CLAT PG Law of Contract Sample Paper – 5

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**.

QUESTIONS

Q1. Mahesh, a merchant in Jaipur, posts a letter on Monday offering to sell 500 kg of basmati rice to Suresh in Lucknow at Rs. 85 per kg. Suresh receives the letter on Wednesday and immediately posts his letter of acceptance the same day. The letter of acceptance reaches Mahesh on Friday. Mahesh, however, argues that the contract was formed only on Friday when he actually received the acceptance.

Which of the following correctly states the position under the Indian Contract Act, 1872 regarding when the communication of acceptance is complete as against the offeror?

(A) The communication of acceptance is complete as against the offeror when it is put into a course of transmission to him so as to be out of the power of the acceptor; therefore the contract was formed on Wednesday.

(B) The communication of acceptance is complete as against the offeror only when it is actually received and read by him; therefore the contract was formed on Friday.

(C) The communication of acceptance is complete as against the offeror when the acceptor forms the mental intention to accept; therefore the contract was formed on Wednesday when Suresh decided to accept.

(D) The communication of acceptance is complete only upon oral confirmation; a letter of acceptance has no legal effect until confirmed verbally.

Q2. Govind makes a written offer to Meera on 1st March to sell his ancestral property in Pune for Rs. 50 lakhs, asking her to respond within 15 days. On 5th March, Govind dies in an accident. Meera, who is unaware of Govind's death, posts her letter of acceptance on 10th March. Govind's legal heirs claim that the contract is binding on the estate because Meera accepted within the stated time period and was ignorant of the death.

Which of the following is the correct legal position?

(A) The contract is valid because Meera accepted within the stipulated period and had no knowledge of Govind's death at the time of acceptance.

(B) The offer lapses upon the death of Govind before acceptance; Meera's acceptance after Govind's death, even without knowledge, does not create a binding contract.

(C) The legal heirs are bound because the offer was a written irrevocable offer for a fixed period of 15 days.

(D) The contract is voidable at the option of the legal heirs, who may choose to honour it or reject it.

Q3. A Company (landlord) wrote to its tenant B Company stating that it would not enforce the rent-increase clause in the lease during the financial year 2024–25 and that B Company could continue paying the old rent. B Company, relying on this assurance, did not renegotiate its revenue commitments with clients. At year-end, A Company filed a suit to recover the full arrears of the enhanced rent for the entire year, arguing that there was no consideration for the promise not to enforce.

B Company raises the defence of promissory estoppel. Which of the following best states the correct legal principle?

(A) Promissory estoppel cannot be invoked where there is a pre-existing contractual relationship; B Company must seek relief only under the original lease deed.

(B) Promissory estoppel can be used as both a sword and a shield; B Company may sue A Company to enforce the new reduced-rent promise independently.

(C) Promissory estoppel operates as a shield and not as a sword; B Company can use it as a defence against A Company's claim for enhanced rent but cannot found an independent cause of action on it.

(D) B Company's only recourse is to argue that A Company's promise amounts to a valid novation of the lease that extinguishes the original rent clause entirely.

Q4. Ravi intends to sell his manufacturing unit to Priya. When Priya asks about pending litigation, Ravi truthfully discloses two minor consumer complaints but deliberately conceals a major environmental-liability suit filed by the State Pollution Control Board, which he knows could result in closure of the unit. Priya buys the unit and later discovers the concealed suit. She claims the contract is vitiated by fraud.

Which of the following correctly describes why Ravi's conduct constitutes fraud under Section 17 of the Indian Contract Act, 1872?

(A) Ravi committed fraud because he failed to make a full voluntary disclosure of all facts, which is mandatory under the principle of uberrima fides for all contracts of sale.

(B) Ravi committed fraud only if he actively misrepresented the unit as litigation-free; mere silence, even partial, cannot be fraud except in fiduciary relationships.

(C) Ravi committed fraud because incomplete disclosure of a fact, where the half-truth gives a false impression, constitutes active concealment amounting to fraud, and he had a duty not to mislead.

(D) Ravi's act is misrepresentation and not fraud because there is no evidence that he intended Priya to act upon the partial statement.

Q5. Shanti, an 80-year-old woman suffering from moderate dementia, signed a gift deed transferring her urban property worth Rs. 1.2 crore to her nephew Dinesh, who was also her sole caretaker and managed all her financial affairs. Shanti's children challenge the gift deed after her death, alleging undue influence. Dinesh argues that Shanti was in a "lucid" state on the date of signing and that the gift was her free wish.

Which of the following most accurately reflects the legal position under Section 16 of the Indian Contract Act, 1872?

(A) Where one party is in a position to dominate the will of the other — particularly a person of weak mental capacity — and uses that position to obtain an unfair advantage, the contract is voidable for undue influence; the burden shifts to Dinesh to prove the transaction was fair.

(B) Undue influence requires proof of express threats or coercion; as Dinesh did not threaten Shanti, the gift deed cannot be set aside on this ground.

(C) Since a gift deed is not a "contract," the provisions of the Indian Contract Act, 1872 on free consent do not apply and the deed cannot be challenged under Section 16.

(D) A person suffering from dementia lacks capacity to contract altogether; therefore the deed is void ab initio and not merely voidable, so the concept of undue influence is irrelevant.

