CLAT PG Law of Contract
Sample Paper – 7

Duration: 20 Minutes | Max Marks: 20

Instructions

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

SECTION A – QUESTIONS

Q1. Priya, a software vendor based in Bengaluru, sends an email to Rohan, a Mumbai-based client, proposing to license her accounting software for Rs. 3,00,000 per year. The email is received by Rohan's server but lands in his spam folder; he does not read it for three weeks. Rohan eventually finds it and immediately sends an acceptance email. Priya contends that the offer was never effectively communicated and therefore no contract arose. The dispute requires interpretation of both the Indian Contract Act, 1872 and the Information Technology Act, 2000.

Which of the following most accurately states the legal position regarding formation of the contract?

(A) No offer was communicated because the email reached a spam folder and was never read promptly.

(B) The offer was communicated when Priya's email was dispatched from her mail server.

(C) The contract arose when Rohan sent his acceptance, irrespective of when Priya's email was received.

(D) The offer was communicated when it entered Rohan's mail server, and the acceptance was complete against Priya when she received Rohan's email.

Q2. A government department issued a public notice inviting tenders for supplying stationery items "as and when required" during a financial year at a fixed rate schedule. Sharma Stationery submitted the lowest tender, which the department approved. Three months into the year, the department placed an order for 500 reams of paper. Sharma Stationery refused to supply, arguing that the approved tender was merely an option and not a binding contract. The department seeks to enforce supply.

Which of the following correctly describes the legal nature of the approved tender?

(A) The approved tender constitutes a standing offer, and each departmental order creates a separate binding contract upon Sharma's receipt.
(B) The approved tender is itself a completed bilateral contract obligating Sharma to keep stock throughout the year.
(C) Sharma can withdraw the tender at any time before each individual order is placed, without any liability.
(D) Once the tender is approved, it operates as an irrevocable offer for the entire year and cannot be withdrawn.

Q3. Deepa executes a gift deed transferring her ancestral plot to her nephew Akhil. As part of the same transaction, Akhil promises his aunt's creditor, Mehta, that he will pay off the existing mortgage of Rs. 5,00,000 on the plot. Deepa did not personally promise anything to Mehta. When Akhil later refuses to pay, Mehta sues him. Akhil argues that there is no valid consideration because the promise to pay the mortgage flowed from Deepa and not from Mehta.

Which of the following best states the applicable Indian law?

(A) Mehta cannot sue because he is not privy to the contract between Deepa and Akhil.
(B) Consideration may move from a third party under Section 2(d) of the Indian Contract Act; Mehta can enforce Akhil's promise as the consideration moved from Deepa on his behalf.

(C) Akhil's promise is unenforceable because past consideration does not constitute valid consideration.

(D) The promise is void since a donee cannot be compelled to discharge a donor's obligations.

Q4. In 2010, Ramesh borrowed Rs. 2,00,000 from Suresh. The debt fell due in 2011 but was never repaid, and the limitation period of three years expired in 2014. In 2024, Ramesh writes a signed letter to Suresh stating, "I acknowledge that I owe you Rs. 2,00,000 from the old loan and I promise to pay Rs. 1,50,000 in full settlement." Suresh sues in 2025 to recover Rs. 1,50,000.

Which of the following correctly states the enforceability of the promise?

(A) The promise is void for want of consideration because the original debt is extinguished by limitation.

(B) The promise is enforceable for the full original amount of Rs. 2,00,000 as it revives the entire debt.

(C) The promise is enforceable for Rs. 1,50,000 under Section 25(3) of the Indian Contract Act, as it is a written and signed promise to pay a time-barred debt.

(D) The promise is unenforceable because a fresh written contract must be supported by fresh consideration.

Q5. Kavita agrees to sell her stallion to Naresh. She knows that the horse has a recurring joint ailment that significantly reduces its racing potential, but she does not disclose this fact. Naresh, who is purchasing the stallion specifically for competitive racing and communicates this purpose to Kavita, does not ask about health issues and Kavita remains silent. After purchase, the ailment is discovered and the horse fails in races. Naresh seeks to avoid the contract on the ground of fraud.

Which of the following best represents the legal position?

(A) Kavita's silence is not fraud because the general rule under Section 17 is that silence does not amount to fraud.

(B) Naresh has no remedy because he failed to perform due diligence before purchase.

(C) There is no fraud because Kavita made no active misrepresentation about the horse's condition.

(D) Kavita's silence amounts to fraud under the proviso to Section 17 because, given Naresh's disclosed purpose, her silence was equivalent to speech and she had a duty to speak.

Q6. Vinod discovers that his business partner Girish had falsified some accounts several years ago. Vinod threatens to report Girish to the tax authorities unless Girish signs a deed transferring his share in the partnership firm to Vinod for a nominal consideration of Rs. 1,000. Girish, under this threat, signs the deed. Girish later seeks to avoid the deed on the ground of coercion under the Indian Contract Act, 1872.

