CLAT PG Law of Contract

Sample Paper – 3

Duration: 20 Minutes **Maximum Marks:** 20
Questions: 20 MCQs **Marking:** +1 correct, −0.25 wrong

Instructions

1. This paper contains **20 scenario-based multiple-choice questions** from the **Indian Contract Act, 1872** and the **Specific Relief Act, 1963**.
2. Each correct answer carries **+1 mark**. Each incorrect answer attracts a penalty of −**0.25 mark**. Unattempted questions carry no penalty.
3. Only **one option** is correct for each question. Choose the **most legally accurate** answer.
4. Do not spend more than **1 minute** per question. Manage your time carefully.
5. Read each scenario carefully before choosing your answer.

Section A – Law of Contract (Q.1 – Q.20)

Q.1. A Kolkata electronics shop displayed a laptop with a price tag of Rs. 35,000 in its window. Ramesh entered the store and demanded to purchase the laptop at that displayed price. The shopkeeper declined, stating the price was a typographical error and the correct price was Rs. 55,000. Ramesh insisted that a contract had been formed the moment he saw the display and expressed willingness to buy.

Which of the following correctly states the legal position?

(A) A binding contract was formed the moment Ramesh expressed his intention to buy at the displayed price.

(B) The shopkeeper's window display constitutes a standing offer which Ramesh accepted by entering the store.

(C) The shopkeeper is liable for misrepresentation and must sell the laptop at Rs. 35,000.

(D) The window display is merely an invitation to treat, not an offer; Ramesh's willingness to buy is the offer, and no contract arises unless the shopkeeper accepts it.

Q.2. Priya dispatched a written offer to sell her car to Arjun for Rs. 4 lakhs on Monday morning. On Tuesday morning, before Arjun posted his acceptance, Priya telephoned Arjun and clearly communicated that she was withdrawing the offer. Despite this, Arjun posted his acceptance letter on Tuesday afternoon and now claims a valid contract exists.

Under the Indian Contract Act, 1872, which of the following is correct?

(A) The contract is valid because the acceptance was posted before Priya could formally revoke in writing.

(B) The contract is valid because oral revocation of a written offer is not legally recognised.

(C) No contract was formed; the revocation was communicated before acceptance was complete as against the proposer, satisfying Sections 5 and 6 of the Act.

(D) The contract is valid but Priya is liable in damages for withdrawing in bad faith.

Q.3. Mahesh, a police constable, was on official duty to maintain order outside a factory during a labour strike. The factory owner, fearing violence, promised to pay Mahesh Rs. 5,000 per month extra, over and above his government salary, to ensure round-the-clock protection. After the situation normalised, the factory owner refused to pay, contending the promise lacked consideration.

Which of the following correctly states the legal position?

(A) Mahesh is entitled to the extra payment because he rendered services above and beyond his normal duties.

(B) The factory owner need not pay because Mahesh was already under a pre-existing legal duty to maintain order; performance of that duty furnishes no fresh consideration.

(C) Mahesh is entitled because guarding a private factory is not within the scope of a police constable's statutory duties.

(D) The promise is enforceable because the factory owner made it voluntarily and without any compulsion.

Q.4. Vinod owed Rs. 10 lakhs to five creditors. Unable to pay in full, he convened a meeting at which all five creditors unanimously agreed in writing to accept Rs. 6 lakhs in full and final settlement of their dues. After receiving their respective shares, one creditor, Suresh, served a legal notice demanding the remaining Rs. 2 lakhs owed to him.

Which of the following is the correct legal position under the Indian Contract Act, 1872?

(A) Suresh cannot recover the balance; an agreement by all creditors to accept a lesser sum in full satisfaction is valid and binding, and Suresh is estopped from claiming more.

(B) Suresh can recover the balance because the rule that part payment cannot discharge the whole debt is absolute and admits no exception.

(C) The agreement is void for want of consideration because each creditor received less than the contractual amount.

(D) Suresh can recover the balance unless the composition agreement is registered.

Q.5. Anand stored goods worth Rs. 3 lakhs in Bharat's warehouse. Knowing that Anand urgently needed the goods for an imminent delivery, Bharat refused to release them unless Anand signed an agreement to pay an additional Rs. 50,000 as storage charges that had never been agreed upon. With no alternative, Anand signed the document. He subsequently sought to set aside the agreement.

On which ground can Anand most successfully challenge the agreement?

(A) Misrepresentation, because Bharat falsely implied that additional charges were contractually due.

(B) Undue influence, because Bharat was in a dominant position relative to Anand.

(C) Fraud, because Bharat's conduct involved a deliberate deception as to his legal rights.

(D) Coercion under Section 15, because the wrongful detention of Anand's property and the threat to continue detaining it unless he signed constitutes coercion vitiating free consent.

Q.6. Fatima, a purdah-observing widow living in a conservative household, was persuaded by her nephew Karim to execute a mortgage deed pledging her ancestral home. The contents of the deed were never read or explained to her; she simply affixed her thumb impression. When Fatima later challenged the deed, Karim sought to enforce the mortgage, contending she had consented.

What is the correct legal position?

(A) The mortgage is valid because Fatima voluntarily affixed her thumb impression on the deed.

(B) The mortgage is voidable at Fatima's instance on the ground of misrepresentation by the nephew.

