CLAT PG Law of Contract
Sample Paper – 8

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: Offer & Acceptance and Consideration

Q1. Harish, a manufacturer in Pune, sent a written offer to Deepak, a wholesaler in Mumbai, on 1st March, stating: "I offer to sell you 500 units of industrial fans at Rs. 800 per unit. This offer is open for acceptance until 10th March only." Deepak received the offer on 3rd March but, being busy, posted his letter of acceptance on 12th March, which reached Harish on 14th March. Deepak insists that a valid contract came into existence because his letter was posted within a reasonable time from receipt of the offer.

Which of the following best states the legal position?

(A) A valid contract was formed because the postal rule makes acceptance complete on posting, irrespective of the stipulated deadline.

(B) No contract was formed because the offer lapsed at the expiry of the fixed period (10th March) before acceptance was communicated.

(C) A valid contract was formed because Deepak posted acceptance within a reasonable time of receiving the offer.

(D) The contract is voidable at Harish's option because acceptance was delayed, but he may choose to affirm it.

Q2. Sunita wrote to Anand: "I am willing to sell my Maruti Swift (2019 model, white) for Rs. 4,50,000." At the same time, without any prior communication, Anand wrote to Sunita: “I am ready to buy your Maruti Swift for Rs. 4,50,000.” The letters crossed each other in post. Anand now claims there is a binding contract since both parties expressed identical terms simultaneously.

Which of the following correctly states the legal position?

(A) A valid contract exists because the minds of the parties met on identical terms simultaneously.

(B) A valid contract exists because simultaneous cross-offers amount to mutual acceptance under the postal rule.

(C) No contract exists because cross-offers do not constitute acceptance; one party must accept the offer actually made by the other.

(D) No contract exists because neither party signed a formal written agreement, which is mandatory for sale of movable property.

SECTION B: Consideration and Free Consent

Q3. Raghu, a contractor, entered into an agreement with Vijay, a municipal officer, whereby Raghu promised to pay Vijay Rs. 2,00,000 in exchange for Vijay ensuring that Raghu’s company received preferential treatment in the award of a public tender. The tender was awarded accordingly, but Vijay later refused to repay Rs. 50,000 that Raghu had also advanced as a personal loan in the same transaction. Raghu sued to recover the Rs. 50,000 loan.

Which of the following best describes the legal outcome?

(A) Raghu can recover the Rs. 50,000 loan because it was a separate transaction independent of the main illegal agreement.

(B) Raghu can recover the Rs. 50,000 because Vijay’s refusal amounts to unjust enrichment under Section 70.

(C) Vijay must repay Rs. 50,000 because the corrupt payment and the personal loan can be severed as distinct obligations.

(D) Raghu cannot recover anything because the entire transaction is tainted by unlawful consideration and the court will not aid either party.

Q4. Pradeep owed Suresh Rs. 1,00,000 under a contract. When Pradeep defaulted, Suresh threatened to file a civil suit for recovery of the debt unless Pradeep immediately executed a promissory note for Rs. 1,30,000 (including interest and alleged damages). Pradeep, fearing the costs and publicity of litigation, executed the promissory note. He later sought to set aside the note on the ground that it was obtained by coercion under Section 15 of the Indian Contract Act, 1872.

Which of the following best states the legal position?

(A) A threat to file a civil suit for a legitimate claim does not amount to coercion; the promissory note is valid and enforceable.
(B) A threat of civil litigation always constitutes coercion because it is a form of unlawful constraint on the will of the promisor.
(C) The promissory note is voidable for coercion because any financial pressure used to obtain consent vitiates free consent.
(D) The promissory note is void ab initio because it was executed under economic duress, which is equated with coercion in Indian law.

Q5. Kaveri sold her second-hand laptop to Rajan for Rs. 35,000. Kaveri knew that the battery backup had deteriorated significantly but did not mention this fact to Rajan. She also did not make any false statement about the laptop's condition; she simply kept silent. Rajan later discovered the battery problem and claimed the contract should be rescinded on the ground of misrepresentation under Section 18 of the Indian Contract Act, 1872.

Which of the following best states the legal position?

(A) Rajan can rescind the contract because a seller's silence about a defect always constitutes misrepresentation under Section 18.
(B) Rajan cannot rescind the contract because, in an arm's-length sale, mere silence does not ordinarily amount to misrepresentation; there is no general duty of disclosure absent a special relationship or active concealment.
(C) Rajan can rescind the contract because the laptop is a consumer good and the Consumer Protection Act imposes a duty of full disclosure.

(D) Rajan cannot rescind the contract because he failed to inspect the laptop before purchase, making him solely responsible under *caveat emptor*.

Q6. Manohar applied for a life insurance policy with a sum assured of Rs. 50,00,000. In the proposal form, he did not disclose that he had been diagnosed with Type 2 diabetes two years earlier and was on regular medication. He believed the condition was "minor" and would not affect his insurability. The insurer issued the policy. Three years later, Manohar died of a cardiac complication. The insurer sought to repudiate the claim on the ground of non-disclosure.

Which of the following best states the legal position?

(A) The insurer cannot repudiate because Manohar's non-disclosure was innocent and not fraudulent; only fraudulent misrepresentation vitiates an insurance contract.