Which of the following best describes the legal position?

(A) The deed is voidable at Girish's option because threatening to expose a private matter to obtain consent constitutes coercion under Section 15, as it is an act forbidden by the Indian Penal Code (extortion).

(B) The deed is valid because Vinod had a lawful right to report the wrongdoing to authorities.

(C) There is no coercion because threats relating to a civil matter do not fall within Section 15 of the Indian Contract Act.

(D) The deed is void ab initio because coercion always renders a contract completely void.

Q7. Fifteen-year-old Arjun, misrepresenting his age as twenty-two, obtains a loan of Rs. 80,000 from Lender Co. He spends Rs. 60,000 on a motorcycle (which he still possesses) and Rs. 20,000 on a vacation. Lender Co. sues Arjun for recovery. Arjun pleads minority as a complete defence. The court must determine whether any remedy is available to Lender Co.

Which of the following correctly states the remedy, if any, available to Lender Co.?

(A) Lender Co. can recover the full Rs. 80,000 because Arjun fraudulently misrepresented his age and is estopped from pleading minority.

(B) Under Section 33 of the Specific Relief Act, 1963, the court may order restitution of the motorcycle (benefit still traceable), but cannot compel repayment of the Rs. 20,000 already spent on the vacation.

(C) A minor's contract is void ab initio and no restitution of any kind is available to Lender Co.

(D) Lender Co. can sue Arjun's guardians for the full amount on the principle of vicarious liability.

Q8. Prakash, a brothel owner, lets a house to Seema, a sex worker, fully aware that Seema intends to use it for purposes that amount to prostitution—an activity the Immoral Traffic (Prevention) Act regulates and largely prohibits. The rent agreed is Rs. 40,000 per month, significantly above market rate. Seema pays two months' rent and then vacates, claiming the agreement is void. Prakash sues for the unpaid rent.

Which of the following correctly states the legal position?

(A) The agreement is valid because letting of premises is a lawful act and the landlord is not a party to what the tenant does inside.

(B) Seema is liable to pay the rent because she voluntarily entered the agreement and cannot benefit from her own wrong.

(C) The agreement is void under Section 23 of the Indian Contract Act because the object and consideration are immoral and opposed to public policy; neither party can recover from the other.

(D) Prakash can recover the rent for the two months already occupied because partial performance creates an implied valid contract.

Q9. Techwave Pvt. Ltd. includes a clause in its employment contract with software engineer Ritu stating: "During the tenure of your employment, you shall not, directly or indirectly, engage in any activity—whether as an employee, consultant, or partner—for any entity that operates in the information technology sector anywhere in India." Ritu, while still employed, takes up a weekend consultancy with a startup in a different city. Techwave seeks an injunction to enforce the restraint clause.

Which of the following best states the enforceability of the clause?

(A) The clause is valid and enforceable in full because it protects Techwave's legitimate business interests during employment.
(B) The clause is void under Section 27 of the Indian Contract Act, as all restraint of trade clauses are void irrespective of their scope or duration.
(C) Courts in India consistently enforce such clauses during the period of employment as they do not amount to restraint of trade.
(D) The clause imposing an absolute, nationwide restraint during service is void under Section 27, as it goes beyond what is reasonable to protect trade secrets and constitutes an unreasonable restriction on Ritu's right to work.

Q10. Omega Constructions contracted with the Municipal Corporation to build a flyover for Rs. 5 crore. Unknown to both parties, the designated land was subject to a statutory freeze and could not be used for the purpose—a fact that would have made the contract impossible from the outset. Omega spent Rs. 1.8 crore on preliminary work before the impossibility came to light. The Municipal Corporation refuses to pay anything, arguing the contract is void ab initio.

Which of the following correctly states the legal position regarding restitution?

(A) Under Section 65 of the Indian Contract Act, when an agreement is discovered to be void, any person who has received any advantage under it is bound to restore it or make compensation; Omega is entitled to recover Rs. 1.8 crore for work done.
(B) Section 65 does not apply to void agreements; Omega has no remedy.
(C) The Municipal Corporation must pay the full contract price of Rs. 5 crore because it failed to disclose the land freeze.
(D) Omega can only recover under unjust enrichment if the Corporation has been enriched, and since the flyover was not built, there is no enrichment.

Q11. Sunita agreed to deliver 500 metres of handloom fabric to a boutique owner, Nalini, by 1 March. By mid-February, Sunita telephoned Nalini to say the delivery would be delayed by at least three weeks. Nalini replied, "Don't worry, take your time—I won't hold you to the 1 March deadline." Sunita delivered on 22 March. Nalini then sued for breach of contract, claiming that the original deadline was binding. Sunita relies on Nalini's oral assurance.

Which of the following best represents the legal position?