(C) The burden falls on Karim to prove that Fatima fully understood the nature of the transaction and freely consented; absent such proof, the contract is liable to be set aside on the ground of undue influence.

(D) The deed is automatically void under the Transfer of Property Act because Fatima is a pardanashin woman.

Q.7. Satish agreed to sell a painting to Ravi, both parties believing it to be an original work by a celebrated 19th-century artist. Before delivery, an independent expert established that the painting was a sophisticated forgery and had never been an original work. Both Satish and Ravi were entirely unaware of this fact at the time of contracting.

What is the legal status of this agreement?

(A) Voidable at the option of the buyer, because the seller gave an implied warranty of genuineness.

(B) Void under Section 20 of the Indian Contract Act, because both parties were under a mutual mistake as to a fact essential to the agreement.

(C) Valid, because a mistake of fact does not affect a contract once it has been reduced to writing.

(D) Voidable at the option of the seller because he stands to suffer a greater financial loss from the mistake.

Q.8. Vikram agreed to purchase a plot of land from Geeta for Rs. 20 lakhs, believing on his own that the plot had direct access to a main road. In fact, no such access existed. Geeta had made no representation whatsoever about road access, and Vikram had not verified the position before signing. Vikram now seeks to avoid the contract on the ground of mistake.

Which of the following correctly states the legal position?

(A) The contract is not voidable on account of Vikram's unilateral mistake of fact; it remains binding because no fraud or misrepresentation by Geeta has been established.

(B) The contract is voidable because Vikram's consent was not free – he was mistaken about a material attribute of the subject-matter.

(C) The contract is void because road access is a fact so fundamental that its absence destroys the basis of the contract.

(D) The contract is voidable at Vikram's option because he alone bore the mistake and suffered the disadvantage.

Q.9. During a criminal investigation, complainant Suresh secretly agreed with accused Ramesh that if Ramesh paid him Rs. 5 lakhs, Suresh would withdraw his complaint and refuse to cooperate with the police or the prosecution. Ramesh paid the agreed sum. Suresh subsequently reneged and testified against Ramesh. Ramesh filed a suit to recover the Rs. 5 lakhs.

What is the legal position regarding this agreement?

(A) The agreement is valid; Suresh must refund the Rs. 5 lakhs because he breached his contractual promise.

(B) The agreement is voidable because Ramesh's consent was obtained under the pressure of a criminal investigation.

(C) The agreement is valid as it was entered into voluntarily between two competent adults for an agreed consideration.

(D) The agreement is void under Section 23 of the Indian Contract Act; its object – stifling a criminal prosecution – is opposed to public policy, and no court will enforce it or allow recovery under it.

Q.10. A loan agreement between a private bank and a borrower contained the following clause: "In the event of any dispute arising out of this agreement, the borrower hereby agrees not to file any suit or initiate any legal proceedings in any court of law and undertakes to raise the matter only through the bank's internal grievance mechanism." The borrower sought to file a civil suit; the bank relied on this clause to restrain him.

What is the legal position of this clause?

(A) The clause is valid and enforceable as an expression of the parties' freedom of contract.

(B) The clause is valid because internal dispute resolution mechanisms are encouraged by law and reduce litigation burden.

(C) The clause is void under Section 28 of the Indian Contract Act, which renders void any agreement restricting a party from enforcing their rights through ordinary legal proceedings.

(D) The clause is voidable at the option of the bank since it was drafted primarily for the bank's benefit.

Q.11. Rajiv, a building contractor, was engaged to construct a commercial complex for a lump-sum price of Rs. 50 lakhs. After completing approximately 70% of the work – valued at around Rs. 35 lakhs – the owner wrongfully terminated the contract, a fact later confirmed by the court. Rajiv now seeks compensation for the work already done.

On what basis can Rajiv claim, and what is the most accurate statement of his entitlement?

(A) Rajiv can claim the full contract price of Rs. 50 lakhs because the wrongful termination amounts to full breach.

(B) Rajiv can claim reasonable remuneration on the basis of *quantum meruit* for the 70% work already completed, in addition to damages for the wrongful termination.

(C) Rajiv can claim nothing because the contract stipulated a lump-sum payable only on full completion.

(D) Rajiv can recover only the cost of materials used; no claim lies for labour or supervision charges.

Q.12. Ashok paid Rs. 2 lakhs to Bimal under an agreement for the transfer of shares in a company. Unknown to both parties, the shares were held in a trust and could not be transferred without trustee approval, rendering the agreement void. Ashok sued Bimal for the return of the Rs. 2 lakhs paid under the void agreement.

What is the correct legal position under Section 65 of the Indian Contract Act, 1872?

(A) Bimal must restore the Rs. 2 lakhs to Ashok; when an agreement is discovered to be void, any advantage received thereunder must be returned to the person who provided it.

(B) Bimal need not return the money because the agreement was fully performed from his side by tendering the shares.

(C) Ashok has no remedy because the agreement was void *ab initio* and the law does not assist parties to such agreements.

(D) Ashok can only sue Bimal for damages for the failed transfer, not for recovery of the principal sum.

Q.13. A publishing house contracted with author Neha to deliver a completed manuscript by 1 December. On 15 October, Neha wrote an unambiguous letter to the publisher stating: "I have decided not to write this book at all; please make other arrangements." The publisher seeks legal advice on whether it may act on this communication immediately.

