must disclose all the material facts to his principal and obtain his consent.
8. Not to make any secret profit out of the agency business.
9. To remit to principal all the sums received in the principal's account **Sec. 218**.

### **RIGHT OF AN AGENT**

1. To retain money for expenses and remuneration **[Section 217]**.
2. The agent is bound to remit the balance amount to his principal **[Section 218]**.
3. To receive the agreed remuneration.
4. Right of lien on principal's goods, papers and other property **Sec. 221**.
5. An agent has right to be indemnified by the principal against all lawful acts done in exercising of the authority conferred **Sec. 222**.
6. An agent has right to be indemnified by the principal against consequences of acts done in good faith that caused injury to third person **[Section 223]**.
7. To claim compensation for injury because of principal's neglect **Sec. 225**.

**Duties of Principal** – Agent's rights are the principal duties.

**Rights of Principal** – Principal can enforce agent duties as his rights.

### **WHEN AGENT IS PERSONALLY LIABLE**

Agent is not personally liable. General rule is that only principal can enforce and can be held liable on, a contract enforced into by the agent **Sec. 230**

In the following cases, agent is personally liable – **Sec. 230**

1. When agent acts for sale or purchase of goods for a principal resident abroad i.e. foreign principal **[Section 230]**.
2. Where agent does not disclose the identity of his principal **[Section 230]**.
3. Where the principal is disclosed but cannot be sued for example foreign sovereign, ambassador etc. **[Section 230]**.

4. When principal is undisclosed **[Section 231]**. When he signs a contract in his own name without disclosing that he is acting as an agent.
5. When agent exceeds his authority / breach of warranty of his authority.
6. When he receives or pays money by mistake/fraud.
7. When agent authority is coupled with interest. He can sue or be sued only to the extent of his interest in subject matter.
8. Where the trade usage or custom makes agent personally liable.

**Sub-Agent-** *“A sub-agent is a person employed by and acting under the control of the, original agent in the business of agency”* **[Section 191]**.

### DELEGATION OF AUTHORITY

The general rule is that an agent cannot lawfully employ another to perform acts, which he has expressly or impliedly undertaken to perform personally **[Section 190]**. ‘**Delegatus non-protest delegare**’ is a maxim that means delegate cannot further delegate.

In the following cases an agent can appoint sub-agent:

1. There is a custom of trade to that effect **[Section 190]**.
2. Nature of the agency is such that when sub-agent is necessary **[Section 190]**.
3. Where the principal is aware of the intention of the agent.
4. Where emergencies arise rendering appointment of a sub-agent necessary.
5. When principal permits appointment of a sub-agent.

### LEGAL RELATIONSHIP BETWEEN PRINCIPAL AND SUB-AGENT AND AGENT

#### 1. If sub-agent properly appointed – **[Section 192]**

Principal is bound to third party for the act of sub-agent.

*“The agent is responsible to the principal for the acts of sub-agent”.*

*“Sub-agent is responsible for his act to the agent but not to the principal”.*

#### 2. If sub-agent is not properly appointed – **[Section 193]**

The agent is responsible to the principal and third party. The principal is not responsible for the act of sub-agent. Sub-agent is not responsible to the principal.

**TERMINATION OF AGENCY****By the act of parties –**

(A) By an agreement –

(B) *“By the principal revoking his authority” [Section 201].*

The principal can revoke the authority *“at any time before the authority has been exercised so as to bind the principal” [Section 203].*

*“The principal cannot revoke the authority given to his agent after the authority has been partly exercised, so far as regard such acts.*

When agency is for fixed period, the principal must make compensation to the agent, for premature revocation of agency **[Section 205].**

Reasonable notice of revocation must be given; otherwise the damage thereby resulting to the agent must be made good by the principal **[Section 206].**

Revocation may be expressed or implied **[Section 207].**

The termination of the authority of an agent does not take effect-

As regards the agent, before it becomes known to him, or

As regards third persons, before it becomes known to them **[Section 208].**

**BY OPERATION OF LAW**

By the business of the agency being completed **[Section 201].**

By death or insanity of either the principal or agent **[Section 201].**

By expiration of period fixed by the agency whether the purpose of the agency has been accomplished or not.

By performing of contract of agency.

By the destruction of the subject matter.

By principal becoming an alien enemy.

Where principal or agent is a company, by its dissolution.

Termination of agent's authority causes the termination of authority of all the sub-agents appointed by him **[Section 210].**

**Questions and Answers of September 2014**

1. In an executed contract, the obligation of \_\_\_\_\_:
  - (a) both the parties have been fulfilled
  - (b) both the parties are outstanding
  - (c) obligation of one party is outstanding

(d) none of these

**Answer:** (a)

2. A contract with or by a minor is a:

(a) valid contract

(b) void contract

(c) voidable contract

(d) voidable at the option of either party

**Answer:** (b)

3. The term consideration is defined in \_\_\_ section of the Indian Contract Act, 1872.

(a) 2(a)

(b) 2(d)

(c) 3(a)

(d) 2(h)

**Answer:** (b)

4. An agreement by way of wager under section 30 is:

(a) void

(b) voidable

(c) valid

(d) unenforceable

**Answer:** (a)

5. A contingent contract:

(a) is void

(b) never becomes void

(c) becomes void when the event becomes impossible

(d) is voidable

**Answer:** (c)

6. A quasi contract lacks:

(a) agreement

(b) consent

(c) both

(d) none of these

**Answer:** (c)

7. An agreement & contract are one and same thing:

(a) True

(b) False

- (c) Depends on the situation
- (d) None of these

**Answer:** (b)

8. Two persons have the capacity to contract:
- (a) If both are not of unsound mind
  - (b) If none is disqualified from contracting by any law to which he is subject
  - (c) If both have attained the age of maturity
  - (d) All of the above

**Answer:** (d)

9. A minor is a person who has not attained the age of:
- (a) 15 years
  - (b) 18 years
  - (c) 21 years
  - (d) 25 years

**Answer:** (b)

10. A contract can be performed by:
- (a) promisor himself
  - (b) agent of the promisor
  - (c) legal representative of the promisor
  - (d) either of these three

**Answer:** (d)

11. The term "Quid Pro Quo" is applied in connection with:
- (a) capacity of the parties
  - (b) consideration
  - (c) free consent
  - (d) legality of object

**Answer:** (b)

12. In a contract not specifying the time for performance, the promisor can perform the contract:
- (a) immediately
  - (b) within the shortest time
  - (c) within a reasonable time
  - (d) within next 21 days

**Answer:** (c)

**Questions and Answers of December 2014**

1. The void agreement is one which is:
  - (a) valid but not enforceable
  - (b) enforceable at the option of both the parties
  - (c) enforceable at the option of one party
  - (d) not enforceable in a Court/Tribunal of law.**Answer:** (d)
2. When the consent of a party is not free, the contract is:
  - (a) void
  - (b) voidable
  - (c) valid
  - (d) illegal.**Answer:** (b)
3. Consideration must move at the desire of:
  - (a) promisor
  - (b) promisee
  - (c) any other person
  - (d) any of these.**Answer:** (a)
4. Ordinarily, a minor's agreement is:
  - (a) voidab initio
  - (b) voidable
  - (c) valid
  - (d) unlawful.**Answer:** (a)
5. In Case of Illegal agreements, the collateral agreements are:
  - (a) valid
  - (b) void
  - (c) voidable
  - (d) any of these.**Answer:** (b)
6. On the valid performance of the contractual obligations by the parties, the contract:

- (a) is discharged
- (b) becomes enforceable
- (c) becomes void
- (d) none of these.

**Answer:** (a)

7. A contract is discharged by rescission which means the:
- (a) change in one or more terms of contract
  - (b) acceptance of lesser performance
  - (c) abandonment of rights by a party
  - (d) cancellation of existing contract.

**Answer:** (d)

8. In case of breach of contract, which of the following remedy is available to aggrieved party?
- (a) Suit for rescission
  - (b) Suit for damages
  - (c) Suit for specific performance
  - (d) All of these.

**Answer:** (d)

9. A voidable contract is one which:
- (a) can be enforced at option of aggrieved party
  - (b) can be enforced at option of both parties
  - (c) cannot be enforced in a Court/Tribunal of law
  - (d) Courts prohibit.

**Answer:** (a)

10. A agrees to sell his car worth ₹ 1,00,000 to B for ₹ 20,000 only and A's consent was obtained by coercion. Here, the agreement is:
- (a) void
  - (b) valid
  - (c) voidable
  - (d) unlawful.

**Answer:** (c)

11. When the consent to an agreement is obtained by coercion, the agreement is voidable at the option of:
- (a) either party to agreement
  - (b) a party whose consent was so obtained
  - (c) a party who obtained consent

(d) none of these.

**Answer:** (b)

12. A agrees to pay ₹ 1,000 to B if a certain ship returns within a year. However, the Ship sinks within the year. In this case, the contract becomes:

(a) valid  
(b) void  
(c) voidable  
(d) illegal.