(B) The insurer cannot repudiate because the diabetes diagnosis was a pre-existing condition, and insurers must independently verify health status before issuing policies.

(C) The insurer can repudiate the policy because insurance contracts are contracts of *uberrimae fidei* (utmost good faith), requiring the insured to disclose all material facts, whether or not asked.

(D) The insurer can repudiate only if it can show that the non-disclosure was willful, since mere forgetfulness does not amount to breach of the duty of disclosure.

SECTION C: Void Agreements and Quasi-Contracts

Q7. Gopal and Madhav entered into an agreement whereby Gopal promised to pay Madhav Rs. 5,00,000 "if the sun rises in the west on any day during the next calendar year." Madhav genuinely believed the agreement was enforceable and, when the year elapsed without the impossible condition being fulfilled, sued Gopal for breach of contract, arguing that the contract should be treated as an unconditional promise.

Which of the following correctly states the legal position?

(A) The contract is valid and Gopal must pay because the event, though highly improbable, was not entirely impossible at the time of contracting.
(B) The contract is voidable at Gopal's option because the condition was impossible, but Gopal may choose to honour it.
(C) The agreement is unlawful because wagering on natural phenomena is prohibited under the Indian Contract Act, 1872.
(D) The agreement is void because Section 36 declares void all agreements contingent on the happening of an event known to be impossible.

Q8. Ashish, a wealthy businessman with no interest in the litigation, agreed to finance Ramesh's lawsuit against a large corporation in exchange for 40% of any damages recovered. The corporation's lawyers argued that the agreement between Ashish and Ramesh was invalid. Ramesh's counsel contended that champerty agreements are perfectly legal in India since there is no statutory prohibition against them under the Indian Contract Act, 1872, and courts must simply examine whether public policy is harmed in the facts of the case.

Which of the following best states the position of Indian law?

(A) Champertous agreements are not per se void in India; they are tested on public policy grounds, and courts will enforce them if they do not lead to abuse of the judicial process or encourage frivolous litigation.
(B) Champertous agreements are absolutely void in India under the doctrine of maintenance, regardless of the parties' intentions.
(C) Champertous agreements are valid only if the financier is an advocate; agreements by non-lawyers are void for champerty.
(D) Champertous agreements are voidable for undue influence because the financier invariably has a dominant position over the impecunious litigant.

Q9. Nalini, while her neighbour Suresh was on a six-month foreign assignment, noticed that Suresh's boundary wall had partially collapsed due to heavy rains. Fearing trespass and further damage, Nalini arranged for a local contractor to repair the wall at a cost of Rs. 40,000 entirely from her own funds. She did not consult Suresh and assumed she would be reimbursed. On Suresh's return, he refused to pay, saying he had not asked Nalini to carry out the repairs.

Which of the following correctly states the legal position?

(A) Nalini cannot recover because the repairs were a purely voluntary act; Suresh never requested or authorised them.
(B) Nalini can recover Rs. 40,000 from Suresh under Section 70, provided the act was done non-gratuitously and Suresh has enjoyed the benefit of the repairs.
(C) Nalini can recover only if she can prove Suresh would have incurred the same costs himself, establishing a quid pro quo.
(D) Nalini cannot recover because Section 70 applies only where one person performs services, not where goods or construction work are involved.

SECTION D: Performance and Discharge

Q10. Amar, Bimal, and Charan jointly promised to repay Rs. 9,00,000 to their creditor Dinesh within two years. Before the debt was repaid, Bimal died leaving behind his estate. Dinesh sued only Amar and Charan, ignoring Bimal's estate. Amar contended that since the obligation was joint and Bimal had died, Dinesh could recover only two-thirds of the amount from the surviving promisors.

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

(A) Dinesh can recover only from Amar and Charan in equal shares; the liability of Bimal's estate is extinguished upon death.
(B) Dinesh must first exhaust Bimal's estate before proceeding against the surviving promisors, who bear only subsidiary liability.

(C) On the death of a joint promisor, the liability devolves on the surviving promisors and also on the legal representatives of the deceased promisor; Dinesh can proceed against all of them for the full amount.

(D) Amar and Charan are liable only for two-thirds of the debt, as each joint promisor's liability is limited to their equal share.

Q11. Ramlal agreed to sell Shyam ten bags of rice on the condition that payment would be made at the time of delivery. When the delivery date arrived, Ramlal appeared at Shyam's warehouse but Shyam was not ready with the payment, claiming he would pay only after inspecting the rice. Ramlal refused to hand over the rice and sued for breach. Shyam argued that as a buyer he was entitled to inspect goods before payment and that Ramlal's refusal itself constituted breach.

Which of the following correctly states the legal position?

(A) Shyam is correct; a buyer always has an absolute right to inspect goods before payment regardless of any term in the contract.

(B) Ramlal is in breach because by appearing without the rice pre-sorted he failed to comply with the condition of delivery.

(C) Both parties are equally at fault and the contract is discharged by mutual breach, entitling neither party to damages.

(D) Where reciprocal promises require simultaneous performance, a party who is not ready and willing to perform cannot insist that the other party perform; Shyam's failure to tender payment excuses Ramlal's non-delivery.