Which of the following correctly describes the legal position?

(A) The publisher must wait until 1 December to determine whether Neha actually fails to deliver; no cause of action arises before that date.

(B) The publisher may only claim nominal damages since actual performance has not yet fallen due.

(C) The publisher must serve formal notice on Neha giving her reasonable time to reconsider before any legal action lies.

(D) Neha's express renunciation constitutes an anticipatory breach; the publisher may treat the contract as immediately broken and bring an action for damages without waiting for 1 December.

Q.14. Sharma commissioned celebrated portrait artist Mehta to paint his portrait, specifically choosing Mehta for his distinctive artistic style and repute. Being unable to complete the commission on time, Mehta arranged for another competent artist, Joshi, to paint and deliver the portrait. Sharma refused to accept the portrait, whereupon Mehta argued that performance by Joshi discharged the contract.

What is the correct legal position?

(A) Sharma must accept the portrait because the result – a painted portrait – is what matters, not the identity of the artist.

(B) Sharma cannot refuse since Joshi is also a competent and skilled artist.

(C) Since the contract required the personal performance of Mehta by reason of the nature of the contract and Sharma's evident intention, Sharma is entitled to refuse performance by Joshi; the obligation required Mehta's personal service under Section 40.

(D) Mehta is discharged because performance by a third party is always an effective discharge of contractual obligations under Indian law.

Q.15. A supplier agreed to deliver 1,000 kg of cotton to a textile mill at Rs. 200 per kg on a specified date. The supplier failed to deliver. However, on the same day the mill was able to procure the same quantity of cotton from the open market at exactly Rs. 200 per kg – the prevailing market price. The mill nevertheless filed a suit for damages.

What is the court most likely to award?

(A) Substantial compensatory damages equal to the full contract value of Rs. 2 lakhs.

(B) Nominal damages only, since the mill suffered no actual financial loss as a result of the breach.

(C) No damages at all, since the mill successfully mitigated its loss by purchasing from the market.

(D) Compensatory damages equal to the administrative costs of locating and ordering from an alternative supplier.

Q.16. Kiran paid Rs. 1.5 lakhs to Sunil, a performer, in advance under an agreement for Sunil to perform at a series of corporate events. Before any event could be held, an emergency government ordinance prohibited all public gatherings, rendering the agreement void by supervening impossibility. Sunil had performed none of the events. Kiran seeks recovery of the advance.

What is the legal position?

(A) Kiran is entitled to recover Rs. 1.5 lakhs from Sunil under Section 65 of the Indian Contract Act; where a contract becomes void, any benefit received thereunder must be restored to the person who provided it.

(B) Kiran cannot recover the advance because the agreement became void due to an act of state (force majeure) for which Sunil bears no responsibility.

(C) Kiran can claim only Rs. 75,000 on the equitable doctrine of frustration, which apportions loss equally between the parties.

(D) Kiran has no remedy since both parties were equally affected by the ordinance and neither is at fault.

Q.17. Devraj appointed Sanjay as his stock-broking agent, with specific written instructions to sell certain shares on a particular day when the market was expected to peak. Sanjay, due to careless oversight, forgot to execute the sell order that day. By the time he sold the shares a week later, prices had fallen by 20%, causing Devraj a loss of Rs. 80,000. Devraj sued Sanjay for the loss.

What is the correct legal position?

(A) Sanjay is not liable because market price movements are inherently unpredictable and beyond an agent's control.

(B) Sanjay is not liable because he ultimately completed the task of selling the shares as instructed.

(C) Sanjay is liable only if Devraj can establish that Sanjay acted dishonestly or in bad faith in failing to sell.

(D) Sanjay is liable under Section 212 of the Indian Contract Act for the loss caused by his failure to conduct the agency's business with reasonable diligence; want of such diligence renders him accountable for the consequent loss.

Q.18. Kapoor borrowed Rs. 10 lakhs from Mehta and, as security for repayment, executed an irrevocable power of attorney authorising Mehta to collect rents from Kapoor's tenanted properties until the entire loan was repaid. Subsequently, Kapoor attempted to revoke the power of attorney, claiming an absolute right as principal. Mehta refused to relinquish his authority.

What is the correct legal position?

(A) Kapoor can revoke the power of attorney at will because a principal always retains the right to revoke an agency.

(B) The power of attorney is revocable because Kapoor has not formally discharged the loan.

(C) The agency is irrevocable under Section 202 of the Indian Contract Act because Mehta has a personal interest in the subject-matter of the agency (collection of rents as loan security); Kapoor cannot revoke it to the prejudice of Mehta's interest.

(D) Mehta can exercise the power only on the direction of a court, since the principal's right to revoke is paramount in all circumstances.

Q.19. Asha, a commission agent engaged by a textile manufacturer to sell goods on credit to buyers across the country, agreed to receive 3% commission instead of the usual 1%, in return for which she undertook to guarantee that all buyers to whom she sold on credit would make payment to the manufacturer. One buyer to whom Asha sold goods subsequently defaulted on payment. The manufacturer seeks to recover from Asha.

What is Asha's liability in this situation?

(A) Asha bears no liability for buyer defaults because she is merely an intermediary agent and not a party to the buyer-seller contract.

