CLAT PG Law of Contract
Sample Paper – 9

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

Q1. Suresh, a property dealer in Jaipur, wrote to Anita on 1st July offering to sell his residential plot for Rs. 30,00,000, adding: "This offer is open until 15th July." On 5th July, Anita replied: "I accept, but at Rs. 27,00,000." Suresh rejected this counter-offer on 8th July. On 12th July, Anita wrote again: "I accept your original offer of Rs. 30,00,000 unconditionally." Suresh refused to proceed, stating that no valid contract had come into being. Anita contends that since her final acceptance was within the stipulated period and on the original terms, a binding contract existed.

Which of the following correctly states the legal position?

(A) No contract was formed because Anita's reply on 5th July constituted a counter-offer that destroyed Suresh's original offer; there was no longer any offer in existence for Anita to accept on 12th July.

(B) A valid contract was formed on 12th July because Anita's acceptance was within the time limit and on the exact terms of Suresh's original offer.

(C) A valid contract was formed because a counter-offer merely suspends the original offer and does not destroy it; the original offer revives once the counter-offer is rejected.

(D) The contract is voidable at Suresh's option because the counter-offer amounted to a conditional acceptance which he may choose to affirm or repudiate.

Q2. Purebreed Kennels posted notices around the city offering a reward of Rs. 10,000 to anyone who returned their lost golden retriever, “Bruno.” Ramkishore, a daily labourer who could not read, found a dog matching Bruno’s description wandering near his house and handed it over to the kennels out of goodwill—without having seen the reward notice at all. Upon discovering the advertisement afterward, Ramkishore claimed the reward. The kennels refused, arguing that he had not performed the condition in response to the offer.

Which of the following correctly states the legal position?

(A) Ramkishore is entitled to the reward because a general offer addressed to the world at large can be accepted by any person who performs the specified condition, regardless of whether the person knew of the offer at the time.

(B) Ramkishore is not entitled to the reward because acceptance of a general offer requires that the person performing the condition must have knowledge of the offer at the time of performing the act; performance without prior knowledge of the offer is not acceptance in law.

(C) Ramkishore is entitled to the reward because his act of returning Bruno fully satisfies the condition, and subsequent ratification of performance cures the absence of prior knowledge.

(D) Ramkishore is not entitled to the reward because a reward offer of this nature must be accepted in writing to constitute a valid contract.

SECTION B: Consideration and Free Consent

Q3. Deviprasad, a revered spiritual guru, had been the religious guide and confessor of his devoted disciple Maniklal for over twenty years. Maniklal, believing that donating his ancestral house to the guru’s ashram would earn him divine merit, executed a gift deed in the guru’s favour for the house, which was valued at Rs. 80,00,000. No independent legal advice was given to Maniklal before execution. After the guru’s death, Maniklal sought to set aside the gift, contending that the guru had used his spiritual dominance to obtain the transfer.

Which of the following correctly states the legal position?

(A) The gift is valid because Maniklal executed it voluntarily and no direct threat or express pressure was used by the guru at the time of the deed.

(B) The gift is valid because undue influence under Section 16 requires proof of active, overt exploitation; a spiritual relationship alone cannot raise any presumption of undue influence.

(C) The gift is voidable at Maniklal's option because a fiduciary or religious relationship of long standing raises a presumption of undue influence under Section 16, shifting the burden to the dominant party—here, the guru's estate—to prove that the transaction was fair, that full disclosure was made, and that Maniklal acted with free and independent consent.

(D) The gift is void ab initio because Section 16 declares all transactions arising from a religious relationship to be without consideration and therefore unenforceable.

Q4. Hemant decided to sell his ground-floor apartment. Before showing it to prospective buyers, he had fresh plaster applied over large cracks in the walls, repainted the entire flat, and placed furniture strategically to conceal patches of rising damp on the floor. Neelima, a buyer who inspected the flat twice, did not discover these defects. She purchased the apartment for Rs. 60,00,000. Six months later, during heavy rains, extensive cracking and water seepage became visible. Neelima sued for rescission of the contract.

Which of the following correctly states the legal position?

(A) Neelima cannot rescind because the principle of *caveat emptor* places the responsibility on the buyer to inspect the property thoroughly, and she had two opportunities to discover the defects.

(B) Neelima cannot rescind because Section 17 of the Indian Contract Act, 1872 applies only where a seller makes a false oral or written statement; physically covering defects before inspection does not fall within its scope.

(C) Neelima cannot rescind because she conducted two inspections and must be taken to have satisfied herself as to the condition of the property before contracting.

(D) Neelima can rescind the contract because Hemant's deliberate physical concealment of known structural defects before inspection constitutes fraud by active concealment under Section 17, which makes the contract voidable at the option of the party whose consent was obtained by fraud.

Q5. Arvind offered to sell, and Sunanda agreed to purchase, a painting described as an original work by a nineteenth-century master artist, for Rs. 15,00,000. At the time of contracting, both Arvind and Sunanda genuinely and independently believed the painting to be an original; neither party had reason to doubt its authenticity. After the sale, an expert examination revealed that the painting was a high-quality reproduction made in the 1980s, with no independent artistic or historical value. Sunanda now seeks to void the transaction.

Which of the following correctly states the legal position?

(A) The agreement is void because both parties contracted under a common bilateral mistake as to a fact essential to the agreement—namely, the authenticity and nature of the subject matter—and Section 20 of the Indian Contract Act, 1872 renders an agreement void where both parties are mistaken as to a matter of fact essential to the agreement.

(B) The contract is voidable at Sunanda's option because the mistake as to quality amounts to constructive misrepresentation by the seller even though he too was mistaken.

(C) The contract is valid because a mistake as to quality of the subject matter does not affect its validity under the Indian Contract Act, 1872; only a mistake as to the identity of the subject matter avoids a contract.

(D) The contract is valid because the parties freely agreed on the price and a subsequent expert opinion cannot be used to unwind a concluded bargain.

Q6. Rajendra and Vikram entered into a partnership agreement to jointly operate a lottery scheme in their town, offering cash prizes to ticket holders. At the time of the agreement, the relevant State Government had not granted any licence permitting private lottery operations, and the applicable state legislation expressly prohibited unlicensed lotteries. When the scheme began to generate disputes over prize distribution, Rajendra approached the court seeking to enforce the partnership deed and to obtain his share of the profits.

Which of the following correctly states the legal position?

(A) The partnership agreement is valid because conducting a lottery is a commercial activity and the absence of a government licence is a regulatory irregularity that does not affect the civil contract between the two partners.