(A) Nalini succeeds because an oral waiver of a contractual right is ineffective and the original deadline remains binding.
(B) Under Section 63 of the Indian Contract Act, Nalini's assurance operates as a valid waiver of the 1 March deadline and Sunita is not in breach; Nalini cannot resile from her unequivocal waiver after Sunita acted upon it.
(C) Nalini can still claim damages for the delay because the waiver was not supported by fresh consideration.
(D) The waiver applies only to the delivery date and not to the quality of goods delivered.

Q12. Ajit, Bimal, and Chandru jointly borrowed Rs. 3,00,000 from a financier and signed a joint promissory note. When repayment fell due, the financier sued only Ajit and recovered the entire Rs. 3,00,000 from him. Ajit now seeks contribution from Bimal and Chandru. Bimal claims he has no obligation to contribute because the suit was only against Ajit. Chandru is insolvent.

Which of the following correctly states the position of Ajit vis-à-vis Bimal?

(A) Ajit cannot recover from Bimal because the creditor chose to sue only Ajit, thereby releasing Bimal.
(B) Ajit can recover from Bimal only if the original promissory note expressly provides for contribution.
(C) Under Section 43 of the Indian Contract Act, each co-promisor is liable to contribute equally; Ajit can recover Rs. 1,50,000 from Bi-

mal (Chandru's share being shared equally between Ajit and Bimal in view of his insolvency).

(D) Bimal is liable only for his original one-third share of Rs. 1,00,000 and is not required to share Chandru's portion.

Q13. Rao, a painter, contracted with Sharma to paint the interior of Sharma's new office complex by a specified date. The agreement required Sharma to provide all paints and materials to Rao at least one week before the work was to begin. Sharma failed to provide the materials on time. As a result, Rao could not complete the painting by the deadline. Sharma now sues Rao for breach of the completion date.

Which of the following best describes the legal outcome?

(A) Rao is liable for breach because the obligation to complete on time was absolute and independent of Sharma providing materials.

(B) Sharma is only liable to compensate Rao for extra costs but can still claim damages for delay in completion.

(C) Rao may claim damages from Sharma for the delay caused, but Rao himself remains in breach for not completing on time.

(D) Under Section 53 of the Indian Contract Act, when one party to a contract of reciprocal promises prevents the other from performing, the prevented party is excused from performance and may sue the preventing party for breach.

Q14. Leela was induced to sell her painting to a gallery for Rs. 2,00,000 through the gallery owner's misrepresentation that the painting had been independently valued at Rs. 3,50,000, when in fact no such valuation had been done. After discovering the truth, Leela rescinded the contract. The gallery demands that before rescission is complete, Leela must refund the full Rs. 2,00,000 purchase price already paid, and also return any ancillary benefit she received. Leela concedes she must return the money but questions what else she must restore.

Which of the following most accurately states the obligation on rescission?

(A) Under Section 64 of the Indian Contract Act, the party rescinding a voidable contract must restore any benefit received under the contract; Leela must return the Rs. 2,00,000 and any other benefit received from the gallery, and in turn is entitled to recover her painting.
(B) Leela need not restore any benefit because the other party was itself guilty of misrepresentation.
(C) Rescission only cancels future obligations; any benefits already exchanged need not be returned.
(D) Leela must restore the benefit only if the gallery can show it suffered a loss, which is not the case here since the painting will be returned.

Q15. Singh & Sons were engaged by a developer to construct a commercial complex in three phases for a lump-sum price of Rs. 90 lakh. After completing Phase 1 and part of Phase 2, the developer wrongfully terminated the contract, claiming unsatisfactory workmanship (which was disproved). Singh & Sons seek compensation. They cannot claim the lump-sum because performance is incomplete.

Which of the following best states the remedy available to Singh & Sons?

(A) Singh & Sons are entitled to nothing because they failed to complete the lump-sum contract.
(B) Singh & Sons may sue on quantum meruit for the reasonable value of the work actually completed, because the developer's wrongful prevention discharged them from completing the contract and entitled them to be paid for what was done.
(C) Singh & Sons can only claim damages for loss of profit on the unperformed portion and not for work already done.
(D) Singh & Sons must first offer to complete the remaining work before claiming any payment.

Q16. Nair was appointed as a real-estate agent by Patel to find a buyer for Patel's commercial property at Rs. 1.5 crore. The agreed commission was 2% of the sale price, payable "upon successful completion of the sale." Nair introduced a buyer, Qureshi, who signed a memorandum of under-standing with Patel. However, Patel later decided not to sell and refused to proceed. Nair claims his commission. Patel contends commission is due only on registration of the sale deed.

Which of the following correctly states when Nair's right to remuneration accrued?

(A) Nair's right to commission accrued only upon registration of the sale deed, and since that never happened, he is not entitled to anything.
(B) Nair is entitled to a proportionate commission calculated on the MOU value, not the full agreed commission.
(C) Under Sections 219–220 of the Indian Contract Act, an agent who has completed the act for which he was appointed acquires a right to remuneration; since Nair fulfilled his mandate by finding a willing buyer, Patel's refusal to complete the sale does not defeat Nair's right to commission.
(D) Nair's right to remuneration is defeated because the sale was not completed due to the buyer's default.