Q6. Harish is ordinarily of unsound mind due to a chronic psychiatric condition, but occasionally has clear periods. During one such clear period, he enters into a contract with a furniture dealer to purchase office equipment worth Rs. 2.5 lakh, providing all relevant documents and signing the agreement with full understanding. Later, when a dispute arises, Harish's guardian argues that the contract is void because Harish is a person of unsound mind.

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

(A) Harish cannot contract at any time because his chronic psychiatric condition means he is permanently and legally of unsound mind; all his contracts are void.

(B) A person who is ordinarily of unsound mind may make a valid contract during a lucid interval; the contract entered into by Harish during a period of soundness is valid.
(C) The contract is voidable at Harish's option because parties suffering from any mental illness retain the right to ratify or rescind their contracts within a reasonable time.
(D) The contract is valid only if it was witnessed and certified by a medical professional at the time of execution; otherwise it is presumed invalid.

Q7. Two businessmen, Arjun and Vikram, enter into an agreement that reads: "Arjun agrees to supply Vikram with a "reasonable quantity" of electronic components at a "fair price" to be decided at a "convenient time" in the future." No further particulars are provided. When Vikram later demands supply, Arjun refuses on the ground that the agreement is too vague to enforce.

Which of the following correctly states the legal position under Section 29 of the Indian Contract Act, 1872?

(A) The agreement is valid because courts will imply reasonable terms to give business efficacy to commercial transactions between merchants.
(B) The agreement is enforceable up to such quantity and price as the court considers fair and reasonable in the circumstances of the trade.
(C) The agreement is void for uncertainty because its meaning cannot be made certain, and courts cannot rewrite an agreement to supply the essential terms that the parties themselves omitted.
(D) The agreement is a valid agreement to agree; Vikram can sue Arjun for failure to negotiate in good faith.

Q8. Kiran agrees to pay Lalit Rs. 10 lakh "if the High Court upholds the environmental clearance for the new thermal plant project within the next two years." The court upholds the clearance after 18 months. Lalit demands payment. Kiran refuses, arguing that the condition was merely moral and not legally enforceable, and that because it depended on an external event neither party controlled, there was no binding obligation.

Which of the following best describes the enforceability of this contingent contract under Section 32 of the Indian Contract Act, 1872?

(A) A contract contingent on an event neither party can control is void for want of mutuality; Lalit cannot enforce it.

(B) The contract is enforceable only if Kiran had the means to influence the court's decision; since he did not, performance cannot be compelled.

(C) The contract is voidable at Kiran's option because the condition involved a judicial authority, which introduces a public-policy limitation on enforceability.

(D) A contingent contract to do something if an uncertain future event happens becomes enforceable when that event occurs; since the High Court upheld the clearance, Kiran must pay Lalit.

Q9. Madan is a person of unsound mind who resides alone in a flat. His neighbour Seema, knowing that Madan is unable to care for himself, arranges and pays for his meals, medicines, and essential household supplies for three months at a total cost of Rs. 45,000. She now seeks reimbursement from Madan's estate, which consists of substantial immovable property. Madan's legal representative refuses, arguing that Madan never consented to these arrangements and no contract was formed.

Which of the following correctly represents Seema's right under the Indian Contract Act, 1872?

(A) Seema is entitled to reimbursement from Madan's estate for the necessaries supplied, because the law imposes a quasi-contractual obligation under Section 68 to reimburse persons who supply necessaries to those incapable of contracting.

(B) Seema has no legal remedy because Madan never authorised the purchases; a contract requires the free consent of both parties.

(C) Seema may recover only if she can prove that she was acting as Madan's agent, which requires prior authorisation or subsequent ratification.

(D) Seema's remedy lies exclusively in unjust enrichment under civil law and not under the Indian Contract Act, 1872, which does not cover persons of unsound mind.

Q10. Fatima agrees to pay Ramchandra Rs. 75,000 if he arranges her marriage with a specific wealthy businessman within three months. Ramchandra successfully facilitates the introduction and the marriage takes place. He demands his fee. Fatima refuses to pay, claiming the contract is void. Ramchandra argues it was a legitimate introduction service for which he is entitled to compensation.

Which of the following best states the legal position under the Indian Contract Act, 1872?

(A) The contract is valid because professional matchmaking and introduction services are lawful business activities that do not violate any provision of the Indian Contract Act, 1872.

(B) The contract is void as a marriage brokerage agreement because its object is opposed to public policy under Section 23 of the Indian Contract Act, 1872; marriage should rest on free will and not be a matter of commercial bargain for remuneration.

(C) The contract is voidable at Fatima's option because she was under social pressure when she agreed to pay the fee, which amounts to undue influence.

(D) The contract is valid to the extent of a reasonable fee determined by the court, which will reduce the agreed amount to a fair professional charge.

Q11. Suresh orally promises his younger sister Kavitha that he will gift her his share of the ancestral house worth Rs. 30 lakh out of natural love and affection. He never registers or reduces this promise to writing. When Kavitha later relies on this promise and declines to accept a job offer in another city, Suresh refuses to honour the promise. Kavitha sues, arguing that a promise made out of natural love and affection between near relatives needs no consideration.

Which of the following correctly states the legal position under Section 25(1) of the Indian Contract Act, 1872?