(B) The partnership agreement is void because the object of the contract—conducting an unlicensed lottery expressly prohibited by law—is unlawful under Section 23 of the Indian Contract Act, 1872, and no court will lend its aid to enforce a contract whose object is forbidden by law.

(C) The partnership agreement is voidable at the option of either partner because the illegality arose after the contract was formed, when the government refused to grant a licence.

(D) The partnership agreement is valid as between the two partners themselves but cannot be enforced against third parties such as ticket holders.

SECTION C: Void Agreements and Quasi-Contracts

Q7. Gaurav sold his thriving textile trading business—including its goodwill, client list, and brand name—to Mehta Fabrics Pvt. Ltd. for Rs. 2,00,00,000. As part of the sale agreement, Gaurav undertook not to carry on any competing textile trading business within the city of Surat for a period of two years from the date of sale. After six months, Gaurav attempted to open a competing shop in Surat, arguing that the restraint clause was void under

Section 27 of the Indian Contract Act, 1872 as an agreement in restraint of trade.

Which of the following correctly states the legal position?

(A) The restraint clause is void because Section 27 declares every agreement in restraint of trade to be void, and no exceptions are permissible under Indian law regardless of the circumstances.
(B) The restraint clause is void because two years is an unreasonably long period; any vendor-of-goodwill restraint exceeding one year is per se invalid.
(C) The restraint clause is valid and enforceable because the proviso to Section 27 expressly saves an agreement by a seller of goodwill not to carry on a similar business, provided the restraint is reasonable in terms of geographical area and duration; a two-year city-wide restraint is reasonable in the context of a large ongoing business sale.
(D) The restraint clause is voidable at Gaurav's option because he was the weaker party in the sale negotiation and the clause was effectively imposed by the buyer.

Q8. Prakash and Shyam made a wager on the outcome of a cricket match, each depositing Rs. 50,000 with their mutual friend Tanveer as a stakeholder, to be paid to the winner. Prakash lost the wager. Before Tanveer paid the Rs. 1,00,000 to Shyam, Prakash approached a court seeking to recover his deposit of Rs. 50,000 from Tanveer on the ground that the wager was void under the Indian Contract Act, 1872.

Which of the following correctly states the legal position?

(A) Prakash cannot recover the deposit because, having lost the wager, he has forfeited any claim to the money and the stakeholder must pay it to the winner.
(B) Prakash cannot recover the deposit because Section 30 renders wagering agreements void but does not entitle the losing party to reclaim a deposit already placed with a stakeholder.
(C) Tanveer is personally liable to pay the full Rs. 1,00,000 to Shyam because acting as stakeholder for a wager makes him a guarantor of

the wager.

(D) Prakash can recover his Rs. 50,000 deposit from Tanveer because the underlying wager is void under Section 30 of the Indian Contract Act, 1872; until the stakeholder has actually paid the money over to the winner, the depositing party retains the right to recover what he has deposited.

Q9. Kamla, while walking through a busy market, found a gold bangle lying on the street. Believing it to be valuable, she made genuine efforts to trace the true owner—placing a newspaper advertisement at a cost of Rs. 2,000 and spending Rs. 3,000 on safekeeping. Three weeks later, the owner Sudha identified the bangle and demanded its immediate return. Sudha refused to reimburse Kamla for any of the expenses incurred, saying Kamla had acted entirely on her own initiative. Kamla refused to return the bangle until her expenses were reimbursed.

Which of the following correctly states the legal position?

(A) Kamla is entitled to retain the bangle until Sudha reimburses her for the expenses reasonably incurred in preserving the goods and in finding the true owner, because Section 168 of the Indian Contract Act, 1872 grants the finder of goods a lien on the goods for such expenses.

(B) Kamla must return the bangle immediately because a finder of goods acquires no rights whatsoever over found property; all possessory rights vest in the true owner from the moment of identification.

(C) Kamla is entitled to reimbursement of the safekeeping cost only; she cannot claim the advertisement expenses as they were incurred voluntarily and without prior authorisation by the owner.

(D) Kamla can retain the bangle indefinitely because the finder's right of possession against all persons other than the true owner means Sudha must also pay a reasonable reward in addition to expenses before the bangle is returned.

SECTION D: Performance and Discharge

Q10. Dinesh owed his creditor Ramesh two separate debts: Rs. 40,000 arising from a 2017 transaction (Debt A), which had become time-barred under the Limitation Act, 1963 by the year 2020; and Rs. 60,000 arising from a 2019 transaction (Debt B), which remained within the period of limitation. In March 2021, Dinesh paid Rs. 40,000 to Ramesh without specifying which debt the payment was meant to discharge. Ramesh appropriated the entire Rs. 40,000 towards Debt A. Dinesh objected, arguing that the payment should be applied to the more recent and legally enforceable Debt B.

Which of the following correctly states the legal position?

(A) Ramesh's appropriation is invalid because a creditor cannot appropriate a payment towards a debt that is no longer legally enforceable; the payment must be applied to the subsisting debt first.

(B) Ramesh's appropriation is valid because, where the debtor makes payment without indicating appropriation, the creditor has the right under Sections 60 and 61 of the Indian Contract Act, 1872 to appropriate the payment to any lawful debt owed by the debtor, including a debt that is time-barred (and thus unenforceable but not extinguished).

(C) The court must apportion the Rs. 40,000 rateably between both debts in proportion to the amounts outstanding.

(D) Dinesh can demand that the payment be applied to the most recently incurred debt because the law favours the clearance of newer obligations before older ones.

Q11. Pavan, a fabric supplier, had contracted to deliver 500 metres of silk to Jayesh, a garment manufacturer, on 10th August at an agreed price. On 10th August, Pavan arrived at Jayesh's warehouse with the agreed quantity and quality of fabric ready for delivery. Jayesh, without offering any legitimate reason, refused to accept the delivery, saying he had found a cheaper supplier. Pavan took the fabric back and subsequently sued Jayesh for breach of contract. Jayesh argued that since Pavan had not actually handed over the goods, no performance had been completed and

Pavan therefore had no cause of action.

Which of the following correctly states the legal position?

(A) Jayesh is correct; performance is complete only upon actual delivery, and Pavan retains all contractual obligations until the goods are physically handed over.
(B) Pavan is in breach because by taking the fabric back without seeking a court order he effectively abandoned the contract and released Jayesh from liability.
(C) Under Section 38 of the Indian Contract Act, 1872, a valid tender of performance that is refused without justification has the same legal effect as performance itself; Pavan is thereby discharged from any further obligation to perform and does not lose his right to sue Jayesh for breach of contract.
(D) Both parties are simultaneously discharged from the contract by the refusal of tender, and neither party can claim damages from the other.