Q17. Anand was appointed as a purchasing agent by a textile manufacturer to procure raw cotton. Anand secretly negotiated a "kickback" arrangement with a supplier, receiving Rs. 50,000 for every consignment he directed to that supplier—without disclosing this to the manufacturer. The manufacturer later discovered this arrangement. The manufacturer sues to recover the secret profit and also seeks to dismiss Anand without paying his agreed remuneration.

Which of the following best states the legal consequence?

(A) Anand must disgorge only the secret profit; he retains his right to remuneration because his principal suffered no proven loss.
(B) The manufacturer can rescind the contracts entered through Anand but cannot recover the secret profit because it was received from a third party, not from the principal.
(C) Anand's right to remuneration is unaffected because his commission agreement was separate from the kickback arrangement.

(D) Under Section 213 of the Indian Contract Act, Anand is bound to pay over all secret profits to his principal; additionally, the principal may refuse to pay Anand his remuneration and may recover any loss caused by the undisclosed conflict of interest.

Q18. A cargo ship carrying a consignment of perishable fruits owned by a merchant was stranded in a foreign port due to an unexpected harbour closure. The ship's captain, unable to contact the merchant despite multiple attempts, sold the cargo at the prevailing market rate to prevent total spoilage. Upon the ship's return, the merchant refused to ratify the sale and demanded the captain restore the cargo or pay its original invoice value.

Which of the following correctly states whether an agency of necessity arose?

(A) An agency of necessity arose validly: the captain had no practical way to communicate with the merchant, the cargo faced imminent destruction, and the sale was made in the merchant's best interests; the merchant is bound by the sale.

(B) Agency of necessity requires prior written authority; since none existed, the captain had no power to sell.

(C) The captain's action is void because only a court-appointed guardian can act in an emergency on behalf of an absent principal.

(D) The merchant can reject the sale because agency of necessity applies only to perishable goods carried within India.

Q19. Vimal and Dev executed an agreement for the sale of Dev's ancestral house at Rs. 80 lakh. Vimal paid an earnest money of Rs. 10 lakh. The agreement required the balance to be paid within three months and the sale deed to be registered. Within the three-month period, Vimal failed to arrange the remaining Rs. 70 lakh and did not approach Dev. After the period expired, Vimal sought specific performance, claiming he was "ready and willing" at all material times.

Which of the following best states the outcome of Vimal's suit?

(A) Vimal's suit succeeds because paying earnest money is sufficient proof of readiness and willingness.

(B) Vimal's suit for specific performance will fail because the court requires the plaintiff to demonstrate actual and continuous readiness and willingness to perform the contract throughout the period; Vimal's failure to arrange and tender the balance within the stipulated period negates this requirement.

(C) Vimal can claim an extension of time as a matter of right where the delay was caused by financial difficulties beyond his control.

(D) Dev must first offer to return the earnest money before Vimal's claim of unreadiness can be sustained.

Q20. Meera is a co-owner of a property along with her two brothers. A third party, Desai, has publicly claimed that he holds a registered power of attorney from Meera authorising him to sell her share. Meera denies having executed any such document. Meera's brothers, fearing that their own shares will be clouded, want to seek a declaration that the alleged power of attorney is forged and void. Meera has not authorised her brothers to act on her behalf.

Which of the following correctly identifies who may institute a suit for declaration under Section 34 of the Specific Relief Act, 1963?

(A) Both Meera and her brothers may jointly file a declaration suit as co-owners of the property.

(B) Meera's brothers may independently seek the declaration because they have a direct financial interest in preventing the sale of Meera's share.

(C) Only Meera, as the person whose legal character or right to property is directly affected by Desai's claim, is entitled to seek the declaration; her brothers may join only if their own legal rights are independently threatened by the alleged power of attorney.

(D) Any person with a general interest in the property, including co-owners, may seek a declaration under Section 34 without needing to show a specific legal right.

SECTION B – SOLUTIONS

Solution

Concept: Communication of Offer and Acceptance in Electronic Contracts (IT Act, 2000 read with ICA, 1872)

Under Section 13 of the Information Technology Act, 2000, an electronic record is "dispatched" when it enters a computer resource outside the originator's control, and "received" when it enters the designated computer resource of the addressee—in this case, Rohan's mail server. Section 4 of the IT Act equates electronic records with written communications under the ICA. Under Section 4 of the Indian Contract Act, communication of an offer is complete when it comes to the knowledge of the offeree. However, under the IT Act, the deemed receipt point is entry into the server. Rohan's acceptance email is complete against Priya when she receives it (per Section 4, ICA).

Why other options are wrong:

Sol. 1.

