

## **Part: - 1 The Indian Contract**

### **Act, 1872**

## **Chapter 1:- Nature and Kinds of Contracts**

### **1. INTRODUCTION AND DEFINITION OF CONTRACT**

1. The law relating to contracts is contained in
  - (a) The Contract Act, 1782
  - (b) The Contract Act, 1872
  - (c) The Indian Contract Act, 1872
  - (d) The Indian Contract Act, 1782.
  
2. The Indian Contract Act, applies to the
  - (a) Whole of India including Jammu & Kashmir
  - (b) Whole of India excluding Jammu & Kashmir
  - (c) States notified by the Central Government from time to time.
  - (d) States notified by the appropriate Government every year.
  
3. The Indian Contract Act came into force on
  - (a) 1st September, 1872
  - (b) 15th September, 1872
  - (c) 1st October, 1872
  - (d) 15th October. 1872.
  
4. The general principles of the law of contract are contained in
  - (a) Sections 1 to 75
  - (b) Sections 76 to 123
  - (c) Sections 124 to 238
  - (d) Section 10.
  
5. The general principles of law of contract applied to all kinds of contract irrespective of their nature.
  - (a) True, as sections 1 to 75 lay down the general principles of law of contract
  - (b) False, as for special kinds of contracts there are specific provisions in the respective laws.
  
6. Which of the following eminent jurists has defined the contract as an agreement creating and defining obligations between the parties?
  - (a) bullock
  - (b) Halsburry
  - (c) Salmons
  - (d) Anson.
  
7. The term 'contract' is defined in which of the following sections of the Indian Contract Act?
  - (a) Section 2 (a)
  - (b) Section 2 (b)
  - (c) Section 2 (e)
  - (d) Section 2 (h)
  
8. Which of the following statement is incorrect?
  - (a) An agreement enforceable by law is a contract.
  - (b) Every agreement is a contract.
  - (c) An agreement is an accepted proposal.
  - (d) A promise is defined in Section 2 (b) of the Act.
  
9. A proposal when accepted become a
  - (a) Promise (b) offer
  - (c) Acceptance (d) contract.
  
10. An agreement is \_\_\_\_\_
  - (a) Offer + enforceability
  - (b) Offer + legal obligation
  - (c) Offer + acceptance
  - (d) Offer only.

11. A contract is \_\_\_\_\_

- (a) Offer + acceptance
- (b) Agreement + enforceability
- (c) Offer + enforceability
- (d) Offer + legal obligations.

12. "Every agreement and promise enforceable at law is a contract". This definition is given by

- (a) Salmons                      (b) Anson
- (c) Halsbury                      (d) Pollock.

13. Which of the following equation is correct?

- (a) Contract = agreement + enforceability
- (b) Agreement = offer + acceptance
- (c) Both (a) and (b)
- (d) None of the above.

14. The conditions of enforceability of an agreement are laid down in y

- (a) Section 2 (a)
- (b) Section 2 (e)
- (c) Section 9
- (d) Section 10.

15. Which of the following legal statement is incorrect?

- (a) All agreements are contracts [Section 10].
- (b) An agreement enforceable by law is a contract [Section 2 (a)].
- (c) A proposal when accepted becomes a promise [Section 2 (b)].
- (d) Every promise and every set of promise forming the consideration for each other is agreement [Section 2 (e)].

16. The law of contract creates the right known as

- (a) Jus in rem
- (b) Jus in personam

(c) Consensus ad idem

(d) None of these.

17. A jus in personam means a right against

- (a) A specific person
- (b) The public at large
- (c) A specific thing
- (d) None of these.

18. All contracts are agreements but all agreements are not contracts.

- (a) True, as it's is the legal position on the point.
- (b) False, as all agreements are contracts but all contracts are not agreements.

19. as per section 10 which of the following is not a condition for the enforceability of agreement?

- (a) An agreement must be made by the free consent of the parties.
- (b) An agreement must be made by the parties who are competent to contract.
- (c) An agreement must not be certain in its meaning.
- (d) An agreement must not be expressly declare to be void.

20. An agreement enforceable by law, is known as

- (a) Promise
- (b) contract
- (c) Acceptance
- (d) obligation.

21. A contract is an agreement

- (a) Enforceable by law
- (b) to indulge in litigation
- (c) With malafide intention
- (d) for social obligations.

## 1.2. ESSENTIAL ELEMENTS OF A VALID CONTRACT

1. Which of the following is not an essential element of a valid contract?

- (a) Registration of agreement
- (b) Free consent of parties
- (c) Competency of parties
- (d) Lawful consideration and object.

2. All agreements are contracts if they are made

- (a) By free consent of parties.
- (b) For a lawful consideration,
- (c) With a lawful object.
- (d) all of these.

3. An agreement expressly declared to be void will be enforceable only if it is made by free consent of parties competent to contract, for a lawful consideration and with a lawful object.

