

Chapter 1

The Indian Contract Act, 1872

Nature of Contract

1 MEANING OF CERTAIN TERMS

(Sec. 2)

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| Proposal / Offer Sec 2(a) | When one person signifies to another His willingness To do or to abstain from doing anything, With a view to obtaining the assent of that – <ul style="list-style-type: none">• To such act; or• Abstinance, He is said to make a proposal (i.e., offer) (Legal obligation) |
| Promise | When the person to whom the proposal is made, Signifies his assent thereto, The proposal is said to be accepted, A proposal , when accepted , becomes a promise |
| Agreement Sec 2(e) | Every promise And Every set of promises, forming the consideration for each other, Is an agreement |
| Contract Sec 2(h) | An agreement enforceable by law is a contract. |
| Promisor & Promisee | When a proposal is accepted – <ul style="list-style-type: none">- The person making the proposal is called as ‘promisor’; and- The person accepting the proposal is called as ‘promisee’. |
| Consideration | When, at the desire of the promisor, The promisee or any other person Has <ul style="list-style-type: none">- done/abstained from doing something; or- does/abstains from doing something; or- promises to do/abstain from doing something, Such act/abstinence/promise is called a consideration for the promise. |
| Void agreement | An agreement not enforceable by law is said to be void. |
| Voidable contract | An agreement is a voidable contract if – <ul style="list-style-type: none">• It is enforceable by law at the option of one or more of the parties thereto,• It is not enforceable by law at the option of the other or others. |
| Void contract | A contract Which ceases to be enforceable by law Becomes void when it ceases to be enforceable. |

2 MEANING OF CONTRACT

(Sec. 2 & 10)

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| Definition [Sec. 2 (h)] | <ul style="list-style-type: none">• An agreement enforceable by law is a contract. |
| Essentials of a contract | <ul style="list-style-type: none">• Following are the two basic elements of a contract.<ul style="list-style-type: none">(a) There must be an agreement(b) The agreement must be enforceable by law.• In other words, Contract = agreement + enforceability of agreement. |

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| What agreements are contracts [Sec. 10] | <ul style="list-style-type: none"> • There must be an agreement between the parties • The parties must have an intention to create legal relations. • The parties must freely consent to enter into the agreement. • The parties must be competent to contract. • There must be consideration. • The consideration must be lawful. • The object of the contract must be lawful. • The agreement is not expressly declared to be void. • The legal formalities for entering into such a contract are completed. • It is possible to perform the agreement (Sec. 56) • The terms of the agreement are certain or are capable of being made certain (Sec. 29) |
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3 DISTINCTION BETWEEN AN AGREEMENT AND A CONTRACT

| Basic of difference | Agreement | Contract |
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| Meaning | Agreement = offer + acceptance | Contract = agreement + enforceability |
| Creation of legal obligation | An agreement does not create a legal obligation unless it satisfies the requirements of various provisions of law. | A contract necessarily creates legal obligations. |
| One in other | The term agreement is wider than contract. An unenforceable agreement is not a contract. | Every contract is an agreement. |

4 AGREEMENT TO DO IMPOSSIBLE ACT (Sec. 56)

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| Agreement to do an impossible act | If - An agreement is made to do a particular act; - At the time of making of agreement, it is certain that such an act is impossible ; Then - The agreement is void. |
| Agreement to do an act which subsequently becomes impossible | If - A contract is made to do a particular act; - At the time of making of contract, such an act is not impossible; - After the contract is made, such an act becomes impossible; Then - The contract has become void. |

Illustrative cases

| Situation | Result |
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| A agrees with B to discover treasure by magic | The agreement is void.- |
| A and B contract to marry each other. Before the time fixed for the marriage, A becomes mad. | The contract has become void. |
| A contract to marry B, being already married to C, and being forbidden by the law to which he is subject to practice polygamy. | The agreement is void. A must make compensation to B for the loss caused to her by non-performance of his promise. |
| A contract to take in cargo for B at an American port. A's Government afterwards declares war against America. | The contract has become void. |
| A contract to act at a theatre for 6 months in a consideration of a sum paid in advance by B. On several occasions A is too ill to act. | The contract to act on such occasions, on which A is unable to act because he is ill, becomes void. |

5. AGREEMENT VOID FOR UNCERTAINTY - (Sec. 29)

ILLUSTRATIVE CASES

An agreement is void, if the meaning of such agreement is –

Not certain; or

Not capable of being made **certain.**

Illustrative cases

| Situation | Result |
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| A agrees to sell B 'a hundred tons of oil' | The agreement is void for uncertainty since the description of oil is not specified. |
| A agrees to sell B 100 tons of oil of a specified description, known as an article of commerce. | There is no uncertainty and therefore the agreement is not void. |
| Mr. A, who is a dealer in coconut oil only, agrees to sell to B '100 tons of oil' | The nature of A's trade implies that intends to sell 100 tons of coconut oil. So, there is no uncertainty. |
| A agrees to sell to B all the grain in his granary at Laxmi Nagar. | There is no uncertainty since it is possible to determine the quantity of grain lying at B's granary at Laxmi Nagar. |
| A agrees to sell to B 1000 Kgs. Of rice at a price to be fixed by C. | As the price is capable of being made certain, there is no uncertainty to make the agreement void. |
| A agrees to sell to B his white horse for Rs. 500 or Rs. 1000 | There is nothing to show which of the two prices was to be given. Therefore, the agreement is void. |

6 CLASSIFICATION OF CONTRACTS (Sec. 2&9)

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| On the basis of creation | Express contract | A contract made by words spoken or written. |
| | Implied contract | A contract inferred by – - The conduct of a person; or - The circumstances of the case. |
| On the basis of execution | Executed contract | A contract in which both the parties have fulfilled their obligations under the contract. |
| | Executory contract | A contract in which both the parties have still to fulfill their obligations. |
| | Partly executed and partly executory | A contract in which one of the parties has fulfilled his obligation but the other party is yet to fulfill his obligation. |
| On the basis of enforceability | Valid contract | An agreement which satisfies all the requirements prescribed by law. |
| | Void contract | A contract Which ceases to be enforceable by law Becomes void when it ceases to be enforceable. |
| | Void agreement | An agreement not enforceable by law is said to be void. |
| | Voidable contract | An agreement is a voidable contract if – - It is enforceable by law at the option of one or more of the parties thereto, - It is not enforceable by law at the option of the other or others. |
| | Illegal agreement | An agreement the object of which is unlawful. |
| | Unenforceable contract | A contract which fulfils all requirements of a contract except some technical requirements. It becomes enforceable when the defect is subsequently removed. |

Offer / Proposal

7 MEANING OF OFFER [Sec.2 (a)]

When one person signifies to another
 His willingness
 To do or to abstain from doing anything,
 With a view to obtaining the assent of that –
 To such act; or
 Abstinence,
 He is said to make a proposal (i.e., offer).

8 HOW TO MAKE AN OFFER? / MODE OF MAKING OFFER (Sec. 9)

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| Express offer | It means an offer made by words spoken or written . |
| Implied offer | It means an offer inferred by – <ul style="list-style-type: none"> • The conduct of a person; or • The circumstances of the case. |

9 TO WHOM AN OFFER IS MADE?

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| Specific Offer | It means an offer made to – <ul style="list-style-type: none"> (a) A particular person; or (b) A particular group of persons. |
| General Offer | <ul style="list-style-type: none"> • It means an offer which is made to the public in general. |

10 LEGAL RULES AS TO VALID OFFER

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| Offer must be communicated | <p>Boulton v Jones</p> <ul style="list-style-type: none"> • J offered to purchase 50 feet of leather from Z. • Z in the meantime sold his business to B. • Therefore, instead of Z, B supplied the leather to J. • J refused to accept the leather. • <u>It was held that the offer was not communicated to B, and so B had no legal right to accept the offer made by J.</u> • Therefore, no contract had concluded between J and B. <p>Carlill v Carbolic Smoke Ball Co.</p> <ul style="list-style-type: none"> • A pharmaceutical company advertised that it would give 100 Pounds to anyone who contracted influenza after using their smoke balls for a certain period. • Mrs. Carlill purchased smoke balls and used them as directed. • Shortly afterwards, she contracted influenza. She claimed the 100 Pounds. • The Court held that the advertisement issued by the pharmaceutical company was a general offer made to the public at large. • [Mrs. Carlill, being a member of the public, had received the offer and had acted upon it by using the smoke balls as directed.] • Therefore, a contract was formed between the pharmaceutical company and Mrs. Carlill, and so Mrs. Carlill could claim 100 Pounds. <p>Lalman Shukla v Gauri Dutt.</p> <ul style="list-style-type: none"> • G’s nephew was missing. • L, who was munim of G, went in search of the missing boy. |
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| | <ul style="list-style-type: none"> • Meanwhile G issued handbills offering reward of Rs. 501 to anyone who would trace the boy. • L found the boy and brought him home. • Since L had no knowledge of the offer made by G, he could not accept such offer. • Since there was no acceptance, there could be no contract, and therefore, it was held that L was not eligible to receive the reward. |
| Communication of complete offer | <p>Handerson v Stevenson</p> <ul style="list-style-type: none"> • X purchased a steamer ticket for traveling from Dablin to White Haven. • On the back of the ticket, certain conditions were printed. One of the conditions excluded the liability of the company for any loss, injury or delay to the passengers or their luggage. • X never looked at the back of the ticket and there was nothing to draw his attention to the conditions printed on the back side. • X's luggage was lost due to the negligence of the servants of the shipping company. • Since the steamer company had not taken any steps to ensure that the conditions printed on the back of the ticket were brought to the knowledge of the passengers, such conditions do not form part of the contract. • Therefore, X was entitled to recover the damages for loss of his luggage. <p>Parker v S.E. Rail Co.</p> <ul style="list-style-type: none"> • P deposited his bags in the cloakroom at a railway station. • On the face of the receipt, the words 'see back' were printed. One of the conditions printed on the back was "the liability of the railway company shall be limited to \$ 10 for any package". • P's bag was lost. He claimed the actual value of bag amounting to \$ 24. • It was held that the disclaimer clause was binding on P since the railway company had taken all reasonable steps to ensure that the conditions printed on the back were brought to the knowledge of P. |
| An offer must not thrust the burden of acceptance on the transferee | <p>An offer must not contain any term the non-compliance of which amounts to acceptance.</p> <p>Felthouse v Bindley</p> <ul style="list-style-type: none"> • A wrote to B "I will sell you my horse for Rs. 500. If I do not receive a reply by Sunday next, I shall assume that you have accepted the offer." • B did not reply. • It was held that an offer can not impose the burden on the offeree to reply. Acceptance is valid only if it is communicated to the offeror. • Since B had not communicated his acceptance to A, there was no contract between A and B, and therefore A could not sue B. |
| Cross offers do not conclude a contract | <ul style="list-style-type: none"> • Two offers which are similar in all respects made by two parties to each other, in ignorance of each other's offer are known as 'cross offers'. Cross offers do not conclude a contract. |
| Counter offer | <p>A counter offer amounts to rejection of the original offer.</p> |
| Offer must be distinguished from invitation to offer | <ul style="list-style-type: none"> • An invitation to offer does not imply a valid offer. |

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| Offer must be distinguished from a declaration of intention. | A declaration or a statement merely indicates that an offer will be made or invited in future. |
| An offer must be certain. | The terms of the offer must be – (a) Definite; (b) Unambiguous; and (c) Certain. |

11 LAPSE OF AN OFFER

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| Notice by offeror, i.e., Revocation | <ul style="list-style-type: none"> • Revocation of offer means withdrawal or cancellation of the offer. • An offer can be revoked by the offeror anytime. However, <u>revocation is effective only if it is made before the offer is accepted.</u> |
| Lapse of time | An offer lapses if it is not accepted – <ul style="list-style-type: none"> • Within the time specified in the offer; • Within reasonable time, if no time is specified in the offer. |
| Non-fulfillment of condition precedent. | If an offer requires fulfillment of some condition before the offer can be accepted, the offer shall lapse if such condition is not fulfilled. |
| Counter offer | A counter offer results in rejection of the original offer. |
| Acceptance is not made in prescribed mode | If the offeree accepts the offer in a manner which is different from the manner specified by the offeror, the offeror may refuse to treat such acceptance as valid, and consequently the offer shall lapse. |
| Death or insanity of the offeror or offeree | An offer shall lapse in the following cases: <ul style="list-style-type: none"> (a) Where the offeror dies or becomes insolvent and such fact comes to the knowledge of the offeree before acceptance of the offer. (b) Where the offeree dies or becomes insolvent before acceptance of the offer. |
| Rejection by the offeree | An offer comes to an end if the offeree rejects the offer and <u>communicates his refusal to the offeror.</u> |
| Subsequent illegality etc. | If, after making of an offer, the subject matter of the offer is destroyed or the performance becomes impossible or unlawful, the offer shall lapse. |

Acceptance

12 INTRODUCTION TO ACCEPTANCE

(Sec. 2 (b))

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| Definition of acceptance | When the person to whom the proposal is made signifies is assent thereto The proposal is said to be accepted. | |
| Promise | In case of a specific offer | In case of a general offer |
| | Only that particular person/group of persons to whom the specific offer has been made and none else. | Any person if – - He has the knowledge of the offer; and - He fulfils the terms and conditions of the offer. |
| Mode of acceptance | (a) Express acceptance (b) Implied acceptance | |

13 LEGL RULES FOR A VALID ACCEPTANCE

(Sec. 7)

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| Absolute & unqualified | <ul style="list-style-type: none"> The offeree should assent to all the terms of the offer. There must be no variation/reservation, i.e., acceptance must be unconditional. | |
| Acceptance must be communicated | Acceptance cannot be made in ignorance of the offer. Mere mental acceptance is no acceptance. | |
| Acceptance to whom? | <ul style="list-style-type: none"> The acceptance must be communicated to the offeror. Felthouse v Bindley <ul style="list-style-type: none"> F made an offer to his nephew to buy the nephew's horse for Rs. 500. The offer stated that if the nephew failed to reply to the offer of F within 10 days, F shall consider that the horse had been sold to him. The nephew directed his manager not to sell that horse to anybody since he wanted to sell that horse to F. But, the nephew did not send any reply to F. By mistake, the manager sold that horse to some other person. It was held that nephew was not bound to send notice of refusal to F. Therefore, failure to send the letter of refusal within 10 days did not amount to acceptance. Also, nephew's communication of decision to sell the horse of F did not result in a valid acceptance since such decision was not communicated to F, the offeror. Since there was no contract between F and the nephew, F had no right against the nephew. | |
| Acceptance by whom? | Acceptance must be given by the person who has the authority to accept the offer. | |
| Manner of acceptance. | Situation (A) : The offer does not prescribe the manner of acceptance | Situation (B): The offer prescribes the manner of acceptance. |
| | The offer must be accepted in some usual and reasonable manner. | <ul style="list-style-type: none"> The offer must be accepted in the prescribed manner. If the offer is not accepted in the prescribed manner, the offeror may approve or reject such acceptance. |
| Time limit for acceptance | Situation (A): The offer does not prescribe the time limit | Situation (B): The offer prescribes the time limit. |
| | The offer must be accepted within reasonable time. | The offer must be accepted within the prescribed time limit. |
| Acceptance must be given before the offer lapses or revoked | <ul style="list-style-type: none"> Acceptance can be given only to an existing offer. An offer open for a limited period can be accepted only before the expiry of such specified period. An offer can be revoked before acceptance. | |
| Mode of acceptance | Acceptance may be given by – <ul style="list-style-type: none"> Performance of conditions, or Acceptance of consideration. | |

14 COMMUNICATION WHEN COMPLETE

(Sec. 4)

| Communication of | Communication when complete? | |
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| Offer | When the offer comes to the knowledge of the offers. | |
| Acceptance | Communication is complete against the offer | When acceptance is put in a course of transmission so as to be out of the power of the offeree. |
| | Communication is complete against the offeree | When acceptance to the knowledge of the offeror. |
| Revocation | Communication is complete against the person who makes it - | When revocation is put in a course of transmission So as to be out of the power of the person who makes it. |
| | Communication is complete against the person to whom it is made - | When revocation comes to the knowledge of the person to whom it is made. |

15 TIME LIMIT FOR REVOCATION

(Sec. 5)

| Revocation of ... | Time limit for revocation |
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| Offer | Before communication of acceptance is complete against the offeror. |
| Acceptance | Before communication of acceptance is complete against the offeree. |

Consideration

16 MEANING OF CONSIDERATION

(Sec. 2 (d))

When, at the desire of the promisor,

The promisee or any other person

Has done/abstained from doing, or does/abstains from doing, or promises to do/to abstain from doing, something,

Such act/abstinence/promise is called a consideration for the promise.