**Answer:** (b)

13. A party entitled to rescind the contract, loses the remedy where:

(a) he has ratified the Contract  
(b) third party has acquired right in good faith  
(c) contract is not separable and rescission is sought of party only.  
(d) all of these.

**Answer:** (d)

14. Threat to commit suicide amounts to:

1. Coercion  
2. Offence under the Indian Penal Code  
3. Undue Influence  
4. Fraud  
(a) 1 & 2  
(b) 2 & 3  
(c) 3 & 4  
(d) 1 & 4

**Answer:** (a)

15. Contract caused by which of following is voidable?

1. Fraud  
2. Mis-representation  
3. Coercion  
4. Bilateral Mistake  
(a) 1, 2, 3  
(b) 2, 3, 4  
(c) 1, 2, 4  
(d) 1, 2, 3, 4

**Answer:** (a)

### Questions and Answers of March 2015

1. General offer can be accepted:
  - (a) person to whom it is addressed
  - (b) general public at large
  - (c) anybody fulfilling the conditions attached to the offer
  - (d) only senior citizen having PAN number

**Answer:** (c)
2. Consideration should be something in return of promise which:
  - (a) both the law and parties regard, as having some value
  - (b) only law regards as having some value
  - (c) only the parties regard some value
  - (d) only adequate value necessary

**Answer:** (a)
3. Consent is free under section 14 if not caused by—
  - (a) coercion & undue influence
  - (b) fraud and misrepresentation
  - (c) mistake subject to the provisions of sections 20, 21 and 22
  - (d) all of the above

**Answer:** (d)
4. Where neither party makes any appropriation, the payment is to be applied in—
  - (a) random manner
  - (b) Alphabetical manner
  - (c) Alpha - Numeric manner
  - (d) in the order of time

**Answer:** (d)
5. An agreement to do impossible thing is—
  - (a) invalid agreement
  - (b) void
  - (c) voidable
  - (d) Illegal

**Answer:** (b)

6. Damages are—  
(a) punitive in nature  
(b) deterrent in nature  
(c) compensatory in nature  
(d) all the three  
**Answer:** (c)
7. A quasi contract lacks—  
(a) agreement  
(b) consent  
(c) both  
(d) none of these  
**Answer:** (c)
8. Wagering agreement is illegal in—  
(a) Gujarat  
(b) Kerala  
(c) Haryana  
(d) Jammu & Kashmir  
**Answer:** (a)
9. A contract based on the happening or non-happening of a future event under section 31 is called—  
(a) a contingent contract  
(b) a wagering contract  
(c) a contract marked with uncertainty and hence void  
(d) voidable contract  
**Answer:** (a)
10. The term consideration is defined in section----of the Indian Contract Act, 1872—  
(a) 2(a)  
(b) 2(d)  
(c) 2(g)  
(d) 2(h)  
**Answer:** (b)
11. A contract with or by a minor is a—  
(a) valid contract  
(b) void contract

- (c) voidable contract
- (d) voidable at the option of either party

**Answer:** (b)

### Questions and Answers of June 2015

1. The Indian Contract Act, 1872.
  - (a) Contains the basic principles of contract
  - (b) Is not a complete code on contract
  - (c) Does not cover all types of contract
  - (d) All of the above.

**Answer:** (d)
2. An agreement created by words spoken or written is called.
  - (a) Express agreement
  - (b) Execute agreement
  - (c) Implied agreement
  - (d) Voidable agreement

**Answer:** (a)
3. An offer stands revoked.
  - (a) If the fact of the death or insanity is known to offeree
  - (b) By counter offer
  - (c) By rejection of offer
  - (d) All of the above.

**Answer:** (d)
4. The term 'proposal' used in the Indian Contract Act is synonymous with the term.
  - (a) Contract
  - (b) Offer
  - (c) Agreement
  - (d) None of these.

**Answer:** (b)
5. A Counter offer is:

- (a) An invitation to treat
- (b) An acceptance of the offer
- (c) A rejection of the original offer
- (d) A bargain

**Answer:** (c)

6. When goods are displayed in a show-window bearing price-tags, it indicates.

- (a) Offer to sell goods at prices mentioned on the price tags
- (b) An invitation to make an offer
- (c) An advertisement
- (d) An announcement

**Answer:** (b)

7. Consideration is

- (a) Doing or abstaining from doing something at the desire of promiser
- (b) Essential condition of a contract
- (c) Element of exchange in a contract
- (d) All of the above

**Answer:** (d)

8. The exceptions to the rule a stranger to a contract cannot sue are.

- (a) Beneficiaries in case of trust
- (b) Family settlement
- (c) Assignment of contract
- (d) All of the above.

**Answer:** (d)

9. Where consideration is illegal or physically impossible, uncertain or ambiguous, it shall not be

- (a) Transferable by law
- (b) Unenforceable by law
- (c) Enforceable by law
- (d) None of these.

**Answer:** (c)

10. A person who is not an Indian citizen is an Alien. Contract with an alien friend, subject to certain restrictions are
- (a) Void
  - (b) Unenforceable
  - (c) Valid
  - (d) Invalid

**Answer:** (c)

11. Which of the following person do not fall under the category of persons of unsound mind?
- (a) Drunkards
  - (b) Lunatics
  - (c) Idiots
  - (d) Blind person.

**Answer:** (d)

12. What does Section 17 of the Indian Contract Act, define?
- (a) Coercion
  - (b) Undue influence
  - (c) Fraud
  - (d) Mistake

**Answer:** (c)

13. In Indian Contract Act, the term consensus ad idem means
- (a) Parties under a mistake
  - (b) Parties under the free consent
  - (c) Parties agreeing upon the same thing in same sense
  - (d) None of these

**Answer:** (c)

14. An agreement which restricts a person's freedom to marry any person of his choice is against public policy and is.
- (a) lawful
  - (b) Illegal
  - (c) Void
  - (d) None of these

**Answer:** (c)

15. P engages B to kill C and borrows ₹ 100 from D to pay B. If D is aware of the purpose of the loan, the transaction is:

- (a) Valid
- (b) Void
- (c) Illegal
- (d) Not enforceable

**Answer:** (c)

16. An insurance contract is

- (a) Contingent contract
- (b) Wagering agreement
- (c) Unenforceable contract
- (d) Void contract

**Answer:** (a)

17. The obligation of a finder of lost goods is laid down in:

- (a) Sec. 71 of the Contract Act
- (b) Sec. 65 of the Contract Act
- (c) Sec. 68 of the Contract Act
- (d) Sec. 66 of the Contract Act

**Answer:** (a)

18. A contracts with B to construct a building for a fixed price, B supplying the necessary timber. This reciprocal promises is.

- (a) Mutual and independent
- (b) Mutual and dependent
- (c) Mutual and concurrent
- (d) None of the above

**Answer:** (b)

19. A valid tender or offer of performance must be:

- (a) Made at proper time
- (b) Made at proper place
- (c) Made to the proper person
- (d) All of the above

**Answer:** (d)

20. The law relating to damages is spelt out in ..... of the Contract Act.

- (a) Sec. 75

- (b) Sec. 73
- (c) Sec. 71
- (d) Sec. 65

**Answer:** (b)

21. Where there is an infringement of a contractual right, but no actual loss has been suffered, the Court will award

- (a) Nominal damages
- (b) Special damages
- (c) Exemplary damages
- (d) Ordinary damages

**Answer:** (a)

22. The remedies open to a person, suffering from breach of contract are

- (a) Damages
- (b) Injunction
- (c) Quantum Meruit
- (d) All of the above.

**Answer:** (d)

### MULTIPLE CHOICE QUESTIONS

1. Which one of the following is correct?

- (a) Indian Contract Act, 1882
- (b) Indian Contract Act, 1972
- (c) Indian Contract Act, 1872
- (d) Indian Contract Act, 1888.

**Answer:**

2. The Law of Contract is nothing but-

- (a) A Child of Commercial dealing
- (b) A Child of Religion
- (c) A Child of day to day Politics
- (d) A Child of Economics.

**Answer:**

3. The Indian Contract Act, 1872 extends to-

- (a) Whole of India
- (b) Whole of India excluding Jammu and Kashmir.
- (c) North India Only.
- (d) South India Only.

**Answer:**

4. To form a valid contract, there should be atleast-

- (a) Two parties
- (b) Three parties
- (c) Four parties
- (d) Five parties.

**Answer:**

5. Contractual rights and duties are created by-

- (a) State
- (b) Statute
- (c) Parties
- (d) Custom or Usage.

**Answer:**

6. Every Contract is an agreement but every agreement is not a contract.  
This statement is -

- (a) Wrong
- (b) Correct
- (c) Correct Subject to certain exceptions
- (d) Partially correct.