Q12. Chandrakant owed Rs. 5,00,000 to his creditor Suryakant under a loan agreement. With Suryakant's written consent, it was agreed that Prashant would be substituted as the new debtor in place of Chandrakant, assuming the full obligation to repay the loan. The substitution agreement was duly signed by all three parties. Six months later, Prashant defaulted, and Suryakant sued both Chandrakant and Prashant, contending that novation does not release the original debtor and that Chandrakant remains a co-debtor alongside Prashant.

Which of the following correctly states the legal position?

(A) Suryakant is correct; the original debtor continues to be liable as a surety for the new debtor's obligations until the entire debt is actually repaid.
(B) The novation is invalid because an existing debt obligation cannot be transferred to a new debtor without the prior approval of a civil court.
(C) Both Chandrakant and Prashant are equally liable as joint debtors, since the novation merely added Prashant without formally releasing

Chandrakant.

(D) The novation by substitution of a new debtor, effected with the creditor's written consent, operates under Section 62 of the Indian Contract Act, 1872 to completely discharge Chandrakant from all liability under the original agreement; Suryakant's only recourse for recovery is against Prashant, the substituted debtor.

Q13. Nandita contracted to perform as the headline artist at Luxe Events' annual gala concert scheduled for 31st December. On 1st November—two months before the performance date—Nandita sent Luxe Events a written message expressly stating: "I will not be performing at your concert under any circumstances. Please make other arrangements." Luxe Events was uncertain whether to immediately engage a replacement artist or to wait until December to see if Nandita changed her mind.

Which of the following correctly states Luxe Events' legal options under the Indian Contract Act, 1872?

(A) Luxe Events may treat the repudiation as an immediate breach and sue for damages at once, or alternatively wait until the performance date and sue if Nandita still fails to perform; in either case, Luxe Events retains the right to take steps in mitigation—including engaging a replacement—while keeping its legal options open.

(B) Luxe Events must wait until 31st December to establish actual breach before any right of action accrues; anticipatory repudiation creates no immediate cause of action under Indian law.

(C) Luxe Events has no remedy at all because a party cannot maintain a suit for breach of contract before the performance date has arrived and passed without performance.

(D) Luxe Events must communicate formal acceptance of the repudiation in writing within seven days, failing which the contract is deemed affirmed and no damages can subsequently be claimed.

SECTION E: Breach, Remedies, and Damages

Q14. Apex Cargo Ltd. agreed to transport a sealed crate for its client NovaTech Pvt. Ltd. from Delhi to Bengaluru for a freight charge of Rs. 8,000. The crate appeared to be ordinary packaging and NovaTech did not inform Apex Cargo of its contents or their value. Through the carrier's negligence the crate was lost in transit. NovaTech sued for Rs. 18,00,000—the value of the crate's contents, which were prototype semiconductor components critical to a government contract—arguing that the carrier's breach caused the entire loss. Apex Cargo had no knowledge at the time of contracting that the contents were anything other than ordinary commercial goods.

Which of the following correctly states the legal position on damages?

(A) NovaTech is entitled to recover Rs. 18,00,000 because the carrier's negligence was the direct and immediate cause of the entire loss, and the principle of *restitutio in integrum* requires full compensation.

(B) NovaTech can recover only such damages as arise naturally in the ordinary course from the loss of a consignment by a carrier; the extraordinary loss attributable to the special value of the contents is not recoverable because Apex Cargo had no notice of those special circumstances at the time of contracting (Section 73 of the Indian Contract Act, 1872).

(C) Apex Cargo is liable for Rs. 18,00,000 because a carrier undertakes strict liability for the actual market value of any goods lost in transit, regardless of any prior notice of value.

(D) NovaTech is entitled to Rs. 18,00,000 minus the freight charge as the measure of damages, since the carrier's breach deprived NovaTech of the full value of its cargo.

Q15. Globaltech Constructions Ltd. entered into a building contract with Sunrise Realty for the construction of a commercial complex. The contract expressly stipulated that in the event of any breach by Globaltech, it would pay Rs. 5,00,000 as "liquidated damages." Globaltech delayed completion by three weeks, causing Sunrise Realty a provable and actual loss of Rs. 50,000. Sunrise Realty claimed the full Rs. 5,00,000 stipulated sum, arguing that since the parties had pre-agreed this amount in the contract, the court was bound to award it in full without further inquiry into actual loss.

Which of the following correctly states the legal position under Section 74 of the Indian Contract Act, 1872?

(A) Sunrise Realty is entitled to the full Rs. 5,00,000 because the parties freely negotiated and agreed on this sum as a pre-estimate of loss, and courts must enforce freely bargained liquidated damages clauses as written.

(B) Sunrise Realty is entitled to only Rs. 50,000 because Section 74 prevents recovery beyond the actual proved loss regardless of any pre-estimate stipulated in the contract.

(C) Under Section 74, the court will award reasonable compensation for the proven breach but will not necessarily award the full stipulated amount; the stipulated sum operates as a ceiling on recovery and not as an automatic entitlement, and the court will award the lesser of the stipulated sum or the sum representing reasonable compensation for actual loss proved.

(D) Sunrise Realty is not entitled to any damages because the stipulated sum vastly exceeds the actual loss and the clause is therefore void as a penalty under Indian law, leaving the plaintiff without a remedy.

SECTION F: Agency

Q16. Ravi appointed his brother Santosh as general manager to run his restaurant business during Ravi's extended absence abroad, without giving any express instructions about the limits of Santosh's spending authority. Santosh, acting in good faith, ordered commercial kitchen equipment worth Rs. 2,50,000 from a supplier, believing the purchase was necessary for the efficient operation of the restaurant. On Ravi's return, he found the equipment installed and demanded that the supplier take it back, arguing that Santosh had no specific authority to make capital purchases.

Which of the following correctly states the legal position?

(A) Ravi is not bound because Santosh's authority was confined to day-to-day operational management; capital expenditure always requires separate express authority granted by the principal.
(B) Ravi is not bound because an agent can bind the principal only for acts expressly authorised in writing; oral or implied grants of authority are not recognised for purchases above a nominal sum.
(C) Ravi is bound only for the fair market value of the equipment, not the contracted price, because implied authority does not extend to the specific financial terms of contracts made by the agent.
(D) Ravi is bound by the purchase because an agent appointed to manage a business has implied authority under Section 188 of the Indian Contract Act, 1872 to do all acts that are ordinarily done in the course of carrying on that kind of business, including purchasing equipment reasonably necessary for its operation.