(B) Asha is a *del credere* agent; having agreed for extra commission to guarantee the performance of third-party buyers, she is personally liable to the manufacturer for the defaulted amount.

(C) Asha is liable only if the manufacturer can establish that she was negligent in evaluating the creditworthiness of the defaulting buyer.

(D) Asha's liability is confined to forfeiture of her commission for the particular transaction that went into default.

Q.20. Ratan had been in lawful possession of a shop premises for five years. Sunil forcibly entered and took over the shop without any court order or legal process. Ratan filed a suit under the Specific Relief Act, 1963, for recovery of specific possession. Sunil argued that Ratan must first establish his title to the property before possession can be restored.

What is the correct legal position?

(A) Under Section 5 of the Specific Relief Act, 1963, a person entitled to possession of specific immovable property may recover it; prior lawful possession is a sufficient foundation for the suit, and Ratan is not required to prove absolute title against Sunil who has no better right.

(B) Ratan must conclusively prove his title to the property before a court can order restoration of possession.

(C) The suit is not maintainable under the Specific Relief Act; Ratan's remedy lies exclusively in a criminal complaint for trespass.

(D) Ratan can seek only monetary compensation for dispossession, not the specific recovery of the shop premises.

Detailed Solutions

Sol.1.

Solution

Concept — Invitation to Treat vs. Offer: A display of goods with a price tag in a shop window is, as a general rule, an invitation to treat and not an offer. The customer who expresses a wish to buy at that price makes the offer, which the shopkeeper is free to accept or reject. This principle, recognised under the law of contract, prevents any customer from compelling a seller to sell at an advertised price.

Analysis: In the given scenario, the shop's window display was an invitation to treat. When Ramesh expressed his willingness to purchase the laptop, he was making an offer. The shopkeeper was entitled to decline. No contract came into being because the shopkeeper never accepted Ramesh's offer.

Why other options are wrong:

- Option (A): Incorrect – entry into a store or expression of intent to buy is not acceptance of a contract; it is the making of an offer.
- Option (B): Incorrect – the display is an invitation to treat, not a standing offer; acceptance occurs at the counter, not at the window.
- Option (C): Incorrect – there is no misrepresentation; price tags are not contractual representations binding the seller to sell.

Final Answer: The window display is an invitation to treat; Ramesh's willingness to buy is the offer, which the shopkeeper rejected – no contract was formed. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q1

Sol.2.

Solution

Concept — Revocation of Offer (Sections 5 and 6): Under Section 5 of the Indian Contract Act, 1872, a proposal may be revoked at any time before the communication of its acceptance is complete as against the proposer. Under Section 6, a revocation becomes effective when it is communicated to the offeree. Communication of acceptance is complete against the proposer when the letter is posted, but revocation communicated before the offeree posts his acceptance is effective.

Analysis: Priya communicated her revocation by telephone on Tuesday morning. Arjun received and understood the revocation before posting his acceptance letter on Tuesday afternoon. The revocation was therefore effective before acceptance was complete against the proposer. No valid contract came into existence.

Why other options are wrong:

- Option (A): Incorrect – revocation is effective when communicated, not when reduced to writing; and here it was communicated before the acceptance was posted.
- Option (B): Incorrect – the law recognises oral (including telephonic) revocation of written offers so long as revocation is communicated.
- Option (D): Incorrect – no contract was formed; the question of Priya's good faith does not arise.

Final Answer: The revocation was communicated before the acceptance was complete against the proposer; no valid contract was formed. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q2

Sol.3.

Solution

Concept — Existing Legal Duty as Consideration: A promise to do something that a person is already legally obliged to do cannot constitute valid consideration for a fresh promise. This is a well-settled rule under the Indian Contract Act: performing an existing public or legal duty provides no fresh detriment to the promisee or fresh benefit to the promisor beyond what the law already requires.

Analysis: Mahesh, as a police constable on official duty, was already legally bound to maintain order and prevent violence in his assigned area. His continued performance of that duty – however diligently – provided no consideration for the factory owner's promise of additional payment. The promise is therefore unenforceable for want of consideration.

Why other options are wrong:

- Option (A): Incorrect – without specific evidence of duties genuinely outside his legal mandate, Mahesh's actions remain within his existing obligation.
- Option (C): Incorrect – maintaining public order in any area, including a private factory, falls within a constable's legal duty during a posted assign-

ment.

- Option (D): Incorrect – a voluntary promise is unenforceable without consideration; voluntariness alone does not substitute for consideration.

Final Answer: Mahesh's performance of an existing legal duty is not good consideration; the factory owner's promise is unenforceable. ⇒ $\boxed{\text{B}}$

Answer: (B) Go Back to Q3

Sol.4.

Solution

Concept — Composition with Creditors: The general rule that part payment cannot satisfy a whole debt admits an important exception in the case of a composition agreement. Where all creditors of a debtor unanimously agree among themselves to accept a lesser sum in full and final satisfaction, the agreement is valid and binding. Each creditor's promise to forgo the balance is supported by consideration in the form of the other creditors doing the same, and the debtor's payment of the agreed lesser sum.

Analysis: All five creditors agreed in writing to accept Rs. 6 lakhs in full settlement. This is a valid composition. Suresh, having agreed and accepted his share, is bound by the composition and cannot reopen his claim for the remaining balance.

