CLAT PG Law of Contract
Sample Paper – 1

Duration: 20 Minutes | Max Marks: 20

Instructions

- This paper contains **20 Multiple Choice Questions (MCQs)**.
- Each correct answer carries **+1 mark**.
- Each wrong answer carries a **penalty of -0.25 marks** (negative marking).
- Only **one option** is correct for each question.
- Syllabus: **Indian Contract Act, 1872** and **Specific Relief Act, 1963** (LLB level).
- Use of calculators or any electronic devices is **strictly prohibited**.

SECTION A – Questions

Q1. Carbolic Smoke Ball Co. published a newspaper advertisement promising to pay Rs. 1,000 to any person who contracted influenza after using their smoke ball as directed. Mrs. Lalwani purchased and used the ball as prescribed but still contracted influenza. She sought to claim the reward. The company argued that an advertisement addressed "to the world at large" cannot give rise to a binding contract.

Which of the following best describes the legal position?

(A) No contract arises because the advertisement lacks the certainty required for a valid offer under Section 2(a) of the Indian Contract Act, 1872.

(B) A general offer addressed to the world at large can be accepted by any person who performs the prescribed condition, and Mrs. Lalwani is entitled to the reward.

(C) The company's advertisement is merely an invitation to treat and not an offer capable of acceptance.

(D) Mrs. Lalwani cannot claim the reward because there was no communication of her acceptance to the company before she used the product.

Q2. Arjun offers to sell his vintage car to Priya for Rs. 8,00,000. Priya replies in writing: "I accept your offer, but I will pay Rs. 7,50,000 and need the car delivered to my residence." Arjun refuses to sell at all. Priya then writes again saying she now accepts the original price of Rs. 8,00,000. Arjun refuses, contending that his original offer no longer exists.

Which of the following best states the legal position?

(A) Priya's second letter constitutes a valid acceptance because she ultimately agreed to the original terms.

(B) Arjun is bound by the original offer since Priya accepted it within a reasonable time.

(C) Priya's first reply was merely a conditional acceptance that kept the original offer alive.

(D) Priya's first reply was a counter-offer that destroyed the original offer; Arjun is therefore free to decline the subsequent purported acceptance.

Q3. Ramesh had, at his own initiative and without any request from Suresh, repaired the boundary wall of Suresh's property last year. Suresh, upon learning of this months later, promised in writing to pay Ramesh Rs. 20,000 for the repairs. When Suresh subsequently refused to pay, Ramesh filed a suit for recovery.

Which of the following correctly states the legal position under Section 2(d) of the Indian Contract Act, 1872?

(A) Ramesh cannot enforce the promise because the act was performed without the desire of the promisor, making it past consideration that is not valid under the Act.

(B) Ramesh can enforce the promise because Suresh voluntarily and expressly acknowledged the benefit in writing.

(C) The promise is enforceable because past consideration is valid in India to the same extent as in England.

(D) Ramesh can sue for compensation under quasi-contract principles, which converts the past act into valid consideration.

Q4. Mr. Dixit, while executing a family settlement deed, directed that a fixed monthly sum be paid from the family estate to his niece Kavya, who was not a party to the agreement. The other family members later refused to make the payment. Kavya sought to enforce the settlement deed in a court of law.

Which of the following most accurately describes Kavya's legal position under Indian contract law?

(A) Kavya can sue because Indian law fully adopts the English position that a third-party beneficiary has an independent right to sue.

(B) Kavya can sue because family settlement deeds are an exception to all contractual principles.

(C) Kavya cannot sue to enforce the contract because she is not a party to it and Indian law follows the doctrine of privity of contract.

(D) Kavya can sue in equity because the promise was made for her benefit, attracting the doctrine of constructive trust.

Q5. Sharma, a moneylender, threatened to lodge a false criminal complaint against Verma's son under the Indian Penal Code unless Verma executed a promissory note for a sum far exceeding the actual debt. Under fear of prosecution, Verma signed the promissory note. Sharma later sued Verma on the promissory note.

Which of the following correctly identifies the legal ground on which Verma can challenge the promissory note?

(A) Undue influence under Section 16, because Sharma was in a position to dominate Verma's will.

(B) Coercion under Section 15, because Sharma threatened to commit an act forbidden by the Indian Penal Code to obtain Verma's consent.

(C) Fraud under Section 17, because Sharma's conduct involved active misrepresentation of the legal position.

(D) Mistake under Section 20, because Verma was mistaken about the legal effect of what he was signing.