17 ESSENTIALS OF A VALID CONSIDERATION

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| Consideration must move at the desire of the promisor. | An act or abstinence shall constitute a good consideration only if it is done at the desire of the promisor. |
| Consideration may move from promisee or any other person. | <ul style="list-style-type: none"> • So long as there is consideration for promise, it is immaterial as to who has furnished it. • If a party receives consideration, the contract is valid, even though the person furnishing the consideration is not a party to the contract. • Where a third party furnishes the consideration, it is valid consideration. • As long as there is consideration in a contract, it is immaterial as to who has given this consideration. This rule is generally stated as 'Privity of consideration is not required'. |
| No adequacy of consideration required. | <ul style="list-style-type: none"> • The law requires that there must be consideration in every contract. • However, adequacy of consideration is not required. Even if it is proved that such consideration is inadequate, the contract is not void. • The fact of inadequacy of consideration shall be given due weightage while determining whether the consent of the promisor was freely given or not. |

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| It must be different from promisor's existing obligation | Consideration received by a party must be something more than the other party's contractual and legal obligation. |
| Consideration must be lawful | An agreement is void if the consideration furnished by any of the parties is unlawful. |
| It must be real, and not illusory | <ul style="list-style-type: none"> • Consideration received by a party must be of some value. • Consideration must not be illusory (i.e., existing in name) |

18 EXCEPTIONS TO THE RULE: NO CONSIDERATION (Sec. 25) NO CONTRACT

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| Agreements made on account of natural love and affection Conditions | <ul style="list-style-type: none"> • The agreement is made in writing. • The agreement must be registered. • The agreement must be made between the parties standing in immediate relation to each other. • There must be natural love and affection between the parties. However, mere nearness of relationship does not imply natural love and affection. | |
| Compensation for past voluntary services - conditions | <ul style="list-style-type: none"> • A party renders some services to the other party or performs the legal obligation of the other party. • The services are rendered without any desire of the other party, i.e., the services are rendered voluntarily. • The other party afterwards promises to compensate the former party for the services rendered to him. | |
| Promise to pay a time-barred debt | Meaning of time barred debt | A creditor can sue the debtor for recovery of his money by going to the Court of law. However, if the creditor fails to institute the suit within 3 years of debt becoming due for payment, the debt is said to be time barred debt, i.e., the creditor cannot institute the suit after the expiry of said period of 3 years. |
| | General rule | The general rule is that an agreement to pay a time barred debt is void . |
| | Exception | An agreement to pay a time barred debt is enforceable if the following conditions are satisfied: <ul style="list-style-type: none"> • The debt is a time barred debt. • The debtor promises to pay the time barred debt. • The promise is made in writing. • The promise is signed by the debtor. |
| Completed gift | <ul style="list-style-type: none"> • Agreement to make a gift is not enforceable. • However, once a gift has actually been made, the donor cannot demand it back on the ground that there was no consideration. | |
| Agency | No consideration is necessary to create an agency. | |
| Remission | No consideration is necessary for an agreement to receive less than what is due. | |
| Guarantee | In a contract of guarantee, consideration received by the principal debtor shall be sufficient consideration for the surety. | |

19 PRIVY OF CONTRACT

(Sec. 25)

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| Privity of consideration | <ul style="list-style-type: none"> • It is well established that privity of consideration is not required. • Consideration may move from promisee or any other person. • So long as there is consideration for promise, it is immaterial who has furnished it. | |
| Privity of contract – Meaning | <ul style="list-style-type: none"> • The general rule is that only the parties to a contract can sue. • In other words, if a person is not a party to the contract (i.e., a stranger to contract), he cannot sue. | |
| Privity of contract Example | <p>Dunlop Pneumatic Tyre Co. V Selfridge and Co.</p> <ul style="list-style-type: none"> • D entered into a contract of sale of certain tyres to P. • The contract provided that P shall not sell the tyres below the list price. Also, the contract provided that P shall, at time of resale, impose a condition on the retailer that sale by retailer shall not be made below the list price. • P sold certain tyres to S.S. resold certain tyres below the list price. • In a suit instituted by D against S, the Court held that such suit was not maintainable since there was no privity of contract between S and D. | |
| Privity of contract Exceptions | Creation of a trust. | <p>Beneficiary is not a party to the agreement creating a trust. However, the beneficiary is allowed to sue the trustee for enforcement of trustee’s duties.</p> |
| | Marriage / Family arrangements | <p>Where a marriage or family settlement is made, the person who is a beneficiary under such settlement is entitled to sue even though he may not be a party to sue settlement.</p> |
| | Acknowledgement | <p>The person, who becomes an agent of a third party by acknowledgement, can be sued by such third party.</p> |
| | Assignment of a contract. | <p>An assignee is entitled to exercise all the rights which could have been exercised by the assignor previously, even though the assignee was not a party to the contract as originally made.</p> |

CAPACITY OF PARTIES

20 EFFECTS OF MINOR’S AGREEMENT

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| Agreement is void ab initio, i.e., without any legal effect. | <p>A minor is incompetent to enter into any contract. Therefore, any agreement made by a minor is void ab initio, i.e., it is without any legal effect.</p> <p>Mohori Bibi v Dharmodas Ghose (IMP.)</p> <ul style="list-style-type: none"> • A minor entered into an agreement for mortgage of his property. • He was paid a certain amount for mortgaging the property. • Afterwards, the mortgagee filed a suit against the minor for recovery of money paid to the minor. • It was held that the money was paid to the minor under a void agreement, and therefore the mortgage was not valid. |
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| An agreement for the benefit of minor is enforceable by minor | <ul style="list-style-type: none"> • The principle laid down in Mohori Bibi v Dharamodas Ghose applies only if the agreement creates an obligation of a minor. • Where, an agreement is for the benefit of a minor, <u>the agreement is not void</u> and therefore the minor can enforce such agreement. • If the other party to the agreement fails to perform his part of obligation, the minor can claim restitution. | | | | |
| Restitution | <p>Khan Gul v Lakha Singh Following principles were laid down in the above case:</p> <ul style="list-style-type: none"> • The Court may grant relief to the other party if the other party had entered into a contract with the minor on the basis of a misrepresentation made by the minor. • If the minor had received some consideration under the agreement, the Court may grant restitution to the other party. • However, the minor shall not be personally liable. In other words, restitution shall be made only to such an extent as the estate of minor has been benefited. • The power of the Court to grant relief is discretionary in nature. • The Court shall not grant relief if the other party had the knowledge of the fact that it was entering into an agreement with a minor. | | | | |
| No estoppel against a minor | <ul style="list-style-type: none"> • If the rule of estoppel is applied against a minor, it would amount to an indirect way of enforcing a void agreement. • Therefore, the rule of estoppel does not apply against a minor. | | | | |
| No specific performance | <ul style="list-style-type: none"> • The other party cannot demand that minor should perform the obligation which he had agreed to perform under the agreement. | | | | |
| No ratification by a minor | <ul style="list-style-type: none"> • Ratification means acceptance of a transaction already done. • An agreement entered into by a minor cannot be ratified by him after he has attained majority. • Where on attaining majority, a minor agrees to pay for the goods supplied by a third party, such agreement is void for want of consideration. | | | | |
| No liability of guardian | The guardian of a minor shall not be liable for acts of a minor. | | | | |
| Contracts by a guardian – Valid | The contract by a guardian on behalf of a minor shall be valid if – (a) The contract is for the benefit of minor; and (b) The guardian has the authority to enter into such a contract. | | | | |
| Minor’s liability for necessities | <table border="1"> <tr> <td data-bbox="459 1520 646 1642">Nature of liability</td> <td data-bbox="654 1520 1500 1642">As per Sec. 68, a minor is liable for necessities supplied to – (a) him; or (b) Any other person who is dependent on the minor.</td> </tr> <tr> <td data-bbox="459 1646 646 1848">Conditions</td> <td data-bbox="654 1646 1500 1848">(a) The liability is only for ‘necessities’ of life. The term ‘necessity’ means necessities of life as per the social status and conditions of life of the minor. (b) The minor is not already in possession of such necessities. (c) The minor shall not be personally liable.</td> </tr> </table> | Nature of liability | As per Sec. 68, a minor is liable for necessities supplied to – (a) him; or (b) Any other person who is dependent on the minor. | Conditions | (a) The liability is only for ‘necessities’ of life. The term ‘necessity’ means necessities of life as per the social status and conditions of life of the minor. (b) The minor is not already in possession of such necessities. (c) The minor shall not be personally liable. |
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| Conditions | (a) The liability is only for ‘necessities’ of life. The term ‘necessity’ means necessities of life as per the social status and conditions of life of the minor. (b) The minor is not already in possession of such necessities. (c) The minor shall not be personally liable. | | | | |
| Position of minor | (a) Minor cannot be a guarantor. (b) Minor may be admitted as a member where the shares are fully paid up. | | | | |

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| | (c) Minor can be an apprentice provided he is of at least 14 years of age. (d) Minor cannot be a partner in a firm. However, he may be admitted to the benefits of partnership. |
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21 PERSONS OF UNSOUND MIND

(Sec. 12)

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| Meaning of 'sound mind' | A person is said to be of sound mind if he is able to - <ul style="list-style-type: none"> • understand the contract; and • Form a rational judgment. | |
| Presumption | The law presumes that every person is of sound mind. | |
| Requirements of law | At the time of entering into a contract, a person must be of sound mind. A person can enter into a contract in accordance with the following principles: | |
| | Nature of person | When can he enter into a contract? |
| | A person of sound mind | <ul style="list-style-type: none"> • He can enter into a contract at all the times. • He cannot enter into a contract when he is of unsound mind. |
| | A person of unsound mind. | <ul style="list-style-type: none"> • He can enter into a contract only at such intervals of time, if any, when he is of sound mind. |
| Burden of proof | Case | Burden of proving otherwise |
| | A person who is usually of sound mind | The burden of proving that he was of unsound mind at the time of entering into the contract lies on the person who challenges the validity of the contract. |
| | A person who is usually of unsound mind. | The burden of proving that he was of sound mind at the time of entering into the contract lies on the person who affirms the contract. |

22 PERSONS DISQUALIFIED UNDER LAW

| | | |
|--------------------------|--|--|
| Company | <ul style="list-style-type: none"> • A company is a legal person and therefore it can enter into a contract in its own name. • However, a company is disqualified to enter into any contract which falls outside the object clause of memorandum | |
| Alien enemy | Existing contract | <ul style="list-style-type: none"> - is suspended until the war is over; - is discharged, if such contract is against public policy. |
| | Fresh contract | - cannot be entered into until the war is over |
| | Permission of CG | <ul style="list-style-type: none"> - An existing contract can be enforced; - A fresh contract can be entered into. |
| Foreign diplomats | Right to sue others | |
| | Can be sued | Available <ul style="list-style-type: none"> - Only in the following cases: - (a) Where he submits himself to the Court - (b) Where approval of CG is obtained. |

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|----------------|--------------------------|--|
| Convict | Existing contract | Is suspended until his conviction is completed. |
| | Fresh contract | Cannot be entered into |
| | Permission of CG | An existing contract can be enforced. A fresh contract can be entered into. |

Free Consent

23 COERCION - CONDITION

(Sec. 15)

| | |
|---|---|
| (a) Acts forbidden by IPC Unlawful detention of property | <ul style="list-style-type: none"> • Actually committing an offence forbidden by IPC; or • Threatening to commit an offence forbidden by IPC • Actually detaining the property; or • Threatening to detain the property |
| (b) Intention | <ul style="list-style-type: none"> • Causing any person to enter into an agreement. |

Other points :

| | |
|---|---|
| Applicability of IPC is not relevant | It is irrelevant as to whether or not IPC is in force – <ul style="list-style-type: none"> • At the time when coercion is employed; or • At the place where coercion is employed. |
| How coercion may proceed? | <ul style="list-style-type: none"> • Coercion may proceed from – • A party to the contract; or • Stranger to contract. |
| Against whom coercion may be directed? | Coercion may be directed against - <ul style="list-style-type: none"> • A party to the contract; or • Stranger to contract |

24 UNDUE INFLUENCE - CONDITIONS

(Sec. 16)

| | |
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| Relations between the parties | <ul style="list-style-type: none"> • One party is in a position to dominate the will of the other. |
| Use of the dominant position | <ul style="list-style-type: none"> • The dominant party uses his dominant position. |
| Dominant party obtains an unfair advantage | <ul style="list-style-type: none"> • The dominant party obtains an unfair advantage by way of entering into a contact. |
| Undue influence was employed/not employed – burden of proof. | |
| Unconscionable transactions | <ul style="list-style-type: none"> • The burden of proof is on the dominant party. • The dominant party has to prove that undue influence was not employed. |
| Any other transaction | <ul style="list-style-type: none"> • The burden of proof is on the weaker party. • The weaker party has to prove that undue influence was employed. |

25 ESSENTIALS OF FRAUD

(Sec. 17)

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| By a party to the contract | <ul style="list-style-type: none"> • It must be proved that fraud was committed by- <ul style="list-style-type: none"> (a) A party to the contract; or (b) Anyone with the <u>connivance</u> of a party to the contract. |
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| The party makes a representation | <ul style="list-style-type: none"> • The party has made a representation of a fact. • An opinion, a statement of expression, or a statement of intention does not constitute a fraud. |
| <ul style="list-style-type: none"> • The representation is false | |
| <ul style="list-style-type: none"> • The misrepresentation was made willfully. | |
| <ul style="list-style-type: none"> • The misrepresentation was made with a view to deceive the other party. | |
| <ul style="list-style-type: none"> • The other party is actually deceived. | |
| <ul style="list-style-type: none"> • The other party has suffered a loss. | |

When is a representation considered as false?

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|-----------------------------------|---|
| Suggestion of a false fact | <ul style="list-style-type: none"> • Where the person makes a representation of a fact knowing that such fact is not true. |
| Concealment of a fact | <ul style="list-style-type: none"> • Where the person conceals a fact even though he has knowledge of such a fact. |
| Promise | <ul style="list-style-type: none"> • Where a person makes a promise without any intention of performing it. |
| An act/omission | <ul style="list-style-type: none"> • Any act omission declared by law as fraud also amounts to fraud. |
| Any other act | <ul style="list-style-type: none"> • Any other act fitted to deceive also amounts to fraud. |

Silence as fraud

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| General rule | <ul style="list-style-type: none"> • Mere silence, which is likely to affect the willingness of the other party, is not a fraud. |
| Exceptions | <ul style="list-style-type: none"> • Where the parties stand in fiduciary relationship. • When silence is equivalent to speech. • Partial disclosure of truth which deceives the other party is a fraud. |

26 ESSENTIALS OF FRAUD

(Sec. 18)

- By a party to the contract.
- The party makes a representation.
- The representation is false.
- The misrepresentation was made innocently.
- The misrepresentation was not made with a view to deceive the other party.
- The other party has actually acted.

27 MISTAKE

(Sec. 20 & 22)

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| Mistake of Indian law | <ul style="list-style-type: none"> • The contract is not voidable |
| Bilateral mistake | <ul style="list-style-type: none"> • The agreement is void if- <ul style="list-style-type: none"> (a) The mistake relates to a fact; (b) Such fact is material to the agreement; and (c) Both the parties are at mistake. • Bilateral mistake may be <ul style="list-style-type: none"> (a) Mistake as to the subject matter. (b) Mistake as to the possibility of performance. |
| Unilateral Mistake | <ul style="list-style-type: none"> • The contract is neither void nor voidable. |

Legality of object and consideration

27 UNLAWFUL OBJECT OR CONSIDERATION- (Sec. 23)
MEANING AND EFFECTS.

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| Circumstances in which object or consideration is unlawful | An agreement to do something forbidden by law | An agreement is unlawful if, It involves doing of an act which is forbidden by any law for the time being in force. |
| | Defeating the provisions of any law | An agreement is unlawful if, It is of such a nature that if permitted It would defeat the provisions of any law Even though it is not directly prohibited by any law. |
| | Fraudulent | An agreement is unlawful if It is made to make a fraud on any person. |
| | Involves injury to any person or his property. | An agreement is unlawful if It is made for the purpose of causing injury to – - Any other person ; or - Property of another person. |
| | Immoral or opposed to public policy | An agreement is unlawful If, the Court regards that object or consideration of such agreement is - immoral ; or - opposed to public policy |
| Legal effect | Every agreement of which the object or consideration is unlawful is void. | |

29 WHEN IS OBJECT OR CONSIDERATION SAID TO BE AGAINST PUBLIC POLICY

- Agreement for trading with enemy
- Agreement interfering with personal liberty.
- Agreement interference with parental duties
- Agreement interfering with marital duties..
- Agreement interfering with course of justice.
- Agreement for improper promotion of litigation.
- Agreement for stifling prosecution
- Maintenance agreement.
- Champerty agreement.
- Agreement to do an act against the duty of a person.
- Marriage brokerage agreement.
- Agreement not to bid.
- Agreement to create monopolies or to eliminate or reduce competition.
- Agreement for sale of public offices and titles.