Q17. Madhav, a trader, sent a circular letter to his regular business associates introducing Varun as his authorised representative "with full powers to enter into contracts on my behalf." Subsequently, Madhav verbally told Varun that he should not agree to any single purchase order exceeding Rs. 2,00,000 without prior approval. This restriction was never communicated to any of Madhav's business contacts. Relying on Madhav's circular letter, Tejraj—a supplier—entered into a purchase contract with Varun for Rs. 5,00,000. Madhav refused to honour the contract, relying on the undisclosed restriction.

Which of the following correctly states the legal position?

(A) Madhav is bound by the contract because the undisclosed restriction on Varun's authority cannot affect the rights of Tejraj, who relied on Madhav's own representation of Varun's authority; under Section 237 of the Indian Contract Act, 1872, a principal is bound by acts of an agent done within the apparent authority created by the principal's representations, as against a third party who relied on those representations in good faith.
(B) Madhav is not bound because the restriction was in existence before

the contract was concluded; Varun knew he was exceeding his actual authority and therefore could not confer rights on a third party.

(C) Madhav is not bound because apparent authority can arise only from the agent's own conduct or prior dealings and not from representations made directly by the principal.

(D) Tejraj must first exhaust his remedies against Varun personally; the principal's liability is subsidiary and arises only if Varun proves unable to satisfy the claim.

Q18. Vimla, a businesswoman in Nagpur, had appointed Ganesh as her agent to purchase goods from suppliers on her account. On 3rd September, Vimla suddenly passed away. Unaware of her death, Ganesh contracted on 6th September to purchase a consignment of machinery from Shrinivas for Rs. 8,00,000 on Vimla's account. Shrinivas also had no knowledge of Vimla's death at the time of contracting. Vimla's legal heirs refused to honour the contract, arguing that agency was terminated by death and no post-death act could bind the estate.

Which of the following correctly states the legal position?

(A) Vimla's estate is bound by the contract because Ganesh acted in good faith and without knowledge of the principal's death; an agent acting without notice of the principal's death does not exceed his authority and the estate is fully liable.

(B) The agency terminates on the principal's death by operation of law under Section 208; however, by virtue of Section 209 of the Indian Contract Act, 1872, this termination operates against third persons only when it becomes known to them; since Shrinivas had no notice of Vimla's death at the time of contracting, the contract made by Ganesh on her account is binding on Vimla's estate.

(C) Vimla's estate is not bound; death terminates agency instantly and absolutely, and no act done by the agent after the principal's death can bind the estate regardless of the knowledge or ignorance of the agent or the third party.

(D) Shrinivas has no remedy against the estate; his only recourse is a personal action against Ganesh for breach of the implied warranty of authority as an agent who contracted after his authority had ceased.

SECTION G: Specific Relief Act, 1963

Q19. Prime Developers Ltd. agreed to construct and hand over a customised commercial office space to Horizon Enterprises for Rs. 3,00,00,000 by a fixed contractual date. The contract described the property in standard commercial terms. Prime Developers failed to complete and hand over the premises on the agreed date. Horizon Enterprises, which had planned to use the space as a regular corporate office, filed a suit for specific performance seeking a court order directing Prime Developers to complete and deliver the office space.

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

(A) Specific performance must be granted as of right because the subject matter is immovable property and Section 10 of the Specific Relief Act, 1963 creates an absolute statutory entitlement to specific performance in all contracts relating to immovable property.

(B) Specific performance must be granted in every case where the plaintiff will suffer irreparable harm; monetary compensation can never adequately substitute for loss of business premises.

(C) Specific performance is a discretionary remedy; the court may refuse it where adequate compensation in money would suffice to place the plaintiff in as good a position as if the contract had been performed—for instance, where the property is a standard commercial office for which comparable alternatives are readily available in the open market.

(D) Specific performance cannot be granted against a developer because construction contracts involve elements of personal skill and are therefore wholly excluded from the scope of the Specific Relief Act, 1963.

Q20. Laxmiben had been living in a residential house in Ahmedabad for over fifteen years as a tenant. During her brief hospitalisation, her neighbour

Chandubhai forcibly took possession of the house, changed the locks, and refused to allow her re-entry. Laxmiben had no registered title to the property but had been in continuous, peaceful possession throughout. She filed a suit for recovery of possession within three months of dispossession. Chandubhai argued that Laxmiben's suit must fail because she could not produce a registered title deed establishing her ownership of the property.

Which of the following correctly states the legal position?

(A) Chandubhai is correct; a suit for recovery of possession of immovable property will not succeed unless the plaintiff can produce a registered title deed establishing ownership of the property.

(B) Laxmiben's suit will succeed only if she can prove that Chandubhai himself has no better title to the property than she has.

(C) Laxmiben cannot maintain the suit because mere possession without a recognised title does not give rise to any legally enforceable interest in immovable property under Indian law.

(D) Under Section 6 of the Specific Relief Act, 1963, a person who has been dispossessed of immovable property without consent and otherwise than by due process of law may recover possession by proving prior possession and wrongful dispossession, without needing to prove title; the suit must be brought within six months of dispossession.

SOLUTIONS

Sol. 1.

Solution

Counter-Offer Destroys the Original Offer (*Hyde v. Wrench* Principle)

When an offeree responds to an offer by proposing different terms, that response is a counter-offer, not an acceptance. A counter-offer has two simultaneous legal effects: (i) it rejects the original offer, destroying it once and for all, and (ii) it constitutes a fresh offer that the original offeror is free to accept or reject. Once the original offer is destroyed by a counter-offer, it cannot be revived by the offeree's subsequent attempt to accept its terms. The principle has been consistently followed in India and is implicit in the requirement under Section 7 of the Indian Contract Act, 1872 that acceptance must be absolute and unqualified. Anita's reply on 5th July—"at Rs. 27,00,000"—was a counter-offer that extinguished Suresh's original offer; her letter of 12th July was therefore an attempt to accept a non-existent offer, creating no contract.

Why other options are wrong:

- **(B)** Acceptance must match the terms of a subsisting offer; after the counter-offer of 5th July, Suresh's original offer no longer existed for Anita to accept.
- **(C)** A counter-offer does not merely suspend the original offer; it destroys it. The original offer cannot be revived unilaterally by the offeree.
- **(D)** The transaction cannot be voidable because there is no contract at all; voidability presupposes a contract that has been formed.