- (A) Incorrect—the IT Act does not require the email to be read; entry into the server constitutes receipt.
- (B) Incorrect—dispatch from Priya's server does not complete communication; it is the entry into the recipient's server that matters under the IT Act scheme.
- (C) Incorrect—Section 4, ICA requires the offer to have been communicated before acceptance is effective; the timing of acceptance must be assessed against the offer's receipt.

D

Answer: (D) Go Back to Q1

Solution

Concept: Standing Offer / Tender and Contract Formation

A standing offer (or open tender) is not a contract in itself; it is a continuing offer to supply goods or services on stipulated terms. It is converted into a binding contract only when an order is placed pursuant to it—each order constitutes a fresh acceptance creating a distinct contract. This is the orthodox common law position recognised in Indian commercial law. Sharma Stationery, as offeror, could theoretically withdraw the standing offer before an order is placed, but once an order is placed and communicated, Sharma is bound by that contract.

Why other options are wrong:

Sol. 2.

- (B) Incorrect—approval of the tender does not create a bilateral contract for the whole year; there must be individual orders.
- (C) Partly correct as to withdrawal before ordering, but the question's specific scenario involves a placed order, making this option inapplicable at the time of refusal.
- (D) Incorrect—a standing offer is not irrevocable; it may be withdrawn before acceptance via an order, subject to applicable notice.

A

Answer: (A) Go Back to Q2

Solution

Concept: Consideration Moving from a Third Party (Section 2(d), Indian Contract Act, 1872)

Section 2(d) of the Indian Contract Act defines consideration as an act or abstinence done "by the promisee or any other person." The phrase "any other person" is critical: unlike English law (where consideration must move from the promisee), Indian law expressly permits consideration to flow from a third party. In the present facts, Deepa (the third party) provided the consideration by transferring the plot, and Akhil made a promise to Mehta in exchange. Mehta, as the promisee and beneficiary of Akhil's promise, can enforce it even though he himself furnished no consideration to Akhil.

Why other options are wrong:

Sol. 3.

- (A) Incorrect—the Indian rule on privity differs from English law; Section 2(d) allows third-party consideration and, in certain situations like this, enables enforcement.
- (C) Incorrect—the consideration is not "past" in the strict sense; the transfer of property and the promise were part of the same transaction.
- (D) Incorrect—there is no rule that a donee cannot be bound by an obligation undertaken as part of the gift transaction.

B

Answer: (B) Go Back to Q3

Solution

Concept: Promise to Pay Time-Barred Debt (Section 25(3), Indian Contract Act, 1872)

Section 25(3) creates a statutory exception to the general rule that a promise without consideration is void. It provides that a written, signed promise by a debtor or his agent to pay a time-barred debt is enforceable "to the extent promised." The debt need not be revived in its entirety; only the amount promised is recoverable. Ramesh's signed letter constitutes such a promise for Rs. 1,50,000, making it enforceable up to that sum.

Why other options are wrong:

Sol. 4.

- (A) Incorrect—Section 25(3) is specifically designed to make such a promise enforceable without fresh consideration.
- (B) Incorrect—the promise is enforceable only "to the extent promised," i.e., Rs. 1,50,000, not the original amount.
- (D) Incorrect—the whole point of Section 25(3) is that no fresh consideration is needed; the moral obligation of the time-barred debt is sufficient.

C

Answer: (C) Go Back to Q4

Solution

Concept: Silence as Fraud Where Duty to Speak Exists (Section 17 Proviso, ICA)

Section 17 of the Indian Contract Act defines fraud. The general rule is that mere silence does not amount to fraud. However, the proviso creates two exceptions: (i) where the circumstances of the case are such that it is the duty of the person keeping silence to speak, and (ii) where silence is itself equivalent to speech. When Naresh communicated his specific purpose (competitive racing) to Kavita, a duty arose on Kavita—who knew of the latent defect—to disclose it. Her deliberate silence in these circumstances falls squarely within the proviso and constitutes fraud.

Why other options are wrong:

Sol. 5.

- (A) Incorrect—this states the general rule without applying the proviso, which is directly triggered on these facts.
- (B) Incorrect—the burden of disclosure shifts to the seller once she knows of a latent defect material to the disclosed purpose.
- (C) Incorrect—silence can constitute fraud under the proviso; active mis-

representation is not required.

D

Answer: (D) Go Back to Q5

Solution

Concept: Coercion by Threat to Expose a Private Matter (Section 15, ICA)

Section 15 defines coercion as the committing or threatening to commit any act forbidden by the Indian Penal Code, or the unlawful detaining or threatening to detain any property, with intent to cause a person to enter into an agreement. Threatening to expose a private matter to extract a benefit constitutes extortion under Section 383 of the IPC (now Section 308 BNS), which is an act forbidden by the IPC. Therefore, Vinod's threat falls within Section 15 and the deed is voidable at Girish's option.

Why other options are wrong:

Sol. 6.