- (a) True, as per section 10 if these conditions are fulfilled an agreement becomes an enforceable contract.
- (b) False, a section 10 requires that for enforceability, in addition to these requirements, an agreement must not be expressly declared to be void.

4. An offer and its acceptance is the basic requirement of an agreement and as per this requirement an offer by one party

- (a) Should be made to the other who is related to him.
- (b) May also be made to himself.
- (c) Should be made to another who may or may not be related to him.
- (d) Should be made to another before the Registrar.

5. In an agreement there must be two parties.

- (a) True, as there must be an offer by one party and its acceptance by the other.
- (b) False, as an agreement made by a person with himself is also recognised under law.

6. The parties to an agreement must agree upon the same thing in the same sense, this means that there must be:

- (a) Free consent
- (b) consensus ad idem
- (c) Capacity to contract
- (d) none of these.

7. A owned two horses one white and the other brown. He offered to sell one horse to B and while making offer, A had white horse in mind. B accepted the offer thinking that it was made for brown horse. In this case, no agreement came into existence as there is no

- (a) free consent
- (b) competency to contract
- (c) consensus ad idem
- (d) jus in personam.

8. An agreement is a contract if it gives rise to (i.e., creates)

- (a) Moral obligation
- (b) social obligation
- (c) legal obligation
- (d) all of these.

9. Free consent is an essential element of a valid contract and the consent of a party is not free where it is obtained by

- (a) Fraud
- (b) coercion

- (c) Undue influence
- (d) all of these.

10. Competency (or capacity) of the parties being an essential elements of a valid contract, an agreement with the following persons is not enforceable in a court of law

- (a) Minors
- (b) persons of unsound mind
- (c) Government employees
- (d) both (a) and (b).

11. An agreement with a party who is not competent to contract, is

- (a) void
- (b) voidable
- (c) Valid
- (d) illegal.

12. An agreement must be supported by a lawful consideration which means that the consideration should not be

- (a) Forbidden by law
- (b) Immoral
- (c) Opposed to public policy
- (d) all of these.

13. A and B entered into an agreement for the division of gain, among them, which is to be acquired by them by fraud. It is not a valid agreement because

- (a) Its object is unlawful.
- (b) Its consideration is unlawful.
- (c) It is expressly declared to be void.
- (d) It is an executory agreement

14. A agrees to pay Rs. 50,000/- to B if he (B) does not marry throughout his life. B promised not to marry at all. It is not a valid agreement because an agreement in restraint of marriage

- (a) Should be entered through guardians.
- (b) Is expressly declared to be void.
- (c) Is voidable at the option of promisee.
- (d) Is without consideration.

15. A agrees to sell his white car to B for Rs. 50,000/- or Rs. 70,000/-. It is not a valid agreement as it is

- (a) Forbidden by law
- (b) For unlawful consideration
- (c) Not certain
- (d) Impossible.

16. An agreement the meaning of which is uncertain, is

- (a) Void
- (b) Valid
- (c) Voidable
- (d) illegal.

17. An agreement to do an impossible act, is

- (a) Voidable
- (b) Valid
- (c) Void.
- (d) illegal.

### 1.3 KINDS OR CLASSIFICATION OF CONTRACTS

1. According to enforceability (i.e. legal validity), the contracts may be classified as

- (a) Valid contracts
- (b) Void contracts
- (c) Voidable contrasts
- (d) all of these.

2. A valid contract is one which

- (a) is enforceable at the option of one party.
- (b) Satisfies the conditions of enforceability laid down in Section 10.
- (c) is enforceable at the direction of the court.
- (d) not enforceable in a court of law.

3. A void contract is one which

- (a) is enforceable at the option of one party.
- (b) is enforceable at the option of both the parties.
- (c) is enforceable at the direction of court.
- (d) Ceases to be enforceable by law.

4. A voidable contract is one which

- (a) Can be enforced at the option of aggrieved party.
- (b) Can be enforced at the option of both the parties.
- (c) is enforceable at the direction of the court.
- (d) Is forbidden by the courts of law.

5. In the Indian Contract Act, a void contract is legally defined in

- (a) Section 2 (h)
- (b) Section 2 (i)
- (c) Section 2 (j)
- (d) Section 2 (k)

6. In the Indian Contract Act, a voidable contract is legally define in

- (a) Section 2 (h)
- (b) Section 2 (i)
- (c) Section 2 (j)
- (d) Section 2 (k)

7. Which of the following statement is incorrect?

- (a) An agreement enforceable at the option of one party but not at the option of the other. is a voidable contract.
- (b) A contract which ceases to be enforceable by law becomes void when its ceases to be enforceable.
- (c) A void contract can be originally entered into between the parties.
- (d) A void contract cannot be originally entered into between the parties.

8. A promised to marry B. Later on B died. This contract of marriage

- (a) Becomes void on the death of B.
- (b) Is void from the very beginning.
- (c) Is valid as A should now marry B's relative.
- (d) Is illegal being forbidden by law?