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

Answer: (A) Go Back to Q1

Solution

General Offer: Knowledge of the Offer Is Required for Valid Acceptance

A general offer—one made to the public at large—can in principle be accepted by any member of the public who performs the stipulated condition. However, a fundamental requirement of contract law is that acceptance must be made in response to the offer; performance that occurs without any knowledge of the offer cannot constitute acceptance because there is no animus contrahendi—no intention to accept a contract of which the offeree is unaware. This principle is illustrated by *Lalman Shukla v. Gauri Dutt* (1913 All), where the Allahabad High Court held that a servant who found his employer's missing nephew before the reward was announced was not entitled to the reward because he acted without knowledge of the offer. Ramkishore's position is identical: he returned Bruno in complete ignorance of the reward notice and therefore could not, in law, have accepted the offer.

Why other options are wrong:

Sol. 2.

- **(A)** The ability of "any person" to accept a general offer is subject to the essential precondition that the person knows of the offer at the time of performance; without that knowledge the act is not an acceptance.
- **(C)** Subsequent ratification is a concept that applies to agents acting on behalf of principals; it does not operate to convert an act performed in ignorance of an offer into a contractual acceptance.
- **(D)** Indian law imposes no requirement of written acceptance for reward contracts; the real defect is the absence of knowledge of the offer.

Final Answer: $\boxed{B}$

Answer: (B) Go Back to Q2

Solution

Undue Influence in a Fiduciary/Religious Relationship (Section 16)

Section 16(1) of the Indian Contract Act, 1872 defines undue influence as a situation where one party is in a position to dominate the will of the other and uses that position to obtain an unfair advantage. Section 16(2) specifies that a person is deemed to be in a position to dominate the will of another inter alia where he holds a real or apparent authority over the other or stands in a fiduciary relation to the other. Section 16(3) provides that where a person who is in a position to dominate the will of another enters into a contract with that person and the transaction appears unconscionable, the burden of proving that it was not induced by undue influence lies on the person in the position to dominate the will. A twenty-year guru-disciple relationship is a paradigmatic fiduciary/religious relationship; Deviprasad's estate bears the burden of rebutting the presumption, and the absence of independent legal advice and the large value of the gift make rebuttal very difficult. The contract (gift) is voidable, not void, at Maniklal's option.

Why other options are wrong:

Sol. 3.

- **(A)** Section 16 does not require overt or direct pressure; the presumption arises from the nature of the relationship and the apparent unconscionability of the transaction.
- **(B)** Section 16(2) and (3) create a presumption specifically in fiduciary and religious relationships; the position that a spiritual relationship alone is insufficient is contrary to the express wording and judicial interpretation

of Section 16.

- **(D)** Section 16 renders the affected agreement voidable—not void; the party whose consent was obtained may choose to affirm or rescind. There is no provision making religious-relationship transactions void for want of consideration.

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

Answer: (C) Go Back to Q3

Solution

Sol. 4.

Fraud by Active Concealment (Section 17)

Section 17 of the Indian Contract Act, 1872 defines fraud to include "any other act fitted to deceive" and specifically covers active concealment of a fact by one who has knowledge or belief of the fact. While mere silence generally does not constitute fraud (Section 17 Explanation), active physical concealment of a known defect is qualitatively different from silence—it is a positive step taken to prevent the other party from discovering a material fact. Hemant's actions (applying fresh plaster over cracks, strategic placement of furniture to hide damp) were deliberate acts of concealment that suppressed material defects he knew to exist. Such conduct squarely falls within the concept of active concealment and deceit under Section 17. A contract obtained by fraud is voidable at the option of the defrauded party under Section 19, entitling Neelima to rescind.

Why other options are wrong:

- **(A)** *Caveat emptor* applies where both parties have equal opportunity to inspect; it cannot shield a seller who has actively taken steps to prevent the buyer from discovering defects.
- **(B)** Section 17 is not confined to oral or written false statements; active physical steps to conceal a material defect fall within "any other act fitted to deceive."
- **(C)** Multiple inspections do not absolve the seller of liability for fraud when those inspections were themselves rendered ineffective by the seller's deliberate concealment.

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

Answer: (D) Go Back to Q4

Solution

Bilateral Mistake as to a Fact Essential to the Agreement (Section 20)

Section 20 of the Indian Contract Act, 1872 provides that where both parties to an agreement are under a mistake as to a matter of fact essential to the agreement, the agreement is void. The authenticity and nature of the subject matter—whether the painting is an original nineteenth-century work or a modern reproduction—is plainly a fact essential to the agreement: it determines the subject matter's identity, value, and commercial character. Both parties shared the same erroneous belief without any fault on either side. This is a classic bilateral or mutual mistake as to an essential fact. The agreement is therefore void ab initio under Section 20, not merely voidable, because there was never a true meeting of minds on what was actually being bought and sold.

Why other options are wrong:

Sol. 5.

- **(B)** Misrepresentation under Section 18 requires a false statement by one party; here neither party made a false representation—both were equally mistaken. The appropriate provision is Section 20.
- **(C)** The distinction between mistake as to quality and mistake as to identity is not a rigid rule under the Indian Contract Act; Section 20 applies whenever the mistake concerns a fact "essential to the agreement," which the nature and authenticity of the subject matter clearly are.
- **(D)** Freedom of contract cannot cure a fundamental bilateral mistake about what the contract was actually for; Section 20 renders such agreements void by operation of law.

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

Answer: (A) Go Back to Q5

Solution

Unlawful Object Renders Agreement Void (Section 23)

Section 23 of the Indian Contract Act, 1872 declares consideration or object to be unlawful if it is forbidden by law, would defeat the provisions of any law, is fraudulent, or is opposed to public policy. Conducting a lottery without a government licence that is expressly required by statute is an act "forbidden by law." The object of the partnership deed—operating an unlicensed lottery—is therefore unlawful under Section 23. Section 23 further provides that every agreement of which the object or consideration is unlawful is void. The court will not enforce such an agreement or assist either party to recover under it. The maxim *ex turpi causa non oritur actio* (no action arises from a base cause) applies, and Rajendra has no remedy in court.

Why other options are wrong:

Sol. 6.

- **(A)** The absence of a licence does not reduce the illegality to a mere regulatory irregularity; where the statute expressly prohibits the activity, the agreement to carry it out has an unlawful object.
- **(C)** The illegality did not arise after the contract was formed; it was inherent from the outset, since the state law already prohibited unlicensed lotteries before the agreement was made.
- **(D)** An agreement with an unlawful object is void in its entirety; it cannot be bifurcated to remain valid only as between the contracting parties.