30 MAINTENANCE AND CHAMPERTY AGREEMENT

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| Meaning of maintenance agreement | <ul style="list-style-type: none"> • A party agrees to provide assistance (Financial or otherwise) to another party to institute or defend a suit. • The person providing such assistance has no interest in such suit. • The party who receives such assistance agrees to pay something in return to the person who provides such assistance. |
| Legal effect of maintenance agreement | <ul style="list-style-type: none"> • The maintenance agreement is valid, if it is bonafide and the payment the person providing such assistance is reasonable. |
| Meaning of Champerty agreement | <ul style="list-style-type: none"> • A party agrees to provide assistance (financial or otherwise) to another party to institute or defend a suit. • The person providing such assistance has no interest in such suit. • The party who receives such assistance agrees to share the proceeds from the suit received by him in return to the person who provides such assistance. |
| Legal effect of champerty agreement | <ul style="list-style-type: none"> • The Champerty agreement is valid, if it is bonafide and the share of proceeds paid to the person providing such assistance is reasonable. |

31 AGREEMENTS UNLAWFUL IN PART (Sec. 25)

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| An agreement containing legal and illegal parts. | Whether unlawful part can be separated from unlawful part- <ul style="list-style-type: none"> • If ‘yes’ - Lawful part can be enforced; or - Unlawful part cannot be enforced. • If ‘no’ - The whole agreement is void. |
| A reciprocal agreement containing legal and illegal parts | The reciprocal promise to do – <ul style="list-style-type: none"> • Legal things – can be enforced • Illegal things - cannot be enforced. |
| An agreement containing legal and illegal parts | The alternate promise to do – <ul style="list-style-type: none"> • Legal things – can be enforced • Illegal things - cannot be enforced. |

Void Agreements

32 AGREEMENTS IN RESTRAINT OF MARRIAGE (Sec. 26)

Every agreement in restraint of the marriage of any person is void.

33 AGREEMENTS IN RESTRAINT OF TRADE (Sec. 27)

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| Agreements in restraint of trade is void | Every agreement by which Anyone is restrained from exercising A lawful profession, trade or business of any kind Is void To that extent. |
| Burden of proof | <ul style="list-style-type: none"> • Party supporting the contract – must show that the restraint is reasonably necessary to protect his interests. • Party challenging the contract – must show that the restraint is injurious to the public. |

Exceptions to Sec. 27

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| Sale of goodwill | <ul style="list-style-type: none"> (a) Such restriction must relate to a similar business. (b) Such restriction must be within specified local limits. (c) Such restriction must be for the time so long as the buyer or any person deriving title to the goodwill from him, carries on a like business in the specified local limits. (d) Such specified local limits should be reasonable having regard to the nature of the business. |
| Restriction on existing partner | An agreement by a partner not to carry on any business other than that of the firm is valid. |
| Restrictions on outgoing partner | <ul style="list-style-type: none"> (a) An agreement may provide that an outgoing partner will not carry on a similar business after dissolution of the firm. (b) Such restriction must be within specified local limits or within a specified period. (c) The restriction should be reasonable having regard to the nature of the business. |
| Restrictions on partners upon or in anticipation of the dissolution of the firm | <ul style="list-style-type: none"> (a) An agreement may provide that some or all of the partners will not carry on a similar business. (b) Such restriction must be within specified local limits or within a specified period. (c) The restriction should be reasonable having regard to the nature of the business. |
| Restriction in case of sale of goodwill of a firm. | <ul style="list-style-type: none"> (a) At the time of sale of goodwill of the firm, a partner may agree that he will not carry on a similar business. (b) Such restriction must be within specified local limits or within a specified period. (c) The restriction should be reasonable having regard to the nature of business. |

34 AGREEMENTS IN RESTRAINT OF LEGAL PROCEEDINGS (Sec. 28)

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| Agreement restricting enforcement of rights | An agreement by which Any party is restricted absolutely From enforcing his legal rights under any contract is void. |
| Agreements limiting period of limitation | An agreement which limits the time within which an action may be brought is void. |
| Exceptions | <ul style="list-style-type: none"> (a) An agreement is not void merely because it provides that any dispute arising between two or more persons shall be referred to arbitration. (b) An agreement is not void merely because it provides that any dispute that has arisen between two or more persons shall be referred to arbitration. |

35 WAGERING AGREEMENTS (Sec. 30)

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| Meaning | An agreement between two persons under which money or money's worth is payable, by one person to another on the happening or non-happening of a future uncertain event is called a wagering agreement. |
| Effects of wagering agreements | <ul style="list-style-type: none"> (a) The agreement is void. (b) The agreement is illegal in the states of Maharashtra and Gujrat. (c) No suit can be filed to recover the amount won on any wager. |

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| Agreements not held as wagers | (a) Agreement to pay prize money not exceeding Rs. 1,000 (b) An agreement to pay a prize exceeding Rs. 500 to the winner of a horse race is not a wager. |
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Contingent Contracts

36 INTRODUCTION TO CONTINGENT CONTRACTS (Sec. 31)

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| Meaning of contingent contract | A 'contingent contract' is a contract to do or not to do something, If some event, collateral to such contract, does or does not happen. |
| Essentials features of a contingent contract | (a) It is a contract to do or not to do something. (b) This contract is dependent on happening or non-happening of an event. (c) Such an event is a collateral event, i.e., it is collateral to the contract, i.e., the event must not depend upon the mere will of a party. (d) The event is uncertain. |

37 INTRODUCTION TO CONTINGENT CONTRACTS (Sec. 31)

| Contract contingent upon | When can it be enforced? | When does it become void? |
|---|---|---|
| Happening of an event | When such event has happened. | When the happening of such event becomes impossible. |
| Non- happening of a future event | When the happening of such event becomes impossible. | When such event has happened. |
| Happening of an event within a specified time | When such event has happened within the specified time. | When the happening of such event becomes impossible before the expiry of specified time. When such event has not happened within the specified time. |
| Non-happening of an event within a fixed time. | When the happening of such event becomes impossible before the expiry of specified time. When such event has not happened within the specified time. | When such event has happened within the specified time. |
| Future conduct of a living person. | When such person acts in the manner as desired in the contract. | When such person does anything which makes the desired future conduct of such person – (a) Impossible; or (b) Dependent upon certain contingency. |
| Impossible events | Such an agreement cannot be enforced since it is void. Whether the impossibility of the event was known to the parties or not is immaterial. | |

Quasi Contracts

38 INTRODUCTION TO QUASI CONTRACTS

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| Meaning of a quasi contract | It means a contract which lacks one or more of the essentials of a contract. |
| Basis of quasi contract | Quasi contracts are declared by law as valid contracts on the basis of principles of equity, i.e., no person shall be allowed to enrich himself at the expense of another. |
| Legal effect of a quasi contract. | The legal obligations of parties remain same in case of a quasi contracts also, i.e., the parties will have same obligations and rights as if such quasi contract fulfils all the essentials of a contact. |

39 SUPPLY OF NECESSARIES TO PERSONS INCOMPETENT (Sec. 68) TO CONTRACT

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| Who is made liable u/s. 68? | <ul style="list-style-type: none">• A person who is incompetent to contract is made liable u/s. 68. |
| Conditions of Sec. 68 | The liability of an incompetent person arises if necessities are supplied to – <ul style="list-style-type: none">• Such person (.e., incompetent person); or• Any other person who is dependent on such incompetent person. |
| Liability of incompetent person | <ul style="list-style-type: none">• The person who supplies necessities to the incompetent person is entitled to be reimbursed from the property of such incompetent person.• However, the incompetent person is not personally liable. |
| Meaning of necessities | <ul style="list-style-type: none">• ‘Necessities’ means necessities suitable to the conditions in life of the person to whom such necessities are supplied. |

40 PAYMENT BY A PERSON WHO IS INTERESTED IN A (Sec. 69) TRANSACTION

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| Conditions of Sec. 69 | <ul style="list-style-type: none">• One person is legally bound to make a payment.• Some other person makes such payment.• The person making such payment is not legally bound to make such payment.• The person making such payment is interested in paying such amount. |
| Legal effect of Sec. 69 | <ul style="list-style-type: none">• If all the conditions of Sec. 69 are satisfied, the person who is interested in paying such amount shall be entitled to recover the payment made by him. |

41 OBLIGATION OF PERSON ENJOYING BENEFIT OF (Sec. 70) NON-GRATUITOUS ACT

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|------------------------------|--|
| Conditions of Sec. 70 | <ul style="list-style-type: none">• A person has lawfully-<ul style="list-style-type: none">○ Done something for another person; or○ Delivered something to another person.• Such person must have acted-<ul style="list-style-type: none">○ Voluntarily; and○ Non-gratuitously |
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| | <ul style="list-style-type: none"> • The other person has enjoyed the benefit of – <ul style="list-style-type: none"> ○ The act done for him; or ○ The thing delivered to him. |
| Legal effect of Sec. 70 | <ul style="list-style-type: none"> • If the conditions of Sec. 70 are satisfied, there will be a quasi contract between the parties. • Consequently, the party who has done something or delivered a thing shall be entitled to recover its value from the person who obtained the benefit of the same. |

42 FINDER OF GOODS (Sec. 71)

A finder of goods has same rights and duties as that of a bailee.

43 MONEY PAID UNDER A MISTAKE OR COERCION (Sec. 72)

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| Conditions of Sec. 72 | <ul style="list-style-type: none"> • A person has - <ul style="list-style-type: none"> ○ Paid money to another person; or ○ Delivered something to another person. • Such person must have acted- <ul style="list-style-type: none"> ○ Under a mistake; or ○ Under coercion |
| Legal effect of Sec. 72 | <ul style="list-style-type: none"> • If the above conditions are satisfied, there will be a quasi contract between the parties. • Consequently the party who has paid money or delivered a thing shall be entitled to recover its value from the person who obtained the benefit of the same. |

Performance of a Contract

44 OBLIGATIONS OF PARTIES TO CONTRACTS (Sec. 37 & 38)

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| Actual performance | Promisor makes an offer of performance to the promisee. The offer has been accepted by the promisee. |
| Offer to perform/ Tender / Attempted performance | Promisor makes an offer of performance to the promisee. The offer has not been accepted by the promisee. |

45 TYPES OF TENDERS AND THEIR EFFECTS

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| Tender of goods and services | Goods or services need not be offered again if The promisor is – <ul style="list-style-type: none"> (a) Discharged; (b) Not required to offer again; (c) Not responsible for non-performance; (d) Is entitled to sue the other party; |
| Tender of money | The debtor remains liable to pay the debt. The debtor is discharged from liability for payment of interest from the date of tender. |

46 CONDITIONS OR ESSENTIALS FOR A VALID TENDER (Sec. 38)

- (a) The tender must be unconditional
- (b) The tender must be for the whole obligation.
- (c) The tender must be given at a proper time.
- (d) The tender must be given at a proper place.
- (e) The tender must give a reasonable opportunity of inspection.
- (f) The party giving the tender must be willing to perform his obligation.
- (g) The tender must be made to the proper person.
- (h) The tender must be made for the exact amount of money.

**47 PERSONS LIABLE FOR, & ENTITLED TO, (Sec. 40 & 42)
PERFORMANCE**

| Persons liable for performance | Persons entitled to performance |
|--|---|
| (a) Promisor | (a) Promisee |
| (b) Agent of promisor | (b) Agent of promise |
| (c) An of the several joint promisors | (c) Joint promises |
| (d) Legal representative of a promisor | (d) Legal representative of a promisee. |

48 PERFORMANCE OF JOINT PROMISE (Sec. 42)

- (a) All the joint promisors are jointly and severally liable. However, the contract between the joint promisors may provide otherwise.
- (b) A joint promisor may claim contribution from other joint promisors, if he is compelled to perform the whole promise.
- (c) A joint promisor may claim contribution from other joint promisors, if any other joint promisor makes a default in performance of his promise.
- (d) Where one of the joint promisors is released, other joint promisors shall continue to be liable.

49 APPROPRIATION OF PAYMENTS (Sec. 59 to 61)

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| Application of payment where debt to be discharged is indicated | <ul style="list-style-type: none"> • A debtor owes several distinct debts to the creditor. • The debtor makes a payment to the creditor. • The debtor intimates the creditor that the payment made is to be applied to the discharge of some particular debt. • The creditor has no option but to apply such payment for the discharge of such particular debt. |
| Application of payment where debt to be discharged is not indicated. | <ul style="list-style-type: none"> • A debtor owes several distinct debts to the creditor. • The debtor makes a payment to the creditor. • The debtor does not indicate the debt for which the payment is to be applied. • The creditor has the discretion to apply such payment for any lawful debt which is due to him from the debtor. |

| | |
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| Application of payment where none of the parties makes the appropriation | <ul style="list-style-type: none"> • A debtor owes several distinct debts to the creditor. • The debtor makes a payment to the creditor. • The debtor does not indicate the debt for which the payment is to be applied. • The creditor accepts such payment but does not apply such payment for any lawful debt which is due to him from the debtor. • The payment shall be applied in discharge of the debts in order of time. |
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Discharge of a contract

50 MEANING OF DISCHARGE OF A CONTRAT

Discharge of contract means termination of contractual relations between the parties to a contract.

51 MODES OF DISCHARGE OF A CONTRACT

1. Discharge by performance
2. Discharge by impossibility of performance.
3. Discharge by mutual agreement.
4. Discharge by lapse of time.
5. Discharge by operation of law
6. Discharge by breach of contract.

52 DISCHARGE BY PERFORMANCE

(Sec. 37 to 38)

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|---|---|
| Actual performance | <ul style="list-style-type: none"> • When both the parties perform their respective obligations in accordance with the terms of the contract, the contract is discharge. |
| Attempted perform-ance or tender | <ul style="list-style-type: none"> • Where a valid tender is not accepted by the other party, the promisor is discharged. |

53 DISCHARGE BY IMPOSSIBILITY OF PERFORMANCE

(Sec. 56)

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| Meaning of supervening impossibility | <ul style="list-style-type: none"> • No impossibility existed at the time of making of the contract. • The impossibility arises subsequently to the formation of the contract. • The impossibility arises because of- <ol style="list-style-type: none"> (i) Change in circumstances beyond the contemplation of parties; or (j) Change in law. • The impossibility is of such a nature that it makes the performance of a contract impossible or illegal. • If particular state of things, which forms the basis of a contract, ceases to exist or occur, the contract is discharged. <p>Krell v Henry</p> <ul style="list-style-type: none"> • X hired a room from Y for viewing the coronation process of Kind Edward. • The procession was cancelled because of Kind's illness. • Since the ultimate and only purpose of the contract was defeated, the contract was discharged. |
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| | <ul style="list-style-type: none"> • Partial failure of objects or partial impossibility does not discharge a contract. <p>H.B. Steamboat Co. v Hulton</p> <ul style="list-style-type: none"> • X agreed to hire a boat from Y for the purpose of viewing the naval review on the eve of coronation of king and for sailing around the fleet. • Due to king's illness, the naval review was cancelled, but the fleet was assembled. • X used the boat for sailing around the fleet. • Although the primary purpose of the contract was defeated, the secondary purpose was fulfilled and therefore, the contract was not discharged by supervening impossibility. |
| Effects of supervening impossibility | <ul style="list-style-type: none"> • The contract becomes void. All the parties are discharged from their respective obligations. • Restitution is allowed. |

55 DISCHARGE BY MUTUAL AGREEMENT

(Sec. 62 to 63)

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|-------------------|---|
| Novation | <ul style="list-style-type: none"> • Novation means substitution of a new contract in place of the original contract. • The new contract may be- <ul style="list-style-type: none"> ○ Between the same parties; or ○ Between different parties. • A new contract is entered into in consideration of discharge of the old contract. In other words, the consideration for the new contract is the discharge of the original contract. |
| Alteration | <ul style="list-style-type: none"> • Alteration means a change in one or more of the terms of a contract with mutual consent of parties. • An alteration discharges the original contract and creates a new contract between the parties. • However, the parties to the new contract remain the same. |
| Remission | <ul style="list-style-type: none"> • Remission means acceptance of a lesser consideration than agreed to in the contract. • A promise may – <ul style="list-style-type: none"> ○ Dispense with (wholly or in part) the performance of a promise made to him; or ○ Extend the time for performance due by the promisor; or ○ Accept a lesser sum instead of the sum due under the contract; or ○ Accept any other consideration than agreed to in the contract. • No consideration is necessary for remission. |
| Rescission | <ul style="list-style-type: none"> • It means cancellation of a contract by one or all the parties to the contract. <ul style="list-style-type: none"> (a) A party whose consent was not free may avoid the contract. (b) A party to the contract may rescind a contract if breach of contract is made by the other party to the contract. (c) All the parties may mutually agree to bring the contract to an end. |

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| Waiver | <ul style="list-style-type: none"> • Waiver means intentional relinquishment of a right under a contract. |
| Merger | <ul style="list-style-type: none"> • Conversion of an inferior right into a superior right is called as merger. • The effect of conversion is that the contract under which inferior right is created is discharged. |

55 DISCHARGE BY LAPSE OF TIME

Where the time of performance by a party is due but the party fails to perform within the time specified, the contract is discharged by non-performance.