9. Which of the following statement is incorrect?

- (a) A voidable contract is valid till it is avoided by the party entitled to do so.
- (b) The aggrieved party may or may not avoid the voidable contract.
- (c) The aggrieved party must avoid (i.e., put an end to) the voidable contract.
- (d) In voidable contract consent of one party is not free.

10. An agreement enforceable by law, under the Indian Contract Act, may be

- (a) In writing only
- (b) Oral only
- (c) Registered only
- (d) Either (a) or (b).

11. A valid contract, under the Indian Contract Act, may be

- (a) Express only
- (b) Implied only
- (c) Either (a) or (b)
- (d) Registered only.

12. An express contract is one which is made

- (a) In writing only.
- (b) By words of mouth only,
- (c) In writing or by words of mouth.
- (d) On a stamp paper.

13. An implied contract is one which comes into existence on account of

- (a) Act or conduct of the parties.
- (b) Non-availability of a paper for writing,
- (c) Inability of the parties to write or speak.
- (d) Directions given by a court of law.

14. A went into a restaurant and took a cup of tea, there is

- (a) no contract by A to pay for the cup of tea.
- (b) An implied contract that he will pay for the cup of tea.
- (c) An express contract to pay to the cup of tea.
- (d) a quasi contract to pay for the cup of tea.

15. A, a tradesman, left certain goods at B's house by mistake B treated and used the goods as his own. In this case, B is

- (a) Not liable to pay for the goods.
- (b) Liable to be prosecuted under law.
- (c) Liable to pay for the goods.
- (d) Bound to inform police.

16. An implied contract, even if not in writing on express words, is perfectly valid if other conditions are satisfied.

- (a) True, as an implied contract has the same effect as an express contract.
- (b) False, as the Indian Contract Act recognizes only express contracts.

17. A contract in which only one party has to perform his obligation is a contract with executed consideration and is known as

- (a) Executed contract
- (b) Executor contract
- (c) Unilateral contract
- (d) Bilateral contract.

18. A contract in which both the parties have to perform their obligation is a contract with executory consideration as is known as

- (a) Executed contract
- (b) Executory contract
- (c) Unilateral contract
- (d) Bilateral contract.

19. A contract in which, under the terms of a contract, nothing remains to be done by either party is known as

- (a) Executed contract
- (b) Executory contract
- (c) Unilateral contract
- (d) None of these-

20. A contract in which, under the terms of a contract, one or both the parties have still to perform their obligations in future, is known as

- (A) Executed contract
- (b) Executory contract
- (c) Unilateral contract

(d) None of these

**FILL IN THE BLANKS AND PAIR MATCHING QUESTIONS**

**Choose appropriate option to fill in the blanks in questions 1 to 5:**

1. An agreement \_\_\_\_\_ is a contract.

- (a) Made by parties
- (b) Enforceable by law
- (c) Made by minor
- (d) Beneficial to both the parties.

2. Every promise and every set of promise forming \_\_\_\_\_ for each other is an agreement.

- (a) Consideration
- (b) Acceptance
- (c) Obligation.
- (d) Proposal

3. A \_\_\_\_\_ agreement is one, which is enforceable at the option of one party.

- (a) void
- (b) Valid
- (c) voidable
- (d) Obligation.

4. A \_\_\_\_\_ contract cannot be originally entered into between the parties

- (a) void
- (b) Valid
- (c) Voidable
- (d) Obligation.

5. A voidable contract is \_\_\_\_\_ till it is avoided by the party entitled to do so.

- (a) Void
- (b) Illegal
- (c) Valid
- (d) Contingent.

6. Match the following

(i) Contract	(a) accepted proposal
(ii) void contract	(b) agreement enforceable by law
(iii) voidable contract	(c) not enforceable in a court of law
(iv) promise	(d) Enforceable at the option of one party.

7. Match the following:

(i) agreement	(a) right against a specific person
(ii) contract	(b) agree upon same thing in same sense
(iii) jus in personam	(c) offer+ acceptance
(iv) Consensus ad idem	(d) agreement + enforceability.

8- Match the following:

(i) Section 2 (i)	(a) conditions of enforceability
(ii) Section 2 (j)	(b) voidable
(iii) Section 2 (h)	(c) void contract
(iv) Section 10	(d) Contract.

9. Match the following:

(i) executed contract	(a) Contract in which only one party has to perform his obligation.
(ii) executory contract	(b) Contract in which both the parties have to perform their respective obligations.

(iii) unilateral contract	(c) reciprocal promises are to be performed in future,
(iv) bilateral contract	(d) Contract in which nothing remains to be done by either party.

### OBJECTIVE TYPE QUESTIONS

1. The law of contract creates jus in personam.  
(a) Correct                      (b) incorrect.
  
2. An agreement enforceable by law is contract.  
(a) Correct                      (b) incorrect.
  
- 3\* An agreement is an accepted proposal.  
(a) Correct                      (b) incorrect.
  