Q6. Dr. Mehta, a senior physician, persuaded his long-term patient, an elderly widow Mrs. Kaur, to transfer her residential property to him at a fraction of its market value, citing her "gratitude" for years of medical care. Mrs. Kaur later sought to set aside the transfer, alleging that her consent was not free.

Which of the following best describes the legal position?

(A) Undue influence is presumed in the doctor-patient relationship; the burden shifts to Dr. Mehta to prove that no undue influence was exercised.

(B) Mrs. Kaur must affirmatively prove all elements of undue influence; no presumption arises merely from the professional relationship.

(C) The transaction can only be set aside if Mrs. Kaur proves that Dr. Mehta made a positive misrepresentation of facts.

(D) The transfer is valid because Mrs. Kaur is an adult capable of making her own decisions, and gratitude is a sufficient voluntary motive.

Q7. Vinod sold a used motorcycle to Anand. Vinod was aware that the odometer had been tampered with and showed 12,000 km when the actual reading was 80,000 km. Vinod said nothing about this. Anand discovered the true mileage after purchase and sought to rescind the contract, alleging fraud.

Which of the following best states the law applicable to this situation?

(A) There is no fraud because Vinod made no positive false statement; silence cannot constitute fraud.

(B) The contract amounts to misrepresentation under Section 18, not fraud, because there was no intention to deceive.

(C) Anand has no remedy because he had the opportunity to inspect the odometer before purchase and therefore assumed the risk.

(D) Vinod's active concealment of the tampered odometer constitutes fraud under Section 17(3) of the Indian Contract Act, 1872, and Anand is entitled to rescind.

Q8. Patel honestly believed, based on a report he had received, that a plot of land was free of encumbrances. He told this to the buyer, Roy, who purchased the land relying on that statement. It subsequently transpired that the land had a subsisting mortgage that Patel did not know about. Roy suffered financial loss.

What is the key distinguishing element that would make this scenario a case of misrepresentation rather than fraud?

(A) Patel did not physically cause any harm to Roy.

(B) Patel received consideration for the sale of the land.

(C) Patel genuinely believed in the truth of the statement; fraud requires the maker to know the statement is false or to be reckless as to its truth.

(D) Roy failed to conduct independent due diligence before purchasing the property.

Q9. Krishnan and Iyer entered into an agreement whereby Krishnan agreed to pay Iyer Rs. 50,000 if a particular cricket team won a forthcoming match, and Iyer agreed to pay Krishnan Rs. 50,000 if that team lost. Krishnan's team won and he demanded the money. Iyer refused, claiming the agreement was void.

Which of the following correctly states the legal consequence of such an agreement under the Indian Contract Act, 1872?

(A) The agreement is a valid contract because both parties freely consented and the subject-matter was lawful.

(B) The agreement is a wagering contract and is void under Section 30; no money paid or won thereunder can be recovered in a court of law.

(C) The agreement is voidable at the option of Iyer because he lost and was placed under financial disadvantage.

(D) The agreement is valid but unenforceable for want of writing, as monetary bets above Rs. 10,000 must be reduced to writing.

Q10. Shiv sold his restaurant business, including its goodwill and customer database, to Pooja for a substantial consideration. As part of the sale deed, Shiv agreed not to open or operate a competing restaurant within a 5-km radius of the sold premises for a period of three years. Shiv subsequently opened a restaurant 2 km away and Pooja sought an injunction.

Which of the following correctly states the legal position?

(A) The restraint is enforceable because the sale of goodwill is an express statutory exception to the rule against restraint of trade under Section 27 of the Indian Contract Act, 1872, and the restriction is reasonable.

(B) The restraint is void because all agreements in restraint of trade are absolutely void under Section 27, with no exceptions.

(C) The restraint is enforceable only if Pooja can prove that Shiv's new restaurant caused her actual financial loss.

(D) The restraint is partially enforceable – the court will reduce the 5-km radius but will not enforce any time limit.

Q11. Gopal, a minor aged 16, ordered and obtained a set of law textbooks worth Rs. 12,000 on credit from a bookshop, which were necessary for his LLB studies. Gopal's father owned immovable property in Gopal's name. The bookshop sought recovery of the price.

Which of the following correctly states the legal position under Section 68 of the Indian Contract Act, 1872?

(A) Gopal is personally liable to pay because a minor can enter into contracts for necessaries.

(B) The bookshop has no remedy whatsoever because a minor's agreement is void ab initio.

(C) Gopal's father is personally liable because parents are always vicariously liable for their minor children's debts.