- (B) Incorrect—even if reporting wrongdoing may be lawful in some contexts, using such a threat to extract a transfer is extortion and constitutes coercion under Section 15.
- (C) Incorrect—coercion under Section 15 extends beyond civil matters; threats amounting to a criminal offence (extortion) are covered.
- (D) Incorrect—coercion renders the contract voidable, not void ab initio; only the coerced party can avoid it.

A

Answer: (A) Go Back to Q6

Solution

Concept: Restitution from Minor under Section 33, Specific Relief Act, 1963

A minor's contract is void ab initio under Indian law (Mohori Bibee v. Dharmodas Ghose). The ICA offers no remedy to restore benefits given to a minor under such a contract. However, Section 33 of the Specific Relief Act, 1963, confers an equitable power on courts: when a contract is cancelled (on grounds including minority), the court may require the party to whom cancellation is granted to make any compensation it thinks just to the other party. Courts have interpreted this to allow restitution to the extent the minor retains the benefit.

The motorcycle (still traceable) may be ordered returned or its value paid, but the Rs. 20,000 spent on a vacation that yielded no retainable benefit cannot be recovered.

Why other options are wrong:

Sol. 7.

- (A) Incorrect—Indian courts do not apply estoppel to defeat minority; Arjun cannot be estopped from pleading minority even if he misrepresented his age.
- (C) Incorrect—Section 33 SRA does provide a limited restitutionary remedy.
- (D) Incorrect—guardians are not vicariously liable for a minor's fraudulent misrepresentations.

B

Answer: (B) Go Back to Q7

Solution

Concept: Agreements with Immoral or Unlawful Object (Section 23, ICA)

Section 23 of the Indian Contract Act renders void any agreement whose object or consideration is (i) forbidden by law, (ii) defeats the provisions of any law, (iii) fraudulent, (iv) injurious to person or property, or (v) immoral or opposed to public policy. Where both parties are in pari delicto (equally guilty), neither can sue the other—the rule is *in pari delicto potior est conditio defendentis*. Prakash, knowing the intended immoral use, is equally complicit; the agreement is void and he cannot recover rent for any period.

Why other options are wrong:

Sol. 8.

- (A) Incorrect—the landlord's knowledge of the immoral purpose implicates him in the illegality.
- (B) Incorrect—Seema cannot be made to pay because the agreement itself is void and the in pari delicto principle bars recovery by either party.
- (D) Incorrect—there is no partial validity; a void agreement cannot give rise to recovery for any part of performance.

C

Answer: (C) Go Back to Q8

Solution

Concept: Restraint of Trade in Employment Agreements (Section 27, ICA)

Section 27 of the Indian Contract Act declares every agreement by which any person is restrained from exercising a lawful profession, trade, or business to be void to that extent. While courts have upheld narrowly tailored confidentiality clauses, an absolute restraint—covering all IT sector work, in all of India, during the entire term of employment—goes far beyond protecting legitimate interests. Indian courts have held that even "during service" clauses that amount to total restraint are void under Section 27, particularly when there is no geographical or temporal limit and the restriction extends to unrelated activities within a broad sector.

Why other options are wrong:

Sol. 9.

- (A) Incorrect—the clause is overbroad; "legitimate business interest" cannot justify an absolute nationwide restraint.
- (B) Incorrect—while Section 27 is broadly worded, the statement that *all* restraint clauses are void (including reasonable ones protecting trade secrets) is an overstatement; the specific vice here is the absolute and unreasonable scope.
- (C) Incorrect—Indian courts do not routinely enforce such sweeping clauses; they examine scope and reasonableness.

D

Answer: (D) Go Back to Q9

Solution

Concept: Restitution Under Void Agreement (Section 65, ICA)

Section 65 of the Indian Contract Act provides that when an agreement is discovered to be void, any person who has received any advantage under it is bound to restore it or make compensation for it to the person from whom he received it. This section operates on reciprocal logic: since Omega rendered services (preliminary construction work) worth Rs. 1.8 crore from which the Corporation potentially benefited or received an advantage, it must compensate Omega. The section does not require the benefit to be tangible or physical—expenditure incurred pursuant to the void agreement qualifies.

Why other options are wrong:

Sol. 10.

- (B) Incorrect—Section 65 expressly applies to void agreements, not only voidable ones.

- (C) Incorrect—Section 65 does not trigger the full contract price; it restores the advantage received, not the bargained-for expectation.
- (D) Incorrect—"any advantage" under Section 65 is broader than tangible enrichment; work done at the request of the other party qualifies.

A

Answer: (A) Go Back to Q10

Sol. 11.

Solution

Concept: Waiver and Dispensation of Contractual Rights (Section 63, ICA)

Section 63 of the Indian Contract Act provides that every promisee may dispense with or remit, wholly or in part, the performance of the promise made to him. A waiver need not be supported by fresh consideration to be effective. Once Nalini unequivocally communicated that Sunita need not adhere to the 1 March deadline and Sunita acted on that representation by continuing to work (rather than rushing at extra cost), Nalini is bound by her waiver and is estopped from asserting the original deadline.