Why other options are wrong:

- Option (B): Incorrect – the absolute rule against part payment applies to bilateral agreements between one debtor and one creditor, not to a composition among all creditors.
- Option (C): Incorrect – consideration exists in a composition: each creditor's forbearance is consideration for the others' forbearance and for the debtor's payment.
- Option (D): Incorrect – a composition agreement among creditors is valid without registration.

Final Answer: The composition agreement among all creditors is valid; Suresh cannot recover the balance from Vinod. ⇒ $\boxed{\text{A}}$

Answer: (A) Go Back to Q4

Sol.5.

Solution

Concept — Coercion under Section 15: Section 15 of the Indian Contract Act 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, with the intention of causing that person to enter into an agreement. Wrongful detention of another's property to extract a contractual promise falls squarely within Section 15.

Analysis: Bharat had no legal right to withhold Anand's goods unless additional charges (not contractually agreed) were paid. By detaining the goods and threatening to continue detention unless Anand signed, Bharat engaged in unlawful detention of property – a textbook instance of coercion. The resulting agreement is voidable at Anand's option.

Why other options are wrong:

- Option (A): Incorrect – Bharat made no false statement; the issue is wrongful detention, not misrepresentation.
- Option (B): Incorrect – while undue influence could be argued, it requires a pre-existing relationship of trust and confidence; the more precise and stronger ground is coercion under Section 15.
- Option (C): Incorrect – fraud requires an intentional false representation of fact; Bharat's conduct was wrongful detention, not fraud.

Final Answer: Bharat's wrongful detention of Anand's property to extract the agreement constitutes coercion under Section 15; the agreement is voidable. $\Rightarrow$ $\boxed{\text{D}}$

Answer: (D) Go Back to Q5

Sol.6.

Solution

Concept — Undue Influence and Pardanashin Women: Indian courts have long recognised that pardanashin (purdah-observing) women are a specially protected class. Owing to their seclusion and limited exposure to commercial affairs, there is a legal presumption that any person who transacts with such a woman exercises undue influence over her. Consequently, the burden of proof shifts entirely to the party seeking to enforce the contract to establish that the woman fully understood the nature and consequences of the transaction and exercised her free and independent will.

Analysis: Fatima is a pardanashin woman. The deed was not read or explained to her; she merely put a thumb impression. Karim, her nephew, is presumed to have exercised undue influence. He must affirmatively prove that Fatima understood the deed and consented freely – a burden he cannot discharge on these facts.

Why other options are wrong:

- Option (A): Incorrect – a thumb impression without understanding does not amount to informed consent; the legal presumption operates against Karim.
- Option (B): Incorrect – misrepresentation requires a false statement of fact; here no such statement was made.
- Option (D): Incorrect – the deed is not automatically void; it is voidable on the ground of presumed undue influence unless the presumption is rebutted.

Final Answer: The burden lies on Karim to prove Fatima's free and informed consent; absent such proof, the deed will be set aside for undue influence. $\Rightarrow \boxed{C}$

Answer: (C) Go Back to Q6

Sol.7.

Solution

Concept — Bilateral Mistake of Fact (Section 20): Section 20 of the Indian Contract Act provides that where both parties to an agreement are under a mistake as to a matter of fact essential to the agreement, the agreement is void. The mistake must be: (i) mutual (shared by both parties), (ii) as to a fact (not law or value), and (iii) essential (going to the very foundation of the contract).

Analysis: Both Satish and Ravi believed the painting to be an original work. The genuineness of the painting was the very essence of their agreement – the price paid and the transaction itself were premised on this fact. Since both parties were mistaken, Section 20 applies and the agreement is void.

Why other options are wrong:

- Option (A): Incorrect – there is no implied warranty of genuineness in Indian contract law for an ordinary sale; the appropriate remedy is under Section 20, which voids the agreement entirely.

- Option (C): Incorrect – Section 20 expressly provides that mutual mistake as to an essential fact renders the contract void, regardless of its form.
- Option (D): Incorrect – the agreement is void, not voidable; it is void at the instance of neither party alone – it has no legal existence.

Final Answer: Both parties were under a mutual mistake as to a fact essential to the agreement; the contract is void under Section 20. $\Rightarrow \boxed{\text{B}}$

Answer: (B) Go Back to Q7

Sol.8.

Solution

Concept — Unilateral Mistake of Fact (Section 22): Section 22 of the Indian Contract Act expressly states that a contract is not voidable merely because it was caused by one of the parties being under a mistake of fact. A unilateral mistake – i.e., a mistake made by only one party – does not vitiate the contract, unless accompanied by fraud, misrepresentation, or undue influence by the other party.

Analysis: Vikram alone was mistaken about road access. Geeta made no representation and had no knowledge of Vikram's assumption. Since the mistake was entirely Vikram's and was not induced by any act of Geeta, Section 22 applies and the contract remains binding on both parties.

Why other options are wrong:

- Option (B): Incorrect – a unilateral mistake does not make consent "not free" within the meaning of Section 14; free consent is vitiated by coercion, undue influence, fraud, misrepresentation, or bilateral mistake – not unilateral mistake.
- Option (C): Incorrect – the contract is not void; Section 20 requires mutual mistake, which is absent here.
- Option (D): Incorrect – the contract is not voidable under any provision of the Act on account of a unilateral mistake alone.