**Answer:**

7. Agreement is defined in section of the Indian Contract Act, 1872.

- (a) 2(c)
- (b) 2(e)
- (c) 2(g)
- (d) 2(i)

**Answer:**

8. As per section 2(e) of the Indian Contract Act, "Every Promise and every set of promise forming the consideration for each other is a/an

- (a) Contract
- (b) Agreement
- (c) Offer

(d) Acceptance

**Answer:**

9. A promises to deliver his watch to B and, in return, B Promise to pay a sum of ₹ 2,000. There is said to be a/ an-

(a) Agreement  
(b) Proposal  
(c) Acceptance  
(d) Offer

**Answer:**

10. An Agreement is -

(a) Offer  
(b) Offer+ Acceptance  
(c) Offer + Acceptance + Consideration  
(d) Contract

**Answer:**

11. A Contract is -

(a) A promise to do something or abstain from doing something.  
(b) A communication of intention to do something or abstain from doing something  
(c) A set of promises.  
(d) An agreement enforceable by law.

**Answer:**

12. Contract is defined as an agreement enforceable by Law, vide section — of the Indian Contract Act.

(a) 2(e)  
(b) 2(f)  
(c) 2(h)  
(d) 2(i)

**Answer:**

13. Which of the following is false? An offer to be Valid must:

(a) Contain a term the non- compliance of which would amount to acceptance.  
(b) Intend to create legal relations.

- (c) Have certain and unambiguous terms.
- (d) Be communicated to the person to whom it is made.

**Answer:**

14. Over a cup of coffee in a restaurant, X Invites Y to dinner at his house on a Sunday. Y hires a taxi and reaches X's house at the appointed time, but X fails to perform his promise. Can Y recover any damages from X?
- (a) Yes, as Y has suffered
  - (b) No, as the intention was not to create legal relation.
  - (c) Either (a) or (b)
  - (d) None of these.

**Answer:**

15. Which one of the following is the best statement about the Indian Contract Act?
- (a) It is an exhaustive code containing the entire law of contract.
  - (b) It is an Act to amend certain parts of the law relating to contracts
  - (c) It is an Act to define certain parts of the law relating to contracts and contains only the general principles of contract.
  - (d) It is not an exhaustive code containing the entire law of contracts being an Act to define and amend certain parts of law relating to contract.

**Answer:**

16. Which of following is a contract?
- (a) A engages B for a certain work and promises to pay such remuneration as shall be fixed. B does the work.
  - (b) A and B promise to marry each Other.
  - (c) A takes a Seat in a public vehicle
  - (d) A invites B to a card party. B accepts the invitation.

**Answer:**

17. For binding contract both the parties to the contract must:
- (a) Agree upon the same thing in the same sense.
  - (b) Put the offer and counter offers.
  - (c) Stipulate their individual offer
  - (d) Agree with each other.

**Answer:**

18. Which one of the following has the correct sequence.

- (a) Offer, acceptance, consideration, offer.
- (b) Offer, acceptance, consideration, contract
- (c) Contract, acceptance, consideration, offer.
- (d) Offer, consideration, acceptance, contract.

**Answer:**

19. Goods displayed in a Shop window with a price label will amount to:

- (a) Offer
- (b) Acceptance of offer
- (c) Invitation to offer
- (d) Counter offer

**Answer:**

20. What can a catalogue of books, listing price of each book and specifying the place where the listed books are available be termed as?

- (a) An offer
- (b) An obligation
- (c) An invitation to offer
- (d) A promise to make available the books at the listed place.

**Answer:**

21. Which one of the following statement about a valid acceptance of an offer is incorrect?

- (a) Acceptance should be absolute and unqualified.
- (b) Acceptance should be in the prescribed manner
- (c) Acceptance should be made while the offer is subsisting
- (d) Acceptance should be communicated

**Answer:**

22. A Counter offer is:

- (a) A rejection of the original offer
- (b) An acceptance of the offer.
- (c) A bargain
- (d) An invitation to treat

**Answer:**

23. A person making a proposal is called:

- (a) Promisor
- (b) Vendor
- (c) Contractor
- (d) Promise

**Answer:**

24. Which one of the following will constitute a valid acceptance?

- (a) An enquiry as to fitness of the subject matter of contract.
- (b) A provisional acceptance
- (c) Addition of a superfluous term, while accepting an offer.
- (d) A conditional acceptance.

**Answer:**

25. X Offers by a Letter to sell his car to Y for ₹.95,000. Y at the some time, offers by a letter to buy X's car for ₹.15,000 . The two letters cross each other in the post. Is there a concluded contract between X and Y ?

- (a) Yes. there is a concluded contract between X and Y.
- (b) No, only crossing of offers.
- (c) Can't say
- (d) None of these.

**Answer:**

26. S offers to sell B his car for ₹ 50,000. T, standing nearby, says, " I will take it if B does not take it. B is not interested in the car. What will be the position if T says to S " Here is the money , I take the car."

- (a) There is a contract between S and T
- (b) There is no contract between S and T
- (c) S may or may not accept the offer.
- (d) Both (b) and (c).

**Answer:**

27. Which one of the following statement is true?

- (a) Offer and acceptance are revocable
- (b) Offer and acceptance are irrevocable
- (c) An offer can be revoked but acceptance cannot
- (d) An offer cannot be revoked but acceptance can be revoked.

**Answer:**

28. P advertises in a daily newspaper that he will give a prize of ₹1,000 to the first person to swim the English channel and back during the month of August. F, who has read the advertisement, sets off from Dover on 1<sup>st</sup> August and reaches the coast of France on 2<sup>nd</sup> August. On that day, a further advertisement appears in the same newspaper stating that the offer of the prize has been withdrawn. On 3<sup>rd</sup> August F completes the return swim to England. Can F recover the prize?

- (a) Yes, as the second advertisement is ineffective so far as F is concerned.
- (b) No, as the offer was revoked.
- (c) F can only claim for damages.
- (d) None of the above.

**Answer:**

29. The Communication of acceptance through telephone is regarded as complete when:

- (a) Acceptance is spoken on phone.
- (b) Acceptance comes to the knowledge of party proposing.
- (c) Acceptance is put in course of transmission.
- (d) Acceptance has done whatever is required to be done by him.

**Answer:**

30. An auctioneer advertised in a newspaper that a sale of office furniture would be held at Delhi. A broker of Bombay reached Delhi on the appointed date and time.

But the auctioneer withdrew all the furniture from the auction sale. The broker sues him for his loss of time and expenses. Will he succeed?

- (a) Yes, he will succeed.
- (b) No, he will not succeed.
- (c) Can't say
- (d) None of these.

**Answer:**

31. Which one of the following falls into the category of offer?

- (a) Newspaper advertisement regarding sale.
- (b) Display of goods by a shopkeeper in his window with prices marked on them
- (c) An advertisement for a concert.
- (d) Announcement of reward to the public.

**Answer:**

32. A sees an article marked "Price Rupees Twenty" in B's shop .He offers. B ₹. 20 for the article. B. refuses to sell saying the article is not for sale. Advice A.

- (a) A cannot force B to sell the article at ₹ 20
- (b) A can force B to sell the article at ₹ 20
- (c) A can claim damages
- (d) A can sue B in the Court.

**Answer:**

33. Which one of the following statement is incorrect?

- (a) Oral acceptance is a valid acceptance.
- (b) Mere silence is not acceptance
- (c) Acceptance must be communicated
- (d) Acceptance may not be in the prescribed manner

**Answer:**

34. 'A' Offered a reward of ₹ 1,000 for recovery of some valuable missing article 'B' who did not know of this offer, found the articles and gave the same to 'A'.

- (a) As there is no acceptance of an offer due to want of knowledge, B is not entitled to get the reward of ₹ 1,000.
- (b) Giving delivery of articles to 'A' amounts to an acceptance and hence 'B' is entitled to get the reward of ₹1,000.
- (c) Giving delivery of articles to 'A' amounts to performance of condition precedent to an offer and hence there is valid acceptances. 'B' must get the reward of ₹ 1,000.
- (d) In the absence of any Legal obligation on 'A' no claim for reward of ₹ 1,000 is maintainable by 'B'.

**Answer:**

35. Consider the following statement:

- (a) There is no difference between the English Law and Indian Law with regard to acceptance through post.
  - (b) Both Under the English Law and the Indian Law a contract is concluded when the letter of acceptance is posted.
  - (c) Under the Indian Law when the Letter of acceptance is posted it is completed only as against the proposer.
- Which of the above statement is/are correct?

(a) 1 and 2 (b) 2 alone (c) 3 alone (d) None

**Answer:**

36. In Commercial and business agreements, the intention of the parties to create legal relationship is -

- (a) Presumed to exist
- (b) To be specifically expressed in writing
- (c) Not relevant or all
- (d) Not applicable.

**Answer:**

37. An agreement is a Voidable Contract when it is -

- (a) Enforceable
- (b) Enforceable by Law at the option of the aggrieved party
- (c) Enforceable by both the parties
- (d) Not enforceable at all.

**Answer:**

38. A Contract creates -

- (a) Rights in personam
- (b) Rights in rem
- (c) Only rights and no obligations
- (d) Only Obligations and no rights.