(D) The bookshop can recover the price from the property belonging to Gopal; the minor is not personally liable but his estate is liable.

Q12. Asha, a contractor, mistakenly delivered and installed solar panels at Renu's house instead of the address specified in the order. Renu, upon realising the error, chose to retain the panels and use them, without objecting or offering to return them. Asha sought compensation for the value of the panels and installation charges.

Which of the following correctly applies Section 70 of the Indian Contract Act, 1872?

(A) Asha has no remedy because the delivery was made under a mistake and there was no contract between the parties.

(B) Renu is bound to pay only if she had expressly requested the goods from Asha.

(C) Renu is bound to compensate Asha because Asha acted non-gratuitously and Renu chose to enjoy the benefit of the delivery.

(D) Asha can claim compensation only if she can prove unjust enrichment under common law principles.

Q13. A renowned classical dancer, Ms. Raga, entered into a contract to perform at a prestigious cultural festival organised by the Kala Sangam Trust. Two weeks before the event, Ms. Raga passed away in an accident. The Trust sought to hold Ms. Raga's legal heirs liable for breach of contract.

Which of the following best states the law applicable to this situation?

(A) The contract was for personal services and is discharged by the death of Ms. Raga under Section 56 of the Indian Contract Act, 1872; her legal heirs are not liable.

(B) The heirs are liable because the estate of a deceased person is bound by all contractual obligations incurred during her lifetime.

(C) The contract is voidable at the option of the Trust, which may choose to rescind or enforce against the heirs.

(D) The contract subsists and the heirs must arrange an equally qualified substitute performer or pay damages.

Q14. A contract for supply of customised festival merchandise was agreed between a retailer and a manufacturer, with the delivery date of October 20 expressly stipulated as "of the essence of the contract." The manufacturer delivered the goods on November 5. The retailer, having lost the festival sales window, refused to accept delivery and sought both rescission and damages.

Which of the following best describes the retailer's legal entitlement?

(A) The retailer can only claim damages but cannot rescind, as time is not ordinarily of the essence in commercial contracts.

(B) The retailer is entitled to rescind the contract and claim compensation for the loss suffered, because time was expressly stipulated to be of the essence.

(C) The retailer must accept the goods and mitigate its loss by reselling them; it cannot rescind after the goods have been manufactured.

(D) The retailer can neither rescind nor claim damages because it failed to issue a formal notice of default to the manufacturer before the delivery date.

Q15. Ajay, a garment exporter, contracted with Freight Co. to transport fabric samples to an international buyer by a specific date for a trade fair. Freight Co. delivered the samples four days late due to negligence. As a result, Ajay lost a major export order worth Rs. 50 lakhs from the buyer. Freight Co. had no knowledge at the time of contracting that the samples were destined for a trade fair or that a large order was contingent on timely delivery.

Applying the principle of remoteness of damages, which of the following is correct?

(A) Ajay can recover the full Rs. 50 lakhs because Freight Co.'s negligence was the direct cause of the lost order.

(B) Ajay can recover the full amount because a carrier is an insurer of goods and bears all consequential losses.

(C) Ajay can recover only the freight charges paid because he failed to insure the cargo.

(D) Ajay cannot recover the Rs. 50 lakh loss because it was not within the reasonable contemplation of both parties at the time of contracting; only ordinary freight-delay losses are recoverable.

Q16. A construction contract provided that the contractor would pay Rs. 5,00,000 as "liquidated damages" for every month of delay in completing a commercial building. The contractor delayed completion by two months. The employer claimed Rs. 10,00,000 under the clause. The contractor argued that the clause was a penalty and unenforceable; the employer argued it was a genuine pre-estimate of loss.

Which of the following best states the law under Section 74 of the Indian Contract Act, 1872?

(A) The court must award the full Rs. 10,00,000 because the parties freely agreed to the liquidated damages clause.

(B) The court will award nothing because Indian law does not distinguish between penalty and liquidated damages – all such clauses are void.

(C) The court will award only reasonable compensation actually proved, which cannot exceed Rs. 10,00,000, regardless of whether the clause is a penalty or a genuine pre-estimate.

(D) The court will award the full amount because the clause is described as "liquidated damages" and must be treated as a genuine pre-estimate.

Q17. Ramola was appointed as the general manager to run a textile trading business on behalf of its owner, Mr. Tiwari, who was based abroad. In the course of managing the business, Ramola hired additional sales staff, renewed the premises lease, and purchased raw materials on credit – none of which Mr. Tiwari had expressly authorised. When disputes arose over these acts, Mr. Tiwari denied liability.