Final Answer: A contract is not voidable for a unilateral mistake of fact; Vikram is bound by the agreement. $\Rightarrow \boxed{\text{A}}$

Answer: (A) Go Back to Q8

Sol.9.

Solution

Concept — Agreements Opposed to Public Policy (Section 23): Under Section 23 of the Indian Contract Act, the consideration or object of an agreement is unlawful (and the agreement therefore void) if it is opposed to public policy. Stifling a criminal prosecution – i.e., an agreement whereby a private party undertakes to suppress or compound a non-compoundable offence in exchange for payment – is a well-established head of public policy that renders such an agreement void.

Analysis: The agreement between Suresh and Ramesh had the object of preventing the criminal justice system from functioning by suppressing Suresh's participation in the prosecution. This is contrary to public policy. The agreement is void in its entirety. Since no valid contract ever arose, no court will enforce it or permit recovery of any money paid under it.

Why other options are wrong:

- Option (A): Incorrect – a void agreement cannot be enforced; Suresh is not "in breach" of a void agreement, and Ramesh cannot recover through the courts on such a promise.
- Option (B): Incorrect – voidability requires an otherwise valid contract, which this is not; the defect here goes to the root of legality, not consent.
- Option (C): Incorrect – voluntariness and adult capacity do not cure an agreement that is opposed to public policy under Section 23.

Final Answer: The agreement to stifle a prosecution is void as opposed to public policy under Section 23; no relief is available to either party. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q9

Sol.10.

Solution

Concept — Restraint of Legal Proceedings (Section 28): Section 28 of the Indian Contract Act renders void every agreement by which any party is restricted absolutely from enforcing their rights under or in respect of any contract, by the usual legal proceedings in the ordinary tribunals. This provision reflects the principle that access to courts is a fundamental right which contracting parties may not contractually extinguish.

Analysis: The clause in the loan agreement absolutely prohibits the borrower from filing any suit or initiating any legal proceedings, confining him to the bank's internal mechanism. This is a direct and absolute restriction on the borrower's right to approach a court – precisely what Section 28 prohibits. The clause is void.

Why other options are wrong:

- Option (A): Incorrect – freedom of contract does not extend to contracting out of a statutory prohibition under Section 28.
- Option (B): Incorrect – while internal mechanisms may be encouraged, they cannot be made the sole and mandatory remedy to the total exclusion of court proceedings.
- Option (D): Incorrect – a clause void under Section 28 is void as a matter of law, not merely voidable at anyone's option.

Final Answer: The clause restricting the borrower from pursuing court remedies is void under Section 28 of the Indian Contract Act. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q10

Sol.11.

Solution

Concept — Quantum Meruit: *Quantum meruit* ("as much as he has earned") is a quasi-contractual remedy that entitles a party who has partly performed a contract to claim reasonable remuneration for the work done, where the contract is subsequently discharged by the other party's breach. The performing party may claim both quantum meruit for work done and damages for loss caused by wrongful termination.

Analysis: The owner wrongfully terminated the contract after 70% completion. Rajiv cannot claim the full lump-sum because the contract was not fully performed. However, he is entitled to reasonable remuneration for the 70% work done (approximately Rs. 35 lakhs or such reasonable sum as the court determines) plus damages for wrongful termination. He cannot be left without remedy merely because the contract was not completed.

Why other options are wrong:

- Option (A): Incorrect – the full contract price is not recoverable; the claim is for work actually done.
- Option (C): Incorrect – quantum meruit specifically exists to remedy situations of part-performance followed by wrongful discharge.

- Option (D): Incorrect – quantum meruit covers all elements of reasonable remuneration, including labour, supervision, and profit margin, not merely materials.

Final Answer: Rajiv may claim reasonable remuneration on the basis of quantum meruit for the 70% work completed, together with damages for wrongful termination. $\Rightarrow$ $\boxed{B}$

Answer: (B) Go Back to Q11

Sol.12.

Solution

Concept — Restitution under Void Agreement (Section 65): Section 65 of the Indian Contract Act provides that when an agreement is discovered to be void, or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it, to the person from whom he received it.

Analysis: Bimal received Rs. 2 lakhs under an agreement that was void (the shares could not legally be transferred). Although neither party was at fault, the law under Section 65 requires Bimal to restore the advantage received – the Rs. 2 lakhs – to Ashok. The principle prevents unjust enrichment arising from void agreements.

Why other options are wrong:

- Option (B): Incorrect – Bimal did not perform his side of the agreement; even if he had, Section 65 still requires restoration of benefits received under a void agreement.
- Option (C): Incorrect – Section 65 expressly creates a remedy in such cases; the void nature of the agreement does not deprive Ashok of his right to recovery.
- Option (D): Incorrect – the claim under Section 65 is restitutionary (restoration of the money), not merely a claim for damages.

Final Answer: Bimal must restore the Rs. 2 lakhs to Ashok under Section 65, which mandates return of benefits received under a void agreement. $\Rightarrow$ $\boxed{A}$

Answer: (A) Go Back to Q12

Sol.13.

Solution

Concept — Anticipatory Breach by Express Renunciation: An anticipatory breach occurs when a party, before the time for performance arrives, unequivocally declares their intention not to perform the contract. The innocent party has the right to treat the contract as immediately broken and may bring an action for damages at once, without waiting for the date of performance to arrive.