**Answer:**

39. An agreement not enforceable by Law is said to be void under section \_\_\_\_\_ of the Indian Contract Act.

- (a) 2(a)
- (b) 2(b)
- (c) 2(f)
- (d) 2(g)

**Answer:**

40. Agreements that do not give rise to contractual obligations are not contracts.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

41. Agreements of a social nature or domestic nature do not contemplate legal relationship and as such are not contracts, which can be enforced.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

42. When the contract is perfectly valid in its substance but cannot be enforced because of certain technical defects. This is called a/ an-

- (a) Unilateral Contract
- (b) Bilateral Contract
- (c) Unenforceable Contract
- (d) Void Contract

**Answer:**

43. The term "Proposal or offer" has been defined in - of the Indian contract Act.

- (a) Section 2(a)
- (b) Section 2(b)
- (c) Section 2(c)
- (d) Section 2(d)

**Answer:**

44. The term "Promise" has been defined in — of the Indian Contract Act.

- (a) Section 2(a)
- (b) Section 2(b)
- (c) Section 2(c)
- (d) Section 2(d)

**Answer:**

45. The person making the proposal is called —

- (a) Promisor
- (b) Promisee
- (c) Participator
- (d) Principal

**Answer:**

46. Offer implied from conduct of parties or from circumstances of the case is called -

- (a) Implied offer
- (b) Express offer
- (c) General offer
- (d) Specific offer.

**Answer:**

47. An offer made to a - (i) Specific person, or (ii) a group of persons is known as-

- (a) Standing offer
- (b) Specific offer
- (c) Special offer
- (d) Separate offer

**Answer:**

48. Communication of proposal is complete when it comes to the knowledge of -

- (a) The person to whom it is made
- (b) The proposer
- (c) Either (a) or (b)
- (d) The Court.

**Answer:**

49. Terms of an offer must be -

- (a) Ambiguous
- (b) Uncertain
- (c) Definite
- (d) Vague

**Answer:**

50. Offer should not contain a term, the non- Compliance of which would amount to acceptance.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

51. When two persons make identical offers to each other, in ignorance of each other's offer, it is called -

- (a) Cross offers
- (b) Implied offers
- (c) Direct offers
- (d) Express offers.

**Answer:**

52. When there is a Cross offer, the original offer terminates.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

53. An offer is revoked -

- (a) By the death or insanity of the proposer
- (b) By Lapse of time
- (c) By Communication of notice of revocation
- (d) All of these

**Answer:**

54. A Change in law or Circumstance rendering the original offer unlawful or impossible, will lead to termination of the offer.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

55. Acceptance can precede an offer

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above.

**Answer:**

56. Acceptance in ignorance of the offer is -

- (a) Valid
- (b) Invalid

- (c) Void
- (d) Voidable

**Answer:**

57. Acceptance should be given within -
- (a) The time specified by the Offerer
  - (b) A reasonable time

- (c) Such time as the offer lapses
- (d) All of the above

**Answer:**

58. An acceptance on telephone should be -
- (a) Heard by the offeror
  - (b) Audible to the offeror
  - (c) Understood by the offeror
  - (d) All of the above.

**Answer:**

59. Section --- of the Indian Contract Act defines "Consideration".
- (a) Section 2(a)
  - (b) Section 2(b)
  - (c) Section 2(c)
  - (d) Section 2(d)

**Answer:**

60. Consideration must move at the desire of-
- (a) The promisor
  - (b) The promisee
  - (c) The promisor or any third party
  - (d) Both the promisor and the promisee

**Answer:**

61. Consideration in a contract:
- (a) May be past, present or future
  - (b) May be present or future only
  - (c) Must be present only
  - (d) Must be future only.

**Answer:**

62. Past Consideration is valid in -
- (a) England Only

- (b) India Only
- (c) Neither in England nor in India
- (d) both in England and India

**Answer:**

63. Agreement without consideration is valid, when made

- (a) Out of love and affection due to near relationship
- (b) To pay a time barred debt
- (c) To compensate a person who has already done something voluntarily
- (d) All of the above

**Answer:**

64. A debt barred by limitation cannot be recovered. Hence, a promise to pay such a debt is without any consideration and hence invalid.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above

**Answer:**

65. Inadequacy of consideration does not render a contract invalid.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above.

**Answer:**

66. If only a part of the consideration or object is unlawful, the Contract is -

- (a) Valid to the extent the same are lawful
- (b) Void to the extent the same are unlawful
- (c) Valid as a whole
- (d) Void as a whole.

**Answer:**

67. The expression "Privity of contract" means -

- (a) A Contract is Contract between the parties only
- (b) A Contract is a private document
- (c) Only private documents can be contracts

- (d) The contacts may be expressed in some usual and reasonable manner.

**Answer:**

68. Under the Indian Contract Act, a third person -

- (a) Who is the beneficiary under the Contract can sue
- (b) From whom the consideration has proceeded can sue
- (c) Can not sue even if the consideration has proceeded from him.
- (d) Can not sue at all for want of privity of contract.

**Answer:**

69. In India, a person who is stranger to the Consideration.

- (a) Can sue based on the Contract
- (b) Can not sue based on the Contract
- (c) Can sue depending on the Conditions
- (d) Can sue if permitted by the court.

**Answer:**

70. The Beneficiary of a Trust or other interest in specific immovable property, can enforce it even if he is not a party named in the Trust Deed.

- (a) True
- (b) Partly True
- (c) False
- (d) None of the above.

**Answer:**

71. Capacity to Contract has been defined in -

- (a) Section 10
- (b) Section 11
- (c) Section 12
- (d) Section 25.

**Answer:**

72. Competency to Contract means -

- (a) Age of the parties
- (b) Soundness of mind of the parties
- (c) Both (a) and (b)
- (d) Intelligence of the parties.

Answer:

73. Which of the following is not Competent to Contract?

- (a) A minor
- (b) A person of unsound mind
- (c) A person who has been disqualified from contracting by some Law
- (d) All of these

Answer:

74. A minor's agreement is void .This was held in the case of -

- (a) Mohiri Bibee V. Dharmadas Ghosh
- (b) Nihal Chand V. Jan Mohamed khan
- (c) Suraj Narain V. Sukhu Aheer
- (d) Chinnaiya V. Ramaiya.

Answer:

75. The age of majority for the purpose of the Indian Contract Act is -

- (a) 16 years for girls & 18 years for boys
- (b) 18 years for girls & 21 years for boys
- (c) 18 years
- (d) 21 years.

Answer:

76. A minor's agreement can be ratified or attaining majority.

- (a) True
- (b) Partly True
- (c) False
- (d) None of these

Answer:

77. \_\_\_\_\_are goods suitable to the condition in the life of the minor, and to his actual requirements at the time of sale and delivery.

- (a) Necessaries
- (b) Goods
- (c) Life Style Products
- (d) Luxuries.

**Answer:**

78. "Consensus - ad - idem" means --

- (a) General Consensus
- (b) Meeting of minds upon the same thing in the same sense
- (c) Reaching an agreement
- (d) Reaching of contract

**Answer:**

79. A Contract which is formed without the free consent of parties, is -

- (a) Valid
- (b) Illegal
- (c) Voidable
- (d) Void ab- initio

**Answer:**

80. Contracts under unilateral mistake are \_\_\_\_\_ if such mistake is caused by the fraud or misrepresentation of the other party.

- (a) Valid
- (b) Void
- (c) Illegal
- (d) Unenforceable

**Answer:**

81. Mistake as to foreign law is treated in the same manner as -

- (a) Mistake of India Law
- (b) Mistake of Fact
- (c) Misrepresentation
- (d) Fraud

**Answer:**

82. If an agreement suffers from any uncertainty. It is -

- (a) Voidable
- (b) Void
- (c) Unenforceable
- (d) Illegal.

**Answer:**

83. All illegal agreements are-

- (a) Void- ab- initio
- (b) Valid
- (c) Contingent

(d) Enforceable

**Answer:**

84. A promise to give money or money's worth upon the determination or ascertainment of an uncertain event is called-

- (a) Wagering Agreement
- (b) Unlawful Agreement
- (c) Illegal Agreement
- (d) Voidable Agreement

**Answer:**

85. In the States of Gujarat and Maharashtra, collateral transactions to a wagering agreement are-

- (a) Voidable
- (b) Illegal and Void
- (c) Valid and Enforceable
- (d) Contingent

**Answer:**

86. A Contingent Contract is a contract to do, or not to do something if some event, collateral to such contract -

- (a) happens
- (b) does not happen
- (c) Neither (a) nor (b)
- (d) Either (a) or (b)

**Answer:**

87. Which of these parties cannot demand performance of promise?

- (a) Promisee
- (b) Any of the Joint Promisees.
- (c) On the death of a Promisee, his Legal Representative.
- (d) Stranger to the Contract

**Answer:**

88. If a new contract is substituted in place of an existing contract it is called -

- (a) Alteration
- (b) Rescission
- (c) Novation
- (d) Waiver.

**Answer:**

89. The phrase “Quantum Meruit” literally means -

- (a) As much as is earned
- (b) The fact in itself
- (c) A Contract for the sale
- (d) As much as is gained.

**Answer:**

90. Damages awarded to compensate the injured party for the actual amount of loss suffered by him for breach of contract are called -

- (a) General / Ordinary Damages
- (b) Special Damages
- (c) Vindictive Damages
- (d) Nominal Damages

**Answer:**

91. A finder of lost goods is a -

- (a) Bailor
- (b) Bailee
- (c) True Owner
- (d) Thief.