Which of the following best states the legal position?

(A) Ramola had implied authority to do all acts that were incidental and necessary to the management of the business; Mr. Tiwari is bound by these acts.

(B) Ramola had no authority to act beyond what was expressly conferred; all unauthorised acts are void and Mr. Tiwari cannot be held liable.

(C) Mr. Tiwari is bound only for the acts he ratified after being informed of them.

(D) Ramola's acts are valid only if the third parties dealing with her verified the scope of her authority independently.

Q18. Deepak, without any authority, entered into a contract to purchase land on behalf of Seema, purporting to act as her agent. At the time of the contract, Seema was abroad and had not yet acquired legal capacity to hold immovable property (she was waiting for a regulatory approval). Seema later obtained the approval and purported to ratify Deepak's act.

Which of the following correctly states a condition for valid ratification under the Indian Contract Act, 1872?

(A) Ratification is valid even if the agent did not disclose at the time of the act that he was acting for a principal.

(B) For ratification to be valid, the agent must have purported to act as an agent at the time of the act, and the principal must have had the legal capacity to enter into the contract at the time the original act was done.

(C) Ratification relates forward from the date of ratification, not backward to the date of the original act, so third parties may withdraw in the interim.

(D) Ratification is always valid provided the principal had capacity at the time of ratifying, regardless of the circumstances at the time of the original act.

Q19. Neha was appointed by her principal, Mr. Bose, to sell a portfolio of properties. Neha, without seeking Mr. Bose's approval, appointed her colleague Prash to handle all negotiations and execute the sale deeds. Separately, in another matter, Mr. Bose specifically asked Neha to name a qualified conveyancer in Prash's place to complete certain registration formalities, which Neha did.

Which of the following correctly distinguishes the two situations?

(A) In both situations, Prash is a sub-agent; the distinction between sub-agent and substituted agent is not recognised under the Indian Contract Act, 1872.

(B) In the first situation, Prash is a substituted agent, and in the second, Prash is a sub-agent.

(C) In both situations, Prash's appointment is void because an agent cannot delegate authority without the principal's express written consent.

(D) In the first situation, Prash is a sub-agent appointed under Neha's authority without the principal's approval; in the second situation, Prash is a substituted agent named by Neha in her place with Mr. Bose's approval.

Q20. A software development company contracted with a client to build a bespoke e-commerce platform for Rs. 30 lakhs. The company abandoned the project midway. The client filed a suit seeking specific performance of the contract, arguing that no other developer could build an identical platform.

Which of the following best describes the position under the Specific Relief Act, 1963?

(A) Specific performance must always be granted for contracts relating to technology because such work is unique by nature.

(B) The court will grant specific performance because the contract was for a substantial sum and the client had already paid an advance.

(C) Specific performance cannot be granted if monetary compensation is an adequate relief; since damages can compensate the client for engaging another developer, specific performance is not appropriate.

(D) The client is entitled to specific performance because the Specific Relief Act, 1963 now mandates specific performance as the rule and damages as the exception for all contracts.

DETAILED SOLUTIONS

Sol. 1.

Solution

Concept — General/Open Offer (Offer & Acceptance): Under Section 2(a) of the Indian Contract Act, 1872, an offer may be made to a specific person or to the world at large. A general offer is accepted by any member of the public who fulfils the prescribed condition without prior communication of acceptance – the act of performance itself constitutes acceptance.

Analysis: The advertisement was a valid general offer. Mrs. Lalwani's act of purchasing and using the smoke ball as directed constituted acceptance by performance. A binding contract arose at the moment of performance, entitling her to the reward.

Why other options are wrong:

- Option (A): The advertisement does contain sufficient certainty – a specific reward for a specific act.
- Option (C): An advertisement with a specific promised reward is an offer, not merely an invitation to treat.
- Option (D): For a general offer, prior communication of acceptance is not required; performance suffices.

Final Answer: A general offer can be accepted by performance by any member of the public. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q1

Sol. 2.

Solution

Concept — Counter-Offer (Offer & Acceptance): Under general principles of contract law codified in the Indian Contract Act, 1872, a counter-offer amounts to a rejection of the original offer and simultaneously makes a new offer. Once rejected, the original offer cannot be revived by the offeree's subsequent purported acceptance.

Analysis: Priya's first reply changed a material term (price and delivery condition), constituting a counter-offer. This killed Arjun's original offer. Priya's second letter purporting to accept the original terms came too late – there was no subsisting offer to accept.