56 DISCHARGE BY OPERATION OF LAW

| | |
|---|---|
| Death | <ul style="list-style-type: none"> • Contracts involving personal skill, knowledge or ability of the deceased party are discharged automatically. |
| Insolvency | <ul style="list-style-type: none"> • The insolvent is discharged from liability on all contracts entered into upto the date of insolvency. |
| Unauthorized material alteration | <ul style="list-style-type: none"> • An alteration which changes the substance (i.e., legal effect or basic character) of a contract is called as material alteration. |
| Merger of rights. | <ul style="list-style-type: none"> • If the rights and liabilities arising under a contract vest in the same person, the contract is discharged. |

57 DISCHARGE BY BREACH OF CONTRACT

| | |
|-------------------------------|---|
| Meaning of breach | <ul style="list-style-type: none"> • Failure of a party to perform his part of contract is called as breach. |
| Consequences of breach | <ul style="list-style-type: none"> • The other party is relieved from performing its part of obligation. • It gets a right to proceed against the party at fault. |

58 KINDS OF BREACH

(Sec. 39)

| | | |
|----------------------------|---|--|
| Actual breach | Time when breach takes place | <ul style="list-style-type: none"> • On the due date of performance • During performance. |
| | Manner in which actual breach may take place | <ul style="list-style-type: none"> • Where a party fails to perform. • Where a party refuses to perform. • Where a party acts in such a manner that it becomes impossible for him to perform. |
| Anticipatory breach | Meaning of anticipatory breach | Where a party declares his intention of not performing the contract before the performance of contract is due. |
| | Modes of anticipatory breach | (a) Express Repudiation. Where a party refuses to perform his obligation before the performance has become due. (b) Party disables himself. Where a party acts in such a manner that it is impossible for him to perform, i.e., the party has disabled himself from performance that he had promised. |

Remedies for Breach of a Contract

59 REMEDIES FOR BREACH OF A CONTRACT.

Following remedies are available in case of breach of a contract:

1. Rescission
2. Suit for damages
3. Suit for specific performance
4. Suit for injunction.
5. Suit for quantum meriut

60 RESCISSION

(Sec. 39)

| | |
|------------------------------|--|
| Meaning of rescission | <ul style="list-style-type: none"> Rescission means a right available to an aggrieved party to terminate a contract. |
| Effects of rescission | <ul style="list-style-type: none"> The aggrieved party is not required to perform his part of obligation. The aggrieved party can claim compensation for any loss caused to him. |

61 SUIT FOR DAMAGES

(Sec. 73)

| | |
|-----------------------------------|---|
| Meaning | <ul style="list-style-type: none"> Monetary compensation allowed for loss suffered by the aggrieved party due to breach of a contract. |
| Object of awarding damages | <ul style="list-style-type: none"> Not to punish the party at fault. To make good the financial loss suffered by the aggrieved party due to breach of contract. |

Kinds of damages

| | | | | |
|--|---|--------------------------------------|---|---|
| Ordinary damages | <ul style="list-style-type: none"> These damages are awarded for such loss suffered by a party which is a proximate consequence of breach. Damages are not awarded if they have resulted because of an indirect consequence. | | | |
| Special damages | <ul style="list-style-type: none"> Special damages are awarded to cover such loss which through does not arise naturally, but was in the contemplation of both the parties at the time when the contract was made. These damages can be recovered only if the special circumstances which would result in a special loss in case of breach of a contract are communicated to the other party. | | | |
| Exemplary or punitive or vindictive damages | These damages are awarded only in the following 2 cases: | | | |
| | <table border="1"> <tr> <td>Breach of a contract to marry</td> <td>The damages shall be calculated on the basis of mental injury sustained by the aggrieved party.</td> </tr> <tr> <td>Unjustified dishonor of a cheque</td> <td>The damages shall be calculated on the basis 'lower the amount of cheque, greater will be the damages'.</td> </tr> </table> | Breach of a contract to marry | The damages shall be calculated on the basis of mental injury sustained by the aggrieved party. | Unjustified dishonor of a cheque |
| Breach of a contract to marry | The damages shall be calculated on the basis of mental injury sustained by the aggrieved party. | | | |
| Unjustified dishonor of a cheque | The damages shall be calculated on the basis 'lower the amount of cheque, greater will be the damages'. | | | |
| Nominal damages | <ul style="list-style-type: none"> Where no loss is suffered by the aggrieved party, the Court generally awards nominal damages. | | | |
| Damages for inconvenience etc. | <ul style="list-style-type: none"> Where a party has suffered physical inconvenience, discomfort or mental agony as result of breach, the Court may award damages for the same. | | | |
| Liquidated damages and penalty | <ul style="list-style-type: none"> Where the parties to a contract specify a certain sum in the contract which will become payable as a result of breach, such specified sum is called as 'liquidated damages' or 'penalty' If the specified sum represents a fair and genuine pre-estimate of the damages likely to result due to breach, such specified sum is called as 'liquidated damages'. If the specified sum is disproportionate to the damages which are likely to result as a result of breach, such specified sum is called as 'penalty'. In India, damages shall be restricted to a reasonable compensation not exceeding the specified sum. | | | |
| Forfeiture of security deposit | <ul style="list-style-type: none"> If any loss is suffered by a party as a result of breach, the damages awarded to him shall be limited to the loss suffered by him. Any clause in the contract entitling the aggrieved party to forfeit the security deposit is not valid. | | | |

IDEAL / CPT / MERCANTILE LAW / THE INDIAN CONTRACT ACT, 1872

| | |
|----------------------------|--|
| Payment of interest | <ul style="list-style-type: none">• Payment of interest is permissible.• If no rate of interest is mentioned in the contract, the party shall be liable to any interest –<ul style="list-style-type: none">(a) As per any law for the time being in force;(b) As per the custom or usage of trade.• However, if the interest is in the nature of penalty, the Court may grant relief. |
|----------------------------|--|

62 SUIT FOR SPECIFIC PERFORMANCE

| | |
|--|--|
| Meaning | <ul style="list-style-type: none">• Specific performance means demanding an order from the Court that the promise specified in the contract shall be carried out. |
| When is specific performance allowed? | <ul style="list-style-type: none">• Actual damages arising from breach are not measurable.• Monetary compensation is not an adequate remedy. |
| When is specific performance not allowed? | <ul style="list-style-type: none">• Where damages are an adequate remedy.• Where the performance of contract involves numerous or minute details, and therefore it is not possible for the Court to supervise the performance of the contract.• Where personal quality of a person is the subject matter of contract.• Where the contract is dependent upon personal volition of the parties.• Where the contract is inequitable to any of the parties.• Where the contract is made by a company beyond its powers as laid down in the object clause of memorandum of association.• Specific performance cannot be enforced against a minor. |

63 SUIT FOR INJUNCTION

| | |
|---------------------------------------|---|
| Meaning | <ul style="list-style-type: none">• Injunction means an order of the court restraining the other party from carrying out a particular act. |
| When is this remedy available? | <ul style="list-style-type: none">• The Court has the discretion whether or not to grant injunction.• Where a party to the contract promises to do an act but refuses to perform such act resulting in breach of contract, the aggrieved party may claim an injunction order from the Court restraining the defaulting party from performing such act in future. |

64 SUIT FOR QUANTUM MERUIT (as much as he has earned)

| | |
|---|--|
| One party preventing the other from completion of contract | <ul style="list-style-type: none">• If a party prevents the other party from completing his obligation under the contract, the aggrieved party may claim payment on quantum meruit for the part of contract already performed by him. |
| Divisible contract partly performed | <ul style="list-style-type: none">• A party at fault may sue on quantum meruit if –<ul style="list-style-type: none">(a) The contract is divisible;(b) The contract is partly performed; and(c) The party not at fault has enjoyed the benefits of the part performance. |
| Indivisible contract performed completely but badly. | <ul style="list-style-type: none">• A party at fault may sue on quantum meruit if –<ul style="list-style-type: none">(a) The contract is indivisible;(b) The contract is for a lump sum consideration;(c) The contract is completely performed;(d) The contract is performed badly. |

OBJECTIVE QUESTIONS

(I) NATURE OF CONTRACTS

- Q.1. P agrees to pay a certain sum to Q, if Q brings on earth a star from sky. This is a :
(a) Valid contract (b) Void contract (c) Voidable contract (d) Enforceable contract
- Q.2. Indian Contract Act, 1872 is passed by :
(a) Indian Parliament (b) British Parliament (c) U. S. Congress (d) None of these
- Q.3. In an auction sale, 'X' is the highest bidder. The auctioneer accept the offer by not speaking but striking the hammer on the table this amounts to :
(a) Express acceptance (b) Implied acceptance (c) Future acceptance (d) No acceptance
- Q.4. A enquires from B, "will you purchase my cow for \$ 100?" B replies, "I shall purchase your cow for \$ 100 provided you purchase my parrot for \$ 120." In this case :
(a) B has accepted the offer of A (b) B has made a counter offer to A
(c) A is bound by the actions of B (d) B cannot make such an offer
- Q.5. Which one of the following promises is enforceable?
(a) X promises to pay Rs. 5,000/- to Y who saved him from drowning
(b) X promises to pay Rs. 5,000/- to his son
(c) X promises to donate Rs. 5,000/- to an Officer's Club
(d) X promises to pay Rs. 5,000/- as additional fees to his advocate for winning a suit
- Q.6. 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.
- Q.7. A agrees to sell to B a horse for Ra. 25,000 if it wins a race and for Rs. 15,000 if does not. The horse wins the race. The agreement is:
(a) Valid and enforceable (b) Void and enforceable
(c) Void and wagering (d) Voidable and wagering
- Q.8. The Indian Contract Act, 1872 extends to :
(a) Whole of Indian (b) Whole of India except Jammu and Kashmir
(c) North India only (d) South India only
- Q.9. On the 5th of a month X makes an offer to Y, by a letter, which reaches Y on 6th. On the 7th, Y posts his letter of acceptance.
Meanwhile, on the 6th X posts a letter to Y revoking the offer. On seeing it Y sends a telegram to X on 8th confirming the acceptance given through his letter of the 7th. Discuss the legal effects of three letters and the telegram:

- (a) There is no contract between X and Y
(b) The contract is concluded between X and Y on 7th when B posts the letter of acceptance
(c) Either (a) or (b)
(d) None of the above
- Q.10. Contract is good in substance but suffers from some technical defect:
(a) Valid contract (b) Illegal contract
(c) Voidable contract (d) Unenforceable contract
- Q.11. X Promise to pay Z Rs. 5,00,000 if Z can make his dead wife alive. Such a contract is:
(a) Valid (b) Void (c) Impossible to perform (d) Unenforceable
- Q.12. Agreement is defined in section _____ of the Indian Contract Act, 1872 :
(a) 2 (e) (b) 2 (c) (c) 2 (g) (d) 2 (i)
- Q.13. X makes a proposal to Y, which Y accepts. But before the acceptance came to the knowledge of X, Y revokes his acceptance by telegram :
When is the revocation complete?
(a) When the telegram is received by X
(b) When X accepts the revocation
(c) When the telegram is dispatched
(d) When the contents of the telegram come to the knowledge of X
- Q.14. When two parties exchange identical offers in ignorance at the time of each other's offer, the offer's are called:
(a) Counter offer (b) Cross offer (c) General offer (d) Special offer
- Q.15. An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other, is a:
(a) Valid contract (b) Unenforceable contract (c) Voidable contract (d) Void agreement
- Q.16. A invites B for his son's wedding. B accepts the invitation. In this case there is an agreement but no contract, since :
(a) There is no consideration
(b) There is no intention to create legal relationship
(c) There is no written document
(d) There is no formal acceptance of the offer
- Q.17. X offers to sell his house to Y for Rs. 10 Lacs and states in his letter that the offer would be considered within a certain time. Here, the letter of X would:
(a) Amount to a proposal (b) Amount to a promise
(c) Not amount to a proposal (d) Amount to acceptance
- Q.18. L says to J, " I shall sell my house: will you buy? A says " Yes, I shall buy". The agreement is void due to:
(a) Uncertainty of meaning
(b) Uncertainty of price
(c) Uncertainty of existence of subject matter
(d) Uncertainty of quality of subject matter

- Q.19. An Executed Consideration is:
- (a) An act of mutual exchange of promises
 - (b) An act done in the expectation of a proposal
 - (c) An act done in response to a positive promise
 - (d) All of the above
- Q.20. Which one of the following constitutes an offer in a self – service store?
- (a) Picking up an article and approaching the cashier’s desk for payment
 - (b) Display of goods at the shop window
 - (c) There is no offer in such cases
 - (d) When the customer asks for some goods
- Q.21. In case of illegal agreements, the collateral agreements are:
- (a) Valid
 - (b) Voidable
 - (c) Void
 - (d) None
- Q.22. S agrees to sell his DVD player to R promising to deliver it on the date of payment. R promises to pay the amount, one month hence. This is an example of:
- (a) Void contract
 - (b) Illegal contract
 - (c) Unilateral contract
 - (d) Bilateral contract
- Q.23. 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
- Q.24. The communication of an acceptance is complete as against the acceptor:
- (a) When it is put in course transmission to him so as to be out of acceptor
 - (b) When it comes to the knowledge of the proposer
 - (c) When both the proposer and the acceptor declare the acceptance
 - (d) When the acceptor accepts his acceptance in a court of law
- Q.25. The juristic concept of contract consists of:
- (a) Agreement & Obligation
 - (b) Free Consent & Capacity
 - (c) Offer and Acceptance
 - (d) Consideration & Coercion
- Q.26. All innocent promises collateral to the main illegal promise contained in a contract will be regarded as :
- (a) Valid
 - (b) Void
 - (c) Illegal
 - (d) Voidable
- Q.27. S offered a reward to anyone who returns his lost dog. F bought the dog to S without having heard of the offer. Which of the following is correct?
- (a) F is entitled to the reward
 - (b) F was not entitled to the reward
 - (c) S has to find the dog himself
 - (d) No reward can be given for the return of lost dog
- Q.28. A, by a letter dated 10th January 2008, offers to sell his house to B for Rs. 40 Lacs. The letter reaches B on 17th January 2008, who posts his acceptance on 18th January 2008 which reaches A on 30th January 2008. Here, the communication of offer is complete on :
- (a) 18.01.2008
 - (b) 30.01.2008
 - (c) 17.01.2008
 - (d) 10.01.2008

- Q.29. In the above question, the communication of acceptance is complete against A on 18th January 2008 and against B on:
- (a) 18.01.2008 (b) 30.01.2008 (c) 17.01.2008 (d) 10.01.2008

(II) Consideration

- Q.30. Agreement without consideration is invalid 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 these
- Q.31. 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`
- Q.32. Which of the following is not an example to the rule, "No consideration, No contract".
- (a) Natural love and affection (b) Compensation for involuntary services
(c) Completed gift (d) Agency
- Q.33. Past consideration is valid in :
- (a) England only (b) India only (c) Both (d) None
- Q.34. A is indebted to B. He sells trolley to C. C promises to pay all debts of A to B. If C fails to pay, B has no right to sue C because:
- (a) C is stranger to consideration (b) C is stranger to contract (c) Both (d) None
- Q.35. Consideration is defined in the Indian Contract Act, 1872 in:
- (a) Section 2(f) (b) Section 2(e) (c) Section 2(g) (d) Section 2 (d) None
- Q.36. The inadequacy of consideration will be taken into account by a court of law:
- (a) Always at the discretion of the court
(b) When the promisor performs his promise
(c) When absence of free consent is pleaded in the formation of the contract
(d) When the promisor expresses his desire to get maximum return for his promise
- Q.37. Rohan promises to make a gift of Rs. 10,000 towards the repairs of a temple. The trustees of the temple on the faith of his promise incurs liabilities. Rohan does not pay. Can the trustees recover the promised amount from Rohan?
- (a) The trustee cannot recover anything from Rohan
(b) The trustee can recover to the extent of liabilities from Rohan
(c) The trustee can recover Rs. 10,000 from Rohan
(d) None
- Q.38. A who was badly in need of money offered to sell his piano worth Rs. 8500 to B for Rs. 5000. B refused to buy. A gradually lowered his price until Rs.2500 was reached, which B accepted. Before the piano was delivered A received an offer of a larger sum from X and he refused to

carry out the contract with B claiming that the consideration was inadequate. Is A liable to pay damages to B for failure to carry out his part of contract?

- (a) No, as the consideration was inadequate A cancelled the contract
- (b) Yes, A is liable to pay damages to B for failure to carry out his part of the contract
- (c) No, as the contract was made due to Undue Influence
- (d) Any of the above

Q.39. 'Privity of Contract' is subject to the exception:

- (a) Where a trust or charge is created
- (b) Where payment is made to a third party
- (c) Where payment is made by a third party
- (d) None of these

Q.40. Which of the following statement is true:

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

Q.41. A consideration is:

- (a) A reason behind making a proposal
- (b) A condition of the fulfillment of the other's promise
- (c) Doing or abstaining from doing something at the desire of the promisor
- (d) Reward for something which one has done for another

Q.42. Which of the following are void contracts?