**Answer:**

92. Which of the following is the essential ingredient of contract of indemnity:

- (a) Contract to make good the loss
- (b) Loss must be caused to the indemnity holder.
- (c) Loss may be caused by promiser or any other person
- (d) All of the above.

**Answer:**

93. When the goods are delivered by one to another by way of security for the money borrowed, then it is technically known as:

- (a) Hire
- (b) Pawnee
- (c) Pledge
- (d) None of the above.

**Answer:**

94. Which of the following is not a charge on the property:

- (a) Pledge
- (b) Bailment
- (c) Mortgage
- (d) Hypothecation.

**Answer:**

95. How agency is created:

- (a) By Direct appointment
- (b) By implication
- (c) By necessity
- (d) All of the above

**Answer:**

96. The Delivery of goods by one person to another as security for the payment of a debt is called -

- (a) Bailment
- (b) Pledge
- (c) Mortgage
- (d) Hypothecation

**Answer:**

97. An agreement enforceable by law is a—

- (a) Promise
- (b) Contract
- (c) Obligation
- (d) Lawful Promise

**Answer:**

98. A contract is a combination of two elements—

- (a) An Agreement & An Promise
- (b) An Agreement & An Obligation
- (c) A Promise & An Obligation
- (d) An offer & An Acceptance

**Answer:**

99. A proposal when accepted becomes a—

- (a) Promise
- (b) Contract

- (c) Acceptance
- (d) Agreement

**Answer:**

100. A void agreement is one which is—

- (a) Valid but not enforceable
- (b) Enforceable
- (c) Enforceable by one party
- (d) Not enforceable in law

**Answer:**

101. Agreement which are not contracts—

- (a) Mr. A purchases goods from Mr. B.
- (b) Avanshu supplies goods to Mohit's firm.
- (c) An agreement for watching cinema.
- (d) None of the above

**Answer:**

102. Which one is correct—

- (a) All contracts are agreements
- (b) All agreements are contracts
- (c) All agreements are not contracts
- (d) Both (a) & (c)

**Answer:**

103. An agreement which is enforceable by law at the option of one party—

- (a) Valid contract
- (b) Void contract
- (c) Voidable contract
- (d) Illegal contract

**Answer:**

104. Which of the following is false? An offer—

- (a) Must be clear, definite, final & complete
- (b) Can be vague
- (c) Must be communicated
- (d) May be general or specific

**Answer:**

105. An offer may lapse by—

- (a) Revocation
- (b) Counter offer
- (c) Rejection by offeree
- (d) All of the above

**Answer:**

106. Which of the following is false? An acceptance—

- (a) Must be communicated
- (b) Must be absolute
- (c) Must be unconditional
- (d) May be presumed from silence of offeree

**Answer:**

107. In case of illegal agreements, the collateral agreements are—

- (a) Valid
- (b) Void
- (c) Voidable
- (d) None of the above

**Answer:**

108. An offer by post may be accepted by—

- (a) Post
- (b) Over telephones
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

109. An offer is made only when—

- (a) The letter is posted
- (b) Letter reaches the offeree
- (c) Offeree post his acceptance
- (d) None of the above

**Answer:**

110. Which of the following is true?

- (a) Consideration must result in benefit to both party
- (b) Past consideration is no consideration in India
- (c) Consideration is adequate
- (d) Consideration must be something, which a promisor is not bound to do

**Answer:**

111. Which of the following statement is false? Consideration—

- (a) Must move at desire of the promiser
- (b) May move from any person
- (c) Must be illusory
- (d) Must be of some value

**Answer:**

112. Which of the following is true?

- (a) There can be a stranger to a contract
- (b) There can be a stranger to a consideration
- (c) There can be a stranger to contract & consideration
- (d) None of above

**Answer:**

113. Consideration in simple term means—

- (a) Anything in Return
- (b) Something in Return
- (c) Everything in Return
- (d) Nothing in Return

**Answer:**

114. Which of the following statement is false—

- (a) Generally, a stranger to a contract cannot sue
- (b) A verbal promise to pay a time barred debt is valid
- (c) Completed gifts need no consideration
- (d) No consideration is necessary to create an agency.

**Answer:**

115. A Gratuitous Promise can—

- (a) Be enforced
- (b) Not be enforced
- (c) Be enforced in court of law
- (d) None of above

**Answer:**

116. Ordinarily, a minor's agreement is—

- (a) Void ab initio
- (b) Voidable
- (c) Valid
- (d) Unlawful

**Answer:**

117. A minor's liability for 'necessaries' supplied to him—

- (a) Arises after he attains majority age
- (b) Is against only minor's property
- (c) Does not arise at all
- (d) Arises if a minor promises for it.

**Answer:**

118. Which of the following statement is not true about minor's position in a firm?

- (a) He cannot become a partner
- (b) He can become a partner
- (c) He can be admitted only to the benefits
- (d) He can become a partner after majority attaining

**Answer:**

119. Which of the following statement is true?

- (a) A contract with a minor is voidable at option of minor
- (b) An agreement with a minor can be ratified after he attains majority
- (c) A person who is usually of unsound mind cannot enter into a contract when he is of sound mind
- (d) A person who is usually of sound mind cannot enter into a contract when he is of unsound mind

**Answer:**

120. When the consent of both the parties is given by mistake, the contract is—

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

121. The contract is void on account of bilateral mistake of fact, but if there is a mistake of only one party, then contract is—

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

122. A contract made by mistake about Indian law is—

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

123. A contract made by mistake about some foreign law, is—

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

124. A mistake as to law not in force in India has the effect as—

- (a) Mistake of fact
- (b) Mistake of Indian law
- (c) Fraud
- (d) Misrepresentation

**Answer:**

125. In case of innocent misrepresentation—

- (a) Contract become voidable and damages are payable
- (b) Contract become voidable and damages are not payable
- (c) Contract become valid and damages are payable
- (d) Contract remains valid and damages are not payable.

**Answer:**

126. In case of willful misrepresentation or fraud—

- (a) Contract becomes voidable & damages are payable
- (b) Contract become voidable & damages are not payable
- (c) Contract become void & damages are payable
- (d) Contract become void & damages are not payable.

**Answer:**

127. Consent is not said to be free when it is caused by—

- (a) Coercion
- (b) Undue influence
- (c) Fraud
- (d) All of above

**Answer:**

128. When the consent of a party is obtained by fraud, the contract is—

- (a) Void
- (b) Voidable
- (c) Valid
- (d) Illegal

**Answer:**

129. Moral pressure is involved in case of—

- (a) Coercion
- (b) Undue influence
- (c) Misrepresentation
- (d) Fraud

**Answer:**

130. Which of the following statement is true?

- (a) A threat to commit suicide does not amount to coercion
- (b) Undue influence involves use of physical pressure
- (c) Ignorance of law is no excuse
- (d) Silence always amount to fraud

**Answer:**

131. An agreement is void if it is opposed to public policy. Which of the following is not covered under heads of public policy?

- (a) Trading with enemy
- (b) Trafficking in public offences
- (c) Marriage brokerage contracts
- (d) Contracts to do impossible acts

**Answer:**

132. Wagering means—

- (a) Betting
- (b) Bidding
- (c) Both (a) & (b)
- (d) None of above

**Answer:**

133. An agreement in restraint of marriage, i.e. agreement preventing a person from marrying is—

- (a) Valid
- (b) Voidable
- (c) Void
- (d) Contingent

**Answer:**

134. An agreement in restraint of marriage is valid in case of following persons—

- (a) Minors
- (b) Educated
- (c) Married
- (d) None of above

**Answer:**

135. In India, wagering agreements are void except in—

- (a) Kanpur
- (b) Mumbai
- (c) Delhi
- (d) None of the above

**Answer:**

136. If any party has received any benefit under a contract from the other party, he must restore it or make compensation to other party. It is the case if—

- (a) Quantum meruit
- (b) Restitution
- (c) Consideration
- (d) Quasi-contract

**Answer:**

137. The basis of quasi contractual relation is the—

- (a) Existence of a valid contract between parties
- (b) Prevention of unjust enrichment at expense of other
- (c) Provision contained in section 10 of contract act
- (d) Existence of a voidable contract between the parties

**Answer:**

138. A contingent contract is—

- (a) Void
- (b) Voidable

(c) Valid

(d) Illegal

**Answer:**

139. A contract is said to be discharged or terminated—  
(a) When the rights and obligation are completed  
(b) When the contract becomes voidable  
(c) Both (a) & (b)  
(d) None of the above

**Answer:**

140. Which is not the mode of discharge of contract—  
(a) Performance of contract  
(b) Lapse of time  
(c) Breach of contract  
(d) Injunction

**Answer:**

141. A person finds certain goods belonging to some other persons. In such a case, the finder—  
(a) Becomes the owner of that good  
(b) Is under a duty to trace the real owner  
(c) Can sell that good if true owner is not found  
(d) Both (b) & (c)