4. Every agreement is necessarily regarded as contract.  
(a) Correct                      (b) incorrect.
  
5. An agreement made with mutual consent of parties is not enforceable in law.  
(a) Correct                      (b) incorrect.
  
6. Social agreements are enforceable in courts.  
(a) Correct                      (b) incorrect.
  
7. An agreement with intention to create legal liability is not enforceable in law.  
(a) correct                      (b) incorrect.
  
- ft. All kinds of obligations created between the parties form part of contract.  
(a) Correct                      (b) incorrect.
  
9. All contracts are agreements but all agreements are not contracts.  
(a) Correct                      (b) incorrect.

11 There can be a contract even without consensus ad idem.

- (a) Correct                      (b) incorrect.

12 A contract made without the free consent of the parties is a valid contract.

- (a) correct                      (b) incorrect.



## Chapter 2:- Offer and Acceptance

### 2.1 Definition And Essential Elements Of A VALID OFFER

1. The term 'offer or proposal' in legal terms, is defined in

- (a) Section 2 (a)
- (b) Section 2 (b)
- (c) Section 2 (i)
- (d) Section 2 (j).

2 Which of the following statement is incorrect?

- (a) An offer is the starting point in the making of an agreement.
- (b) An offer is the proposal by one party to another to enter into a legally binding agreement with him.
- (c) An offer, which is valid, in itself is sufficient to create legal relationship without any response from the other party.
- (d) An offer should be made with a view to obtain the assent of the other person to the proposed act.

3. A person is said to make a proposal when he signifies to another his willingness to do or abstain from doing something with a view to

- (a) Inform the other person about his intention.
- (b) Obtain the assent of that other person the proposed act or abstinence.
- (c) Know the reaction of the other person.
- (d) Obtain satisfaction by doing or abstain from doing the proposed act.

4 The person making the offer is known as 'offeror' or 'promiser' and to whom it is made is known as

- (a) Acceptor
- (b) Acceptor for honour
- (c) Offeree or promisee

(d) Contracting party.

5. Which of the following is not the legal requirement (i.e., essential element) of a valid offer?

- (a) It must be communicated to the offeree.
- (b) It must be made with a view to obtain offeree's assent.
- (c) It must express offeror's final willingness.
- (d) It must be made to a specific and not to public at large,

6. Which of the following is the legal requirement of a valid offer?

- (a) It must have its terms definite and clear.
- (b) It must be capable of creating legal relationship.
- (c) Both (a) and (b).
- (d) None of these.

7. A sent his servant, B to trace his missing nephew. After B left, A announced a reward of Rs. 5,000 for anybody who discovered the boy. B discovered the missing boy without knowing about the reward. In this case

- (a) B is not entitled to the reward as he did not know about the offer when he discovered the missing boy i.e., the offer to pay reward has not been communicated to him.
- (b) B is entitled to the reward as the offer has been communicated to him while sending him to trace missing boy.
- (c) No valid contract comes into existence as the offer of reward is not made to any specific person.
- (d) Offer is not valid as unilateral contracts are not recognised.

8. A offers to sell to B 'a hundred tonnes of oil'. It is not a valid offer because

- (a) it is not made to obtain B's assent.
- (b) it is uncertain as there is nothing to show what kind of oil is intended to be sold.
- (c) it does not express A's final willingness.
- (d) it is forbidden by law.

9. A promised to buy a horse from B if it proved lucky. It is not a valid offer.

- (a) True, as it is a vague and loose offer i.e., uncertain offer.
- (b) False, as A has expressed his willingness to obtain B's assent to his willingness to buy.

10. A sent a telegram to B writing "will you sell me your Bumber Hall? Telegraph lowest cash price." B replied by telegram "lowest cash price for Bumber Hall Rs. 50 lakh". A sent another telegram stating I agree to purchase Bumber Hall for Rs. 50 lakh asked by you, please send your title deeds". In this case no valid contract arises and B is not bound to sell the Bumber Hall for Rs. 50 lakh because B's telegram stating lowest cash price is not

- (a) Communicated to A
- (b) Made to obtain A's assent
- (c) An offer, but simply an answer to a question
- (d) Acceptable being in telegram form.

11. A shopkeeper's catalogue of price and display of goods in a shop with price list attached is:

- (a) Valid offer to sell at printed/listed price.
- (b) An invitation to receive offer at printed/listed price.
- (c) An offer to the public at large acceptable by anybody.
- (d) An express offer to sell at printed/listed price.

12. Which of the following statement is incorrect?

- (a) An offer may be made to the world at large
- (b) An offer may be positive or negative
- (c) An offer may be express or implied
- (d) An offer must be made to a specific person.