Q12. Fantastic Fireworks Ltd. contracted with the organising committee of a city festival to supply a grand fireworks display on the final evening of the festival. After the contract was signed but before the performance date, the State Government enacted a new statute prohibiting all public fireworks displays in urban areas due to air quality concerns. Fantastic Fireworks claimed the contract was discharged by frustration; the committee insisted Fantastic Fireworks was in breach and claimed damages.

Which of the following correctly states the legal position?

(A) The contract is discharged by frustration because performance became illegal due to a supervening change in law that was not foreseeable at the time of contracting; neither party is liable for breach.

(B) The contract is not discharged because commercial inconvenience or increased cost of compliance does not constitute frustration.

(C) The committee can claim damages because Fantastic Fireworks should have insured against regulatory risk before entering the contract.

(D) The contract is voidable at Fantastic Fireworks' option because the legislation affected only its ability to perform, not the committee's obligations.

Q13. Classic Coaches Ltd. agreed to hire out a luxury bus to Meera Travels for a 15-day tourist circuit commencing on 1st June. On 25th May, the State Government requisitioned the bus for flood relief operations under an emergency order, with no fixed end date. Classic Coaches informed Meera Travels that it could not perform. Meera Travels refused to accept this and demanded the bus on 1st June, threatening to sue for damages.

Which of the following correctly states the legal position?

(A) Classic Coaches is in breach because it should have arranged an alternative vehicle; impossibility of performance with the specific bus does not discharge the contract.

(B) The contract is frustrated because government requisition of the specific subject matter of the contract renders performance impossible through no fault of either party, discharging all obligations.

(C) The contract is suspended, not frustrated; once the requisition order is lifted, Classic Coaches must perform.

(D) The contract is voidable because the requisition amounts to *vis major*, which gives Classic Coaches the option—but not the obligation—to rescind.

SECTION E: Breach, Remedies, and Damages

Q14. Builder Pvt. Ltd. contracted with homeowner Geeta to construct a garden wall using a specified brand of bricks at an agreed price of Rs. 8,00,000.

The builder completed the wall using a different but equally strong and durable brand of bricks that cost less, resulting in a saving of Rs. 60,000. The market value of Geeta's property was unaffected by the substitution. Geeta sued for Rs. 60,000 as the "cost of cure"—that is, the cost of demolishing and rebuilding the wall with the contractually specified bricks.

Which of the following correctly states the appropriate measure of damages?

(A) Geeta is entitled to Rs. 60,000 as cost of cure because a party who does not receive the exact performance contracted for is always entitled to the cost of achieving precise conformity.

(B) Geeta is entitled to nominal damages only because the breach caused her no inconvenience whatsoever.

(C) Where the cost of cure is disproportionate to the benefit it would confer and the diminution in value is negligible, courts will award the diminution in value rather than the cost of cure as the measure of damages.

(D) Geeta is entitled to Rs. 60,000 because the builder was unjustly enriched by the saving and restitution must follow.

Q15. Under a commercial contract, Apex Exporters Ltd. was required to pay Rs. 20,00,000 to Global Suppliers Ltd. by 31st March. Apex failed to pay until 30th September—a delay of six months. Global Suppliers sued for the principal sum and also claimed Rs. 1,20,000 as interest at 12% per annum for the period of delay as part of its damages. Apex argued that interest cannot be awarded as damages for delayed payment of a debt in the absence of a prior agreement or a statutory provision authorising such interest.

Which of the following correctly states the legal position under Indian law?

(A) Apex is correct; courts can never award interest as damages for delayed payment unless there is a contractual stipulation for interest.

(B) Global Suppliers can claim interest only if Apex's delay was fraudulent, making the tort of deceit the cause of action.

(C) Courts award interest as a matter of course for any delayed payment, and Global Suppliers is entitled to interest at the agreed or prevailing market rate automatically.

(D) Courts have discretionary power under Section 34 of the Code of Civil Procedure, 1908 and Section 80 of the Indian Contract Act, 1872 (read with general principles) to award interest as damages for wrongful withholding of money, subject to the facts of the case.

SECTION F: Agency

Q16. Rohan appointed Sanjay as his agent to sell his commercial plot for not less than Rs. 80,00,000. Without Rohan's knowledge, Sanjay entered into a contract to sell the plot to Trident Builders for Rs. 75,00,000. On learning of this, Rohan initially expressed displeasure but then, finding that Trident had already begun site surveys, told Trident that he "accepted the sale." Later, Rohan attempted to escape the contract by arguing that since Sanjay acted beyond authority, the transaction was void and his casual statement of acceptance was not a formal ratification.

Which of the following correctly states the legal position?

(A) Rohan's express acceptance of the sale to Trident amounts to valid ratification, which relates back to the date of the original contract; Rohan is now bound by the full terms of the contract at Rs. 75,00,000.

(B) Rohan is not bound because ratification of an unauthorised act must be in writing and witnessed, and an oral statement is insufficient.

(C) Rohan can ratify the contract but at the revised price of Rs. 80,00,000, overriding Sanjay's unauthorised term.

(D) The contract is void ab initio because Sanjay exceeded his authority, and no subsequent ratification can breathe life into a void transaction.