(A) An oral promise between near relatives made out of natural love and affection is enforceable even without consideration, provided there is a witnessed declaration of the promise.

(B) A promise made out of natural love and affection between near relatives is enforceable without consideration in all circumstances; no particular form is required.

(C) A promise made out of natural love and affection between near relatives is enforceable without consideration only if it is expressed in writing and registered; Suresh's oral promise is not enforceable under Section 25(1).

(D) Kavitha can enforce the promise under promissory estoppel because she altered her position in reliance on Suresh's assurance, regardless of Section 25(1).

Q12. Deepak and Neeraj enter into a written contract for the construction of a boundary wall, fixing the height at 6 feet. Without consulting Neeraj, Deepak later alters the written contract by scoring out "6 feet" and writing "8 feet" in ink of the same colour. Neeraj discovers this alteration when Deepak sues him for extra costs arising from the additional height. Neeraj claims the entire contract is discharged.

Which of the following most accurately states the legal consequence of a material alteration made by one party without the consent of the other?

(A) The altered term alone is void; the rest of the contract remains enforceable as originally agreed, so Deepak may sue for costs at the 6-foot rate.

(B) Neeraj can claim damages for breach of contract due to the unauthorised alteration, but the contract itself remains in force.

(C) The alteration constitutes a repudiation of the original contract by Deepak; Neeraj can treat it as a breach and sue for damages.

(D) A material alteration of a written contract by one party without the other's consent discharges the other party from all obligations under the contract; Neeraj is absolved of liability.

Q13. Tarun agrees to sell Preethi a rare manuscript that he represents as being in his possession. Unknown to both parties, the manuscript had been destroyed in a fire two weeks before the contract was made. Preethi later discovers this and sues Tarun for breach of contract. Tarun argues that since performance was impossible from the very beginning, the contract was void and he bears no liability.

Which of the following correctly states the legal position under Section 56 of the Indian Contract Act, 1872?

(A) An agreement to do an act that is impossible in itself is void; since the manuscript did not exist at the time of contracting, the agreement is void ab initio and neither party can sue the other.

(B) The contract is voidable at Preethi's option because Tarun made a false statement about owning the manuscript, which amounts to misrepresentation.

(C) Tarun is liable in damages because the impossibility arose from his failure to verify the condition of the goods before contracting, which amounts to negligent misrepresentation.

(D) The contract is valid but frustrated; Tarun is discharged from performance and Preethi may recover any consideration paid under the doctrine of restitution.

Q14. Neha lends Rs. 2 lakh to her colleague Ashish, who agrees to repay the full sum by 31st December. On 15th December, Neha tells Ashish: "Do not worry — just pay me Rs. 1.5 lakh and we will call it settled." Ashish pays Rs. 1.5 lakh on 20th December. Later, Neha sues for the balance Rs. 50,000, arguing that the promise to accept less was not supported by any consideration from Ashish.

Which of the following correctly describes the legal position under Section 63 of the Indian Contract Act, 1872?

(A) Neha can recover the balance because a promise to accept less in satisfaction of a greater debt requires fresh consideration to be binding.

(B) Every promisee may remit or dispense with the performance of the promise made to her, either wholly or in part; Neha's acceptance of Rs. 1.5 lakh in full satisfaction discharges Ashish from paying the balance.

(C) The agreement to accept Rs. 1.5 lakh is voidable at Neha's option because it was made under commercial pressure from Ashish and lacks consideration.

(D) Section 63 applies only to discharge arising from novation and not to remission of a partial debt; therefore it does not assist Ashish.

Q15. Radha, a classical dancer of national repute, entered into an exclusive performance contract with Sunrise Arts Foundation for one year, agreeing not to perform for any other organisation during that period. Six months into the agreement she accepts an offer from a rival organisation and intends to perform for them. Sunrise Arts seeks a perpetual injunction to restrain Radha from performing for the rival. Radha argues that monetary compensation would adequately remedy any loss Sunrise Arts suffers.

Which of the following correctly states the position under Section 38 of the Specific Relief Act, 1963?

(A) A court may grant a perpetual injunction only where the defendant has no defence on merits; since Radha has raised an argument about compensation, the court cannot grant an injunction.

(B) A court will never grant an injunction to enforce a contract of personal service because such contracts are specifically non-enforceable under the Specific Relief Act, 1963.

(C) A perpetual injunction may be granted to prevent a breach of contract where the act threatened would cause injury to the plaintiff for which compensation in money would not afford adequate relief; loss of an exclusively contracted artist of national repute qualifies for such relief.

(D) Injunctions can only be granted to prevent tortious acts and cannot restrain breach of contractual negative covenants.

Q16. Sunita, a textile manufacturer, received a firm letter of intent from Omega Retail Ltd. stating it would enter into a supply agreement for 12 months. In reliance on this, Sunita invested Rs. 8 lakh in a dedicated production line. Omega Retail then abandoned the deal without entering into any formal contract. Sunita sues for her wasted expenditure. Omega argues that since no final contract was signed, no damages can flow from a breach.

Which of the following correctly describes Sunita's remedy?