Why other options are wrong:

- Option (A): An offer once destroyed by a counter-offer cannot be revived by subsequent acceptance.
- Option (B): "Reasonable time" applies to lapsing of offers, not to revival after a counter-offer.
- Option (C): Priya's first reply was not a conditional acceptance; it altered material terms, making it a counter-offer.

Final Answer: A counter-offer destroys the original offer; no subsequent acceptance can revive it. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q2

Sol. 3.

Solution

Concept — Past Consideration (Section 2(d), ICA 1872): Section 2(d) defines consideration as an act done "at the desire of the promisor." An act performed spontaneously, without any prior request from the promisor, is "past consideration" and does not satisfy this requirement. Such consideration is not valid in India.

Analysis: Ramesh repaired the wall entirely on his own initiative and without any request from Suresh. Suresh's subsequent promise to pay, though written, lacks valid consideration as the act was not done at Suresh's desire. The promise is therefore unenforceable.

Why other options are wrong:

- Option (B): Writing alone does not cure the absence of valid consideration under the Act.
- Option (C): Indian courts do not recognise past consideration as valid; this is a clear statutory departure from English common law.
- Option (D): Section 70 (quasi-contract) applies only when a person does something for another non-gratuitously – the analysis still requires prior relationship or expectation; it does not convert every past act into enforceable consideration.

Final Answer: Past consideration not moved at the desire of the promisor is invalid under Section 2(d). $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q3

Sol. 4.

Solution

Concept — Privity of Contract / Stranger to Contract: Indian contract law, mirroring the English doctrine from *Dunlop v Selfridge*, holds that only parties to a contract can sue to enforce it. A third-party beneficiary (stranger to the contract) has no right to bring an action on the contract.

Analysis: Kavya was not a party to the family settlement deed. Even though the deed was made for her benefit, she is a stranger to the contract and cannot enforce it in a court of law.

Why other options are wrong:

- Option (A): Indian law does not fully adopt third-party rights; the privity rule bars Kavya's suit.
- Option (B): Family settlements are not a blanket exception to all contractual principles, including privity.
- Option (D): Indian contract law does not routinely invoke "constructive trust" to circumvent the privity doctrine in simple family settlement claims.

Final Answer: A stranger to the contract cannot sue to enforce it under the privity doctrine. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q4

Sol. 5.

Solution

Concept — Coercion (Section 15, ICA 1872): Section 15 defines coercion as the committing, or threatening to commit, any act forbidden by the Indian Penal Code, or the unlawful detaining, or threatening to detain, any property, to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement.

Analysis: Sharma threatened to lodge a false IPC complaint (an act forbidden by the IPC since it is a false complaint) to compel Verma to sign the promissory note. This squarely falls within Section 15. The promissory note is voidable at Verma's option.

Why other options are wrong:

- Option (A): Undue influence under Section 16 requires a fiduciary-like dominance, not a threat of criminal prosecution by a moneylender.

- Option (C): Fraud under Section 17 requires a false representation of fact, not a threat.
- Option (D): Mistake under Section 20 involves an erroneous belief about a fact, not a forced signing under threat.

Final Answer: Threatening an IPC-forbidden act to procure consent is coercion under Section 15. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q5

Sol. 6.

Solution

Concept — Undue Influence Presumption (Section 16, ICA 1872): Section 16(3) provides that where a person who is in a position to dominate the will of another enters into a contract with them, and the transaction appears on the face of it or on the evidence to be unconscionable, the burden of proving that no undue influence was exercised lies on the party in the position to dominate.

Analysis: The doctor-patient relationship is a classic instance where one party is in a position to dominate the will of the other. Dr. Mehta must rebut the presumption by proving the transaction was fair and that Mrs. Kaur acted with independent advice.

Why other options are wrong:

- Option (B): Section 16(3) expressly reverses the burden of proof once a dominant relationship is established.
- Option (C): Misrepresentation of fact is required for fraud, not for undue influence, which concerns domination of will.
- Option (D): Adult capacity does not negate the presumption of undue influence in fiduciary-type relationships.

Final Answer: Undue influence is presumed in doctor-patient relationships; burden shifts to the dominant party. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q6

Sol. 7.

Solution

Concept — Active Concealment as Fraud (Section 17(3), ICA 1872): Section 17 defines fraud to include (clause 3) "the active concealment of a fact by one having knowledge or belief of the fact." Unlike mere silence, active concealment – taking steps to hide a known defect – constitutes fraud regardless of the absence of a positive false statement.