Why other options are wrong:

- (A) Incorrect—Section 63 explicitly allows oral dispensation; no written formality is required for waiver under ICA.
- (C) Incorrect—under Section 63, dispensation does not require fresh consideration; the principle is different from the English promissory estoppel requirement.
- (D) Incorrect—while technically the waiver is restricted to the delivery date on its face, the answer misstates the legal consequence of the waiver, which is that Sunita is not in breach.

B

Answer: (B) Go Back to Q11

Solution

Concept: Contribution Among Co-Promisors (Section 43, ICA)

Section 43 of the Indian Contract Act deals with joint and several liability. It provides that when two or more persons make a joint promise, the promisee may compel any one of them to perform the whole promise (Section 43, first paragraph). As between co-promisors, each is liable to contribute equally, unless a contrary intention appears from the contract (Section 43, second paragraph). Where one co-promisor is insolvent, the solvent co-promisors must share the insolvent's contribution equally among themselves. Therefore, Ajit (having paid all Rs. 3 lakh) can recover Rs. 1 lakh from Bimal for his own share, plus Rs. 50,000 as Chandru's half—totalling Rs. 1,50,000—from Bimal.

Why other options are wrong:

Sol. 12.

- (A) Incorrect—the creditor's election to sue only one promisor does not release the others inter se; it affects creditor-debtor relations, not the co-promisors' obligation of contribution.
- (B) Incorrect—Section 43 imposes the duty of equal contribution by operation of law, not by contract.
- (D) Incorrect—Bimal must share Chandru's insolvency burden equally with Ajit; Section 43 expressly provides for this.

C

Answer: (C) Go Back to Q12

Solution

Concept: Prevention of Performance in Reciprocal Promises (Section 53, ICA)

Section 53 of the Indian Contract Act provides: when a contract consists of reciprocal promises and one party prevents the other from performing his promise, the party so prevented is entitled to rescind the contract and claim compensation from the other for any inconvenience caused. Rao's obligation to deliver by a specific date was contingent on Sharma fulfilling the reciprocal promise to supply materials in time. Sharma's failure to supply materials is the proximate cause of the delay, and he cannot take advantage of his own wrong to sue Rao.

Why other options are wrong:

Sol. 13.

- (A) Incorrect—the obligation was not absolute; it was a reciprocal promise dependent on Sharma's prior performance.
- (B) Incorrect—Section 53 entitles the prevented party (Rao) to sue for compensation; Sharma loses his claim for breach.
- (C) Incorrect—where prevention is established under Section 53, Rao is not in breach at all; he may claim damages, not merely bear the risk of the delay.

D

Answer: (D) Go Back to Q13

Sol. 14.

Solution

Concept: Restoration of Benefits on Rescission (Section 64, ICA)

Section 64 of the Indian Contract Act provides that when a person at whose option a contract is voidable rescinds it, the other party is not required to perform any promise contained in it; and the party rescinding it must, if he has received any benefit under the contract from the other party, restore such benefit so far as may be. The logic is mutual restitution—Leela gets her painting back but must return the Rs. 2,00,000 and any other benefit received. This is an unconditional statutory obligation; the gallery's wrongdoing does not waive Leela's duty to restore.

Why other options are wrong:

- (B) Incorrect—Section 64 does not contain an exception for the case where the other party was in the wrong; mutual restitution is required.
- (C) Incorrect—Section 64 mandates restoration of past benefits received, not merely cancellation of future obligations.
- (D) Incorrect—the obligation to restore arises from Section 64 by operation of law; it is not conditional on proof of the other party's loss.

A

Answer: (A) Go Back to Q14

Solution

Concept: Quantum Meruit After Wrongful Prevention of Performance

Quantum meruit ("as much as he deserves") is a common law remedy that allows a party who has partially performed a contract to recover the reasonable value of work done, particularly where the other party wrongfully prevents completion. This principle has been absorbed into Indian contract law. Where the employer wrongfully repudiates after partial performance, the contractor is not left without a remedy simply because no lump-sum can be claimed. The contractor may sue on quantum meruit for the reasonable value of what was completed, independent of the lump-sum price.

Why other options are wrong:

Sol. 15.

- (A) Incorrect—where the breach is caused by the employer, the contractor is not disentitled; the "entire contract" rule does not apply when the other party wrongfully prevents completion.
- (C) Incorrect—quantum meruit covers the value of work done, not merely the profit on the remainder; restricting recovery to lost profits on unperformed work is too narrow.
- (D) Incorrect—once wrongful repudiation occurs, the contractor has no obligation to continue performance or offer to complete.

B

Answer: (B) Go Back to Q15

Solution

Concept: Agent's Right to Remuneration (Sections 219–220, ICA)

Section 219 of the Indian Contract Act provides that an agent is entitled to the agreed remuneration for acts done in execution of his authority. Section 220 provides that the principal cannot deprive the agent of his remuneration by preventing the agent from doing what he was appointed to do. Nair was appointed to find a willing buyer; he found one who signed an MOU. Nair's mandate was fulfilled when a ready, willing, and able buyer was introduced. Patel's unilateral decision not to proceed is a prevention that cannot be allowed to defeat Nair's accrued right to commission.