- (a) Agreement the meaning of which is certain
- (b) Agreement with unlawful consideration
- (c) Agreement with minor
- (d) Agreement with inadequate consideration, if inadequacy is not supported by free consent

(III) Other Essential Elements of a Valid Contract

Q.43. S, a seller of imitation jewellery, sells his business to B and promises, not to carry on business in imitation jewellery and real jewellery. The agreement is:

- (a) Fully valid
- (b) Valid with regard to imitation jewellery, and void as regards real jewellery
- (c) Void with regard to imitation jewellery, and valid as regards real jewellery
- (d) Wholly void

Q.44. S, a minor by fraudulently representing himself to be a major, induced L to lend him Rs. 4 Lakhs. He refused to repay it and L sued him for the money. The contract is:

- (a) Voidable at the option of the minor
- (b) Voidable at the option of L
- (c) Wholly valid, S is liable to repay the amount
- (d) Totally void and S is not liable to repay the amount due

- Q.45. Mistake as to foreign law is treated in the same manner as:
(a) Mistake of Indian law (b) Mistake of fact (c) Misrepresentation (d) Frauds
- Q.46. Atul contracted to make and deliver 350 pairs of shoes to Banshi by 1st January. A strike of Atul's employees prevented him from fulfilling his contract. In a suit by Banshi for breach of contract, Atul claimed that the contract was terminated by impossibility of performance, was his defence good?
(a) No, Atul is liable to Banshi for damages
(b) Yes, doctrine of supervening impossibility applies
(c) Yes, doctrine of frustration will apply
(d) Option (b) but not (c)
- Q.47. An agreement is void if it is opposed to public policy. Which of the following does not cover this head?
(a) Trading with an enemy (b) Trafficking in public offices
(c) Marriage brokerage contracts (d) Contracts to do impossible acts
- Q.48. "Consensus-ad-idem" means:
(a) General consensus (b) Reaching of contract
(c) Reaching an agreement (d) Meeting of minds upon the same thing in same sense
- Q.49. Parents or Guardians shall _____ for breach of contract by minor :
(a) Be held liable (b) Not be held liable (c) Be imprisoned (d) Not be questioned
- Q.50. The concept of "Duress" under English Contract Law is similar to :
(a) Undue Influence (b) Misrepresentation (c) Coercion (d) Fraud
- Q.51. X offers to sell a painting to Z which X knows is the copy of a well known master piece. Z thinking that the painting is original decides to buy it at a very high price. Is this a valid contract?
(a) Yes, price is not the criteria for setting aside the contract
(b) No, X is guilty of fraud.
(c) Yes, Z has an erroneous belief as to the value of the painting
(d) No, X is guilty of misrepresentation
- Q.52. X agrees to pay 'Y' Rs.5,000 if Y delivers a judgement in his favour in a suit. 'Y' does so but X refuses to pay any money. In this context which one of these gives the correct legal position of the agreement?
(a) The agreement is void being opposed to public policy
(b) The agreement is valid and enforceable
(c) The agreement is voidable at the option of 'Y'
(d) The agreement is void because the object is unlawful, forbidden by law
- Q.53. In case, through the husband was a divorcee, he did not disclose the fact of his previous marriage to his wife and in-laws. It was held that the consent was obtained by:
(a) Mistake (b) Misrepresentation (c) Fraud (d) Undue influence
- Q.54. A man, by the name of Sohan, called at a Jeweller shop and chose a costly ring. He tendered in payment a cheque, which he signed in the name of Garish, a person of credit. He took the ring and pledged it to Bola Nath, who had no notice of fraud. Can the Jeweller recover the ring from Bola Nath?

- (a) Yes the jeweler can recover from Bola Nath
- (b) The jeweler can recover either from Sohan or Bola Nath
- (c) No, the jeweler can not recover from Bola Nath
- (d) Can't say

Q.55. A mortgage was executed in favour of a minor. Can the minor get a Decree for the enforcement of the mortgage?

- (a) Yes
- (b) No
- (c) Can't say
- (d) Mortgage is invalid

Q.56. Where an agreement consists of two parts one legal and other illegal, and the legal part is separable from the illegal one, such legal part is :

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

Q.57. An agreement entered into with free consent & lawful but inadequate consideration is:

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

Q.58. An illiterate old woman made a gift deed for practically her entire property to her nephew who managed her affairs. The gift can be set aside on the grounds of:

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

Q.59. A sum of money was agreed to be paid to the father in consideration of his giving his daughter in marriage. The agreement is void on ground's of being:

- (a) Restraint of marriage
- (b) Marriage brokerage contract
- (c) Restraint of personal liberty
- (d) Restraint of legal proceedings

Q.60. As a general rule minor's agreements are:

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

Q.61. Match list I with list II and select the correct answer from the code given below the lists :

| | LIST I | | LIST II |
|----|--------------------------------------|----|---------------------------------------|
| A. | Contract opposed to public policy | 1. | Contracts of insurance |
| B. | Agreement where object is uncertain | 2. | Agreements hostile to friendly states |
| C. | Intention to create legal obligation | 3. | Void and Unenforceable |
| D. | Contracts of utmost good faith | 4. | Essential element for valid contract |

CODES :

| | A | B | C | D |
|-----|---|---|---|---|
| (a) | 1 | 4 | 3 | 2 |
| (b) | 4 | 2 | 1 | 3 |
| (c) | 2 | 1 | 3 | 4 |
| (d) | 2 | 3 | 4 | 1 |

Q.62. N threatens L's wife that their son M would be abducted if L did not lease but their land to him (N). This is a case of :

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

- Q.63. A fraudulently informs B that his house is free from encumbrances. B thereupon, buys the house. The house is subject to a mortgage. What are the rights of B?
- (a) The contract is voidable at the option of B
 - (b) He may avoid the contract and get back his money
 - (c) Both (a) and (b)
 - (d) Either (a) or (b)
- Q.64. The leading case, on the point that minor's agreement is void ab initio, is:
- (a) Carlill v. Carbolic Smoke Ball Co.
 - (b) Mohoribibi v. Dharmodas Ghose
 - (c) Nash v. Inman
 - (d) None of these
- Q.65. Which of the following agreements are expressly declared void by the Indian Contract Act?
- (a) Agreement made without consideration
 - (b) Agreement by a minor or a person of unsound mind
 - (c) Agreement in restraint of marriage
 - (d) Agreement of which the consideration and object are unlawful
- Q.66. Which contracts are not Wagering Contracts?
- (a) Bull & Bear Activities
 - (b) Lottery
 - (c) Speculative Activities
 - (d) All of these
- Q.67. Which of the following statement is false?
- (a) A contract is not voidable if fraud or misrepresentation does not induce the other party to enter into a contract
 - (b) A party cannot complain of fraudulent silence or is representation if he had the means of discovering the truth with ordinary means
 - (c) In case of fraud or misrepresentation, aggrieved party can either rescind or affirm the contract
 - (d) A party who affirms the contract, can also change his option afterwards if he so decides.
- Q.68. An agreement in restraint of legal proceedings is void. It does not cover an agreement which\
- (a) Cuts short the period of limitation
 - (b) Restricts absolutely the parties from enforcing their legal rights
 - (c) Discharges a party from liability or extinguishes the rights of a party
 - (d) Provides for a reference to arbitration instead of court of law
- Q.69. A minor can do which of the following things?
- (a) Plead minority
 - (b) Can act as an agent
 - (c) Enter contract of apprenticeship
 - (d) All of the above
- Q.70. A contract made by mistake about the Indian Law, is :
- (a) Valid
 - (b) Void
 - (c) Voidable
 - (d) Illegal
- Q.71. The Contract of "Uberrimae Fidei " means a contract :
- (a) Of Good Faith
 - (b) Of Goodwill
 - (c) Guaranteed by a surety
 - (d) Of Utmost Good Faith

- Q.72. Which of the following statement is not correct ?
(i) A threat to commit suicide does not amount to coercion
(ii) Undue influence involves use of physical pressure
(iii) Ignorance of law is no excuse
(iv) Silence always amounts to fraud
(a) (i) and (ii) (b) (i), (ii) and (iii) (c) (i), (ii) and (iv) (d) (ii), (iii) and (iv)
- Q.73. Can a person who is usually of unsound mind, but occasionally of sound mind, make a contract?
(a) Yes, but only when he is of sound mind (b) Yes, he can always make a contract
(c) No, he cannot make a contract (d) Can't be determined
- Q.74. Where the pre – assumption of “Undue Influence” does not exists :
(a) Husband & wife (b) Father & Son (c) Teacher & Student (d) Doctor & Patient
- Q.75. A minor's estate is liable for the _____ supplied to him :
(a) Luxuries (b) Necessities (c) Necessaries (d) All the things
- Q.76. In which of the following agreements, restraint of trade is valid ?
(a) Agreement with buyer of goodwill
(b) Trade combinations, to the extent they do not create monopoly or opposed to public policy
(c) Agreements under the Partnership Act,1932
(d) All of the above
- Q.77. S instructs T to enter on his behalf into a wagering transaction. T loses in the transaction and pays from his pocket. He thereafter sues S for reimbursement. Can S raise plea of wager?
(a) Yes, S can raise the plea of wager
(b) No, as the agent's transaction, which is collateral to the main transaction, which is void is not affected
(c) Yes, S can raise the plea of wager but only in the states of Maharashtra & Gujarat
(d) Option (b) is correct whereas (c) is an exception

(IV) Performance of Contract

- Q.78. A lets out a theatre to B for a series of drama for certain days. The theatre was completely destroyed by fire before the scheduled dates. In the case :
(a) The contract is discharged by impossibility of performance
(b) The contract is void ab initio
(c) The contract is voidable at the option of B
(d) A cannot be discharged of the contract
- Q.79. A, B and C jointly promise to pay D a sum of Rs.90,000. C is compelled to pay the whole of the amount to D. Can he recovers anything form A and B when both A and B were solvent?
(a) Yes, C can recover Rs.60,000 from A
(b) Yes, C can recover Rs.90,000 from A
(c) Yes, C can recover Rs.30,000 each from A and B
(d) No C cant recover anything from A and B

- Q.80. A servant is employed for one year on a monthly salary of Rs.1800, the whole salary to be paid at the end of the year. The servant wrongfully leaves the service after six months. Is he entitled to any salary?
- (a) He is entitled to the whole salary
(b) He is entitled to the salary of six months.
(c) He is entitled to the salary which his master thinks suitable
(d) He is not entitled to any salary
- Q.81. R contracts to sell his car to S for Rs. 7 Lacs and S agrees to pay on delivery. Once the car is delivered to S and S pays Rs.7 Lacs, Contract comes to an end. This is called :
- (a) Breach of a contract (b) Discharge of a contract
(c) Rescission of a contract (d) Waiver of a contract
- Q.82. If a new contract is substituted in place of an existing contract it is called :
- (a) Alteration (b) Rescission (c) Novation (d) Waiver
- Q.83. In case of default by joint promisors, the promisee :
- (a) Cannot sue any single promisee
(b) Can sue any one of them to the extent of his share in the joint promise
(c) Can sue any one of them for the entire promise
(d) Both (a) and (b)
- Q.84. A contract of personal volition is not performed by:
- (a) The agent (b) The promises (c) The legal representative (d) All of these
- Q.85. A enters into a contract with B for dancing at his theatre for three nights for a fee of Rs.2,00,000. A dances for two nights and is taken ill. What remedy is available to B?
- (a) B can repudiate the contract (b) B can claim damages from A
(c) B is not bound to pay fees (d) B cannot claim damages from A
- Q.86. The original contract need not be performed if there is :
- (a) Alteration of contract (b) Rescission of contract (c) Novation (d) All of these
- Q.87. Reasonable time for performance of a contract is a :
- (a) Question of Fact (b) Question of Law
(c) Mixed Question of Fact & Law (d) Question of Prudence
- Q.88. X sold to Y by sample and Y thinking that they were old rice purchased them, but the rice was new. In this case :
- (a) Y is not bound by the contract (b) Y is not bound by the contract
(c) Y can recover damages from X (d) Y can sue for replacement of new rice with old rice
- Q.89. The right of joint promises to demand performance is :
- (a) Joint (b) Several (c) Joint or several (d) Joint and several
- Q.90. X and Y contract that Y shall build a house for X for Rs.20 Lacs. Y's ready and willing to construct the house but X prevents him from doing so. In such case :
- (a) Y is entitled to recovers compensation for any loss suffered by him
(b) Y can opt to rescind the contract
(c) (a) or (b)
(d) (a) and (b)

- Q.91. Rescission of a voidable contract is communicated and revoked in the same manner as the communication of revocation of :
- (a) Proposal (b) Acceptance (c) Breach (d) Impossibility
- Q.92. Suppose the time fixed for performance of the contract has expired but the time is not essential. What is the remedy of the promisee in this case :
- (a) Can rescind the contract (b) To claim compensation
(c) No remedy available (d) Can't be determined
- Q.93. Discharge by mutual agreement may involve_____:
- (a) Innovation (b) Rescission (c) Alteration (d) All of these
- Q.94. A mother owes RS.10,000 to her daughter. But this debt has become barred by the Limitation Act. The mother signs a written promise to pay Rs.3,000 on account of the debt. In such a case which one is correct :
- (a) There is no contract as the debt is already barred by Limitation and so it cannot be revived by as subsequent promise
(b) There is no contract because the mother has promised to give only a part of time debt
(c) This is enforceable against the mother because such a promise is valid and binding under the Indian Contract Act
(d) None
- Q.95. If time is the essence of a contract and the promisor fails to perform the contract by the specified time, the contract :
- (a) Remains valid (b) Becomes Void
(c) Becomes Unenforceable (d) Becomes Voidable at the instance of the promisee
- Q.96. A contract can be discharged by :
- (a) Mutual agreement and performance (b) Lapse of time and operation of law
(c) Breach of contract (d) All of these
- Q.97. Whether time is the essence of the contract depends on the :
- (a) Provisions of law
(b) Intention of the parties
(c) Facts and circumstances of each separate case
(d) All of the above
- Q.98. In case of death of a joint promisor(s), the promise can :
- (a) Not enforce the contract against the survivor(s) of the said joint promisor(s)
(b) Enforce the contract against the survivor(s) of the said joint promisor(s)
(c) Not enforce the contract at all
(d) Both (a) & (b)
- Q.99. X owes Y two sums, one for Rs.2,000 which is barred by Limitation and another for Rs.2,500 which is not barred. X pays Y Rs.1,000 on account generally. Later Y sues for Rs.2500. X pleads:
- (i) As to Rs.2,000 that it was time barred, and
(ii) As to Rs.2,500 a part payment of Rs.1,000

- (a) Y can appropriate the payment of Rs.1,000 towards the first debt & X is bound to pay Rs.2,500 which is not yet barred by limitation
- (b) Both the contentions of X are wrong
- (c) Either (a) or (b)
- (d) Both (a) and (b)
- Q.100. Where the performance of a promise by one party depends on the prior performance of promise by the other party, such reciprocal promises fall under the category of :
- (a) Mutual and Concurrent (b) Conditional and Dependent
- (c) Mutual and Independent (d) Both (a) and (b)
- Q.101. When an inferior right accruing to a party in a contract merges into a superior right accruing to the same party, then :
- (a) The contract conferring the superior right is discharged
- (b) The contract conferring the inferior right is discharged
- (c) Both contracts are not discharged
- (d) Both contracts are discharged
- Q.102. In contracts of sale of movable properties, time is :
- (a) Presumed to be the essence of the contract
- (b) No presumption as to time can be raised
- (c) Not presumed to be the essence of the contract
- (d) All of the above
- Q.103. W, a singer enters into a contract with M, the manager of a theatre, to sing at his theatre for two nights in every week during the next two months and M engages to pay her Rs.5 Lacs for each night's performance. On the 7th night, W willfully absents herself from the theatre :
- (a) M cannot put an end to the contract
- (b) The contract is unlawful
- (c) M is at liberty to put an end to the contract
- (d) The contract is left at the liberty of W

(V) Breach of Contract

- Q.104. Which one of the following is relevant in normal circumstances in determining the amount of damages from breach of contract?
- (a) Normally expected loss
- (b) Difference between market price and contract price
- (c) Sudden closure price of production
- (d) Additional expenses for procuring the goods
- Q.105. A party who does not suffer any loss in case of breach of contract is entitled to :
- (a) Statutory damages (b) Liquidated damages (c) Exemplary damages (d) Nominal damages
- Q.106. Specific Performance may be ordered by the court when :
- (a) Damages are an adequate remedy
- (b) Damages are not an adequate remedy
- (c) Defaulting party is not ready to pay damages
- (d) Contract is not voidable