Analysis: Neha's letter of 15 October was an unambiguous declaration that she would not perform. This constitutes an anticipatory breach by express renunciation. The publisher need not wait until 1 December; it may immediately treat the contract as broken, seek an alternative author, and sue Neha for damages.

Why other options are wrong:

- Option (A): Incorrect – the doctrine of anticipatory breach specifically allows the innocent party to act on the renunciation without waiting for the performance date.
- Option (B): Incorrect – the breach is real and actual (even if performance was future); full damages for the loss of the bargain are available, not merely nominal damages.
- Option (C): Incorrect – no notice or opportunity to reconsider is legally required where the renunciation is unequivocal.

Final Answer: Neha's unequivocal renunciation is an anticipatory breach; the publisher may treat the contract as immediately broken and sue without waiting for 1 December. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q13

Sol.14.

Solution

Concept — Personal Performance (Section 40): Section 40 of the Indian Contract Act provides that if it appears from the nature of the contract that it was the intention of the parties that the promise should be performed by the promisor himself, such promise must be performed by the promisor and cannot be delegated to a third party. Contracts for personal service (particularly artistic or professional services) are paradigmatic examples.

Analysis: Sharma specifically commissioned Mehta for his distinctive artistic style and reputation. The personal identity of the artist was the essence of the contract. The nature of the commission made personal performance by Mehta mandatory. Sharma was fully entitled to refuse a portrait painted by Joshi; performance by a third party does not discharge the contract in such circumstances.

Why other options are wrong:

- Option (A): Incorrect – where personal performance is required, the result is inseparable from the identity of the performer; it is not "only the result" that matters.
- Option (B): Incorrect – the comparative skill of artists is irrelevant where the contract expressly or impliedly requires the specific promisor to perform.
- Option (D): Incorrect – Section 40 expressly qualifies the general rule; performance by a third party is not always a valid discharge, and certainly not where personal performance was contemplated.

Final Answer: The contract required Mehta's personal performance; Sharma is entitled to refuse performance by Joshi under Section 40. $\Rightarrow \boxed{\text{C}}$

Answer: (C) Go Back to Q14

Sol.15.

Solution

Concept — Nominal Damages: Where a breach of contract has been established but the claimant has suffered no actual financial loss (whether because the market price equalled the contract price, or because the claimant successfully mitigated at no extra cost), the court may award nominal damages. Nominal damages vindicate the claimant's legal right without providing substantial financial compensation.

Analysis: The mill suffered no actual loss because it procured the cotton at the same price (Rs. 200/kg) from the open market. The breach is established (the supplier failed to deliver), but the measure of damages under the Act is the difference between the contract price and the market price at the date of breach – which here is zero. Accordingly, only nominal damages are warranted.

Why other options are wrong:

- Option (A): Incorrect – substantial damages require proof of actual loss; the mill suffered none.
- Option (C): Incorrect – while the mill mitigated successfully, a breach oc-

curred and the mill is entitled to at least nominal damages to vindicate its right.

- Option (D): Incorrect – administrative re-ordering costs, if genuinely incurred and proved, might be recoverable, but no such facts appear on these facts; the standard measure yields zero actual loss.

Final Answer: No actual financial loss was suffered despite the breach; the court will award nominal damages. $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q15

Sol.16.

Solution

Concept — Restitution when Contract Becomes Void (Section 65): Section 65 of the Indian Contract Act applies not only where an agreement is found to have been void from the outset but also where a contract that was initially valid subsequently becomes void (for example, by supervening impossibility). In either case, any party who has received a benefit under the contract must restore it or make compensation for it.

Analysis: The agreement was initially valid. It became void when the government ordinance prohibited public gatherings – a case of supervening impossibility. Sunil received Rs. 1.5 lakhs as advance but performed nothing. Section 65 requires him to restore the advance to Kiran. The fact that the void was caused by a government order does not excuse Sunil from making restitution.

Why other options are wrong:

- Option (B): Incorrect – the question is not about fault or force majeure for the purpose of the voidness; Section 65 creates an independent obligation of restitution regardless of fault.
- Option (C): Incorrect – there is no equitable doctrine under Indian law that apportions losses equally between parties to a frustrated contract; Section 65 provides the specific remedy.
- Option (D): Incorrect – equal affectedness by an external event does not bar the restitutionary claim under Section 65.

Final Answer: Kiran is entitled to recover the full advance of Rs. 1.5 lakhs from Sunil under Section 65 of the Indian Contract Act. $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q16

Sol.17.

Solution

Concept — Agent's Duty of Care and Skill (Section 212): Section 212 of the Indian Contract Act imposes on every agent the obligation to conduct the business of the agency with reasonable diligence, and to use such skill as he possesses. Where the agent, by failure to exercise reasonable diligence or skill, causes loss to the principal, he is liable to make good that loss. A professional broker is expected to exercise the diligence and skill of a competent broker in his field.

Analysis: Sanjay received specific written instructions to sell on a particular day. His failure to execute the order on that day was due to careless oversight – plainly a failure of reasonable diligence. The resulting loss of Rs. 80,000 was a direct consequence of this failure. Sanjay is liable under Section 212.