(A) Sunita has no legal remedy because the letter of intent is not a binding contract; damages arise only from breach of a concluded agreement.
(B) Sunita can claim the full anticipated profit she would have made over the 12-month supply period as expectation damages.
(C) Sunita may sue Omega only in tort for negligent misrepresentation; contract law affords no remedy in the absence of a concluded agreement.
(D) Where a defendant's conduct induces the claimant to incur expenditure in reliance on an anticipated contract, the claimant may recover pre-contract reliance expenditure (wasted costs) as damages, even if no formal contract was concluded, to restore the claimant to the pre-reliance position.

Q17. Prakash appoints Vinod as his agent to collect rent from tenants of his commercial complex. On 1st April, Prakash revokes Vinod's authority and sends written notices of revocation to all tenants. One tenant, Ramesh, who did not receive the notice, pays the March rent to Vinod on 5th April. Vinod misappropriates the money. Prakash demands the rent again from Ramesh. Ramesh argues that he paid in good faith and should be discharged.

Which of the following correctly states the position under Section 208 of the Indian Contract Act, 1872?

(A) A payment made to an agent by a third party who, without fault, had no notice of the revocation of the agent's authority is a valid discharge; Ramesh is not liable to pay Prakash again.

(B) A revocation of agency takes effect from the moment it is communicated to the agent; since Vinod's authority was revoked on 1st April, any payment thereafter is invalid regardless of the tenant's knowledge.

(C) Ramesh is liable to pay again because all dealings with agents after revocation are at the third party's risk, whether or not notice was given.

(D) The payment to Vinod is valid only if ratified by Prakash; in the absence of ratification, Ramesh must pay again.

Q18. Shreya appoints her broker Mohan to purchase a specific plot of land on her behalf for up to Rs. 60 lakh. Without disclosing this to Shreya, Mohan purchases the plot himself for Rs. 52 lakh from the seller and then "sells" it to Shreya for Rs. 60 lakh, pocketing the difference. Shreya later discovers this. She seeks to repudiate the purchase and recover the amount paid.

Which of the following correctly states the legal consequence under Section 215 of the Indian Contract Act, 1872?

(A) The transaction is valid because Mohan acquired the property at a fair price and Shreya received the asset she wanted; the profit is his legitimate entrepreneurial gain.

(B) If an agent deals on his own account in a business entrusted to him as agent without first informing his principal and obtaining consent, the principal may repudiate the transaction; Shreya is entitled to repudiate the purchase and recover her money.

(C) Shreya can only sue Mohan for damages equal to the secret profit but cannot repudiate the sale of the land itself once the sale deed is registered.

(D) Shreya's remedy is limited to suing Mohan for breach of fiduciary duty in equity; the Indian Contract Act, 1872 does not address this situation.

Q19. Brilliant Finance Ltd. employs Sanjay as a field sales agent authorised to collect loan applications and initial processing fees from customers. Sanjay, while performing his duties, fraudulently collects fees from 15 customers but submits neither the applications nor the fees to the company. The customers sue Brilliant Finance Ltd. for refund of the fees. The company denies liability, arguing that Sanjay's fraudulent acts were outside its authority.

Which of the following best states the legal position under the Indian Contract Act, 1872 regarding principal's liability for agent's fraud?

(A) Brilliant Finance Ltd. is not liable because it never authorised Sanjay to commit fraud; liability arises only for acts expressly authorised by the principal.

(B) Brilliant Finance Ltd. is not liable because fraud is a personal tort of Sanjay; the company's vicarious liability arises only in employment law, not under the law of agency.

(C) A principal is liable to third parties for fraud or misrepresentation committed by an agent acting within the actual or apparent scope of his authority; since Sanjay committed the fraud while performing his authorised collection function, Brilliant Finance Ltd. is liable to the customers.

(D) Brilliant Finance Ltd. is liable only to the extent of the agency commission it earned from Sanjay's activities, not for the full amount of fees collected by fraud.

Q20. Kaveri Constructions Ltd. owns a heritage building adjacent to a plot owned by Suraj Developers. Suraj Developers begins excavation so deep that it threatens the foundations of Kaveri's heritage building. Kaveri seeks a perpetual injunction under the Specific Relief Act, 1963 to stop the excavation. Suraj argues that Kaveri should be left to a remedy in damages after the harm occurs and that an injunction is a discretionary remedy that should be sparingly granted.

Which of the following most accurately sets out the conditions for granting a perpetual injunction under Section 38 of the Specific Relief Act, 1963?

(A) A perpetual injunction can be granted only after the threatened wrong has actually occurred and caused measurable damage; courts cannot act on anticipatory harm.

(B) A perpetual injunction is available only where the subject matter of the dispute is immovable property and the plaintiff holds title; Kaveri must first prove its title before seeking injunctive relief.

(C) A perpetual injunction is a discretionary remedy and will be refused whenever the defendant provides an undertaking to pay damages; Suraj's offer to pay future compensation is a complete answer.

(D) A perpetual injunction may be granted to prevent breach of an obligation existing in favour of the plaintiff where the act would cause injury for which compensation in money is not an adequate remedy; imminent structural damage to a heritage building qualifies, and the injunction should be granted.

SOLUTIONS

Solution

Concept: Communication of Acceptance — Section 4, Indian Contract Act, 1872

Section 4 provides a bifurcated rule on when communication of acceptance is complete. As against the acceptor, communication is complete when it comes to the knowledge of the proposer. However, as against the proposer (offeror), the communication of acceptance is complete when it is put into a course of transmission to him so as to be out of the power of the acceptor to withdraw it. This means the contract is formed, from the offeror's perspective, at the moment the acceptance is posted — here, on Wednesday.