- Q.107. Damages which an aggrieved party claim besides general damages for any loss he has suffered owing to special circumstances known to both the parties at the time of signing the contract are known as:
- (a) General damages (b) Liquidated damages (c) Nominal damages (d) Vindictive damages
- Q.108. The remedies open to a person, suffering from breach of contract are :
- (a) Suit for Damages (b) Suit for Injunction
(c) Suit upon Quantum Meruit (d) All of these
- Q.109. _____ damages are measured on the basis of extent of shock to the sentiments of promisee:
- (a) Vindictive (b) Nominal (c) Loss of reputation (d) Discomfort
- Q.110. In case of anticipatory breach, where the promisee elects to keep the contract alive, if during the time the contract remains open, some event happens discharging the promisor from his liability, the contract becomes :
- (a) Voidable (b) Illegal (c) Contingent (d) Void
- Q.111. P contracts with Q to deliver possession of a house under construction within a period of six months; failing which he would pay the monthly rental of Q. The monthly rental payable by P for Q is in the nature of :
- (a) Penalty (b) Liquidated Damages (c) exemplary Damages (d) special Damages
- Q.112. N chartered M's ship and agreed to load it with a cargo in Orissa within 50 days. N was unable to supply the cargo but M continued to demand it. Meanwhile war broke out, rendering the performance impossible. In such a case:
- (a) M cannot sue for damages (b) Contract is discharged
(c) Neither (a) nor (b) (d) Both (a) and (b)
- Q.113. In which of the following cases a claim is not enforceable on the ground of quantum meruit?
- (a) A is engaged by B to write a book to be published in instalments in weekly magazine. The magazine is abandoned after a few issues
(b) A is employed as a managing director in a company. After he renders service for sometimes it is found that the directors were not qualified to appoint him as such
(c) A undertakes to build a house for B for Rs.25,000, but after having done half the work he abandons the contract. B afterwards completes the house
(d) A decorates B's flat and fits a wardrobe and a book-case for a lump sum of Rs.15,000. The work is done but B complains of faulty workmanship
- Q.114. G, a film star agreed to act exclusively for Y, a film producer, for one year. During the year, she contracted to act for some other producer. In this case, Y:
- (a) Can restrain G by an injunction (b) Cannot sue G at all
(c) Has to produce the film with other actors only (d) Cannot restrain G by an injunction
- Q.115. E contracts to marry F. Before the agreed date of marriage, E marries K. Here, F is entitled to sue E for :
- (a) Anticipatory Breach in an express manner (b) Actual Breach in an express manner
(c) Anticipatory Breach in an implied manner (d) Actual Breach in an implied manner

(VI) Contingent and Quasi - Contracts

- Q.116. The basis of 'quasi contractual' relations is the :
- (a) Existence of a valid contract between the parties
 - (b) Prevention of unjust enrichment at the expense of others
 - (c) Existence of a voidable contract between the parties
 - (d) Provisions contained in section 10 of the Indian Contract Act
- Q.117. A says to B that he will give Rs.500 to him if it rains and if does not rain B will give to him. Which type of contract is this?
- (a) Wagering contract
 - (b) Contingent contract
 - (c) Valid contract
 - (d) Quasi contract
- Q.118. A agrees to pay B a sum of money if a certain ship does not return. The ship is sunk. A refuses to pay. Advise B :
- (a) B can enforce the contract when the ship sinks
 - (b) B can claim damages
 - (c) B can not enforce the contract when the ship sinks
 - (d) None
- Q.119. The Indian Contract Act deals with the following Quasi- Contractual Obligations :
- (i) Claim for necessities supplied to a person incompetent to contract
 - (ii) Responsibility of finder of goods
 - (iii) Re-Imbursement of money paid, due by another
 - (iv) Obligation of person enjoying benefit of non – gratuitous act
- (a) (ii) & (iii) (b) (i) & (ii) (c) (i), (ii), (iii), & (iv) (d) (iii) & (iv)
- Q.120. Claim for necessities of life supplied to a lunatic u/s 68 of the Indian Contract Act, can be enforced against :
- (a) The relative of the lunatic
 - (b) The lunatic's property or estate
 - (c) The guardian of the lunatic
 - (d) The lunatic personally when he ceases to be lunatic
- Q.121. A person who finds goods belonging to another and takes them into his custody, is subject to the same responsibility as a :
- (a) Thief
 - (b) Trespasser
 - (c) Bailee
 - (d) True Owner
- Q.122. _____ are the contracts implied by law :
- (a) Contingent contracts
 - (b) Implied contract
 - (c) Quasi contract
 - (d) All of these

- Q.123. To claim reimbursement of money paid on behalf of another person, which of the following is not required?
- (a) Payment must be made to a third party to whom the another party was liable
 - (b) Payment must be voluntary
 - (c) There should be some legal or other coercive process compelling the payment
 - (d) Original liability should be of another person
- Q.124. A person enjoying the benefits of a lawful non-gratuitous act of another :
- (a) Is liable to compensate that another
 - (b) Has to perform the same non-gratuitous act in return
 - (c) Is not liable to compensate that another
 - (d) That another cannot claim any compensation
- Q.125. The contract in which law creates certain rights & obligations similar to those of a contract are:
- (a) Contingent contract (b) Constructive contract (c) Wagering contract (d) Quasi contract
- Q.126. U leaves his goods at V's place who consumes them. V is bound to pay the price. V's act of consumption of goods constitutes an implied promise to pay, under the principal of :
- (a) Deemed Contractual Obligations (b) Semi Contractual Obligations
 - (c) Contractual Obligations (d) Quasi – Contractual Obligations
- Q.127. 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.
- Q.128. 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
- Q.129. Contractual rights and duties are created by –
- (a) State (b) Statute (c) Parties (d) Custom or Usage
- Q.130. 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
- Q.131. 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.
- Q.132. An Agreement is –
- (a) Offer (b) Offer + Acceptance
 - (c) Offer + Acceptance + Consideration (d) Contract.
- Q.133. A contract is –
- (a) An agreement enforceable by third parties (b) An agreement by competent people
 - (c) An agreement enforceable by law (d) Not an agreement at all.

- Q.134. Contract –
- (a) Offer + Acceptance (b) Offer + acceptance + consideration
(c) Agreement + Consideration (d) Agreement + enforceability at law.
- Q.135. K owns a residential flat in Chennai. He is entitled to quiet possession and enjoyment of his property. This is called –
- (a) Rights in Personam (b) Rights in Rem
(c) Constitutional Right (d) There is no right at all.
- Q.136. Hari owes Rs.1 Lakh to Jaya. Jaya is entitled to recover this amount from Hari. This is called –
- (a) Rights in Personam (b) Rights in rem
(c) Constitutional Right (d) There is no right at all.
- Q.137. Which one of the following is an essential element of a valid contract?
- (a) Consideration (b) Free Consent (c) Competent Parties (d) All the above.
- Q.138. A contract which ceases to be enforceable by law becomes void –
- (a) before it ceases to be enforceable (b) no such condition is necessary
(c) when it ceases to be enforceable (d) when it becomes void.
- Q.139. Agreements to do an unlawful, immoral or illegal act, like smuggling or murdering a person –
- (a) cannot be enforceable by law (b) are valid in law
(c) are invalid for want of consideration (d) have no consensus ad idem.
- Q.140. A invites B for his son's wedding. B accepts the invitation. In this case, there is an agreement but no contract, since
- (a) there is no consideration (b) there is no intention to create legal relationship
(c) there is no written document (d) there is no formal acceptance of the offer.
- Q.141. A invites B for coffee in a restaurant and B accepts the invitation. On the appointed date, B goes there but A is not found. In this case –
- (a) B has no remedy against A (b) B has to wait for another invitation from A
(c) B can sue A for not honouring his words (d) A has to invite B again, to perform the promise.
- Q.142. X invites Y (a famous Film Actor) to his daughter's engagement and dinner party. Y accepts the invitation and promises to attend. X made special arrangement for Y at the party but he did not turn up. X enraged with Y's behaviour, wanted to sue for loss incurred in making special arrangements.
- (a) X has no remedy against Y
(b) X has to conduct the engagement party again and invite Y
(c) X can sue Y for not honouring his words
(d) X has to invite y again, to perform the promise.
- Q.143. N obtained K's acceptance by fraud. The contract can be avoided at K's instance, but not by N. This is case of –
- (a) Void Agreement (b) Voidable Contract (c) Unlawful Contract (d) Void Contract
- Q.144. Voidable contract is one –
- (a) which is lawful (b) which is invalid
(c) Which is valid as long as it is not avoided by the party entitled to do so (d) which is unlawful.

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- Q.145. 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
- Q.146. A and B contract to marry each other. Before the time fixed for the marriage, A goes mad. The contract becomes –
(a) Void (b) Illegal (c) Valid (d) Voidable.
- Q.147. A consignment is delivered at a wrong place. There is an implied condition for the recipient to return it, so that it can be delivered to the intended consignee. This is an example of –
(a) Express Contract (b) Implied Contract (c) Tacit Contract (d) Unlawful Contract.
- Q.148. Where a contract has to be inferred from the conduct of parties, it is called –
(a) Express Contract (b) Implied Contract (c) Tacit Contract (d) Unlawful Contract.
- Q.149. A contracts to buy a car from B by paying cash. B instantly delivers his car. This is a case of –
(a) Executed Contract (b) Executory Contract (c) Void Contract (d) Illegal Contract
- Q.150. G books a ticket with India Airlines from Delhi to Chennai on 16th June, date of travel being part of contract on 16th July. This is an example of –
(a) Void Contract (b) Illegal Contract (c) Unilateral Contract (d) Bilateral Contract.
- Q.151. S agrees to sell his DVD player to R promising to deliver it on the date of payment. R promises to pay the amount, one month hence. This is an example of –
(a) Void Contract (b) Illegal Contract (c) Unilateral Contract (d) Bilateral Contract.
- Q.152. Yaatra Travels operates buses from Delhi to Agra. The bus standing at its Bay in the Bus Terminus is with a view to taking the passengers. There is To take passengers.
(a) Implied Offer (b) Express Offer (c) Internal offer (d) External Offer.
- Q.153. An offer which is allowed to remain an offer for acceptance over a period of time is known as a/an-
(a) Standing Offer (b) Specific Offer (c) Express Offer (d) Implied Offer.
- Q.154. K advertises in paper that any person who found his lost pet dog can get a reward of Rs.5000. Any person who finds the dog can claim the reward. This is a case of –
(a) General Offer (b) Specific Offer (c) Standing Offer (d) Invalid Offer
- Q.155. A Company announced a reward of £100 to anyone who contracted influenza after using its Smoke Balls for a certain period. Mrs. C used the smoke Balls but contracted influenza. She claimed the reward but the Company rejected her claim stating that she did not communicate her acceptance to the Company. Here –
(a) Acceptance is not communicated and reward cannot be claimed
(b) Offer is not communicated and reward cannot be claimed
(c) Acceptance need not be communicated and reward can be claimed.
(d) There is no claim since reward cannot be given for contracting diseases.
- Q.156. A proposes by letter, to sell his horse to B at Rs.10,000. Communication of the proposal is complete when –
(a) A posts the letter (b) B receives the letter
(c) B acknowledges to A that he has received the letter. (d) (b) or (c), whichever is earlier.

- Q.157. An agreement to sell a property if it is “designed artistically, decorated beautifully, furnished with aesthetic sense” will be—
(a) Invalid due to uncertainty of meaning (b) Valid
(c) Invalid due to lack of consideration. (d) Invalid due to illegality of object.
- Q.158. M offers to sell his house to N for Rs. 36 Lakhs and states in his letter that the offer would be considered as accepted if acceptance is not communicated within a certain time. Here, the letter of M would –
(a) Amount to a proposal (b) Not amount to a proposal
(c) Amount to a promise (d) Amount to acceptance.
- Q.159. Which of the following is an Offer?
(a) Mere quotation of terms by trader
(b) Quotation of the lowest price in answer to an enquiry
(c) Advertisement for sale or auction of goods
(d) Bids in an auction sale.
- Q.160. is expression of final willingness to perform a promise.
(a) Invitation to Offer (b) Offer (c) Bid (d) Acceptance
- Q.161. Issue of Prospectus / Application Form by an Educational Institution / School / College leads to a /an –
(a) Proposal (b) Offer (c) Invitation to Offer (d) Acceptance.
- Q.162. Application filled in by a student seeking admission in a educational institution is an example of –
(a) Invitation to Offer (b) Offer (c) Bid (d) Acceptance.
- Q.163. In a self-service departmental store, a valid contract is concluded by offer and its acceptance, when –
(a) Customers enter the Departmental Store
(b) Customers pick up the articles
(c) Customers take the articles to the Cashier’s desk
(d) Cashier accepts the payment from the Customers.
- Q.164. There is a Counter-Offer when –
(a) the Offeree gives conditional acceptance or introduces a fresh term in acceptance
(b) the Offeror makes a fresh offer
(c) the Offeree makes some query
(d) the Offeree accepts it.
- Q.165. In case of a Counter Offer or Cross offer, one person’s offer can be taken as an offer and the other person’s offer can be taken as its acceptance.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.166. M offers to sell his car for Rs.3.8 Lakhs to N. N. says, he would buy it for Rs.3.5 Lakhs. The counter-Offer by N for Rs.3.3 lakhs –
(a) cannot be accepted by M (b) may be accepted by M
(c) is irrational (d) is illegal.

- Q.167. An Offer may terminate / lapse by –
(a) Revocation of Offer by the Offeror (b) Rejection of Offer by the Offeree
(c) Either (a) or (b) (d) Neither (a) nor (b).
- Q.168. Revocation of offer need not be communicated to the Offeree.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.169. In which of the following circumstances, the offer lapses / comes to an end?
(a) Revocation of Offer (b) Rejection of Offer
(c) Lapse of reasonable time (d) All of the above.
- Q.170. A writes to B, “Will you buy my car for Rs.4.5 lakhs? Reply by next Sunday.” B communicates his acceptance on Monday next. In such case –
(a) A is not bound to B’s delayed acceptance (b) A is bound to B’s acceptance
(c) B has to make a counter Offer (d) There is no offer at all.
- Q.171. Counter Offer/Cross Offer made by the other party, does not terminate the original offer.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.172. 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.
- Q.173. Revocation of offer by letter or telegram is said to be complete –
(a) when it is received by the Offeree (b) When it reaches the Offeree
(c) when it is dispatched (d) Both (b) and (c).
- Q.174. In cases of general offer, for a valid contract, the Acceptor –
(a) must have the knowledge of the offer before acceptance by performance.
(b) need not have the knowledge of the offer
(c) may acquire the knowledge of the offer after the performance of the condition amounting to acceptance.
(d) should not accept at all.
- Q.175. S sent his servant L, to trace his missing nephew. Later, S offered a reward for anyone who found out him missing nephew. L, ignorant of the announcement, traced the boy. Subsequently, he claimed the reward, when he came to know of it.
(a) L is entitled to the reward (b) L was not entitled to the reward
(c) S has to find his nephew himself (d) No reward can be given for tracing missing persons.
- Q.176. F offers to sell his house to G for Rs.20 lakhs, G replies that he would buy the house the house. The offer did not contain any mention as to title. The acceptance is -
(a) Qualified, hence invalid (b) Conditional, hence invalid
(c) Valid (d) Both (a) and (b).
- Q.177. M offered to sell his land to N for Rs.70 lakhs. N replied purporting to accept and enclosed Rs.20 lakhs, promising to pay the balance of Rs.50 Lakhs by monthly instalments of Rs.10 Lakhs each. In this case-
(a) There is no valid acceptance (b) There is a valid acceptance.
(c) The contract is voidable at M’s option (d) The contract is voidable at N’s option.