Q17. Prakash was engaged by Lalitha to find a buyer for her jewellery business at a valuation of Rs. 50,00,000. Unknown to Lalitha, Prakash was simultaneously retained by Venkat—the prospective buyer—to negotiate a purchase at the lowest possible price. Prakash did not disclose his dual role to either party. The transaction was concluded at Rs. 48,00,000. On discovering Prakash's dual role, Lalitha sought to hold Prakash accountable.

Which of the following correctly states Lalitha's rights under the Indian Contract Act, 1872?

(A) Lalitha has no remedy because she received a price close to the valuation; the mere fact of a dual role without actual loss does not give rise to any right.
(B) Under Section 216, an agent who acts for both principal and third party without the knowledge of the principal is not entitled to any remuneration, and the principal may repudiate the transaction and claim damages for any resulting loss.
(C) Lalitha can only sue Venkat, as Venkat was the party who retained the agent; Prakash's liability flows only to the party that last appointed him.
(D) Prakash's liability is limited to returning his commission because the transaction itself cannot be undone once registration has taken place.

Q18. Dinesh, acting as an agent for his principal Harshad, purchased 100 tonnes of sugar from Meenal on Harshad's instructions and on Harshad's account. Harshad subsequently refused to pay Meenal on the ground that the market price of sugar had dropped and the purchase was no longer commercially viable. Meenal sued Dinesh personally and obtained a decree against him. Dinesh now seeks to be indemnified by Harshad for the amount paid to Meenal and the costs of the litigation.

Which of the following correctly states the legal position?

(A) Harshad need not indemnify Dinesh because an agent is personally responsible when the principal refuses to ratify the act.
(B) Harshad must indemnify Dinesh for the judgment sum only; legal costs incurred by the agent are the agent's personal liability.
(C) Under Sections 222 and 223, the principal must indemnify the agent against all consequences of lawful acts done in the exercise of au-

thority, including the judgment sum and costs reasonably incurred in defending the suit.

(D) Dinesh cannot seek indemnity because he should have obtained a written guarantee from Harshad before entering the contract on his behalf.

SECTION G: Specific Relief Act, 1963

Q19. Vertex Software Ltd. and DataPulse Technologies Ltd. entered into an exclusive data-sharing agreement for a period of three years. The agreement contained a clause providing that Vertex would share its proprietary algorithm data solely with DataPulse and with no other competitor. Six months into the agreement, DataPulse discovered that Vertex was about to share the same algorithm data with RivalTech Ltd. DataPulse immediately approached the court seeking an injunction to prevent Vertex from sharing the data.

Which of the following correctly states the nature of relief available under the Specific Relief Act, 1963?

(A) DataPulse can obtain a mandatory injunction compelling Vertex to continue performing its positive obligations under the agreement.

(B) DataPulse must first quantify the damages it would suffer; a court will not grant an injunction unless the exact monetary harm is established.

(C) DataPulse can seek specific performance of the data-sharing agreement in its entirety, including an order to provide the algorithm data.

(D) DataPulse can seek a preventive relief in the form of a temporary or perpetual injunction to restrain Vertex from committing the threatened breach of the exclusive data-sharing obligation.

Q20. Celeste, a popular playback singer, entered into an exclusive recording contract with MelodyMax Records for two years. The contract contained an express negative covenant prohibiting Celeste from recording songs for any other label during the contract period. Midway through the contract, Celeste began recording an album for rival label SoundWave.

MelodyMax sought an injunction restraining Celeste from recording for SoundWave.

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

(A) MelodyMax can obtain an injunction to enforce the negative covenant restraining Celeste from recording for SoundWave, even though the court cannot compel Celeste to perform her positive obligation to record for MelodyMax.

(B) MelodyMax cannot obtain an injunction because the Specific Relief Act does not apply to personal service contracts of any kind.

(C) MelodyMax is entitled to specific performance compelling Celeste to record exclusively for them, since she is a unique performer whose services cannot be compensated in money.

(D) MelodyMax can obtain an injunction only if it can demonstrate irreparable harm in monetary terms; artistic services are not treated as unique under Indian law.

SOLUTIONS

Solution

Lapse of Offer at Expiry of Fixed Period (Section 6(2))

Section 6(2) of the Indian Contract Act, 1872 provides that a proposal lapses when the time prescribed for its acceptance expires. Here, Harish explicitly stated that the offer was "open for acceptance until 10th March only." Deepak's purported acceptance was posted on 12th March, two days after the stipulated deadline. The postal rule—which deems acceptance complete upon posting—does not override the offeror's express time limit; it operates only within the window that the offer is still alive. Once the fixed period elapsed, the offer ceased to exist, and there was nothing left for Deepak to accept.

Why other options are wrong:

Sol. 1.

- **(A)** The postal rule does not extend the life of a time-bound offer; it determines when acceptance is complete, not whether the offer is still open.
- **(C)** "Reasonable time" is the standard only when no specific time is fixed; here a fixed deadline was expressly stipulated.
- **(D)** Lapse of an offer renders it extinct, not voidable; there is no offer in existence for Harish to affirm.