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

Answer: (B) Go Back to Q6

Solution

Partial/Reasonable Restraint on Trade by Vendor of Goodwill Is Valid (Proviso to Section 27)

Section 27 of the Indian Contract Act, 1872 declares void every agreement by which anyone is restrained from exercising a lawful profession, trade, or business. However, the proviso to Section 27 expressly saves agreements made by a seller of goodwill with the buyer not to carry on a similar business within specified local limits, for a specified time, as long as the buyer or any person deriving title from the buyer carries on a like business, provided such limits appear to the court to be reasonable having regard to the nature of the business. A vendor who has sold the goodwill and client base of a thriving textile business for valuable consideration has received the full benefit of the sale; enforcing a reasonable non-competition covenant protects the value of the goodwill sold. A two-year restraint confined to the city of Surat is reasonable in scope and duration and falls squarely within the proviso.

Why other options are wrong:

Sol. 7.

- **(A)** Section 27 contains an express proviso for vendor-of-goodwill agreements; the blanket statement that "every" restraint is void ignores this proviso.
- **(B)** There is no statutory cap of one year for vendor-of-goodwill restraints; reasonableness is assessed on the facts, including the size and nature of the business sold.
- **(D)** Voidability requires a ground such as coercion, undue influence, or fraud; a commercially negotiated restraint in an arm's-length business sale does not attract these doctrines merely because the vendor was the selling party.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q7

Sol. 8.

Solution

Wagering Agreements and Recovery of Deposit from Stakeholder Before Payment (Section 30)

Section 30 of the Indian Contract Act, 1872 declares agreements by way of wager void, adding that no suit shall lie for recovering anything won on a wager. The section renders the wagering agreement itself unenforceable. Where a party has deposited money with a stakeholder as part of a wager, that deposit is recoverable from the stakeholder as long as the money has not yet been paid over to the winner. The stakeholder holds the money on account of the depositor; once the underlying wager is void, neither Shyam nor anyone else acquires a right to be paid. Critically, the right to recover the deposit from the stakeholder is extinguished once the stakeholder has actually paid the winner—but up to that point the depositing party can reclaim it. Since Tanveer had not yet paid Shyam, Prakash's suit to recover his Rs. 50,000 deposit is maintainable.

Why other options are wrong:

- **(A)** Because the wager is void, no right to the money ever vested in Shyam; the concept of "forfeiture" has no application to a void agreement.
- **(B)** Section 30's voiding of the wager is precisely the reason the depositing party can recover; it does not freeze the parties in their post-deposit positions.
- **(C)** A stakeholder does not become a guarantor; he holds money as a neutral custodian and his liability depends on whether the deposit has been paid over.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q8

Solution

Finder of Goods Has a Lien for Expenses of Preservation and Tracing the Owner (Section 168)

Section 168 of the Indian Contract Act, 1872 provides that the finder of goods may retain them against the owner until he receives compensation for the trouble and expense voluntarily incurred by him in preserving the goods and in finding the owner. This right is a specific possessory lien granted by statute to a finder who has acted responsibly. The provision recognises that a finder who has gone to genuine expense to safeguard found goods and locate the true owner should not be compelled to surrender possession empty-handed. Kamla's advertisement and safekeeping costs—Rs. 2,000 and Rs. 3,000 respectively—are precisely the kinds of reasonable expenses Section 168 is designed to protect. Sudha's refusal to reimburse does not entitle her to recover possession until those expenses are paid.

Why other options are wrong:

Sol. 9.

- **(B)** Section 168 expressly qualifies the true owner's right to demand immediate return; the finder's lien is a statutory right that prevails until expenses are discharged.
- **(C)** Section 168 does not draw a distinction between safekeeping costs and expenses incurred in finding the owner; both categories are covered, provided they were voluntarily and reasonably incurred.
- **(D)** Section 168 creates a lien for expenses only, not for an additional reward; a right to reward arises under Section 168 only if the article found was one the owner offered a reward for, which is not the case here.

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

Answer: (A) Go Back to Q9

Solution

Appropriation of Payments: Creditor's Right to Appropriate to Any Debt Including a Time-Barred One (Sections 60–61)

Sections 60 and 61 of the Indian Contract Act, 1872 set out the rules for appropriation of payments where a debtor owes multiple debts to the same creditor. Section 60 gives the debtor the right to direct appropriation at the time of payment. If the debtor does not exercise this right, Section 61 confers on the creditor the right to appropriate the payment to any lawful debt then due from the debtor, whether or not it is time-barred. A time-barred debt is not extinguished; it remains a legally existing obligation—the creditor merely loses the right to sue for it. It is therefore a "lawful debt due" for the purposes of Section 61. The creditor can appropriate towards it, and the debtor's voluntary payment constitutes a fresh acknowledgement of that debt, potentially reviving limitation. Ramesh's appropriation of the Rs. 40,000 to Debt A is legally valid.

Why other options are wrong:

Sol. 10.

- **(A)** Enforceability and existence of a debt are distinct concepts; a time-barred debt exists but cannot be sued upon. Section 61 allows appropriation to any "lawful debt due," not merely to enforceable ones.

- **(C)** Rateable apportionment is the rule only where neither the debtor nor the creditor has made any appropriation at all (Section 61, last sentence); here the creditor exercised his right under the earlier part of Section 61.
- **(D)** There is no rule in the Indian Contract Act favouring clearance of newer debts first; the order of appropriation is governed by the choices of the debtor and then the creditor.

Final Answer: $\boxed{B}$

Answer: (B) Go Back to Q10

Sol. 11.

Solution

Effect of Unjustified Refusal to Accept Tender of Performance (Section 38)

Section 38 of the Indian Contract Act, 1872 deals with the effect of tender (offer of performance). Where a promisor has made a proper offer to perform his promise to the promisee, and the promisee refuses to accept the offer, the promisor is not responsible for non-performance, nor does he lose his right to sue upon the contract. Three conditions are stated for a valid tender: the offer of performance must be unconditional; it must be made at a proper time and place; it must be for the whole obligation; and the person to whom it is made must have a reasonable opportunity to inspect. Pavan met all these conditions—he arrived with the correct goods at the agreed time and place. Jayesh's refusal was without justification. Under Section 38, this tender has the same legal effect as performance: Pavan is discharged from further obligation and is entitled to sue Jayesh for breach.