Why other options are wrong:

Sol. 16.

- (A) Incorrect—Nair's mandate was to find a buyer, not to register the deed; commission clauses are construed in light of the agent's actual mandate.
- (B) Incorrect—there is no basis for a proportionate commission on MOU value; the agreed rate applies to the notional sale price.
- (D) Incorrect—the failure to complete the sale was Patel's decision, not the buyer's default; Section 220 squarely applies.

C

Answer: (C) Go Back to Q16

Sol. 17.

Solution

Concept: Agent's Duty to Account for Secret Profits (Section 213, ICA)

Section 213 of the Indian Contract Act mandates that an agent must account to his principal for all secret profits or benefits received in the course of his agency without the principal's knowledge. This duty flows from the fiduciary character of the agent-principal relationship. An agent who breaches this duty by accepting secret kickbacks forfeits his right to remuneration (the "no profit" rule) and must disgorge the entire secret profit. The principal may also rescind contracts entered through the conflicted agent and claim damages for any resulting loss.

Why other options are wrong:

- (A) Incorrect—the secret profit must be disgorged regardless of whether the principal suffered a financial loss; breach of fiduciary duty is actionable per se.
- (B) Incorrect—the manufacturer can both rescind the contracts and recover the secret profit; the two remedies are not mutually exclusive.
- (C) Incorrect—the commission agreement does not survive a fundamental breach of fiduciary duty; the agent forfeits remuneration upon disclosure of a secret profit.

D

Answer: (D) Go Back to Q17

Sol. 18.

Solution

Concept: Agency of Necessity—Conditions for Validity

Agency of necessity arises where: (i) the agent faces a genuine emergency requiring immediate action; (ii) it is impossible or impracticable to communicate with the principal for instructions; (iii) the action taken is necessary to preserve the principal's property or interests; and (iv) the agent acts bona fide in the principal's best interests. All four conditions are satisfied here—the captain could not reach the merchant, the cargo faced certain spoilage, the sale was the only practical measure, and the price obtained was fair. The merchant is bound by the sale under agency of necessity.

Why other options are wrong:

- (B) Incorrect—agency of necessity is an implied authority arising from necessity, not a written authority; it operates precisely because prior written consent is unavailable.
- (C) Incorrect—no court appointment is required; emergency authority

vests in the person in possession of the goods when all conditions are met.

- (D) Incorrect—agency of necessity applies internationally and is not geographically restricted; the ICA does not confine it to goods carried within India.

A

Answer: (A) Go Back to Q18

Solution

Concept: Readiness and Willingness in Specific Performance (Specific Relief Act, 1963)

Under the Specific Relief Act, 1963, a plaintiff seeking specific performance must prove that he has always been and continues to be ready and willing to perform his part of the contract. This is not merely a formal or notional readiness—it requires actual financial capacity and an overt demonstration of willingness, including tendering or offering to tender the balance consideration within the stipulated period. Vimal's failure to arrange Rs. 70 lakh or to contact Dev during the three-month window conclusively negates the statutory requirement of readiness and willingness, and his suit must fail.

Why other options are wrong:

Sol. 19.

- (A) Incorrect—earnest money evidences entry into the contract, not ongoing readiness to perform; the two are distinct enquiries.
- (C) Incorrect—there is no automatic right to extension for financial difficulty; the courts may grant time in exceptional cases, but only where readiness and willingness has been established.
- (D) Incorrect—it is for Vimal (as plaintiff) to establish his own readiness; Dev's offer to return earnest money is not a precondition to the court's assessment.

B

Answer: (B) Go Back to Q19

Solution

Concept: Who May Sue for Declaration (Section 34, Specific Relief Act, 1963)

Sol. 20.

Section 34 of the Specific Relief Act empowers any person entitled to any legal character, or to any right as to any property, to institute a suit against anyone who denies or is interested to deny that character or right, and seek a declaration. The key requirement is that the plaintiff must have a direct legal right or legal character that is being challenged. In the present case, it is Meera's legal character and property right that Desai challenges through the alleged power of attorney. Her brothers' interest is secondary and contingent. They may join the suit only if the alleged PoA independently threatens their own registered rights, not merely as interested spectators.

Why other options are wrong:

- (A) Incorrect—co-ownership does not automatically entitle the brothers to seek a declaration about a right or instrument that exclusively pertains to Meera's share.
- (B) Incorrect—a financial interest in the outcome does not satisfy Section 34's requirement of a direct legal character or right to property being challenged.
- (D) Incorrect—Section 34 requires a specific legal right, not a general interest; the provision does not open the door to all interested persons.

C

Answer: (C) Go Back to Q20

ANSWER KEY

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