- Q.178. An offer was sent by post, the Acceptor wrote 'Accepted' on the letter, put it in his drawer & forgot about it. The transaction is –
- (a) a valid contract
 - (b) not an agreement as the acceptance was never communicated to the proposer.
 - (c) a voidable contract
 - (d) a void contract.
- Q.179. If the Offeror prescribes the mode and manner of acceptance, the acceptance –
- (a) should be in the manner and mode prescribed
 - (b) need not be in the manner and mode prescribed
 - (c) can be in any reasonable manner and mode
 - (d) all of the above.
- Q.180. Communication of acceptance is complete as against the Proposer –
- (a) only when it come to the knowledge of the Proposer
 - (b) only when the acceptance is communicated to the Proposer
 - (c) only when it is put in the course of transmission to him so as to be out of power of the Acceptor
 - (d) None of the above.
- Q.181. Where is letter of acceptance sent by post is lost in transit there is –
- (a) no contract as the acceptance has not come to the knowledge of the Offeror.
 - (b) is no contract as the acceptance has not been communicated to the Offeror
 - (c) a contract as the letter of acceptance is put in the course of transmission.
 - (d) all of the above.
- Q.182. H, in response to G's offer, sends a letter of acceptance by post. As regards H, communication is complete when –
- (a) G makes the offer
 - (b) H decides to accept the offer
 - (c) The letter is posted by H
 - (d) G receives the letter.
- Q.183. T sends to S by post, an offer to sell his cycle. T sends his acceptance via post. S could revoke his acceptance, upto any time before or at the moment when –
- (a) S posts his letter of acceptance
 - (b) T receives the letter of acceptance
 - (c) T reads the letter of acceptance
 - (d) Earliest of the above.
- Q.184. When the parties make an agreement to be agreed in the near future, it means that their terms are not definite or finalized. There can be no concluded contract in such case.
- (a) True
 - (b) Partly True
 - (c) False
 - (d) None of the above.
- Q.185. An essential feature of consideration is that –
- (a) It must be encashable
 - (b) It must be given by the Promisee alone.
 - (c) It must be at the desire or request of the promisor
 - (d) It must be guaranteed.
- Q.186. Consideration for the benefit of a third party is not valid.
- (a) True
 - (b) Partly True
 - (c) False
 - (d) None of the above.
- Q.187. Consideration –
- (a) must move from the Promisee
 - (b) may move from the Promisee or any other person
 - (c) must move from the third party
 - (d) may move from the Promisor.

- Q.188. M, by a Gift deed transferred certain property to her daughter, with a direction that daughter should pay an annuity to M's brother, as had been done by M. On the same day, the daughter executed a deed in writing in favour of M's brother, agreeing to pay annuity. Afterwards, she declined to fulfill her promise saying that no consideration had moved from her uncle. Which of the following statements is correct?
(a) The daughter is bound to pay annuity. (b) There is no valid consideration in this contract.
(c) M's brother is a third party to the contract and cannot sue.
(d) The daughter is not bound to pay annuity.
- Q.189. Consideration must be something which the Promisor
(a) is already bound to do (b) is not already bound to do
(c) may voluntarily do (d) must not do.
- Q.190. M promises to pay N Rs.7 Lakhs if N murders K. Here consideration is –
(a) physically impossible (b) unlawful (c) illusory (d) valid.
- Q.191. M engages N as his employee and promises to pay N a 'reasonable' salary for services rendered. Here, the consideration is ---
(a) illusory (b) unlawful (c) illusory (d) valid.
- Q.192. A husband, by a registered agreement promised to pay his earnings to his wife. There was no monetary consideration flowing from the wife to the husband.
(a) void (b) Illegal (c) Valid (d) Unenforceable.
- Q.193. A promise to gift is valid even if it is not supported by consideration.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.194. An agreement for which the consent of party was free is void merely because of inadequacy of consideration.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.195. Consideration and objection are unlawful when it is -
(a) fraudulent (b) forbidden by law or defeat any provision of any law
(c) is immoral & against the public policy (d) all of the above.
- Q.196. 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) cannot sue even if the consideration has proceeded from him
(d) cannot sue at all for want to privity of contract.
- Q.197. Only those persons, who are parties to a contract, can sue and be sued upon the contract. This Rule is called the doctrine of –
(a) Promisory Estoppel (b) Right of Privilege Suit
(c) Privity of Contract (d) Rights in Rem.
- Q.198. In which of the following situations, a Stranger to Contract can file a valid suit?
(a) Beneficiary of a Trust or other interest in specific immovable property
(b) Marriage Settlement, partition and other Family Arrangements, in written form.
(c) Acknowledgement of liability, or by past performance thereof
(d) All of the above.

- Q.199. 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.
- Q.200. An agreement with or by a Minor is –
(a) void ab initio (b) voidable at the option of the Minor
(c) voidable at the option of the other party (d) valid.
- Q.201. On attaining the age of majority, a Minor's agreement
(a) is void (b) cannot be ratified (c) becomes void (d) becomes valid.
- Q.202. Identify the incorrect sentence from the following.
(a) A minor can be a beneficiary
(b) A Minor can be admitted to the benefits of a partnership
(c) A Minor cannot plead minority.
(d) A Minor can be held liable in tort.
- Q.203. A is a minor, B approaches A for a loan on the basis of a mortgage of the house owned by B. Hence, A advances the money and B executed a mortgage in favour of A, a minor. In these circumstances –
(a) The mortgage is not enforceable by A, because he is a minor
(b) The mortgage is enforceable but only when he attains majority
(c) The mortgage is enforceable by A even though he is a Minor
(d) There is no mortgage at all.
- Q.204. A minor, though incompetent to contract –
(a) can act as an Agent (b) can bind his Principal
(c) either (a) or (b) (d) both (a) and (b)
- Q.205. A Minor enters into a contract for the purchase of certain necessaries. In such a case –
(a) he is liable to return the necessaries (b) he is liable to pay
(c) his estate is liable to pay (d) his guardian is liable to pay.
- Q.206. Education and Marriage of a Female have also been held to be necessaries in India.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.207. Which of these is not a "necessary" for a Minor?
(a) Lending money to a Minor for defending a suit on his behalf in which his property is in jeopardy
(b) Lending money to a Minor for defending him in necessary prosecution
(c) Lending in respect of house racing and betting debts
(d) Lending money to a Minor for saving his property from sale in execution of a decree.
- Q.208. A person who is usually of unsound mind, but occasionally of sound mind -
(a) may enter into a contract when he is of sound mind
(b) may not make a contract even when he is of sound mind
(c) cannot enter into a contract at all.
(d) Can enter into a contract at all times but can plead innocence.

- Q.209. Under Section 13 of Indian Contract Act “Consent” means agreeing on the same thing –
(a) in the same sense (b) at the same time (c) at different times (d) all of the above.
- Q.210. Inadequacy of consideration is relevant in determining the question of –
(a) Capacity of parties (b) Possibility of performance
(c) Legality of object (d) Free Consent
- Q.211. When consent to an agreement is obtained by undue influence, the agreement is a –
(a) contract voidable at the option of the party whose consent was so obtained.
(b) Void Contract
(c) Valid Contract
(d) Contract voidable at the option of the person exercising such influence.
- Q.212. A contract which is formed without the free consent of parties, is –
(a) Valid (b) Illegal (c) Voidable (d) Void ab-initio
- Q.213. X threatens to kill A if he does not sell his house to B at a very low price. Even if X is a stranger to the transaction between A and B, the agreement is caused by –
(a) Undue Influence (b) Coercion (c) Fraud (d) Misrepresentation.
- Q.214. If a disciple agrees to gift to his Spiritual Guru, his entire property in return for attainment of salvation, the agreement can be set aside on grounds of –
(a) Mistake (b) Undue Influence (c) Fraud (d) Misrepresentation.
- Q.215. The burden of proof that the consent was obtained by Coercion lies on –
(a) the person who wants to relieve himself of the consequences of coercion.
(b) the person who employs the coercion.
(c) either (a) or (b)
(d) both (a) and (b)
- Q.216. A person to whom money has been paid or anything delivered by mistake or coercion shall –
(a) be entitled to hold the money or thing (b) repay such money or return such thing
(c) pay monetary compensation (d) all of the above.
- Q.217. If a party stands in a fiduciary relation to the other –
(a) He cannot dominate the will of another
(b) He can dominate the will of another
(c) The trust should be maintained
(d) He cannot enter into a contract with that another
- Q.218. A having advanced money to his son B during his minority, upon B’s coming of age, obtains by misuse of parental influence, a bond from B for a greater amount than the sum due in respect of the advance. The Contract is voidable at B’s option on grounds of –
(a) Undue Influence (b) Coercion (c) Fraud (d) Misrepresentation.
- Q.219. S applies to a Banker for a loan when the money market is very stringent. Banker says that loan could be provided only at a very high rate of interest. S accepts to such high interest. S’s consent is –
(a) not obtained by undue influence. (b) obtained by undue influence
(c) not obtained by coercion. (d) obtained by coercion.

- Q.220. Which of the following relationships raise presumption of undue influence?
- (a) Landlord and Tenant (b) Husband and Wife
(c) Fiance and Fiancee (d) Creditor and debtor.
- Q.221. Which of these constitute Fraud?
- (a) Suggestion as a fact, of something which is not true, by a person who does not believe it to be true.
(b) Active concealment of a Fact by one having knowledge or belief of the fact
(c) Promise made without any intention of performing it
(d) All of the above.
- Q.222. Which of these does not constitute Fraud ?
- (a) Suggestion as a Fact, of something which is not true, by a person who does not believe it to be true.
(b) Active concealment of a Fact by one having knowledge or belief of the fact
(c) Innocent statement, honestly believing the same to be true
(d) Promise made without any intention of performing it.
- Q.223. A mere attempt at deceit by one party –
- (a) is not fraud unless the other party is actually deceived.
(b) is fraud whether the other party has been deceived or not
(c) amounts to misrepresentation.
(d) amounts to undue influence.
- Q.224. When there is a duty to speak, keeping silence is –
- (a) Fraud (b) Undue Influence (c) Coercion (d) Misrepresentation.
- Q.225. In a contract of insurance, keeping silent as to material facts amounts to fraud.
- (a) True (b) Partly True (c) False (d) None of the above.
- Q.226. Where the consent was caused by silence amounting to fraud, the contract is voidable, even if the party whose consent was so caused, had the means to discover the truth with ordinary diligence.
- (a) True (b) Partly True (c) False (d) None of the above.
- Q.227. X bought shares in a Company on the faith of a prospectus that contained an untrue statement as to the Directorship of J. X had never heard of J and hence such statement was immaterial from his view point. X claimed damages for fraud. His claim will be dismissed on the ground that –
- (a) there was no fraud at all.
(b) fraud in Company Prospectus is not covered by Indian Contract Act
(c) the untrue statement had not induced him to buy the shares.
(d) all of the above.
- Q.228. Shrikrishnan, a candidate for L.L.B. Part - 1 exam, who was short of attendance, did not mention that fact in the admission form for the examination of Kurukshetra University. Neither the Head of Law Department nor the University authorities made proper enquiries to discover the truth. It was held by the Supreme Court that –
- (a) There was fraud by the candidate (b) There was no fraud by the candidate
(c) There was misrepresentation by the candidate
(d) There was mistake on the part of the candidate

- Q.229. Which of the following are essential features of Misrepresentation?
(a) Representation should be of a material fact.
(b) It must be made with an intention that the other party should act upon it.
(c) Representation must be wrong, but the person making it believed it to be true.
(d) All the above.
- Q.230. When one of the parties is under a mistake as to a matter of fact essential to the agreement, it is called –
(a) Unilateral Mistake (b) Bilateral Mistake (c) Partial Mistake (d) Incomplete Mistake
- Q.231. Erroneous opinion as to value of subject matter is not a Mistake of Fact.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.232. P offers, to sell a painting to K which P knows is the copy of a well known masterpiece K thinking that the painting is original decides to buy it at a very high price. Is this a valid contract?
(a) No, P is guilty of misrepresentation
(b) No, P is guilty of fraud
(c) Yes, K has an erroneous belief as to the value of the painting.
(d) Yes, price is not a criteria for setting aside the contract,
- Q.233. If there is an unilateral mistake as regards identity, caused by fraud of the other party, the contract is –
(a) void (b) voidable (c) valid (d) illegal.
- Q.234. When both parties are under a mistake as to a matter of fact essential to the agreement, it is called as –
(a) Unilateral Mistake (b) Bilateral Mistake (c) General Mistake (d) Total Mistake.
- Q.235. A contract was made for purchase of certain bales of cotton to arrive by a ship called “Peerless” from Mumbai. Two ships of the same name (Peerless) were to sail from Mumbai. Buyer intended to buy cargo of one ship but seller was selling the cargo of other. The contract is –
(a) illegal (b) valid (c) void (d) voidable.
- Q.236. The maxim “Ignorantia juris non excusat” stands for
(a) Law will not punish ignorant people (b) Law will punish illiterate people
(c) Ignorant people can excuse law (d) Ignorance of law of land is no excuse
- Q.237. A and B make a contract on erroneous belief that a particular debt is time-barred by Indian Law of Limitation. The Contract is –
(a) Void (b) Voidable (c) Valid (d) Illegal.
- Q.238. Mistake as to Foreign Law is treated in the same manner as –
(a) Mistake of Indian Law (b) Mistake of Fact
(c) Misrepresentation (d) fraud
- Q.239. Amar Promises to drop prosecution which he has instituted against Balu for robbery. Balu promises to restore value of things taken. The agreement is –
(a) Contingent (b) valid (c) voidable (d) void
- Q.240. When there is a mistake as to law of land, the contract is –
(a) Voidable (b) Not Voidable (c) Unlawful (d) Unenforceable

- Q.241. Agreement with a view to defraud others is –
(a) legal (b) void (c) voidable (d) valid
- Q.242. Bilateral Mistake as to fact renders an agreement void since –
(a) There is no consideration.
(b) Such agreements are unlawful.
(c) There is no agreement as there is absence of consensus.
(d) It is opposed to public policy.
- Q.243. A, B, & C enter into an agreement for sharing the gains acquired by fraud. This agreement is --
(a) contingent (b) valid (c) void (d) voidable
- Q.244. B is a licensed manufacturer of permitted chemicals A promises to B to supervise B's business and combine it with the production of some contraband items together with the permitted items. B promises to pay A, a salary of Rs.10,000 p.m. The agreement is –
(a) void as a whole
(b) valid as a whole
(c) valid to the extent of permitted chemicals and void for the balance contraband items
(d) void to the extent of permitted chemicals and valid for the balance contraband items
- Q.245. If it is possible to sever legal and illegal parts of a covenant, whether the illegality be due to Statute or Common Law, bad part alone may be rejected and good can be enforced.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.246. Which of the following agreements are valid?
(a) Agreement to enter into an agreement in future
(b) Agreement that gives rise to social obligations
(c) Agreement to perform an act contingent upon a certain event
(d) Agreements entered into by incompetent parties.
- Q.247. Which of the following agreement are not void?
(a) Agreements entered into through a mutual mistake of fact between the parties.
(b) Agreements, the object or consideration of which is unlawful.
(c) Agreements, made without consideration.
(d) Agreements, made for inadequate consideration.
- Q.248. A party receiving benefits under a void contract is liable to restore the benefits to the party from whom the benefits are received.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.249. S, a seller of imitation jewellery, sells his business to B and promises, not to carry on business in imitation jewellery and real jewellery. The agreement is –
(a) valid with regard to Imitation Jewellery; and void as regards Real jewellery.
(b) void with regard to limitation Jewellery, and valid as regards Real Jewellery.
(c) Wholly void
(d) Fully void
- Q.250. Doctors may be paid non-practicing allowances to avoid practicing when they are employed in a hospital. Such agreement is restraint of their practice is –
(a) Valid (b) Void (c) Unenforceable (d) Voidable