Final Answer: $\boxed{\text{B}}$

Answer: (B) Go Back to Q1

Solution

Cross-Offers Do Not Constitute Acceptance

A valid contract requires an offer made by one party and an acceptance of *that offer* by the other. In the situation of cross-offers, neither party is accepting the offer of the other; both are merely making independent offers simultaneously. The classic position, affirmed in *Tinn v. Hoffmann* and consistently followed in India, is that cross-offers do not create a binding contract. Anand's letter was not an acceptance of Sunita's offer—it was a coincidental independent offer on the same terms. There was no meeting of minds in the contractual sense.

Why other options are wrong:

Sol. 2.

- **(A)** "Meeting of minds" requires one party to accept the other's offer; mere coincidence of terms is insufficient.
- **(B)** The postal rule governs when acceptance takes effect; it does not convert cross-offers into mutual acceptances.
- **(D)** The Indian Contract Act does not require signatures or formal writing

for sale of movable property; the real defect is the absence of acceptance.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q2

Solution

Unlawful Consideration Vitiates the Entire Transaction (Section 23)

Section 23 of the Indian Contract Act, 1872 declares consideration or object unlawful if it is forbidden by law, would defeat the provisions of any law, is fraudulent, involves injury to a person or property, or the court regards it as immoral or opposed to public policy. The agreement to bribe a public officer is plainly unlawful. Where an agreement is tainted by a single unlawful purpose that pervades the whole transaction, the court will not sever the transactions and allow recovery of any part. The maxim *ex turpi causa non oritur actio* applies—no action arises from a base cause. Even the allegedly separate loan was part of the same corrupt arrangement and cannot be disentangled.

Why other options are wrong:

Sol. 3.

- **(A)** Courts will not split an inseverable unlawful transaction to assist either party; the alleged separateness of the loan does not insulate it.
- **(B)** Section 70 applies to non-gratuitous lawful acts; it cannot be invoked to recover money paid as part of an illegal transaction.
- **(C)** Severability is possible only where the lawful and unlawful parts are truly independent; here the loan was embedded in the corrupt arrangement.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q3

Solution

Threat of Civil Suit for a Legitimate Debt Is Not Coercion

Section 15 defines coercion as committing or threatening to commit an act forbidden by the Indian Penal Code, or the unlawful detaining or threatening to detain property. A creditor's threat to file a civil suit to recover a lawfully owed debt is not an act "forbidden by the IPC"—filing a civil suit is a lawful exercise of legal rights. The courts have consistently held that threatening to do what one is legally entitled to do does not constitute coercion. Pradeep owed the underlying debt; Suresh's use of legal process was legitimate pressure, not unlawful compulsion.

Why other options are wrong:

Sol. 4.

- **(B)** Not every threat in the litigation context is coercion; the coercion must involve an act forbidden by the IPC or unlawful detention of property.
- **(C)** Financial pressure from lawful means does not vitiate consent under Section 15; only unlawful compulsion does.
- **(D)** Indian contract law does not recognise a separate doctrine of "economic duress" equated with statutory coercion; the note is not void ab initio.

Final Answer: $\boxed{\text{A}}$

$\boxed{\textbf{Answer: (A)}}$ Go Back to Q4

Solution

Misrepresentation Requires a Positive Statement; Silence Is Ordinarily Not Misrepresentation (Section 18)

Section 18 defines misrepresentation as an unwarranted positive assertion of a fact, or a breach of duty causing advantage without intent to deceive. In a straightforward arm's-length sale, the law does not impose a general duty on a seller to volunteer information about defects unless there is active concealment, a fiduciary relationship, or a statutory duty. Silence per se does not amount to misrepresentation under Section 18. Rajan's remedy, if any, would lie under the doctrine of *caveat emptor* (buyer beware) or under applicable consumer legislation, but that depends on facts outside Section 18.

Why other options are wrong:

Sol. 5.

- **(A)** Section 18 does not make silence misrepresentation as a universal rule; it covers positive assertions and duty-based non-disclosure.
- **(C)** While the Consumer Protection Act imposes separate duties, the question is specifically framed under Section 18 of the Indian Contract Act.
- **(D)** *Caveat emptor* is indeed the reason for Rajan's inability to rescind, but it is not a ground on which "he cannot rescind" as a separate legal rule distinct from the misrepresentation point; option (B) is the most legally precise answer focusing on Section 18.

Final Answer: $\boxed{\text{B}}$

$\boxed{\textbf{Answer: (B)}}$ Go Back to Q5

Sol. 6.

Solution

Insurance Contracts and the Duty of Utmost Good Faith (*Uberrimae Fidei*)

Insurance contracts belong to the special category of contracts of *uberrimae fidei*—utmost good faith. Unlike ordinary commercial contracts, both parties—especially the insured—must voluntarily disclose all facts material to the risk, whether or not the insurer specifically asked. A material fact is one that would influence a prudent insurer in deciding whether to issue the policy or at what premium. Diabetes is unquestionably a material health fact that could affect the risk of cardiac complications. Non-disclosure of such a fact entitles the insurer to repudiate the policy, irrespective of whether the non-disclosure was fraudulent or merely innocent.