13. An offer may be

- (a) General only
- (b) Specific only
- (c) Either (a) or (b)
- (d) both (a) and (b)

14. A specific offer is one which is made to

- (a) Ascertained (i.e. definite) person.
- (b) Public at large
- (c) Relatives only.
- (d) Males only

15. A general offer is one which is made to

- (a) Ascertained person.
- (b) Public at large
- (c) General relatives.
- (d) Males and females

16. A general offer made to the public at large is valid and a binding contract is made with a person who having the knowledge of the offer

- (a) Comes forward and acts accordingly.
- (b) acts accordingly and his act is ratified by the offeror.
- (c) Seeks offeror's permission to accept the offer.
- (d) Informs the public that he is willing to accept the offer.

17. In which of the following cases, the principle of an offer to public at large was recognised?

- (a) Balfour v. Balfour
- (b) Harvey v. Face

- (c) Carlill v. Carbolic Smoke Ball Co.  
(d) Both (a) and (b).

18. A general offer of a continuing nature can be accepted by

- (a) The first hundred people.  
(b) The first ten people.  
(c) Any number of persons until it is extracted.  
(d) One person only who first accepts the offer.

19. A general offer requiring the finding of a missing thing or person

- (a) is closed as soon as the first information is received by the offeror.  
(b) remains alive until retracted by the offeror.  
(c) Accepted by any number of persons until retracted.  
(d) is not recognised under law as it creates confusion.

20. An offer accepted without knowledge does not confer any legal rights on the acceptor.

- (a) True, as the offer cannot be accepted without knowledge.  
(b) False, as there is no such legal provision in this regard.

21. Which of the following statement is correct?

- (a) A bid at an auction is an implied offer to buy.  
(b) In a self-service restaurant there is an implied promise to pay for consuming eatables.  
(c) Both (a) and (b), as an implied offer is valid and recognised under law.  
(d) None of these, as there is no valid offer in both the cases.

22. Which of the following are the essential elements of a valid offer?

- (i) It must be definite and certain.  
(ii) It must express offeror's intention to be bound by his offer.  
(iii) It must be made to a specific person and not to public at large.  
(iv) It must be in the form of invitation to receive offer.  
(a) (i), (ii)  
(b) (ii), (iii)  
(c) (iii), (iv)  
(d) (i), (iv).

## 2.2 DEFINITION AND ESSENTIAL ELEMENTS OF A VALID ACCEPTANCE

1. The term 'acceptance' in legal terms is defined in

- (a) Section 2 (a)  
(b) Section 2 (b)  
(c) Section 2 (i)  
(d) Section 2 (f)

2. Which of the following statements is incorrect?

- (a) Acceptance of an offer is necessary to create legal relationship.  
(b) Acceptance is the consent given to the offer.  
(c) Acceptance can be presumed from acceptor's silence.  
(d) Acceptance must be communicated to the offeror himself.

3. "When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise".

- (a) True, as it is the legal definition of acceptance given in Section 2 (b).

(b) False, as on acceptance the proposal does not become promise.

4. The person to whom offer is made is known as 'offeree or promisee' and on acceptance, he is legally known as the

- (a) Promisee's agent
- (b) Acceptor
- (c) Acceptor on promisee's behalf
- (d) Acceptor for honour.

5. On the acceptance of an offer by the offeree, which of the following persons becomes legally bound by the contract?

- (a) Only the acceptor, as he has accepted the offer.
- (b) Only the offeror, as his terms are accepted.
- (c) Both the acceptor and the offeror.
- (d) None of these.

6. Which of the following is not the legal requirement (i.e., essential element) of a valid acceptance?

- (a) It must be communicated.
- (b) It must be absolute and unconditional.
- (c) It must be accepted by a person who has the authority to accept.
- (d) It must be presumed from silence if not communicated within specified time.

7. Which of the following is the legal requirement of a valid acceptance?

- (a) It must be communicated to the offeror himself.
- (b) It must be given in some usual and reasonable manner.
- (c) It must be given in express terms i.e., in writing or by words of mouth only.
- (d) All of these.

8. A agreed to supply coal to a Railway Company and sent the draft agreement for approval to B, the authorized official of the Railway Company. B approved the draft agreement and put it in his table drawer. In this case,

- (a) A valid contract is concluded between the parties as the authorized official of the company has accepted the proposal.
- (b) No valid contract is concluded as the acceptance was not communicated.
- (c) A voidable contract is concluded which is voidable at A's option.
- (d) A void contract comes into existence on the agreement being kept in table drawer.

9. A, by a letter, offered to sell his Maruti car to B for Rs. 70,000. B wrote a letter stating that he was prepared to buy it for Rs. 60,000. In this case.

- (a) a valid contract is concluded between A and B as there is proper communication of acceptance.
- (b) There is communication of acceptance to the offeror (A) himself, and thus he is bound by the contract.
- (c) No valid contract is concluded as B's letter is only a counter offer and not acceptance.
- (d) If B wants to buy the car, he should accept the original offer of Rs. 70,000.

10. Which of the following is the legal rule of a valid acceptance?

- (a) An acceptance must be given within prescribed or reasonable time.
- (b) An acceptance must be given before the lapse of offer.
- (c) An acceptance may be express or implied.
- (d) All of these.