Why other options are wrong:

- Option (A): Incorrect – market fluctuations are not a defence where the agent's negligence caused the loss to crystallise; had Sanjay executed the order as instructed, the market movement would not have caused loss.
- Option (B): Incorrect – an agent is not absolved by ultimately completing the task if the delayed completion caused loss; the timing was the essence of the instruction.
- Option (C): Incorrect – Section 212 liability arises from want of diligence or skill, not necessarily dishonesty or bad faith.

Final Answer: Sanjay's failure to execute the sell order with reasonable diligence under Section 212 renders him liable for the Rs. 80,000 loss. $\Rightarrow \boxed{\text{D}}$

Answer: (D) Go Back to Q17

Sol.18.

Solution

Concept — Irrevocable Agency (Section 202): Section 202 of the Indian Contract Act provides that where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot in the absence of an express contract be terminated to the prejudice of such interest. This is commonly described as an "agency coupled with interest" and is irrevocable as long as the agent's interest subsists.

Analysis: Mehta's authority to collect rents was granted as security for repayment of the Rs. 10 lakhs loan – Mehta has a direct financial interest in the subject-matter of the agency (the rents). Section 202 therefore renders the agency irrevocable. Kapoor cannot revoke it so long as the loan remains outstanding, because revocation would prejudice Mehta's security interest.

Why other options are wrong:

- Option (A): Incorrect – the general rule of revocability is displaced by Section 202 when the agent has an interest in the subject-matter.
- Option (B): Incorrect – the ability to revoke does not depend on whether the loan is discharged; it depends on whether Mehta's interest in the subject-matter continues, which it does while the loan is outstanding.
- Option (D): Incorrect – no court order is required; irrevocability under Section 202 is a statutory rule, not a matter for judicial discretion.

Final Answer: The agency coupled with Mehta's loan-security interest is irrevocable under Section 202; Kapoor cannot revoke it to Mehta's prejudice. $\Rightarrow$ $\boxed{\text{C}}$

Answer: (C) Go Back to Q18

Sol.19.

Solution

Concept — Del Credere Agent: A del credere agent is an agent who, in consideration of an extra commission (the *del credere* commission), undertakes to guarantee to the principal that the third parties with whom the agent transacts on the principal's behalf will perform their obligations (typically, that buyers will make payment). The del credere agent is thus both agent and guarantor, and is personally liable to the principal if the third party defaults.

Analysis: Asha accepted an enhanced commission of 3% in return for guaranteeing the payment performance of buyers. One buyer defaulted. Under the del credere arrangement, Asha is personally liable to the manufacturer for the amount the defaulting buyer failed to pay. Her liability is not contingent on fault or negligence in selecting the buyer.

Why other options are wrong:

- Option (A): Incorrect – a del credere agent is precisely distinguished from an ordinary agent by the undertaking of personal liability for third-party default.
- Option (C): Incorrect – del credere liability is strict; it does not depend on

negligence in evaluating the buyer's creditworthiness.

- Option (D): Incorrect – del credere liability is not limited to forfeiture of commission; the agent is liable for the full defaulted amount.

Final Answer: Asha, as a del credere agent, is personally liable to the manufacturer for the buyer's default on the amount owed. $\Rightarrow \boxed{B}$

Answer: (B) Go Back to Q19

Sol.20.

Solution

Concept — Specific Recovery of Immovable Property (Section 5, Specific Relief Act, 1963): Section 5 of the Specific Relief Act, 1963 provides that a person entitled to the possession of specific immovable property may recover it in the manner prescribed by the Code of Civil Procedure, 1908. Indian courts have consistently held that a plaintiff who establishes prior lawful possession and wrongful dispossession is entitled to recover possession. Proof of absolute title is not always necessary; prior possession itself is a right good against a wrongdoer.

Analysis: Ratan had been in lawful possession for five years. Sunil dispossessed him forcibly and without any legal authority. Ratan need not prove absolute title against Sunil – prior lawful possession is sufficient to maintain a suit for specific recovery under Section 5 of the Specific Relief Act against one who has no better right. Sunil's argument that title must first be proved is legally unfounded.

Why other options are wrong:

- Option (B): Incorrect – proof of title is not a prerequisite where the suit is based on prior lawful possession against a wrongful dispossessor; possession is itself a property right.
- Option (C): Incorrect – the civil remedy under Section 5 of the Specific Relief Act is perfectly maintainable; filing a criminal complaint is an independent remedy, not a mandatory precondition.
- Option (D): Incorrect – Section 5 expressly provides for specific recovery (return of possession) of immovable property, not merely monetary compensation.

Final Answer: Ratan's prior lawful possession entitles him to specific recovery under Section 5 of the Specific Relief Act; proof of absolute title is not required. $\Rightarrow \boxed{A}$

Answer: (A) Go Back to Q20

Answer Key

CLAT PG – Law of Contract – Sample Paper 3									
1	D	2	C	3	B	4	A	5	D
6	C	7	B	8	A	9	D	10	C
11	B	12	A	13	D	14	C	15	B
16	A	17	D	18	C	19	B	20	A

Marking Scheme: +1 for each correct answer • −0.25 for each incorrect answer • 0 for unattempted

For more CLAT PG sample papers and resources, visit:
`https://collegedunia.com/exams/clat-pg/sample-paper`