Why other options are wrong:

- **(A)** In insurance, even innocent non-disclosure of a material fact is sufficient ground for repudiation; fraud is not a necessary element.
- **(B)** The duty to disclose is on the insured; the insurer's independent verification capability does not extinguish the insured's duty.
- **(D)** Willfulness is not the standard; materiality of the undisclosed fact is the test, and diabetes is clearly material.

Final Answer: $\boxed{\text{C}}$

Answer: (C) Go Back to Q6

Sol. 7.

Solution

Agreement Contingent on an Impossible Event Is Void (Section 36)

Section 36 of the Indian Contract Act, 1872 expressly declares void all contingent contracts to do or not to do anything if an impossible event happens. The event "the sun rising in the west" is not merely highly improbable—it is physically impossible by the laws of nature. Since the contingency can never occur, no obligation ever crystallises under the contract, and the agreement is void from the outset. Madhav's argument that it should be treated as an unconditional promise is untenable because the promise was expressly conditional on an event that cannot happen.

Why other options are wrong:

- **(A)** Impossibility under Section 36 covers events known to be impossible at the time of contracting; improbability is not the relevant test.
- **(B)** The agreement is void, not voidable; a void agreement confers no option to affirm.
- **(C)** The agreement is not unlawful as a wagering agreement; it is void

because the contingency is impossible—a separate ground under Section 36.

Final Answer: $\boxed{\text{D}}$

Answer: (D) Go Back to Q7

Solution

Champerty and Maintenance in India: Public Policy Test

Unlike England, India has no statutory provision under the Indian Contract Act, 1872 that renders champertous agreements per se void or unlawful. The Supreme Court in *Ram Coomar Coondoo v. Chunder Canto Mookerjee* (1876) and subsequent decisions have held that such agreements are tested on the touchstone of public policy. Courts examine whether the agreement promotes abuse of the judicial process, stirs up litigation, or is otherwise against public interest. If the agreement does not have these vices—for example, where it enables genuine access to justice for an impecunious litigant—it may be enforced. The per se invalidity rule applicable in English law is not transplanted into Indian law.

Why other options are wrong:

Sol. 8.

- **(B)** Indian law does not adopt the English position of absolute voidness; the public policy analysis is case-specific.
- **(C)** There is no rule in Indian law restricting champerty agreements to advocates; third-party litigation funding by non-lawyers is subject to the same public policy test.
- **(D)** Champerty agreements are not categorised as voidable for undue influence; the applicable analysis is public policy, not the dominant position doctrine.

Final Answer: $\boxed{\text{A}}$

Answer: (A) Go Back to Q8

Solution

Non-Gratuitous Act Benefiting Another: Section 70

Section 70 of the Indian Contract Act, 1872 creates a quasi-contractual obligation where: (i) a person lawfully does something for another, or delivers something to another; (ii) not intending to do so gratuitously; and (iii) the other person enjoys the benefit. In such cases, the latter must pay or restore the thing done or delivered. Nalini repaired Suresh's wall—a lawful act—at her own cost, clearly not as a gift. Suresh has enjoyed the benefit of a repaired wall. The absence of a prior request by Suresh does not defeat Section 70, which is precisely designed for situations where consent was not obtained beforehand but benefit has been conferred and enjoyed.

Why other options are wrong:

Sol. 9.

- **(A)** Section 70 does not require prior request or authorisation; it is the enjoyment of the non-gratuitous act that triggers the obligation.
- **(C)** Section 70 does not require a quid pro quo analysis; it requires that the act be lawful, non-gratuitous, and the benefit be enjoyed.
- **(D)** Section 70 is not restricted to services; it encompasses any lawful thing done for another, including construction work.

Final Answer: $\boxed{\text{B}}$

Answer: (B) Go Back to Q9

Solution

Devolution of Joint Liabilities on Death of Co-Promisor (Section 45)

Section 45 of the Indian Contract Act, 1872 deals with the devolution of joint liabilities. When one of two or more joint promisors dies, the liability devolves on the surviving promisors and also on the legal representatives of the deceased. This means that the estate of Bimal is not released from liability—it continues to bear its share of the joint obligation. Amar's contention that the survivors bear only two-thirds is incorrect; the full debt can be recovered from the surviving promisors jointly or from Bimal's estate, or both. The creditor Dinesh may proceed against any combination of available debtors for the full amount.

Why other options are wrong:

Sol. 10.

- **(A)** Section 45 expressly preserves liability against the estate of the deceased promisor; it is not extinguished.
- **(B)** There is no order of priority requiring the creditor to first exhaust the deceased's estate; the surviving promisors remain primarily liable.
- **(D)** Joint promisors are liable for the whole debt, not just their proportionate share; the right of contribution among themselves is a separate matter.

Final Answer: $\boxed{\text{C}}$

Answer: (C) Go Back to Q10

Sol. 11.

Solution

Reciprocal Promises: Simultaneous Performance (Section 51)

Section 51 of the Indian Contract Act, 1872 provides that where the performance of reciprocal promises is to be simultaneous, a promisor who is not ready and willing to perform his own promise cannot call upon the other party to perform and cannot sue for non-performance. In a cash-on-delivery type sale, Shyam was required to have the payment ready at the time of delivery. His insistence on inspecting before paying, without any contractual right to do so, placed him in a position of not being "ready and willing" to perform his side of the bargain simultaneously. He therefore has no cause of action against Ramlal for non-delivery.