11. A, by a letter, offers to sell his T.V. to B for Rs 10,000. Without knowing A's offer, B, by a letter, offers to buy the same T.V. from A for Rs. 10,000.

In this case,

- (a) A binding contract comes into existence as £'s letter is equivalent the acceptance of A's offer.
- (b) No binding contract comes into existence as B's letter is merely a cross offer.
- (c) Both A and B will be guilty of breach of contract.
- (d) The contract would be enforceable only with the permission of the court.

### 2.3 COMMUNICATION OF OFFER AND ACCEPTANCE

1. Which of the following statement is incorrect?

- (a) Communication of offer is complete when it comes to the knowledge of the offeree.
- (b) Communication of offer is complete when it is put in a course of transmissions to the offeree.
- (c) Communication of acceptance, against the offeror, is complete when it is put in a course of transmission to him.
- (d) Communication of acceptance, against the acceptor, is complete when it comes to the knowledge of the offeror.

2. Legal provision relating to communication of offer and acceptance is contained in

- (a) Section 1
- (b) Section 2
- (c) Section 3
- (d) Section 4.

3. Legal provision relating to completion of communication of offer and acceptance is contained

- (A) Section 1
- (b) Section 2

(c) Section 3

(d) Section 4.

4. A, by a letter dated 25th December, 2006, offers to sell his house to 'fl' for Rs. 50 lakhs, letter reaches B on 27th December, 2006, who posts his acceptance on 28th December, 3006. Which reaches A on 30th December, 2006. In this case, the communication of offer m complete on

- (a) 25th December, 2006
- (b) 27th December, 2006
- (c) 28th December, 2006
- (d) 30th December, 2006.

5. In the above Question No. 4, the communication of acceptance is complete against 'A' on

- (a) 25th December, 2006
- (b) 27th December, 2006
- (c) 28th December, 2006
- (d) 30th December, 2006.

6. In the above Question No. 4, the communication of acceptance against B is complete on

- (a) 25th December, 2006
- (b) 27th December. 2006
- (c) 28th December, 2006
- (d) 30th December. 2006.

7. In a contract through post, the acceptor becomes bound by the contract when properly addressed and stamped letter of his acceptance is

- (a) Posted to the offeror.
- (b) Received by the offeror,
- (c) Signed by the acceptor.
- (d) None of these.

8. In a contract through post, the offeror becomes bound by the contract when the letter of acceptor's acceptance is

- (a) Posted to the offeror.
- (b) Received by the offeror,
- (c) Signed by the acceptor.
- (d) None of these.

9. Where the offer and acceptance are made by letters, the contract is complete at a place where the letter of acceptance is

- (a) Written
- (b) Signed
- (c) Posted
- (d) Received.

10. Under the English Law, both the offeror and the acceptor become bound by the contract when the letter of acceptance is posted.

- (a) True
- (b) False.

11. A, by a letter, offers to sell his Motor cycle to B for Rs. 10,000 without knowing A's offer, B, by a letter, offers to buy the same motor cycle from A for Rs. 10,000. Here,

- (a) A binding contract comes into existence as B's letter is equivalent to acceptance of A's offer.
- (b) No binding contract comes into existence as A's letter is merely a cross offer.

## 2.4. REVOCATION OF OFFER AND ACCEPTANCE

1. Legal provisions relating to revocation of offer and acceptance are provided in

- (a) Section 3
- (b) Section 4
- (c) Section 5

(d) Section 6.

2. Legal provisions relating to the communication of revocation of offer and acceptance are provided in

- (a) Section 3
- (b) Section 4
- (c) Section 5
- (d) Section 6.

3. An offer may be revoked by the offeror at any time before the letter of acceptance is

- (a) Posted by the acceptor
- (b) Received by the offeror
- (c) Read by the offeror
- (d) None of these.

4. The legal rule relating to revocation of offer is that it can be revoked at any time before the communication of its acceptance is complete against

- (a) The acceptor
- (b) The offeror
- (c) Acceptor's family
- (d) Offeror's family.

5. Which of the following statement is correct?

- (a) Revocation of offer is effective when it reaches the offeree before he mails his acceptance.
- (b) Offeror may revoke his offer by a speedier mode of communication which reaches the acceptor before he posts his acceptance
- (c) Both (a) and (b) are correct
- (d) Only statement (a) is correct.

6. An acceptance may be revoked by the acceptor at any time before the letter of acceptance is

- (a) Posted by the acceptor,
- (b) Received by the offeror,

- (c) Signed by the acceptor.
- (d) None of these.

7. The legal rule relating to revocation of acceptance is that it can be revoked at any time before the communication of acceptance is complete against

- (a) The acceptor.
- (b) The offeror.
- (c) Acceptor's family.
- (d) Offeror's family.