Analysis: Vinod did not merely remain silent – the odometer had been physically tampered with (an act of active concealment). Vinod's knowledge of the tampering and failure to disclose it amounts to fraud under Section 17(3). Anand can rescind the contract.

Why other options are wrong:

- Option (A): Section 17(3) covers active concealment, which is distinct from mere silence.
- Option (B): Active concealment with knowledge is fraud, not mere misrepresentation.
- Option (C): Duty to disclose overrides the caveat emptor principle where active concealment by the seller is proved.

Final Answer: Active concealment of a known defect is fraud under Section 17(3). $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q7

Sol. 8.

Solution

Concept — Fraud vs. Misrepresentation (Sections 17 & 18, ICA 1872): The critical distinction is the maker's state of mind. Fraud under Section 17 requires knowledge that the statement is false, or recklessness as to its truth. Misrepresentation under Section 18 arises when the maker believes the statement to be true but it is, in fact, false.

Analysis: Patel genuinely believed the land was free of encumbrances based on the report he received. He had no knowledge of its falsity and was not reckless. His statement was an innocent misrepresentation, not fraud.

Why other options are wrong:

- Option (A): Physical harm is irrelevant to the fraud/misrepresentation dis-

tinction.
- Option (B): Receipt of consideration is common to both fraud and misrepresentation and does not distinguish them.
- Option (D): Failure of due diligence by Roy may affect rescission (if Roy could have discovered the truth), but it does not determine whether Patel's conduct was fraud or misrepresentation.

Final Answer: Honest belief in truth of statement = misrepresentation; knowledge of falsity = fraud. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q8

Sol. 9.

Solution

Concept — Wagering Contracts (Section 30, ICA 1872): Section 30 declares agreements by way of wager to be void. No suit can be filed to recover anything alleged to be won on any wager. The section provides no exception for sporting bets between two individuals.

Analysis: The agreement between Krishnan and Iyer is a classic wager – the outcome depends on an uncertain future event and each party stands to gain or lose based on that outcome. The agreement is void and no court will enforce it.

Why other options are wrong:

- Option (A): Free consent does not validate an agreement that is void by statute under Section 30.
- Option (C): Voidable contracts arise from vitiating factors like coercion; a wagering contract is void, not voidable.
- Option (D): There is no statutory requirement of writing for bets of any amount; the agreement is void irrespective of its form.

Final Answer: A wagering contract is void under Section 30; no wager money can be recovered. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q9

Sol. 10.

Solution

Concept — Restraint of Trade Exception – Sale of Goodwill (Section 27, ICA 1872): Section 27 renders agreements in restraint of trade void. However, the proviso carves out an exception: one who sells the goodwill of a business may be restrained from carrying on a similar business within specified local limits, provided the limits are reasonable.

Analysis: Shiv sold the restaurant's goodwill. The restraint (5-km radius, 3 years) falls squarely within the Section 27 proviso. Provided the court finds the limits reasonable, the restriction is enforceable. Pooja is entitled to the injunction.

Why other options are wrong:

- Option (B): Section 27 is not absolute; the proviso for sale of goodwill is an established exception.
- Option (C): Proof of actual loss is not a precondition to enforcing a valid restraint clause.
- Option (D): Courts enforce both the geographical and temporal limits if reasonable; they do not automatically discard the time limit.

Final Answer: Sale-of-goodwill restraint within reasonable limits is enforceable under Section 27 proviso. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q10

Sol. 11.

Solution

Concept — Necessaries Supplied to Minor (Section 68, ICA 1872): A minor's agreement is void ab initio. However, Section 68 creates a statutory quasi-contractual obligation: a person supplying necessaries to a minor (or someone else incapable of contracting) is entitled to reimbursement from the minor's property. The minor is not personally liable.

Analysis: Law textbooks are necessaries for a student in the LLB programme. The bookshop can recover the price from the property belonging to Gopal. Gopal is not personally liable, but his estate bears the obligation.

Why other options are wrong:

- Option (A): A minor's contract is void; he cannot be made personally liable even for necessaries.

- Option (B): Section 68 gives the supplier a remedy against the minor's property; the bookshop is not remediless.
- Option (C): Parents are not vicariously liable for a minor's contractual debts; the statutory remedy runs against the minor's property.

Final Answer: Supplier of necessaries to a minor recovers from the minor's property, not personally. $\Rightarrow$ $\boxed{\text{D}}$

Answer: (D) Go Back to Q11

Sol. 12.