Why other options are wrong:

- **(A)** The right of inspection before payment must be contractually or statutorily established; it is not absolute in all sale contracts.
- **(B)** Ramlal's refusal to hand over rice when payment was not tendered is not a breach—it is the exercise of his right under Section 51.
- **(C)** The facts do not constitute mutual breach; only Shyam failed to perform simultaneously.

Final Answer: $\boxed{\text{D}}$

Answer: (D) Go Back to Q11

Sol. 12.

Solution

Frustration by Supervening Illegality (Section 56)

The doctrine of frustration under Section 56, paragraph 2, discharges a contract when, after the contract is made, performance becomes impossible or unlawful owing to circumstances that the promisor could not prevent. Supervening legislation that makes the contracted performance illegal is a classic instance of frustration by supervening illegality. At the time of contracting, there was no such law; the prohibition came after the contract was formed. Neither party was at fault, and the change in law was unforeseeable. The contract is therefore discharged by operation of law and neither party owes damages for breach.

Why other options are wrong:

- **(B)** Supervening illegality is not the same as commercial inconvenience; it goes to the root of the contract by making the precise performance contracted for unlawful.
- **(C)** There is no legal duty to insure against unforeseeable legislative changes; insurance against such risk is not a prerequisite for invoking frus-

tration.

- **(D)** Frustration discharges the contract entirely; it does not create a voidable contract at the option of one party.

Final Answer: $\boxed{A}$

Answer: (A) Go Back to Q12

Solution

Frustration by Government Requisition of Subject Matter

Where the specific subject matter of a contract—as distinct from merely one possible means of performance—is requisitioned or taken by the government, the contract is frustrated. The luxury bus was the specific, identified subject matter of the hire agreement, not an interchangeable commodity. Classic Coaches could not simply substitute another vehicle if only this specific bus was contracted for. The government requisition rendered performance of the particular contract impossible through no fault of either party. The contract is therefore frustrated under Section 56 and all obligations under it are discharged.

Why other options are wrong:

Sol. 13.

- **(A)** The duty to arrange an alternative vehicle arises only if the contract was not for the specific vehicle; if the particular bus was the subject matter, substitution is not obligatory.
- **(C)** A government requisition with no fixed end date goes beyond mere suspension; the contract purpose is radically different from what was bargained for.
- **(D)** Frustration is a common law and statutory doctrine that discharges both parties by operation of law; it does not merely give one party an option to rescind.

Final Answer: $\boxed{B}$

Answer: (B) Go Back to Q13

Solution

Cost of Cure vs. Diminution in Value as Measure of Damages

The general principle underlying damages in contract law is compensatory—to put the innocent party in the position they would have been in had the contract been performed. Where the "cost of cure" would be wholly disproportionate to any benefit that the cure would actually confer, and the diminution in market value caused by the breach is negligible (or nil), courts in India (following *Ruxley*

Electronics v. Forsyth persuasive reasoning) will award the diminution in value rather than the cost of cure. Here, the substituted bricks were equally strong, property value was unaffected, and demolishing and rebuilding the wall would cost Rs. 60,000 for no objective benefit—only literal conformity. Awarding cost of cure in these circumstances would be a windfall.

Why other options are wrong:

Sol. 14.

- **(A)** Cost of cure is not an absolute entitlement; proportionality is a key limiting factor recognised in modern damages law.
- **(B)** Nominal damages apply when there is a technical breach with no loss at all; here the breach is real even if the loss is difficult to quantify—diminution in value is the proper measure.
- **(D)** Restitution (unjust enrichment) is a separate cause of action; the builder's saving does not automatically entitle Geeta to the saved sum—the law of damages, not restitution, governs.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q14

Solution

Award of Interest as Damages for Delayed Payment

The position in Indian law on interest as damages for delayed payment has evolved through judicial interpretation and statute. Under Section 34 of the Code of Civil Procedure, 1908, courts have power to award interest on any decree for money at such rate as the court deems reasonable, from the date of the suit or a prior date. In commercial disputes, courts also draw on the principle that wrongful withholding of money that the other party is entitled to may itself give rise to a claim for damages in the form of interest, reflecting the loss of use of money. Apex's contention that interest can never be awarded without contractual stipulation is too absolute and is not the correct position under Indian law.

Why other options are wrong:

Sol. 15.

- **(A)** The absence of a contractual interest clause is not an absolute bar; courts have discretion under CPC Section 34 and equitable principles.
- **(B)** Fraudulent conduct is not a prerequisite for claiming interest as damages; any wrongful withholding may suffice.
- **(C)** Interest is not automatic "as a matter of course" for all delayed payments; the court exercises discretion considering the facts, equity, and applicable law.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q15

Solution

Sol. 16.

Ratification of Unauthorised Act by Agent: Effect and Scope

Where an agent acts beyond the authority conferred, the principal may ratify the act. Ratification, once given, relates back to the time of the original act and binds the principal to the contract on the terms as made—not as the principal might have preferred. Rohan's express statement to Trident that he "accepted the sale" is unambiguous oral ratification; no writing is required for ratification of a contract that does not itself require writing for its formation. Having ratified, Rohan cannot selectively override Sanjay's term on price—he is bound by the contract at Rs. 75,00,000.