Why other options are wrong:

Sol. 1.

- (B) is incorrect: this describes the rule as against the acceptor (when it comes to the knowledge of the offeror), not as against the offeror.
- (C) is incorrect: a mental intention to accept is legally irrelevant; acceptance must be communicated externally.
- (D) is incorrect: the Indian Contract Act, 1872 does not require oral confirmation of a written acceptance.

A

Answer: (A)

Go Back to Q1

Solution

Concept: Lapse of Offer — Section 6(4), Indian Contract Act, 1872

Section 6 specifies the circumstances under which a proposal lapses. Clause (4) provides that a proposal lapses by the death or insanity of the proposer, if the fact of his death or insanity comes to the knowledge of the acceptor before acceptance. Courts have interpreted this to mean that an offer lapses upon the death of the offeror before a valid acceptance is made. Meera's acceptance, posted after Govind's death, cannot form a contract regardless of her ignorance of the death, because the offer itself lapsed at the moment of Govind's death.

Why other options are wrong:

Sol. 2.

- (A) is incorrect: ignorance of the offeror's death does not preserve the offer; the offer lapses upon death.

- (C) is incorrect: a written offer for a fixed period is revocable under Indian law (unlike in some civil law systems); moreover, death causes lapse independently.
- (D) is incorrect: the transaction is not voidable but void, as no contract was ever formed.

B

Answer: (B)

Go Back to Q2

Solution

Concept: Promissory Estoppel — Shield, Not Sword

The doctrine of promissory estoppel, as recognised in Indian law (notably in *Union of India v. Indo-Afghan Agencies* and affirmed in subsequent decisions), prevents a party who has made a clear and unambiguous representation from going back on it where the other party has acted in reliance to its detriment. However, the foundational English principle — confirmed in *Combe v. Combe* [1951] — holds that promissory estoppel is a shield and not a sword. B Company can use it defensively to defeat A Company's claim for the enhanced rent but cannot use it to independently sue and enforce the reduced-rent promise as a new obligation.

Why other options are wrong:

Sol. 3.

- (A) is incorrect: promissory estoppel is not excluded merely because there is a pre-existing contractual relationship; it commonly arises in such contexts.
- (B) is incorrect: the doctrine cannot be used as a cause of action (sword) to enforce the varied obligation independently.
- (D) is incorrect: the facts do not support novation, which requires agreement by all parties, consideration, and discharge of the original obligation.

C

Answer: (C)

Go Back to Q3

Sol. 4.

Solution

Concept: Half-Truths as Fraud — Section 17, Indian Contract Act, 1872

Section 17 defines "fraud" and includes, under clause (2), active concealment of a fact by one who has knowledge or belief of the fact. Importantly, the courts have consistently held that a statement which is technically true but conveys a misleading impression by omitting a material fact — a "half-truth" — constitutes active concealment amounting to fraud. Ravi disclosed minor litigations but concealed a major suit that could result in closure. By doing so, he created a false impression that the unit's legal standing was essentially clean, and this squarely falls within fraud under Section 17. He had a duty not to mislead once he chose to speak on the matter.

Why other options are wrong:

- (A) is incorrect: uberrima fides (utmost good faith) is not a general principle of all contracts under Indian law; it applies to specific categories such as insurance.
- (B) is incorrect: concealment of a material fact to create a false impression constitutes fraud even without express active misrepresentation.
- (D) is incorrect: intent to deceive is evident from the deliberate concealment; this is not mere innocent misrepresentation.

D

Answer: (D)

Go Back to Q4

Sol. 5.

Solution

Concept: Undue Influence over Person of Weak Mental Capacity — Section 16, Indian Contract Act, 1872

Section 16(1) defines undue influence as the use of a position to dominate the will of another person to obtain an unfair advantage. Section 16(2)(b) specifically recognises that a person is deemed to be in a position to dominate the will of another when dealing with "a person whose mental capacity is temporarily or permanently impaired by reason of age, illness, or mental or bodily distress." Dinesh, as sole caretaker and financial manager of an 80-year-old dementia sufferer, was in precisely such a position. The burden of proving that the transaction was the result of good conscience shifts to Dinesh under Section 16(3).

Why other options are wrong:

- (B) is incorrect: undue influence does not require threats or coercion; domination of will and unfair advantage suffice.

- (C) is incorrect: gift deeds procured through undue influence can be set aside as a contract induced by vitiated consent; the Act applies.
- (D) is incorrect: the question specifies occasional lucid periods; the deed is not necessarily void ab initio under capacity rules. Even if treated under incapacity, that is a separate analysis from undue influence.

A

Answer: (A)

Go Back to Q5

Sol. 6.

Solution

Concept: Capacity — Contract During Lucid Interval, Section 12, Indian Contract Act, 1872

Section 12 of the Indian Contract Act, 1872 states that a person is said to be of sound mind for the purpose of making a contract if, at the time when he makes it, he is capable of understanding it and of forming a rational judgement as to its effect upon his interests. Section 12 further provides that "a person who is ordinarily of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind." Accordingly, Harish's contract, entered into during a clear and lucid interval in which he understood the transaction, is valid.