Why other options are wrong:

- **(A)** Section 38 treats a valid unjustifiably refused tender as equivalent to performance; Jayesh's argument that only actual delivery completes performance ignores this provision.
- **(B)** Taking back goods after a refused tender is the sensible and legally correct response; it does not constitute abandonment of the contract or the right to damages.
- **(D)** Section 38 does not discharge both parties; it discharges the tendering party and preserves that party's cause of action while placing the breaching party in the wrong.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q11

Sol. 12.

Solution

Novation by Substitution of a New Debtor Discharges the Original Debtor (Section 62)

Section 62 of the Indian Contract Act, 1872 provides that if the parties to a contract agree to substitute a new contract for it, or to rescind or alter it, the original contract need not be performed. Novation by substitution of debtor is a tripartite agreement by which the original debtor is released from all liability and a new debtor assumes the obligation in his place, with the creditor's express consent. The creditor's consent is the essential element that distinguishes novation from a mere assignment. Once that tripartite agreement is made—as it was here, with all three parties signing—Chandrakant is fully and irrevocably discharged. He is not a surety; he is not a co-debtor; he has no continuing obligation whatsoever. Suryakant, by consenting to the substitution, accepted Prashant as his sole debtor and must look to Prashant alone for recovery.

Why other options are wrong:

- **(A)** Novation is not a guarantee arrangement; the original debtor is released, not demoted to surety.
- **(B)** No court approval is needed for novation by substitution; it is a consensual variation of contract governed by Section 62, which requires only the agreement of the original parties.
- **(C)** If Chandrakant were to remain as co-debtor, that would be an addition, not a substitution; the express language of the agreement here was substitution, and Suryakant's written consent confirms he accepted the substitution in full.

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

Answer: (D) Go Back to Q12

Solution

Anticipatory Breach by Express Repudiation: Aggrieved Party's Options (Section 39)

Section 39 of the Indian Contract Act, 1872 provides that when a party to a contract has refused to perform or has disabled herself from performing her promise in its entirety, the promisee may put an end to the contract unless she has signified, by words or conduct, her acquiescence in its continuance. This provision embodies the doctrine of anticipatory breach. On an anticipatory repudiation, the aggrieved party has two options: (i) accept the repudiation as an immediate breach and sue for damages at once, without waiting for the performance date; or (ii) treat the contract as still alive, wait for the performance date, and sue only if the promisor still fails to perform. Crucially, if the aggrieved party elects to wait, it must keep the contract alive—but it may still take reasonable mitigation steps such as engaging a replacement. The right to damages for the anticipatory breach is not lost by waiting.

Why other options are wrong:

Sol. 13.

- **(B)** Section 39 expressly recognises an immediate right of action upon anticipatory repudiation; waiting until the performance date is one option, not the only option.
- **(C)** The law of anticipatory breach is precisely designed to give the aggrieved party a remedy before the performance date arrives; the argument that no suit can be brought in advance has been rejected by courts consistently.
- **(D)** No provision of the Indian Contract Act requires acceptance of repudiation in writing within a fixed number of days; the aggrieved party's election is a matter of conduct and legal strategy, not a formality with a statutory deadline.

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

Answer: (A) Go Back to Q13

Solution

Remoteness of Damage: No Recovery for Special Loss Without Notice (Section 73)

Section 73 of the Indian Contract Act, 1872 provides that the party who suffers from breach of contract is entitled to receive compensation for any loss or damage which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach. This codifies the two limbs of the English rule in *Hadley v. Baxendale* (1854). Under the first limb, the carrier's liability for loss of a consignment is limited to the ordinary market value of goods of the type it was engaged to carry—losses that arise "naturally in the usual course." Under the second limb, extraordinary losses are recoverable only if the special circumstances were communicated to the carrier at the time of contracting, so that both parties contracted on that basis. NovaTech gave Apex Cargo no notice that the crate contained high-value semiconductor components critical to a government contract. The Rs. 18,00,000 loss is entirely referable to special circumstances of which the carrier was ignorant. Only ordinary carrier's liability damages are recoverable.

Why other options are wrong:

Sol. 14.
- **(A)** *Restitutio in integrum* is the goal of contract damages, but it is bounded by the remoteness principle; not every provable loss is automatically recoverable.
- **(C)** Carriers in India are not strict insurers at full value; their liability for loss is generally measured by the ordinary value of goods of the type carried, absent a special agreement or declared value.
- **(D)** There is no rule entitling the plaintiff to the full value of lost goods minus freight; the measure of damages is the loss that flows naturally from the breach, limited by the remoteness doctrine.

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

Answer: (B) Go Back to Q14

Solution

Liquidated Damages and Penalty: Court Awards Reasonable Compensation (Section 74)

Section 74 of the Indian Contract Act, 1872 departs fundamentally from the English distinction between liquidated damages (enforceable as agreed) and penalties (unenforceable). Under Section 74, whether or not it is difficult to ascertain the actual damage, the party complaining of breach is entitled to receive from the party in breach "reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for." Two critical points follow: first, the stipulated sum is a *ceiling*, not a floor; second, the court must award "reasonable compensation" for the breach, which requires it to consider the actual loss and the circumstances, not merely the written clause. The Supreme Court in *Fateh Chand v. Balkishan Dass* (1963) and *ONGC v. Saw Pipes* (2003) affirmed this approach. Here, the actual loss is Rs. 50,000; the court will award reasonable compensation up to the ceiling of Rs. 5,00,000, i.e., not more than Rs. 50,000 unless further losses are proved.

Why other options are wrong:

Sol. 15.
- **(A)** Indian law does not enforce a pre-agreed sum as an automatic entitlement; Section 74 subjects the clause to a reasonableness inquiry and treats the stipulated sum as a ceiling.
- **(B)** Section 74 does not cap recovery at proved actual loss in all circumstances; it awards "reasonable compensation," which the court determines on the facts. In some cases reasonable compensation may exceed strictly proved monetary loss.
- **(D)** Unlike English law, Indian law under Section 74 does not strike out liquidated damages clauses as "penalties"; it simply treats the stipulated

sum as a ceiling and awards what is reasonable. Sunrise Realty is not left without remedy.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q15

Solution

Sol. 16.

Implied Authority of an Agent Appointed to Manage a Business (Section 188)

Section 188 of the Indian Contract Act, 1872 provides that an agent having authority to do an act has authority to do every lawful thing which is necessary in order to do such act, and an agent having authority to carry on a business has authority to do every act necessary for the purpose, or usually done in the course of, conducting that business. An agent appointed as general manager to run a restaurant has implied authority to make purchases necessary for its operation. Kitchen equipment is plainly necessary for—and ordinarily purchased in the course of—running a restaurant. The absence of express written authorisation for capital expenditure does not strip Santosh of this implied authority; Section 188 confers it by operation of law. Ravi, having appointed Santosh to manage the entire business in his absence, is bound by acts falling within the scope of that management.