8. Which of the following statement is correct?

- (a) Revocation of acceptance is effective when it reaches the offeror before he receives the acceptance.
- (b) Acceptor may revoke his acceptance by a speedier mode of communication which reaches earlier than the acceptance itself,
- (c) Both (a) and (b) are correct.
- (d) Only statement (a) is correct.

9.A, by a letter dated 15th March which reaches B on 17th March, offers to sell his car to B. B posts his acceptance on 20th March which reaches A on 22nd March. In this case

- (a) A can revoke his offer before he receives the letter of acceptance
- (b) A cannot revoke his offer as he has become bound by the acceptance on 20th March.

10. In the above Question No. 9.

- (a) B can revoke his acceptance at any time till his letter reaches A
- (b) B cannot revoke his acceptance as he becomes bound by posting his letter of acceptance.

11. In the above Question No. 9, A can revoke his offer before

- (a) 15th March
- (b) 17th March
- (c) 20th March
- (d) 22nd March.

12. In the above Question No. 9, B can revoke his acceptance before

- (a) 15th March
- (b) 17th March
- (c) 20th March
- (d) 22nd March.

## 2.5 LAPSE OF OFFER

1.The modes in which the offer lapses (i.e., comes to end) are provided in

- (a) Section 4
- (b) Section 5
- (c) Section 6
- (d) Section 7.

2. Where the time is fixed for acceptance of the offer and it is not accepted with the fixed time, then the

- (a) Offer automatically lapses on the expiry of fixed time.
- (b) Offer can be accepted by paying penalty.
- (c) Offeree loses his right to become a party to any contract in future.
- (d) Offer lapses but only with the permission of the court.

3. Where no time is fixed for the acceptance of the offer, then the offer can be accepted

- (a) At any time upto one year.
- (b) At any time upto three years.

(c) Within reasonable time which depends upon the facts and circumstances of the case.

(d) After seeking due permission from the court irrespective of time

4. Which of the following is not the mode of lapse of offer?

(a) Lapse of time

(b) Case against the offeror

(c) Death or insanity of offeror

(d) Failure to accept condition precedent.

5. An acceptance of offer, in ignorance of the fact of death or insanity of the offeror, is

(a) Valid acceptance as it is given without having knowledge of the death or insanity of the offeror.

(b) Not valid as the offer automatically lapses on the death or insanity of the offeror.

(c) Illegal acceptance as after the death or insanity of offeror no contract can arise

(d) Fraudulent acceptance which render the acceptor liable to pay damages.

6. On the death of an offeree before he accepts the offer, the offer comes to an end.

(a) True, as the offer lapses by operation of law.

(b) False, as there is no provision to that effect in section 6 of the Act.

7. A offered to sell his car to B for Rs. 1, 00,000. But B offered to buy it for Rs. 95,000. A refused to sell for Rs. 95,000. Subsequently, B offered to purchase the car for Rs. 1, 00,000. In this case,

(a) A is bound to sell the car to B as he has accepted the offer of Rs. 1,00,000.

(b) A contingent contract comes into existence which can be enforced if no other person buys A 'scar.

(c) No contract comes into existence as by offering Rs. 95,000, B has rejected the original offer.

(d) B is guilty of breach of contract.

8. Which of the following is the mode of lapse of offer?

(a) Counter offer by offeree

(b) Rejection of offer by offeree

(c) Change in law

(d) all of the above.

9. An agreement to agree in future is not a valid contract and cannot be enforced in a court ydf law.

(a) True, as all the terms and conditions of contract must be finalised at the time of making the contract.

(b) False, as such agreements are recognised in the Indian Contract Act.



### FILL IN THE BLANKS AND PAIR MATCHING QUESTIONS

Choose appropriate option to fill in the blanks in questions 1 to 5:

1. A \_\_\_\_\_ is one which is made to public at large.

- (a) Specific offer                      (b) general offer  
(c) Public offer                        (d) universal offer."

2. A bid at an auction is \_\_\_\_\_ offer to buy.

- (a) An implied                        (b) an express  
(c) Proposal                         (d) counter.

3. A \_\_\_\_\_ when accepted becomes a promise.

- (a) Acceptance                        (b) obligation  
(c) Proposal                         (d) cross offer.

4. Communication of acceptance \_\_\_\_\_ is complete when it comes to the knowledge of the offeror.

- (a) Against the acceptor  
(b) Against the offeror  
(c) Against the third party  
(d) Under the law.

5. An offer may be revoked by the offeror at any time before the letter of acceptance is \_\_\_\_\_ by the acceptor.

- (a) Written                              (b) read  
(c) deposited in court                (d) posted.

6. Match the following:

(i) Section 2 (a)	(a) lapse of offer
(ii) Section 2 (b)	(b) communication of offer and acceptance
(iii) Section 3	(c) acceptance

(d) Offer.	(iv) Section 6
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7. Match the following:

(i) general offer	(a) offer made to a definite person
(ii) specific offer	(b) offer open for acceptance over a period of time
(iii) cross offer	(c) offer made to public at large
(iv) continuing offer	(d) exchange of identical offers by the parties

8. Match the following:

(i) promisor	(a) person to whom offer is made
(ii) promisee	(b) person who accepts the offer
(iii) acceptor	(c) person's consent given to offer
(iv) acceptance	(d) Person who makes the offer.