Solution

Concept — Obligation to Pay for Non-Gratuitous Acts (Section 70, ICA 1872): Section 70 provides that when a person lawfully does something for another person, or delivers something to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.

Analysis: Asha delivered and installed the panels non-gratuitously (she was a contractor seeking payment). Renu consciously chose to retain and use the panels. Renu is therefore bound to compensate Asha for the panels and installation, as a quasi-contractual obligation under Section 70.

Why other options are wrong:

- Option (A): Section 70 specifically provides a remedy where delivery is made under mistake and the recipient chooses to enjoy the benefit.
- Option (B): Section 70 does not require a prior request; non-gratuitous delivery and enjoyment of benefit suffice.
- Option (D): Section 70 is a statutory remedy; common law unjust enrichment concepts are not separately required.

Final Answer: Non-gratuitous delivery + enjoyment of benefit triggers compensation obligation under Section 70. $\Rightarrow$ $\boxed{\text{C}}$

Answer: (C) Go Back to Q12

Sol. 13.

Solution

Concept — Frustration / Discharge by Supervening Impossibility (Section 56, ICA 1872): Section 56 provides that a contract to do an act which, after the contract is made, becomes impossible, or by reason of some event which the promisor could not prevent, unlawful, shall become void. Contracts for personal services are discharged by the death of the person required to perform them.

Analysis: Ms. Raga's unique artistic performance was the core of the contract. Her death made performance objectively impossible. The contract is void under Section 56. Her legal heirs, who cannot perform in her place, are not liable for breach.

Why other options are wrong:

- Option (B): An estate is not bound by contracts requiring personal performance of the deceased.
- Option (C): The contract is void by operation of law, not merely voidable at the Trust's option.
- Option (D): Personal service contracts cannot be delegated to a substitute; the obligation is extinguished on death.

Final Answer: Personal service contract is discharged by the performer's death under Section 56. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q13

Sol. 14.

Solution

Concept — Time as Essence of Contract (Sections 55, ICA 1872): Section 55 provides that if time is of the essence and a party fails to perform within the agreed time, the contract (or so much of it as has not been performed) becomes voidable at the option of the other party. The promisee may also claim compensation for any loss caused by the failure.

Analysis: Time was expressly stipulated to be of the essence. The manufacturer delivered 16 days late, causing the retailer to miss the festival sales window entirely. The retailer is entitled both to rescind the contract and to claim compensation for the losses sustained.

Why other options are wrong:

- Option (A): Where time is expressly of the essence, rescission is available – Section 55 makes the contract voidable.
- Option (C): The promisee is not obliged to accept late delivery; once the essence-of-time stipulation is breached, the right to rescind arises immediately.
- Option (D): A formal notice of default is not a statutory precondition under Section 55 where time is already stipulated to be of the essence.

Final Answer: Breach of an essence-of-time stipulation entitles the promisee to rescind and claim compensation. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q14

Sol. 15.

Solution

Concept — Remoteness of Damage (*Hadley v Baxendale* Rule, Section 73, ICA 1872): Section 73 limits recoverable damages to those that naturally arise in the usual course of things from the breach, or that both parties knew, at the time of contracting, to be the likely result of a breach.

Analysis: Freight Co. had no knowledge at the time of contracting that the samples were for a trade fair or that a Rs. 50 lakh export order hinged on timely delivery. The lost export order is too remote – it was not in the contemplation of both parties. Only ordinary delay damages (e.g., re-booking charges) are recoverable.

Why other options are wrong:

- Option (A): Directness of causation alone does not override the remoteness principle.
- Option (B): A freight carrier is not an insurer of all consequential commercial losses.
- Option (C): Absence of insurance is irrelevant to what damages are recoverable at law.

Final Answer: Uncontemplated consequential losses are too remote; only foreseeable ordinary losses are recoverable. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q15

Sol. 16.

Solution

Concept — Liquidated Damages / Penalty (Section 74, ICA 1872): Section 74 does not maintain the English distinction between penalty and liquidated damages. In either case, the court awards only reasonable compensation not exceeding the amount named in the contract. The party claiming must still prove the loss suffered.

Analysis: Whether the clause is a genuine pre-estimate or a penalty is immaterial under Indian law. The employer must prove the actual loss. The court will award reasonable compensation, capped at Rs. 10,00,000 (the sum named). It will not award more, and it will not automatically award the full sum without proof of loss.