**Answer:**

142. If in a contract, the time lapses and if the party fails to perform the contract within specified time the contract becomes—  
(a) Voidable  
(b) Void  
(c) Illegal  
(d) Enforceable in the court

**Answer:**

143. Change in one or more of the important terms in a contract, it is the case of—  
(a) Novation  
(b) Rescission  
(c) Remission  
(d) Alternation

**Answer:**

144. In both the cases, devolution of joint liabilities and devolution of joint rights, if a promisor dies, who will perform on behalf of him—  
(a) Other promiser

- (b) His legal representation
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

145. A contract which is impossible to perform is—

- (a) Voidable
- (b) Void
- (c) Illegal
- (d) Enforceable

**Answer:**

146. A party entitled to rescind the contract, loses the remedy where—

- (a) He has ratified the contract
- (b) Third party has acquired right in good faith
- (c) Contract is not separable
- (d) All of the above

**Answer:**

147. The special damages i.e. the damages which arises due to some special or unusual circumstances—

- (a) Are not recoverable altogether
- (b) Are illegal being positive in nature
- (c) Cannot be claimed as a matter of right
- (d) Can be claimed as a matter of right

**Answer:**

148. Which of the following statement is/are correct—

- (a) Ordinary damages are recoverable
- (b) Special damages are recoverable only if parties know about them
- (c) Remote or indirect damages are not recoverable
- (d) All of these

**Answer:**

149. Exemplary damages are not awarded in such case

- (a) Breach of promise to marry
- (b) Wrongful dishonour & customers cheque by banker
- (c) Breach of any business contract

(d) None of the above

**Answer:**

150. Damages which the contracting parties fix at the time of contract in case of breach—

- (a) Unliquidated Damages
- (b) Liquidated Damages
- (c) Nominal Damages
- (d) None of the above

**Answer:**

151. A order of court restraining a person from doing a particular act, it's a case of—

- (a) Specific performance
- (b) Injunction
- (c) Both (a) & (b)
- (d) None of the above

**Answer:**

152. Under the Indian Contract Act, the contract of indemnity is restricted to such cases—

- (a) Where the loss promise to be reimbursed is caused by the conduct of the promisor or any other person
- (b) The loss caused by the any events or accident which does not depend upon conduct of any person
- (c) Both (a) & (b)
- (d) None

**Answer:**

153. What is the ratio of parties in contract of indemnity and contract of guarantee—

- (a) 2 : 3
- (b) 3 : 2
- (c) 1 : 3
- (d) 2 : 1

**Answer:**

154. In contract of indemnity, what is the liability of indemnifier against the indemnified—

- (a) Primary
- (b) Secondary

- (c) No liability
- (d) Both (a) & (b)

**Answer:**

155. In case of contract of guarantee, what is the liability of the surety against the principal debtor—

- (a) Primary
- (b) Secondary
- (c) No liability
- (d) Fully liable

**Answer:**

156. Which is not the case of discharge of surety—

- (a) By notice of revocation
- (b) By death of surety
- (c) If creditor releases the principal debtor
- (d) None of the above

**Answer:**

157. What is the right of the bailee against the goods—

- (a) Owner
- (b) Possessor
- (c) Bailee can sell those goods
- (d) Both (a) & (b)

**Answer:**

158. In case of Contract of guarantee, if the creditor loses or parts with any security which the debtor provides him at time of contract, the surety is discharged to the extent of—

- (a) The value of the security
- (b) The surety can be fully discharged
- (c) The surety can claim damages
- (d) All of the above

**Answer:**

159. Which one is not the duties of bailee —

- (a) The bailee must take care of goods as of his goods.
- (b) The bailee cannot use bailor's goods in an unauthorised manner.
- (c) The bailee should return the goods without demand on the expiry of the time period.

(d) He can set up adverse title to the goods.

**Answer:**

160. A lien which is available only against that property of which the skill and labour have been exercised—

- (a) General Lien
- (b) Particular Lien
- (c) Ordinary Lien
- (d) Both (a) & (b)

**Answer:**

161. Which is not the case of termination of bailment—

- (a) Where the bailee wrongfully uses or dispose of the goods bailed.
- (b) When the period of bailment expires
- (c) When the object of bailment has been achieved
- (d) None of the above

**Answer:**

162. An agency may also arise by—

- (a) Estoppel
- (b) Necessity
- (c) Ratification
- (d) All of the above

**Answer:**

163. A mercantile agent employed to sell goods which have been placed in his possession or contract to buy goods for his principal—

- (a) Factors
- (b) Brokers
- (c) Del Credere Agent
- (d) Auctioneers

**Answer:**

164. The threat to commit suicide amounts to —

- (a) Coercion
- (b) Undue influence
- (c) Misrepresentation
- (d) Fraud

**Answer:**

165. Consensus-ad-idem is an essential of —

- (a) Agreement

- (b) Promise
- (c) Both (a) & (b)
- (d) Consideration

**Answer:**

166. Agreement which are not contracts —

- (a) Social Matters
- (b) Relating to partnership
- (c) Domestic Agreements
- (d) Both (a) & (c)

**Answer:**

167. Offeror is —

- (a) Party making an offer
- (b) Third party
- (c) Party to whom offer is made
- (d) None of the above

**Answer:**

168. Which one is not a type of offer —

- (a) Specific
- (b) General
- (c) Open
- (d) Temporary

**Answer:**

169. Cross offer is —

- (a) Termination of original offer
- (b) Rejection of original offer
- (c) Both (a) & (b)
- (d) None of these

**Answer:**

170. Offer can be revoked —

- (a) Before its acceptance
- (b) By withdrawal of acceptance
- (c) Both (a) & (b)
- (d) None of these

**Answer:**



171. Which one is mode of contract —

- (a) Contract by post
- (b) By SMS
- (c) By Internet
- (d) By none of the above

**Answer:**

172. Quid Pro Quo means —

- (a) Meeting of Minds
- (b) Something in return
- (c) To do something
- (d) Promise

**Answer:**

173. No consideration, no contract is —

- (a) True
- (b) False
- (c) Can't say
- (d) Partly True

**Answer:**

174. Under English law, consideration may move from —

- (a) Promisor
- (b) Stranger
- (c) Both (a) & (d)
- (d) Promisee

**Answer:**

175. Under doctrine of privity of contract, third party can —

- (a) Sue
- (b) Cannot Sue
- (c) Both (a) and (b)
- (d) None of these

**Answer:**

176. Which one is odd:—

- (a) Agreement may not result in a contract
- (b) Contract constitutes an agreement
- (c) Contract creates legal relations
- (d) None of these

**Answer:**

177. According to performance, contract are:—

- (a) Unilateral
- (b) Bilateral
- (c) Multilateral
- (d) Both (a) and (b)

**Answer:**

178. Voidable contracts is defined under section —

- (a) 2(i)
- (b) 2(f)
- (c) 2(h)
- (d) 2(a)

**Answer:**

179. A menu card handed by a waiter in a hotel is an offer —

- (a) True
- (b) Partly True
- (c) False
- (d) Can't Say

**Answer:**

180. Consideration may be in the form of —

- (a) A return promise
- (b) Forbearance
- (c) Doing an act
- (d) All of these

**Answer:**

181. If there is no consideration, there will be a —

- (a) Void Contract
- (b) Voidable Contract
- (c) Illegal Contract
- (d) No Contract

**Answer:**

182. Which of the following is a person of unsound mind —

- (a) Lunatics
- (b) Idiots
- (c) Drunkard
- (d) All of the above

**Answer:**

183. A wrong statement made is called —

- (a) Misrepresentation
- (b) Fraud
- (c) Undue Influence
- (d) Mistake

**Answer:**

184. Agreements tending to create monopolies are void as being:—

- (a) Immoral
- (b) Fraudulent
- (c) Forbidden by law
- (d) Opposed to public policy.