Why other options are wrong:

- **(A)** Section 188 does not create a hard distinction between "operational" and "capital" expenditure; the test is whether the act was necessary for or usually done in the conduct of that kind of business.
- **(B)** Indian law recognises implied and oral grants of authority; Section 188's conferral of implied authority is statutory and does not require written confirmation.
- **(C)** There is no rule limiting the principal's liability to the fair market value of goods when the agent contracts at a different price within implied authority; the principal is bound on the terms agreed by the agent.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q16

Solution

Apparent (Ostensible) Authority: Principal Bound Despite Undisclosed Restriction (Section 237)

Section 237 of the Indian Contract Act, 1872 provides that when an agent has, without knowledge of the principal, incurred a liability, the principal is bound to indemnify him; but more broadly, the section embodies the principle that a principal who holds out an agent as having authority is estopped from denying that authority against a third party who relied on the representation. Where the principal himself makes an express representation of authority—as Madhav did by his circular letter introducing Varun with "full powers"—and then secretly restricts that authority without informing third parties, the principal cannot set up the restriction against a third party who dealt in good faith relying on the representation. The third party's right arises from the principal's own conduct, not from any excess on the agent's part. Tejraj had no knowledge of the Rs. 2,00,000 restriction; his reliance on the circular was entirely reasonable, and Madhav is bound.

Why other options are wrong:

Sol. 17.

- **(B)** The agent's knowledge of his own restriction cannot destroy the third party's right under apparent authority; the representation was made by the principal, not the agent.
- **(C)** Apparent authority can arise both from the principal's own representations and from the agent's past conduct; the law does not confine it to the latter source.
- **(D)** Where apparent authority is established, the principal's liability is primary, not subsidiary; the principal created the representation and must bear the consequences.

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

Answer: (A) Go Back to Q17

Solution

Termination of Agency by Death of Principal: Effect on Innocent Third Party (Sections 208–209)

Section 208 of the Indian Contract Act, 1872 provides that agency is terminated by, inter alia, the death of the principal. Section 209 further provides that when an agent's authority is terminated, it "operates as to the agent immediately, and as to third persons, when it becomes known to them." Reading Sections 208 and 209 together, the termination of agency by death takes immediate effect as between the principal's estate and the agent; however, as against third parties, termination operates only when it becomes known to them. This accords with the fundamental principle of apparent authority and the protection of innocent third parties who have no means of knowing of the termination. Since Shrinivas had no notice of Vimla's death on 6th September when he contracted with Ganesh, the termination had not yet become effective as against Shrinivas, and the contract made on Vimla's account binds her estate.

Why other options are wrong:

Sol. 18.

- **(A)** While good faith of the agent is relevant context, it is not the operative legal criterion; the binding effect on the estate flows from Section 209's protection of the third party who had no notice, not from the agent's blameless state of mind.
- **(C)** This option correctly states that Section 208 terminates agency on death but incorrectly concludes that the estate is not bound; it fails to apply Section 209, which qualifies that termination as regards third parties without notice.
- **(D)** While Ganesh may also be personally liable to Shrinivas for breach of the implied warranty of authority if the estate ultimately escapes liability on some other ground, this is a secondary remedy and does not negate the estate's primary liability established by the operation of Section 209.

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

Answer: (B) Go Back to Q18

Solution

Specific Performance Is a Discretionary Remedy; Court May Refuse Where Monetary Compensation Suffices (Section 10)

Section 10 of the Specific Relief Act, 1963 provides that specific performance of a contract may be enforced by the court, subject to the provisions contained in Chapter II. Historically, specific performance has been regarded as a discretionary remedy, and even after the 2018 amendment (which made it more readily available), courts retain the discretion to refuse it in appropriate circumstances. The discretion is properly exercised when monetary compensation would give the plaintiff adequate relief—i.e., when the plaintiff can be put in as good a position by an award of damages as by specific performance. Where the property in question is a standard commercial office space for which comparable alternatives exist in the open market, money damages enable Horizon Enterprises to acquire substitute premises. Specific performance is peculiarly appropriate where the subject matter is unique (a specific residential property, a painting, a rare object) and not readily obtainable elsewhere; it is less compelling for a generic commercial property.

Why other options are wrong:

Sol. 19.

- **(A)** Even after the 2018 amendment to the Specific Relief Act, specific performance is not an absolute right in all cases involving immovable property; the court retains discretion and considers adequacy of monetary compensation.
- **(B)** The adequacy of monetary relief is the very test; not every deprivation of property gives rise to "irreparable harm" in the legal sense. If a market exists for comparable properties, monetary compensation is adequate.
- **(D)** Construction contracts are not categorically excluded from the Specific Relief Act; they may be ordered in appropriate cases, though personal service contracts are treated differently.

Final Answer: $\boxed{C}$

Answer: (C) Go Back to Q19

Solution

Recovery of Possession of Immovable Property Without Proof of Title (Section 6 of the Specific Relief Act, 1963)

Section 6 of the Specific Relief Act, 1963 creates a summary remedy for persons dispossessed of immovable property. It provides that if any person is dispossessed without his consent of immovable property otherwise than in due course of law, he or any person claiming through him may, by suit, recover possession thereof notwithstanding any other title that may be set up in such suit. The suit must be brought within six months of the dispossession. The defining feature of Section 6 is that the plaintiff need only prove: (i) prior possession, and (ii) wrongful dispossession. Title is irrelevant to the Section 6 suit—indeed, Section 6(2) prohibits the defendant from raising a question of title as a defence. Laxmiben had fifteen years of prior possession and was forcibly and unlawfully dispossessed. She filed within three months. Her suit is fully maintainable.

Why other options are wrong:

Sol. 20.

- **(A)** Section 6(2) expressly provides that no question of title shall be raised or considered in a Section 6 suit; Chandubhai's argument is precisely the defence the section precludes.
- **(B)** The "better title" defence is also excluded under Section 6; comparative title is irrelevant in this summary proceeding, which is based solely on prior possession and wrongful ouster.
- **(C)** Possession itself is a recognised legal interest in Indian law—indeed, it is the foundation of the Section 6 remedy—and this option incorrectly conflates possession with title.

Final Answer: $\boxed{D}$

Answer: (D) Go Back to Q20

ANSWER KEY

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