Why other options are wrong:

- Option (A): The court does not automatically award the full sum – proof of reasonable loss is still required.
- Option (B): Section 74 does not void such clauses; it merely caps the remedy and requires proof of reasonable loss.
- Option (D): Labelling a clause "liquidated damages" does not guarantee full recovery; the court still limits the award to reasonable compensation proved.

Final Answer: Under Section 74, the court awards only reasonable compensation, not exceeding the sum named. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q16

Sol. 17.

Solution

Concept — Implied Authority of Agent (Section 188, ICA 1872): Section 188 provides that an agent has authority to do every lawful thing which is necessary in order to do such act. An agent appointed to manage a business has implied authority to do all acts incidental to such management and necessary for the efficient running of the business.

Analysis: Ramola was appointed general manager of the entire textile business. Hiring staff, renewing the premises lease, and purchasing raw materials are all acts incidental and necessary to managing a textile trading business. Mr. Tiwari is therefore bound by these acts, even though he did not expressly authorise each one.

Why other options are wrong:

- Option (B): The law implies authority for acts necessary to the business – express authorisation for each act is not required.
- Option (C): Implied authority binds the principal from the outset; ratification is not the only basis for liability.
- Option (D): Third parties dealing with an agent within the scope of implied authority need not verify the precise limits of authority.

Final Answer: A general manager has implied authority for all acts incidental to running the business. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q17

Sol. 18.

Solution

Concept — Conditions for Valid Ratification (Sections 196–200, ICA 1872): For ratification to be valid: (i) the agent must have purported to act as agent (not on own account) at the time of the act; (ii) the principal must have been in existence and had the legal capacity to enter into the contract at the time of the original act (not merely at the time of ratification).

Analysis: Seema lacked the legal capacity to hold immovable property at the time Deepak entered into the contract. Ratification relates back to the date of the original act. Since Seema could not have entered into the contract herself at that time, her subsequent ratification is invalid.

Why other options are wrong:

- Option (A): The agent must disclose at the time of the act that he is acting for a principal; otherwise ratification is not possible.
- Option (C): Ratification relates back to the date of the original act, not forward – third parties cannot simply withdraw on the basis of the interim period.
- Option (D): Capacity at the time of ratification is insufficient; the principal must also have had capacity at the time of the original act.

Final Answer: Principal must have capacity at the time of the original act, not merely at ratification. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q18

Sol. 19.

Solution

Concept — Sub-Agent vs. Substituted Agent (Sections 190–192, ICA 1872): A sub-agent (Section 191) is a person employed by and acting under the control of the original agent, appointed without the principal's approval. A substituted agent (Section 194) is one whom the agent, with the principal's authority, names to act for the principal in the agent's place.

Analysis: In situation one, Neha appointed Prash on her own authority without Mr. Bose's approval – Prash is a sub-agent. In situation two, Mr. Bose specifically asked Neha to name a person in her place – Prash is a substituted agent acting directly for the principal.

Why other options are wrong:

- Option (A): The ICA expressly distinguishes sub-agents (Section 191) from substituted agents (Section 194).
- Option (B): The classification in options (B) is reversed; the facts support (D).
- Option (C): Delegation is not always void; the Act permits it in prescribed circumstances.

Final Answer: Unauthorised delegation = sub-agent; principal-approved substitution = substituted agent. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q19

Sol. 20.

Solution

Concept — Contracts Not Specifically Enforceable (Specific Relief Act, 1963): Section 14 of the Specific Relief Act (as amended) lists contracts that cannot be specifically enforced. A contract where monetary compensation is an adequate remedy is ordinarily not specifically enforced. Contracts for services requiring special skill or involving continuous supervision are also generally excluded.

Analysis: Building a bespoke software platform is a contract for technical services that involves continuous supervision and personal skill. Adequate monetary compensation is available – the client can hire another developer with the damages awarded. Specific performance is not appropriate.

Why other options are wrong:

- Option (A): Uniqueness of subject-matter is relevant to immovable property and rare chattel contracts; it does not automatically mandate specific performance of service contracts.
- Option (B): Advance payment and substantial consideration are relevant to damages quantum, not to entitlement to specific performance.
- Option (D): The 2018 amendment made specific performance the general rule for immovable property contracts, not for all contracts; service contracts remain excluded where damages are adequate.

Final Answer: Monetary compensation is adequate for a software service contract; specific performance is not granted. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q20

ANSWER KEY

1	B	2	D	3	A	4	C	5	B
6	A	7	D	8	C	9	B	10	A
11	D	12	C	13	A	14	B	15	D
16	C	17	A	18	B	19	D	20	C