**Answer:**

185. An agreement for marriage brokerage is not opposed to public policy.

- (a) True
- (b) False
- (c) Partly true
- (d) Partly false

**Answer:**

186. Which one is Contingent Contract —

- (a) D promises to pay E ₹ 20,000, if goods lying in E's godown are destroyed by fire
- (b) D promise to pay E, if he purchases his goods
- (c) D promises to pay E, if he sells his car to him
- (d) D promises to pay E to buy his scooter, if he is ready to sell it

**Answer:**

187. Finder of goods is the next best owner to real amount —

- (a) True
- (b) False
- (c) Partly True
- (d) None of the above

**Answer:**

188. A valid 'tender' must be —

- (a) Conditional
- (b) Unconditional
- (c) Made to a third party

(d) Made in a foreign currency

**Answer:**

189. To be a valid 'tender', it must be —

- (a) For the whole obligation
- (b) For the necessary part of obligation
- (c) For at least 75% of the obligation
- (d) None of these

**Answer:**

190. Because of supervening impossibility, the contract becomes —

- (a) Illegal
- (b) Void
- (c) Voidable
- (d) Remains Valid

**Answer:**

191. Which of the following is a ground of supervening impossibility —

- (a) Strikes
- (b) Lock-Outs
- (c) Riots
- (d) None of the above

**Answer:**

192. The damages in their nature are —

- (a) Restoring
- (b) Compensatory
- (c) Reimbursing
- (d) None of these

**Answer:**

193. A contract of indemnity is a type of —

- (a) Quasi Contract
- (b) Wagering Contract
- (c) Contingent Contract
- (d) Voidable Contract

**Answer:**

194. The person who gives a guarantee is called —

- (a) Principal Debtor

- (b) Surety
- (c) Indemnifier
- (d) Creditor

**Answer:**

195. A guarantee given for loan taken by a minor is —

- (a) Illegal
- (b) Void
- (c) Valid
- (d) Voidable

**Answer:**

196. The liability of surety is —

- (a) Co-extensive with that of principal debtor
- (b) More than principal debtor
- (c) Always less than the principal debtor
- (d) Always decided by the Court

**Answer:**

197. A bailment cannot be made about —

- (a) A Car
- (b) Furniture
- (c) Money
- (d) Television

**Answer:**

198. In a bailment, there is a transfer of goods —

- (a) Custody
- (b) Ownership
- (c) Possession
- (d) Both (b) & (c)

**Answer:**

199. General lien can be exercised by —

- (a) Banker
- (b) Mechanics
- (c) Unpaid Seller
- (d) Finder of goods

**Answer:**

200. Which of the following is not an essential element of agency —

- (a) Principal

- (b) Agent
- (c) Consideration
- (d) An agreement

**Answer:**

201. A pretended agent is appointed by the —

- (a) Principal
- (b) Agent
- (c) Sub-Agent
- (d) None of these

**Answer:**

202. Which of the following is not a mercantile agent —

- (a) Factor
- (b) Broker
- (c) Auctioneer
- (d) Insurance agent

**Answer:**

203. A person appointed by an agent to act for the principal, is called —

- (a) Agent
- (b) Sub-agent
- (c) Substituted agent
- (d) Pretended agent

**Answer:**

204. The contracts of indemnity, guarantee, bailment, pledge and agency is covered by section —

- (a) Section 1-75
- (b) Section 76-100
- (c) Section 124-128
- (d) Section 124-238

**Answer:**

205. A proposal when accepted becomes a —

- (a) Contract
- (b) Promise
- (c) Agreement
- (d) None of the above

**Answer:**

206. Consensus-ad-idem means

- (a) Meeting of minds
- (b) Meeting of opinion
- (c) Equal rights
- (d) Existing condition

**Answer:**

207. Which of the following statements is NOT correct with reference to an agreement?

- (a) All contracts are agreements
- (b) All agreements are contracts
- (c) The parties must intend to create a legal relationship
- (d) Agreement gives birth to a contract

**Answer:**

208. If Mr. A offers to Mr. B to sell his car at ₹ 5,00,000 and Mr. B agrees to buy it at ₹ 4,50,000 and Mr. A refuses it. Later on B offers to buy the car for ₹ 5,00,000 then —

- (a) A is bound to sell the car
- (b) B can sue A for Breach of Contract
- (c) Both (a) and (b)
- (d) This will be considered as a fresh offer by B and A is not bound to sell his car

**Answer:**

209. Which of the following statements is NOT correct?

- (a) Acceptance can be expressed or implied
- (b) Acceptance can be conditional
- (c) Acceptance must be given before the offer lapses
- (d) Acceptance must be made in the manner prescribed

**Answer:**

210. Privity of contract means —

- (a) Privacy of the terms of contract
- (b) Giving priority to one party
- (c) A stranger to a contract cannot sue
- (d) Interest of all parties

**Answer:**

211. If A makes an offer to B on a particular day, then the offer can be revoked by A before —

- (a) B accepts the offer

- (b) A receives B's acceptance
- (c) B has posted the letter of acceptance
- (d) Reasonable period of time

**Answer:**

212. If B accepts A's offer by posting a letter of acceptance, and afterwards B wants to revoke the agreement, the acceptance can be revoked before —

- (a) A has posted his confirmation
- (b) If revocation letter reaches before letter the acceptance letter
- (c) Reasonable period of time
- (d) None of the above

**Answer:**

213. Which one of the following is not a kind of consideration?

- (a) Executory consideration
- (b) Executed consideration
- (c) Past consideration
- (d) Conditional consideration

**Answer:**

214. Which of the following is not a consequence of an illegal contract?

- (a) It is voidable
- (b) Void
- (c) The collateral agreements are
- (d) None of the above also illegal

**Answer:**

215. The substitution of a new contract in place of an old contract thereby discharging the rights and liabilities of the old contract is called as —

- (a) Substitution
- (b) Novation
- (c) Discharge
- (d) Replacement

**Answer:**

216. The two types of breach are —

- (a) Actual breach and Deemed breach
- (b) Actual breach and Conditional breach

- (c) Actual breach and Anticipatory breach
- (d) Actual breach and Remedial breach

**Answer:**

217. Where the amount of compensation claimed is left to be assessed by the court, then it is called as —

- (a) Judicial damages
- (b) Liquidated damages
- (c) Unliquidated damages
- (d) None of the above

**Answer:**

218. Where the contracting parties agree in advance the amount payable in the event of breach, the sum payable is called as —

- (a) Liquidated damages
- (b) Unliquidated damages
- (c) Judicial damages
- (d) Preliminary damages

**Answer:**

219. The damages intended to put the injured party in the same position he was before the contract are called —

- (a) Unliquidated damages
- (b) Special damages
- (c) Exemplary damages
- (d) Ordinary damages

**Answer:**

220. A contract is always based upon —

- (a) Consensus-ad-idem
- (b) Consideration
- (c) Intent to create legal obligation
- (d) All of the above

**Answer:**

221. The law provides for certain remedies in case there is no real agreement. Which of the following remedy cannot be claimed by the parties?

- (a) The agreement to be considered as void
- (b) The party at fault can be compelled to pay damages

- (c) The contract becomes voidable at the option of the parties
- (d) Right to sell the personal property of the other party

**Answer:**

222. The damages which are accorded to establish the right of decree for breach of contract is called a —

- (a) Nominal damages
- (b) Liquidated damages
- (c) Exemplary damages
- (d) Special damages

**Answer:**

223. The damages awarded for breach of promise of marriage or wrongful dishonour of cheque is called as —

- (a) Nominal damages
- (b) Exemplary damages
- (c) Liquidated damages
- (d) Special damages

**Answer:**

224. A contract by which one party promises to save the other by the loss caused by the conduct of the promisor is called as —

- (a) Contract of indemnity
- (b) Bailment
- (c) Contract of guarantee
- (d) Contract of warranty

**Answer:**

225. The rights of the indemnity holder is covered by —

- (a) Sec. 125
- (b) Sec. 101
- (c) Sec. 224
- (d) None of the above

**Answer:**

226. Which of the following remedy is not available to the indemnity holder?

- (a) Right to receive the damages paid by him from the promisor
- (b) Right to receive from the promisor the cost incurred in any suit
- (c) Receive from the promisor an appropriate sum for loss caused to his image

- (d) Receive from the promisor, all sums of money paid by him in terms of compromise of the suit

**Answer:**

227. A contract to perform a promise or discharge the liability of a third party is called—

- (a) Contract of indemnity
- (b) Contract of agency
- (c) Contract of guarantee
- (d) Contract of warranty

**Answer:**

228. How many parties are there in a contract of indemnity and guarantee respectively?

- (a) 2 and 3
- (b) 3 and 2
- (c) 2 and 5
- (d) 5 and 2

**Answer:**

229. Which of the following statement is true?

- (a) There are three parties in a contract of a guarantee
- (b) The liability of the surety is co- extensive with that of the principal debtor
- (c) A creditor is not bound to proceed against the principle debtor
- (d) All of the above

**Answer:**

230. An agent is NOT personally liable for —

- (a) Contract entered with third parties on behalf of employer
- (b) Signs the agreement in his own name
- (c) Where the agent works for foreign principal
- (d) Where the contract expressly provides for the personal liability

**Answer:**

231. Principal is NOT liable for the agents act if —

- (a) Agent acts within the scope of his authority
- (b) Agent exceeds his authority
- (c) Fraud or misrepresentation committed for benefit of the principal
- (d) Work done out of his authority but the principal accepts it

**Answer:**

232. An agency comes to an end :-

- (a) By performance of contract
- (b) By agreement between the principal and the agent
- (c) By renunciation of his authority by the agent
- (d) All of the above

**Answer:**

233. An agency is irrecoverable :

- (a) Where the authority of agency is one coupled with interest
- (b) Where the agent has incurred personal liability
- (c) Both (a) and (b)
- (d) None of the above

**Answer:**

234. The termination of an agents authority terminates the authority of the sub-agent appointed by the agent.

- (a) True
- (b) Partly true
- (c) False
- (d) Partly false

**Answer:**

235. In case the contract of agency has been terminated and a third party enters into a contract with the agent without knowing this fact, then —

- (a) The contract will be binding on the principal
- (b) The contract will not be binding on the principle
- (c) The contract will only be binding on the agent
- (d) None of the above

**Answer:**

236. An agreement for Lawful consideration with free consent, is:

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Unlawful

**Answer:**

237. When the consent of a party is obtained by coercion undue influence, fraud or misrepresentation, the contract is:

- (a) Voidable

- (b) Void
- (c) Illegal
- (d) Valid

**Answer:**

238. Which of the following acts does not fall under the categories of fraud?

- (a) Intentional false statement of facts
- (b) Active concealment of facts
- (c) False statement in good faith
- (d) Promise made without intention to perform.