Why other options are wrong:

- (A) is incorrect: the Act expressly allows persons ordinarily of unsound mind to contract during lucid intervals.
- (C) is incorrect: the concept of "voidable at a party's option" based on illness does not find support in Section 12; contracts during lucid intervals are straightforwardly valid.
- (D) is incorrect: the Act imposes no requirement for medical certification at the time of contract execution.

B

Answer: (B)

Go Back to Q6

Sol. 7.

Solution

Concept: Void Agreements for Uncertainty — Section 29, Indian Contract Act, 1872

Section 29 provides that agreements the meaning of which is not certain, or capable of being made certain, are void. The agreement between Arjun and Vikram specifies neither the quantity of goods, nor the price, nor the time of delivery — every essential commercial term is left entirely open to future unilateral determination. Unlike cases where trade usage or prior dealings can make a term certain (e.g., "market price"), the triple uncertainty here cannot be resolved by reference to any objective standard. Courts will not rewrite contracts to supply material terms omitted by the parties themselves.

Why other options are wrong:

- (A) is incorrect: the principle of business efficacy allows courts to imply incidental terms but not to supply all essential commercial terms.
- (B) is incorrect: courts cannot determine quantity and price where the agreement provides no basis whatsoever for doing so.
- (D) is incorrect: an "agreement to agree" on essential terms is not enforceable under Indian law.

C

Answer: (C)

Go Back to Q7

Sol. 8.

Solution

Concept: Enforcement of Contingent Contracts — Section 32, Indian Contract Act, 1872

Section 32 provides that contingent contracts to do or not to do anything if an uncertain future event happens cannot be enforced by law unless and until that event has happened. Once the uncertain future event occurs, the contract becomes enforceable. In the present case, the condition precedent was the High Court upholding the environmental clearance, and that event has occurred within the stipulated period of two years. The contract is therefore now enforceable and Kiran must pay Lalit Rs. 10 lakh. The fact that neither party could control the court's decision is the very essence of a contingent contract.

Why other options are wrong:

- (A) is incorrect: lack of control over the condition is inherent in a contingent contract and does not render it void for want of mutuality.

- (B) is incorrect: the Act imposes no requirement that the party making payment must have been capable of influencing the contingent event.
- (C) is incorrect: the involvement of a judicial authority in the contingency does not import any public-policy limitation on the contract's enforceability.

$\boxed{\text{D}}$

Answer: (D)

Go Back to Q8

Solution

Sol. 9.

Concept: Quasi-Contract — Necessaries Supplied to Person of Unsound Mind, Section 68, Indian Contract Act, 1872

Section 68 of the Indian Contract Act, 1872 creates a quasi-contractual obligation: if a person incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person. This is not a true contract (since the incapable person cannot consent) but a legal obligation imposed by the statute. Seema's supply of meals, medicines, and essential household items constitutes "necessaries," and she is entitled to reimbursement from Madan's estate.

Why other options are wrong:

- (B) is incorrect: Section 68 operates precisely because there is no consent; it creates an obligation independent of consent.
- (C) is incorrect: the quasi-contractual right under Section 68 does not depend on establishing an agency relationship.
- (D) is incorrect: Section 68 expressly addresses this situation; it is a statutory provision of the Indian Contract Act, 1872.

$\boxed{\text{A}}$

Answer: (A)

Go Back to Q9

Solution

Concept: Marriage Brokerage Contracts Void as Against Public Policy — Section 23, Indian Contract Act, 1872

Section 23 renders an agreement void if its object or consideration is opposed to public policy. Indian courts have consistently held that marriage brokerage agreements — contracts where a party is paid to procure a marriage — are void as being opposed to public policy. Marriage is regarded as a social institution that must rest on the free and voluntary choice of the parties; introducing a commercial motive to arrange or procure a marriage is considered contrary to public policy. The fact that the marriage ultimately took place does not validate the agreement.

Why other options are wrong:

Sol. 10.

- (A) is incorrect: the legality of the general activity of matchmaking does not save a contract for payment contingent on producing a marriage, which Indian courts treat as a marriage brokerage agreement.
- (C) is incorrect: there are no facts suggesting undue influence; the illegality of the object is the operative ground.
- (D) is incorrect: a court cannot rewrite or partially enforce a contract whose object is void for being against public policy.

B

Answer: (B)

Go Back to Q10

Solution

Concept: Natural Love and Affection as Exception to Consideration — Section 25(1), Indian Contract Act, 1872

Section 25 of the Indian Contract Act, 1872 lays down the general rule that an agreement without consideration is void. Section 25(1) carves out an exception: an agreement expressed in writing and registered under the law for the time being in force for the registration of documents, made on account of natural love and affection between parties standing in a near relation to each other, is enforceable without consideration. Both elements — (i) being in writing and registered, and (ii) natural love and affection between near relatives — are mandatory conjunctive requirements. Suresh's promise was oral and unregistered; it therefore does not satisfy Section 25(1) and is unenforceable.

Why other options are wrong:

Sol. 11.

- (A) is incorrect: the Act requires registration, not merely witnessing; an oral witnessed promise is insufficient.
- (B) is incorrect: Section 25(1) is not unconditional; writing and registration are mandatory formal requirements.
- (D) is incorrect: while promissory estoppel could theoretically be argued, Section 25(1) directly governs the enforceability of the promise without consideration and requires writing and registration; this is the more precise and relevant rule.