Why other options are wrong:

- **(B)** Indian law does not require ratification to be in writing unless the underlying contract itself demands writing; oral ratification of a sale of immovable property requires more formality, but the act of ratification itself is not limited to written form in all cases.
- **(C)** A principal who ratifies takes the contract as made; he cannot alter the unauthorised agent's terms while purporting to ratify.
- **(D)** An unauthorised act creates a voidable, not void, transaction; ratification is precisely the mechanism to validate such a transaction.

Final Answer: $\boxed{A}$

Answer: (A) Go Back to Q16

Solution

Agent Acting for Both Parties Without Disclosure (Section 216)

Section 216 of the Indian Contract Act, 1872 provides that if an agent, without the knowledge of the principal, deals on his own account in the business of the agency, the principal may repudiate the transaction and also claim any benefit that may have accrued to the agent. The same principle extends to an agent who acts as agent for both parties without disclosure to either: the principal whose interests were compromised can repudiate the transaction and is not liable to pay remuneration. Lalitha was not told that Prakash was also working for the buyer; this dual role created a conflict of interest that goes to the root of the agency relationship, entitling Lalitha to repudiate the sale and claim damages for any shortfall.

Why other options are wrong:

Sol. 17.

- **(A)** Actual monetary loss is not a prerequisite for invoking Section 216; the breach of fiduciary duty is itself actionable.
- **(C)** Liability under Section 216 attaches to the agent; the principal can pursue the agent, not merely the third party who retained the agent.
- **(D)** Registration of the underlying transaction does not extinguish the principal's right to repudiate and claim damages against the disloyal agent.

Final Answer: B

Answer: (B) Go Back to Q17

Solution

Principal's Duty to Indemnify Agent for Lawful Acts (Sections 222–223)

Section 222 requires the principal to indemnify the agent against all consequences of lawful acts done in the exercise of the authority given. Section 223 extends this to acts done in good faith even if the agent technically lacked authority, subject to conditions. Dinesh purchased sugar on Harshad's explicit instructions and on Harshad's account—a fully authorised lawful act. When Harshad refused to honour the contract with Meenal, Dinesh was exposed to and suffered a decree. Harshad must compensate Dinesh for the full judgment sum as well as reasonable legal costs incurred in defending himself, since both are "consequences" of the authorised act.

Why other options are wrong:

Sol. 18.

- **(A)** The principal's subsequent refusal to ratify does not extinguish the indemnity obligation where the agent acted within authority initially.
- **(B)** Legal costs reasonably and necessarily incurred are also covered by the indemnity under Section 222—they are a direct consequence of the authorised act.
- **(D)** There is no legal requirement for a prior written guarantee before an agent acts within the scope of authority conferred orally or otherwise.

Final Answer: C

Answer: (C) Go Back to Q18

Sol. 19.

Solution

Preventive Relief: Injunction to Restrain Threatened Breach

Chapter VIII of the Specific Relief Act, 1963 deals with preventive relief, which is granted by way of injunction—temporary, perpetual, or mandatory. Where a party threatens to commit a breach of a contractual obligation (particularly a negative or exclusive obligation), the court may grant a preventive injunction to restrain that threatened breach. DataPulse's exclusive data-sharing agreement contained a negative covenant—Vertex was not to share the algorithm with any competitor. The threatened sharing with RivalTech is precisely the kind of imminent breach that a preventive injunction is designed to stop. DataPulse does not need to quantify monetary damages to seek this relief.

Why other options are wrong:

- **(A)** A mandatory injunction compels positive action; restraining Vertex from sharing data with a third party is a prohibitory (preventive) injunction, not a mandatory one.
- **(B)** Quantification of exact damages is not a prerequisite for injunctive relief; inadequacy of monetary compensation is itself a ground favouring an injunction.
- **(C)** Specific performance of the full data-sharing agreement would involve ongoing supervision; courts prefer an injunction to restrain the specific threatened act in this context.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q19

Sol. 20.

Solution

Injunction to Enforce Negative Covenant in Personal Service Contract

Section 41 of the Specific Relief Act, 1963 (as amended) empowers courts to grant an injunction to enforce the performance of a negative covenant even where specific performance of the affirmative obligation (here, compelling Celeste to record for MelodyMax) cannot be ordered. Courts will not compel a person to perform a personal service, but they can restrain that person from performing the same service for a competitor in breach of an express negative covenant. The injunction does not directly force Celeste to record for MelodyMax; it simply prevents her from recording for SoundWave during the contract term—a remedy long recognised in entertainment and employment law.

Why other options are wrong:

- **(B)** The Specific Relief Act does apply to personal service contracts to the extent of enforcing negative covenants; what it bars is specific performance of the positive obligation to render personal services.

- **(C)** Courts cannot compel the performance of personal services under specific performance; uniqueness of the performer is irrelevant to this bar.
- **(D)** The uniqueness of artistic services is precisely the reason why an injunction is more readily available; Indian courts do not require monetary quantification of harm before granting an injunction for breach of a negative covenant.

Final Answer: $\boxed{\text{A}}$

Answer: (A) **Go Back to Q20**

ANSWER KEY

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