**Answer:**

239. According to Indian law, a contract made by mistake is:

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

240. A mistake as to a law not in force in India has the same effect as:

- (a) Mistake of fact
- (b) Mistake of Indian law
- (c) Mistake of foreign law
- (d) Misrepresentation

**Answer:**

241. Mr. Sanjay agrees to pay ₹40 lakhs to Mr. Ajay if Ajay procures an employment for Sanjay in Government department. This agreement is:

- (a) Void
- (b) Valid
- (c) Voidable
- (d) Contingent.

**Answer:**

242. An agreement in restraint of marriage, i.e., which prevents a person from marrying, is:

- (a) Valid
- (b) Voidable
- (c) Void
- (d) Illegal

**Answer:**

243. Anuj agrees to pay ₹ 10,000 to Manoj if a certain ship returns within a year. However, the ship sinks within the year. In this case, the contract becomes:

- (a) Valid
- (b) Void
- (c) Voidable
- (d) Illegal

**Answer:**

244. Deepak, Ashwani and Tarun jointly promised to pay ₹ 90,000 to Pradeep. Deepak was compelled by Pradeep to pay the entire amount of ₹ 90,000.

Here:

- (a) Deepak can file a suit against Pradeep for recovery of amount exceeding his share.
- (b) Deepak is entitled to recover ₹ 30,000 each from Ashwani and Tarun
- (c) On payment by Deepak, the contract is discharged and Ashwani and Tarun are also not liable to Deepak.
- (d) Pradeep is not justified here and is liable to refund the entire amount to Deepak.

**Answer:**

245. In special damages, damages:

- (a) Are not recoverable altogether
- (b) Are illegal being punitive in nature
- (c) Cannot be claimed as a matter of right
- (d) Can be claimed as a matter of right.

**Answer:**

246. Agreement the meaning of which is uncertain is

- (a) Void

- (b) Valid
- (c) Voidable
- (d) Illegal

**Answer:**

247. Which of the following relationship raise presumption of positive influence?

- (a) Parent and Child
- (b) Religious/ Spiritual Guru and disciple
- (c) Guardian and Ward
- (d) All of the above

**Answer:**

248. Which of the following is false with respect to minor entering a contract?

- (a) An agreement with or by a minor is void ab initio
- (b) A minor can be a beneficiary of a contract
- (c) The contracts involving a minor as a beneficiary may be enforced at the option of the third party
- (d) A minor cannot ratify a contract on attaining majority

**Answer:**

249. Which of the following agreements is/are valid?

- (a) Agreement in restraint of legal proceedings
- (b) Agreement to stifle prosecution
- (c) Agreement by an outgoing partner with his partners not to carry on any business within a specified period or within specified local limits
- (d) An agreement with a minor.

**Answer:**

250. Sonia contracts with Anshul to buy a necklace, believing it is made of pearls whereas in fact it is made of imitation pearls of no value. Anshul knows that Sonia is mistaken and takes no steps to correct the error. Now Sonia wants to cancel the contract on the basis of fraud. Which of the following statement is correct?

- (a) Sonia can cancel the contract alleging fraud

- (b) Sonia cannot cancel the contract
- (c) Sonia can cancel the contract alleging undue influence
- (d) Sonia can claim damages

**Answer:** ☐

251. Ravi a popular singer enters into a contract with the manager of a theatre, to sing at the theatre two evenings a week for the next two months and the manager of the theatre agrees to pay him at the rate of ₹1,000 for each performance. From the sixth evening onwards, Ravi absents himself from the theatre. In this context, which of the following remedies is/are available to the manager of the theatre against Ravi?

- (a) He is at liberty to put an end to the contract.
- (b) He is entitled to compensation for the damages sustained by him through Ravi on his failure to sing from the sixth evening onwards.
- (c) He cannot put an end to the contract.
- (d) Both (a) and (b) above.

**Answer:** ☐

252. The Indian Contract Act, applies to the:

- (a) Whole of India excluding Jammu & Kashmir
- (b) Whole of India including Jammu & Kashmir
- (c) States notified by the Central Government from time to time
- (d) None of the above.

**Answer:** ☐

253. The Indian Contract Act came into force on:

- (a) 15th September, 1872
- (b) 1st September, 1872
- (c) 1st October, 1872
- (d) 15th October, 1872.

**Answer:** ☐

254. "Every agreement arid promise enforceable at law is a contract". This definition is given by:



- (a) Salmond
- (b) Pollock
- (c) Halsbury
- (d) Anson

**Answer:**

255. Which of the following legal statement is incorrect?

- (a) An agreement enforceable by law is a contract [Section 2]
- (b) All agreements are contracts [Section 10]
- (c) A proposal when accepted becomes a promise [Section 2]
- (d) Every promise and every set of promise forming the consideration for each other is an agreement [Section 2(e)]

**Answer:**

## Answer

1	(c)	2	(a)	3	(b)	4	(a)	5	(c)	6	(b)
7	(b)	8	(b)	9	(a)	10	(b)	11	(d)	12	(c)
13	(a)	14	(b)	15	(c)	16	(a)	17	(a)	18	(b)
19	(c)	20	(c)	21	(c)	22	(a)	23	(a)	24	(a)
25	(b)	26	(d)	27	(a)	28	(a)	29	(b)	30	(b)
31	(d)	32	(a)	33	(d)	34	(a)	35	(c)	36	(a)
37	(b)	38	(a)	39	(d)	40	(a)	41	(a)	42	(c)
43	(a)	44	(b)	45	(a)	46	(a)	47	(b)	48	(a)
49	(c)	50	(a)	51	(a)	52	(a)	53	(d)	54	(a)
55	(c)	56	(b)	57	(d)	58	(d)	59	(d)	60	(a)
61	(a)	62	(b)	63	(d)	64	(c)	65	(a)	66	(d)
67	(a)	68	(a)	69	(a)	70	(a)	71	(b)	72	(c)
73	(d)	74	(a)	75	(c)	76	(c)	77	(a)	78	(b)
79	(c)	80	(b)	81	(b)	82	(b)	83	(a)	84	(a)
85	(b)	86	(d)	87	(d)	88	(c)	89	(a)	90	(a)
91	(b)	92	(d)	93	(b)	94	(b)	95	(d)	96	(b)
97	(b)	98	(b)	99	(a)	100	(d)	101	(c)	102	(d)
103	(c)	104	(b)	105	(d)	106	(d)	107	(b)	108	(a)
109	(b)	110	(a)	111	(c)	112	(b)	113	(b)	114	(b)
115	(b)	116	(a)	117	(b)	118	(c)	119	(d)	120	(a)
121	(b)	122	(b)	123	(a)	124	(a)	125	(b)	126	(a)

127	(d)	128	(b)	129	(b)	130	(c)	131	(d)	132	(a)
133	(c)	134	(a)	135	(b)	136	(b)	137	(b)	138	(c)
139	(a)	140	(d)	141	(d)	142	(a)	143	(d)	144	(c)
145	(b)	146	(d)	147	(c)	148	(d)	149	(c)	150	(b)
151	(b)	152	(b)	153	(a)	154	(a)	155	(b)	156	(d)
157	(b)	158	(a)	159	(d)	160	(b)	161	(d)	162	(d)
163	(a)	164	(a)	165	(a)	166	(b)	167	(a)	168	(d)
169	(a)	170	(a)	171	(a)	172	(b)	173	(a)	174	(d)
175	(b)	176	(d)	177	(d)	178	(a)	179	(c)	180	(d)
181	(d)	182	(d)	183	(a)	184	(d)	185	(b)	186	(a)
187	(a)	188	(b)	189	(a)	190	(b)	191	(d)	192	(b)
193	(c)	194	(b)	195	(c)	196	(a)	197	(c)	198	(c)
199	(a)	200	(c)	201	(d)	202	(d)	203	(c)	204	(d)
205	(b)	206	(a)	207	(b)	208	(d)	209	(b)	210	(c)
211	(c)	212	(b)	213	(d)	214	(a)	215	(b)	216	(c)
217	(c)	218	(a)	219	(d)	220	(d)	221	(d)	222	(a)
223	(b)	224	(a)	225	(a)	226	(c)	227	(c)	228	(a)
229	(d)	230	(a)	231	(b)	232	(d)	233	(c)	234	(a)
235	(a)	236	(b)	237	(a)	238	(c)	239	(b)	240	(a)
241	(a)	242	(c)	243	(b)	244	(b)	245	(c)	246	(a)
247	(d)	248	(c)	249	(c)	250	(b)	251	(d)	252	(a)
253	(b)	254	(b)	255	(b)						