C

Answer: (C)

Go Back to Q11

Solution

Concept: Material Alteration of Written Contract Without Consent — Discharge

It is a well-established principle of contract law (affirmed in Indian decisions and grounded in Section 62 read with general principles) that a material alteration of a written contract by one party without the knowledge and consent of the other discharges the innocent party from all obligations under the contract. The alteration must be material, meaning it changes the legal effect of the instrument. Changing the height of the wall from 6 feet to 8 feet directly alters the scope of work and the cost — a clearly material change. Deepak, having made this unilateral and unauthorised alteration, cannot enforce the contract against Neeraj, who is entirely absolved of liability.

Why other options are wrong:

Sol. 12.

- (A) is incorrect: the consequence of a material unauthorised alteration is not merely the voiding of the altered term; it discharges the entire contract.
- (B) is incorrect: the alteration does not leave the contract standing; it discharges it, so the remedy is not damages for breach of a subsisting contract.
- (C) is incorrect: while characterising the alteration as repudiation is not wholly wrong, the more precise legal consequence recognised by courts is discharge of the other party's obligations, not merely a right to sue for breach.

D

Answer: (D)

Go Back to Q12

Solution

Concept: Initial Impossibility — Section 56 Paragraph 1, Indian Contract Act, 1872

Section 56, paragraph 1, provides: "An agreement to do an act impossible in itself is void." This deals with cases of initial impossibility — where the subject matter of the contract does not exist at the time the agreement is made. The manuscript having been destroyed before the contract, performance was objectively impossible from the outset. The agreement is therefore void ab initio. Neither party can maintain a suit for breach of this agreement. This is distinct from supervening impossibility (paragraph 2 of Section 56), which applies when the impossibility arises after the contract is formed.

Why other options are wrong:

Sol. 13.

- (B) is incorrect: misrepresentation makes a contract voidable, not void; but here the primary issue is initial impossibility, which makes the agreement void under Section 56, not merely voidable.
- (C) is incorrect: if the agreement is void ab initio, there is no breach upon which a damages suit can be founded; moreover, both parties were unaware of the destruction.
- (D) is incorrect: frustration (supervening impossibility) applies under paragraph 2 of Section 56 when the impossibility arises after the contract is formed, not where it existed at the time of contracting.

A

Answer: (A)

Go Back to Q13

Solution

Concept: Remission of Performance by Promisee — Section 63, Indian Contract Act, 1872

Section 63 of the Indian Contract Act, 1872 expressly provides that every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him, or may extend the time for such performance, or may accept instead of it any satisfaction which he thinks fit. This provision is a statutory departure from the English common-law rule in *Foakes v. Beer* (which required fresh consideration for a valid accord and satisfaction of a debt). Under Indian law, Neha's acceptance of Rs. 1.5 lakh in full and final settlement, communicated to Ashish, effectively discharges him from the remaining Rs. 50,000 without requiring any additional consideration.

Why other options are wrong:

Sol. 14.

- (A) is incorrect: this reflects the English common-law position, which is not the law in India by virtue of Section 63.
- (C) is incorrect: there are no facts supporting commercial pressure or undue influence; Neha voluntarily offered the settlement.
- (D) is incorrect: Section 63 is not restricted to novation; it explicitly covers remission and partial discharge of existing obligations.

B

Answer: (B)

Go Back to Q14

Solution

Concept: Perpetual Injunction Where Monetary Compensation Inadequate — Section 38, Specific Relief Act, 1963

Section 38(1) of the Specific Relief Act, 1963 provides that subject to other provisions, a perpetual injunction may be granted to prevent the breach of an obligation existing in favour of the applicant, whether expressly or by implication, when the act that the defendant is about to commit or threatens to commit would produce injury to the applicant which cannot adequately be compensated by money. Radha's exclusive performance contract imposes a negative covenant. The loss to Sunrise Arts — losing the unique artistic services of a nationally reputed classical dancer for a specific season — is not compensable by damages alone, as no sum of money can replicate the artistic value and reputational benefit. An injunction restraining Radha from performing for the rival is the appropriate remedy.

Why other options are wrong:

Sol. 15.

- (A) is incorrect: raising an argument about compensation does not preclude an injunction; the court assesses adequacy of damages independently.
- (B) is incorrect: while courts will not order specific performance of a personal service contract, they can and do grant injunctions to enforce negative covenants (not-to-perform clauses) embedded in such contracts.

- (D) is incorrect: injunctions under Section 38 expressly extend to preventing breach of contractual obligations, not merely tortious acts.

C

Answer: (C)

Go Back to Q15

Sol. 16.

Solution

Concept: Pre-Contract Reliance Expenditure as Damages

Where a party is induced by the conduct or representations of another to incur expenditure in reliance on an anticipated contract that is then not concluded, the law — both under Section 73 of the Indian Contract Act, 1872 (which provides for compensation for loss naturally arising in the usual course of events from breach) and the wider principle of compensation for wasted reliance — permits recovery of such pre-contract expenditure. The claimant is placed back in the position she would have occupied had she not relied on the defendant's conduct. Sunita's Rs. 8 lakh investment in the dedicated production line, made in reasonable reliance on Omega's firm letter of intent, constitutes recoverable reliance loss. Courts across jurisdictions recognise this as a distinct head of contractual or pre-contractual damages.