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- Q.251. Any agreement which limits the time within which any party thereto may enforce his rights by way of legal proceedings in the Ordinary Tribunals is –
(a) Voidable (b) Void (c) Voidable (d) unenforceable.
- Q.252. An agreement between two parties to refer to arbitration, any question between them that has already arisen is –
(a) Valid (b) void (c) voidable (d) unenforceable.
- Q.253. L says to J “I shall sell my house; will you buy?” A says, “Yes, I shall buy”. The agreement is void due to –
(a) Uncertainty of meaning (b) Uncertainty of price
(c) Uncertainty of existence of subject matter (d) Uncertainty of quality of subject matter.
- Q.254. Lalu promised to pay an extra Rs.5,000 to Govind if the horse the purchased from Govind proved to be lucky. The promise is –
(a) valid (b) void (c) voidable (d) enforceable.
- Q.255. Requiring employees to serve the organisation for a few years after training is –
(a) Voidable Agreement (b) Void Agreement
(c) Unenforceable Agreement (d) Valid Agreement
- Q.256. Section 28 of the Indian Contract Act, deals with –
(a) Agreement in restraint of legal proceedings (b) Agreements in restraint of trade
(c) Agreement in restraint of marriage (d) Agreement to agree in future.
- Q.257. Void agreements are –
(a) not punishable (b) punishable (c) forbidden by law (d) unlawful
- Q.258. In case of Void Agreements, Collateral Transactions are –
(a) also void (b) not affected (c) illegal (d) unenforceable.
- Q.259. Where illegal part cannot be severed from the legal part of an agreement, the entire transaction is –
(a) valid (b) enforceable (c) voidable (d) illegal
- Q.260. Which of the following is not a feature of a Wagering Agreement?
(a) Mutual chances of gain or loss (b) Uncertainty of future event
(c) Neither party to have control over event (d) One of the parties have an interest in the event.
- Q.261. In case of a Wagering Agreement, Should be able to control the happening or non happening of the contingent event.
(a) Promisor (b) Promisee (c) Either (a) or (b) (d) Neither (a) nor (b).
- Q.262. A, in Bangalore, bets with B and loses. A applies to C for a loan in order to pay B. C gives the loan to A to enable him to pay B. In this case –
(a) C can recover the amount of loan from A
(b) C cannot recover the amount of loan from A
(c) C can recover the amount from B
(d) C can recover the amount from A or B.
- Q.263. Price Competitions, Insurance Contracts etc. are not Wagering Agreements.
(a) True (b) Partly True (c) False (d) None of the above.
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- Q.264. Transactions for sale and purchase of stocks and shares or for sale and delivery of goods, with a clear intention to give and take delivery of shares or goods are –
(a) Wagering Agreements (b) Not Wagering Agreements
(c) Contingent Contracts (d) Voidable Agreements
- Q.265. An agreement made with an alien enemy is –
(a) unlawful on the ground of public policy
(b) unlawful because it becomes difficult to be performed
(c) valid
(d) voidable.
- Q.266. Which of these are not opposed to Public Policy?
(a) Trading with enemy (b) Shifting Prosecution
(c) Compromise of compoundable offences (d) Agreement of commit a crime
- Q.267. X promises to pay Y Rs.25,000 for bringing a suit against Z, X's sole motive being to sue Z and annoy him. This is an example of –
(a) stifling with Prosecution (b) Champerty
(c) Maintenance (d) Interference with course of justice.
- Q.268. All agreements of Champerty or maintenance are not illegal in India.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.269. M was promised Rs.1 lakh in consideration of procuring a second wife for the K. The promise is –
(a) contrary to public policy (b) void (c) both (a) and (b) (d) neither (a) nor (b)
- Q.270. A agrees to pay B Rs.10 Lakhs and B promises to bring for A, stars from heaven. The agreement is
(a) void (b) valid (c) voidable (d) illegal.
- Q.271. An agreement to discover treasure by magic is void on grounds of –
(a) Initial Impossibility (b) Subsequent Impossibility
(c) Lack of Consideration (d) Supervening Impossibility
- Q.272. Rajeev entered into a contract with Lata to marry her on a fixed date. However, before the marriage date, Rajeev went mad. With reference to the Indian Contract Act, which is the valid response?
(a) Lata cannot marry till Rajeev dies
(b) The executors of Rajeev can enforce the contract against Lata
(c) The contract becomes void
(d) All the statements are correct.
- Q.273. When performance of a promise becomes impossible or unlawful, the contract –
(a) becomes void when the act becomes impossible or unlawful
(b) is voidable when the performance becomes impossible.
(c) neither becomes void nor voidable.
(d) is valid
- Q.274. The doctrine of impossibility of performance rendering a contract void is based on –
(a) implied term (b) supervening impossibility
(c) just and reasonable solution (d) unjust enrichment

- Q.275. If a contract is based on personal skill or confidence of parties, the death of a party in such a case –
- (a) Puts an end to the contract
 - (b) Does not put an end to the contract
 - (c) The representatives of the deceased can be made liable to perform such a contract
 - (d) Gives a right to the aggrieved party to sue.
- Q.276. Where a contract could not be performed because of the default by a third person on whose work the Promisor relied, it –
- (a) is not discharged
 - (b) is discharged
 - (c) becomes void
 - (d) becomes voidable.
- Q.277. A contracts to take in cargo for B at a Foreign port. Later A's Government declares war against the country in which the port is situated. The contract.
- (a) is void ab initio
 - (b) become void
 - (c) is valid
 - (d) is voidable at B's option.
- Q.278. K contracts with L to perform regularly for a period of two months at L's theatre. K falls ill and could not perform. The contract –
- (a) is valid
 - (b) is void ab initio
 - (c) becomes void
 - (d) is voidable at L's option
- Q.279. A musical hall was agreed to be let out on certain dates, but before those dates the hall was destroyed by fire. The contract becomes void on the ground of-
- (a) impossibility of performance
 - (b) illegality of object
 - (c) unlawful consideration
 - (d) all of the above.
- Q.280. To make a contract contingent upon a collateral event, the Should not have any influence over the happening or non-happening of the event.
- (a) Promises
 - (b) Promisor
 - (c) Court
 - (d) Beneficiary.
- Q.281. If A promises to pay B Rs.10,000 if he so chooses, it is a contingent contract
- (a) True
 - (b) Partly True
 - (c) False
 - (d) None of the above.
- Q.282. Contracts contingent upon the happening of an Uncertain Future Event cannot be enforced by law –
- (a) at all
 - (b) unless and until such an event has happened
 - (c) unless and until such an event has not happened
 - (d) at the option of the Promisor
- Q.283. A agrees to pay B a sum of money if a certain ship does not return. The ship is sunk. The contract can be enforced –
- (a) when the ship sinks
 - (b) before the ship sinks
 - (c) when the ship returns
 - (d) only in International Court of Justice.
- Q.284. Contracts contingent upon the non-happening of an Uncertain Future Event within a fixed time, can be enforced by law –
- (a) when time fixed has expired and such event has not happened
 - (b) before expiry of the time fixed, it becomes certain that such event will not happen
 - (c) either (a) or (b)
 - (d) neither (a) nor (b)
- Q.285. Wagering Agreements –
- (a) is a valid contract
 - (b) is a game of chance
 - (c) is a voidable contract
 - (d) is a quasi-contract.

- Q.286. A promises to deliver goods to B on a certain day on payment of Rs.50,000. A dies before that day.
- (a) The contract becomes void and cannot be enforced against legal representatives of A.
 - (b) The contract becomes impossible due to the death of A.
 - (c) The contract can be enforced against A's representatives and B is bound to pay Rs.50,000 to A's representatives.
 - (d) The contract is illegal.
- Q.287. A promises to paint a picture for B by a certain day at a certain price. A dies before the promised day. Which one of the following is the correct legal position?
- (a) The agreement becomes unlawful
 - (b) The agreement lapses for both the parties
 - (c) The agreement becomes voidable at the option of A's legal representative
 - (d) The agreement is void ab-initio
- Q.288. Where the Promisor offers to perform to the Promisee, the Promisee is bound –
- (a) to afford reasonable facilities for the performance
 - (b) to dispense with the terms of the agreements
 - (c) to avoid the contract
 - (d) to sue the Promisor.
- Q.289. A, a singer enters into a contract with B, the manager of a theatre to sing at his theatre for two nights in every week during the next two months and B engages to pay her 1,00,000 for each night's performance. On the sixth night, A willfully absents himself from the theatre.
- (a) B is at liberty to put an end to the contract
 - (b) B cannot put an end to the contract
 - (c) The contract is left at the liberty of A
 - (d) The contract is unlawful.
- Q.290. Which of these parties cannot demand performance of a Promise?
- (a) Promisee
 - (b) Any of the Joint Promisees
 - (c) On the death of a Promisee, his legal Representative.
 - (d) Stranger to the Contract
- Q.291. "X" promises to act in a movie for "Y". In this case –
- (a) X's son can perform the promise
 - (b) X's servant can perform the promise
 - (c) X's employer can perform the promise
 - (d) X must perform this promise personally.
- Q.292. A promises to deliver 10 bags of wheat to B. In case of A's death before performance, A's representatives –
- (a) are not bound by the promise
 - (b) shall be bound to deliver the wheat to B
 - (c) shall be bound to deliver the wheat to B but their liability is limited to the value of the property inherited from the deceased.
 - (d) shall avoid the contract.
- Q.293. A, B, and C jointly promise to pay Rs.600 to P. P files a suit to recover the amount against A
- (a) P must sue all the three
 - (b) P can sue A for the recover of Rs.100 only
 - (c) Since, A, B, and C are Joint Promisors, P can recover the amount from any one of them
 - (d) P cannot sue any of A, B or C.

- Q.294. Joint Promisors –
- (a) can compel each other to contribute on proportionate basis
 - (b) can compel each other to contribute equally
 - (c) cannot compel each other to contribute
 - (d) none of the above.
- Q.295. If any one of the Joint Promisors makes default in such contribution, remaining Joint promisors must share the loss arising from such default –
- (a) equally
 - (b) In the agreed ratio
 - (c) In the ratio of their properties
 - (d) Any one of the above
- Q.296. X, Y and Z are partners of software business jointly promise to pay Rs.30,000 to A. Over a period of time Y became insolvent, but his assets are sufficient to pay 1/4th of his debts. Z is compelled to pay the whole.
- (a) Z has to bear the entire amount of liability
 - (b) X has to bear the entire loss arising out of Y's insolvency.
 - (c) X and Z have to bear equally, the loss arising out of Y's insolvency
 - (d) Z can recover back the entire amount from A.
- Q.297. Where as per Contract, the Promise is to be performed on a certain day; and the Promisor has not undertaken to perform the Promise without application by Promisee –
- (a) Promisor has to perform without any application by the Promisee
 - (b) Promisor has to request Promisee to apply for performance
 - (c) Promisee has to request / apply to the Promisor for performance.
 - (d) Stranger has to request / apply to the Promisor for performance.
- Q.298. If time is the essence of the contract and the Promisor fails to perform the contract by the specified time, the contract –
- (a) becomes void
 - (b) remains valid
 - (c) becomes voidable at the instance of the Promisee
 - (d) becomes unenforceable.
- Q.299. If the promise is to be performed on a specified day, the promisor may perform the promise, at the place at which the promise ought to be performed –
- (a) at any time on that specified day
 - (b) at any time during the usual hours of business on the specified day
 - (c) at any time on any day at the discretion of the Promisor.
 - (d) at any time after the usual hours of business on the specified day.
- Q.300. A owes B Rs.50,000. B accepts some of A's goods in reduction of debt. In such case, the delivery of goods –
- (a) operates as a part of the payment
 - (b) does not reduce A's liability to B.
 - (c) is against the provisions of Contract Act
 - (d) is without any consideration.
- Q.301. A and B contract that A shall build a house for B at a fixed price. In this case –
- (a) B must pay the price before A builds the house
 - (b) A must build the house before he can claim payment from B
 - (c) A and B have to perform their promises simultaneously
 - (d) The contract need not be performed at all

- Q.302. A owes B totally Rs.25,000. He sends a cheque for Rs.10,000 stating that it shall be appropriated towards the first sum of Rs.10,000 he took from B. B shall appropriate it-
- (a) towards any debt due from A (b) towards any time barred debt due from A
(c) towards any disputed debt due from A (d) towards that debt as indicated by A.
- Q.303. The general maxim of law is that when money is paid, it is to be applied according to the expressed will of –
- (a) the Payer (b) the Receiver (c) either (a) or (b) (d) both (a) and (b)
- Q.304. Where the Debtor does not expressly intimate or where the circumstances attending on a payment do not indicate any intention the Creditor –
- (a) may apply it at his discretion to any lawful debt due.
(b) must apply it to the last debt
(c) must apply it to the first debt
(d) must apply it to a time barred debt.
- Q.305. Where moneys are received by Creditor without any definite appropriation, it must be applied –
- (a) first towards Interest and then towards Principal
(b) first towards Principal and then towards Interest
(c) pro-rata between Interest and Principal
(d) any of the above.
- Q.306. In case of contracts involving personal skill or expertise of the Promisor, death of the Promisor leads to –
- (a) Discharge of a Contract (b) Breach of a Contract
(c) Rescission of a Contract (d) Waiver of a Contract
- Q.307. Under assignment of contract under the Indian Contract Act –
- (a) burden under the contract cannot be assigned without the consent of the other party.
(b) benefits under the contract can be assigned without the consent of the other party
(c) both (a) & (b)
(d) neither (a) nor (b)
- Q.308. A owes B Rs.50,000. Due date for payment is 25th March. On 25th March, B agrees to take a piece of land belonging to A worth Rs.40,000 in satisfaction of the debt. The debt is discharged on account of –
- (a) remission of part of the performance of a promise
(b) extension time of performance
(c) acceptance of any other satisfaction instead of performance.
(d) all of the above.
- Q.309. Where in an anticipatory breach, the Promisee opts to put an end to the contract and treat the anticipatory breach as actual breach of contract, the Promisee –
- (a) Is excused from performing or further performance of his promise.
(b) has to perform his part of the promise fully
(c) has to perform his part of the promise to the extent of benefits received by him
(d) has to consider the contract as illegal.

- Q.310. Means Termination of Contract.
(a) Quantum Meruit (b) Rescission (c) Injunction (d) Specific Performance.
- Q.311. Where the Court directs the defaulting party to carry out the promise according to the terms of the contract, it is called –
(a) Quantum Meruit (b) Rescission (c) Injunction (d) Specific Performance
- Q.312. A, a singer, agreed with B to perform at his theatre for two months, on a condition that during that period, he would not perform anywhere else. When A performs somewhere else, B could move the Court for –
(a) grant of injunction restraining A from performing in other places
(b) allowing A to perform in other places
(c) allowing B to perform in other places
(d) all of the above.
- Q.313. Quantum Meruit is not applicable i.e., there is no right to sue when –
(a) Contract is indivisible into parts and a Lumpsum is to be paid on completion of total work
(b) Person claiming compensation is himself guilty of breach
(c) Work is performed gratuitously, i.e., there is no evidence of promise to pay for work done.
(d) All of the above.
- Q.314. In case of breach of contract, the Indian Law awards damages –
(a) To make good for the profit which may have been earned but for the breach
(b) Which arose naturally or which parties knew to be likely when they entered into the contract
(c) To penalize the defaulter
(d) The compensate for mental anxiety and physical loss caused by the breach
- Q.315. The measure of damages in case of breach of a contract is the difference between the –
(a) contract price and the market price at the date of breach.
(b) contract price and the maximum market price during the term of contract.
(c) contract price and the price at which the plaintiff might have sold the goods
(d) contract price and the price fixed by Court.
- Q.316. H's mill stopped due to breakdown of a shaft, which was delivered to B, A common carrier to be taken to the manufacturer for repairs. He did not communicate to B, that delay in delivery would cause loss of profits. For some reason, the delivery was delayed by B beyond reasonable time. Here -
(a) H can rescind the contract
(b) H cannot claim loss of profit from B
(c) H can claim loss of profits from B for the period of delay in delivery
(d) H can claim loss of profits from the manufacturer.
- Q.317. Nominal Damages may be very small, say, even a rupee.
(a) True (b) Partly True (c) False (d) None of the above.
- Q.318. Sec. 68 to 72 of the Indian Contract Act deal with –
(a) Performance of contract (b) Discharge of contract
(c) Certain relations resembling those created by contract
(d) Breach of contract

- Q.319. B holds land on a lease granted by A, the landlord, Land revenue payable by A is in arrears, hence the Government advertises A's land for sale. Under the Revenue Law consequence of such sale will be annulment of B's lease. B, in order to prevent sale and consequent annulment of his own lease, pays to the Government, the sum due by A. In this case –
- (a) A is bound to make good to B the amount so paid (b) A has no obligations to B
(c) B can claim the amount back from the Government
(d) B has to bear the expenditure incurred by him.
- Q.320. A gives to B Rs.5 Lakhs to be given to C. B. informs C that he is holding the money for him. But afterwards B refuses to pay the money. C sues B for the money. B contends that C cannot sue as he was not a party to the contract. Will the contention of B be upheld?
- (a) Yes (b) No (c) Partly Yes (d) None of the above
- Q.321. Where a contract contains Reciprocal promises and one of them cannot be performed or its performance cannot be claimed till the other promise is performed; and there is a failure to perform the promise which is to be performed first -
- (a) Defaulting Promisor cannot claim performance of the reciprocal promise
(b) Defaulting Promisor shall compensate the other party to the contract for any loss suffered by him as a result of his non-performance
(c) Both (a) and (b)
(d) The Contract becomes voidable at the option of the aggrieved party.
- Q.322. A is a minor, B approaches A for a loan on the basis of a mortgage of the house owned by B. Hence, A advances the money and B executed a mortgage in favour of A, a minor. In these circumstances –
- (a) The mortgage is not enforceable by A, because he is a minor.
(b) The mortgage is enforceable but only when he attains majority.
(c) The mortgage is enforceable by A even though he is a Minor.
(d) There is no mortgage at all.
- Q.323. A and B, being traders enter upon a contract. A has private information of a change in prices which would affect B's willingness to proceed with the contract. Is A bound to inform B?
- (a) Yes (b) No (c) Partly Yes (d) None of the above.
- Q.324. D was enfeebled by disease. B his medical attendant influenced him to agree to pay B an unreasonable sum for his professional services. D's consent is not free and is based on undue influence. This contract is –
- (a) Void (b) Illegal (c) Valid (d) Voidable.
- Q.325. Where consent is obtained by fraud, the Defrauded party has the following remedies –
- (a) He can rescind the contract within a reasonable time.
(b) He can insist on the performance of the contract upon a condition that he shall be put on the position in which he would have been if the representations made had been true.
(c) He can sue for damages.
(d) All of the above.
- Q.326. A contracts with B to execute certain builder's work for a fixed price, with B supplying the scaffolding or timber, necessary for the work. B refuses to furnish any scaffolding or timber, and the work cannot be executed. In this case –
- (a) A must execute the work. (b) A is excused from executing the work
(c) B must execute the work himself (d) B can claim damages from