Why other options are wrong:

- (A) is incorrect: while a mere letter of intent is not a concluded contract, the law does not leave the induced party entirely without remedy where she has incurred real expenditure in reliance.
- (B) is incorrect: expectation damages require a concluded contract; in the absence of one, Sunita cannot claim anticipated profits for 12 months.
- (C) is incorrect: the available remedy is not confined to tort; Section 73 and restitutionary principles under contract law also support recovery.

D

Answer: (D)

Go Back to Q16

Sol. 17.

Solution

Concept: Payment to Agent Without Notice of Revocation — Section 208, Indian Contract Act, 1872

Section 208 of the Indian Contract Act, 1872 provides that the termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him; and so far as regards third persons, before it becomes known to them. This means that a third party who, without fault, has no notice of the revocation of the agent's authority is protected when dealing with the (now former) agent. Ramesh paid the March rent to Vinod in good faith on 5th April without having received or knowing of the revocation notice. His payment is therefore a valid discharge and he cannot be compelled to pay again. Prakash's remedy lies against Vinod personally.

Why other options are wrong:

- (B) is incorrect: revocation takes effect as against the third party only when it becomes known to the third party, not merely when the agent is notified.
- (C) is incorrect: the Act specifically protects third parties who deal without notice; the risk does not fall entirely on them.
- (D) is incorrect: ratification is a different concept (validation of unauthorised acts); Section 208 deals with the effect of revocation on third parties and does not require ratification to protect Ramesh.

A

Answer: (A)

Go Back to Q17

Solution

Concept: Agent Dealing on Own Account Without Disclosure — Section 215, Indian Contract Act, 1872

Section 215 provides that if an agent deals on his own account in a business entrusted to him as agent, without first making full disclosure to his principal of all material circumstances which have come to his own knowledge on the subject and obtaining the consent of his principal, the principal may repudiate the transaction. Mohan purchased the land for his own account (at Rs. 52 lakh) and then sold it to Shreya at Rs. 60 lakh, pocketing the Rs. 8 lakh difference, all without disclosing that he was selling her property he had bought as principal and not as agent. This is a textbook breach of Section 215. Shreya is entitled to repudiate the transaction and recover the purchase price paid.

Why other options are wrong:

Sol. 18.

- (A) is incorrect: the fact that a fair price was paid is irrelevant; the agent's undisclosed self-dealing is the operative wrong.
- (C) is incorrect: Section 215 expressly grants the right to repudiate the transaction itself, not merely to sue for the secret profit.
- (D) is incorrect: Section 215 of the Indian Contract Act, 1872 directly addresses this situation; the remedy is statutory, not purely equitable.

B

Answer: (B)

Go Back to Q18

Solution

Concept: Principal's Liability for Agent's Fraud in Course of Employment

Under the Indian Contract Act, 1872 and the general principles of agency law, a principal is liable to third parties for misrepresentations and frauds committed by the agent in the course of the business of the agency. The liability arises not because the principal authorised the fraud but because the fraud was committed within the actual or apparent scope of the agent's authority. Sanjay was authorised to collect loan application fees; he committed his fraud precisely while performing that authorised function. The customers reasonably believed they were paying fees to the company through its authorised representative. Brilliant Finance Ltd. is therefore liable to refund the fees to the defrauded customers, even though it did not authorise the fraud.

Why other options are wrong:

Sol. 19.

- (A) is incorrect: the standard is not express authorisation of the fraud but whether the fraud was committed in the course of the agent's authorised functions.
- (B) is incorrect: agency law under the Indian Contract Act, 1872 imposes liability on the principal for an agent's fraud in the course of employment; this is not limited to employment law concepts of vicarious liability.
- (D) is incorrect: the principal's liability is for the full harm caused to the third parties, not capped at the agency commission earned.

C

Answer: (C)

Go Back to Q19

Solution

Sol. 20.

Concept: Conditions for Perpetual Injunction — Section 38, Specific Relief Act, 1963

Section 38 of the Specific Relief Act, 1963 empowers a court to grant a perpetual injunction in three broad situations: (i) when the defendant is a trustee of property for the plaintiff; (ii) when there exists no standard for ascertaining the actual damage caused or likely to be caused; and (iii) when the act threatened would produce injury to the plaintiff which cannot adequately be compensated by money. Imminent structural damage to a heritage building is precisely the kind of irreversible, unquantifiable harm for which money damages are inadequate — once the foundations collapse, no damages can restore a heritage structure. The court should grant the perpetual injunction.

Why other options are wrong:

- (A) is incorrect: Section 38 and the law of injunctions expressly contemplate relief against anticipated and threatened wrongs; courts routinely act on quia timet (anticipatory) grounds.
- (B) is incorrect: Section 38 is not limited to title disputes over immovable property; it extends to any obligation enforceable by injunction.
- (C) is incorrect: an undertaking to pay damages is relevant but not a complete answer; it is for the court to assess whether such an undertaking adequately protects against the threatened injury, and where the harm is irreversible, it will not suffice.

D

Answer: (D)

Go Back to Q20

ANSWER KEY

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