9. Match the following:

(i) positive offer	(a) striking hammer on table by auctioneer
(ii) express offer	(b) acceptance of offer with variation
(iii) implied acceptance	(c) an offer to do some act e.g. to sell a car
(iv) counter offer	(d) Offer in writing or by words of mouth.

### OBJECTIVE TYPE QUESTIONS (with correct/incorrect options and hints)

1. Every proposal made by a person is legally regarded as an offer under the Indian Contract Act.

(a) Correct (b) incorrect.

2. An offer jokingly made to a party does not result in a valid contract even if the other party accepts the same.

(a) Correct (b) incorrect.

3. A social invitation made with a view to obtain consent of the other party gives rise to legal relations if accepted by the other party.

(a) Correct (b) incorrect

4. A vague or uncertain offer does not create any legal relations even if accepted by the other party.

(a) Correct (b) incorrect.

5. An offer is valid where the offeror proposes certain terms on which he is willing to negotiate.

(a) Correct (b) incorrect.

6. An advertisement by a person that he has certain furniture to sell and a house to let out, amounts to an offer.

(a) Correct (b) incorrect.

7. An advertisement for holdings an auction sale amounts to an offer.

(a) Correct (b) incorrect.

8. A shopkeeper's catalogue of price and also the display of goods in a shop do not amount to offer.

(a) Correct (b) incorrect.

9. An offer is valid only if it is made to a specific person.

(a) Correct (b) incorrect.

10. An offer made to the public at large is known as specific offer.

(a) Correct (b) incorrect.

11. An offer made to an ascertained person is known as a specific offer.

(a) Correct (b) incorrect.

12. A general Offer may be accepted by any one.

(a) Correct (b) incorrect.

13. A general offer of a continuing nature can be accepted by any number of persons until it is retracted and a binding contract will be made with all such persons.

(a) correct (b) incorrect.

## **Chapter 3:- Consideration**

### **MULTIPLE CHOICE QUESTIONS**

#### **3.1. DEFINITION AND ESSENTIAL ELEMENTS OF CONSIDERATION**

1. The term 'consideration' in legal terms is defined in

(a) Section 2 (a)

(b) Section 2 (b)

(c) Section 2 (c)

(d) Section 2 (d).

2. As a general rule, an agreement made without consideration is

- (a) Void.
- (b) Voidable
- (c) Valid
- (d) Unlawful.

3. "Consideration is the price for which the promise of other is bought, and promise thus given of value is enforceable". This definition is given by

- (a) Salmond
- (b) Pollock
- (c) Anson
- (d) None of these.

4. The term consideration is used in the sense of quid pro quo which means -

- (a) something for value
- (b) Some price
- (c) Something in return
- (d) None of these.

5. Which of the following statement is incorrect?

- (a) Consideration is one of the essential elements of a valid contract,
- (b) An act forming consideration must be done at the desire of the promisor.
- (c) Consideration means something which is of some value in the eyes of law. It may be some benefit to the plaintiff or some detriment to the defendant.
- (d) Consideration must always be present as past or future consideration is not valid consideration.

6. All agreements made without consideration are void.

- (a) True, as there is no exception to this rule.
- (b) False, as there are certain exceptions to this rule.

7. Consideration must move at the desire of \_\_\_\_\_

- (a) Promisor
- (b) Promisee
- (c) Promisor or any third party
- (d) Both promisor and promisee.

8. Consideration

- (a) May move from promisor
- (b) Must move from promisee
- (c) Must move from third party
- (d) May move from promisee or any other person.

9. Which of the following are the legal requirements (i.e., essential elements) of a valid consideration?

- (i) Consideration must be real and not illusory.
- (ii) Consideration must be of some value in the eyes of law.
- (iii) Consideration must be adequate.
- (iv) Consideration must be lawful.

- (a) (i), (ii), (iii)
- (b) (ii), (iii), (iv)
- (c) (i), (ii), (iv)
- (d) (i), (iii), (iv)

10. Which of the following statements are correct?

- (i) Consideration may be past, present or future.
- (ii) Consideration may be either positive or negative.
- (iii) Consideration must move at the desire of the promisor,



- (c) Must be of greater value than the value of promise  
(d) Must be of equal value to the value of promise.

19. An agreement made with free consent to which the lawful consideration is inadequate, is

- (a) Void (b) Valid  
(c) Voidable (d) Unlawful.

20. A agrees to sell his car worth Rs. 1.00,000 to B for Rs. 20.000 only because A's consent is obtained by coercion. In this case, the agreement is

- (a) Void (b) Valid  
(c) Voidable (d) Unlawful.

21. If the consideration to an agreement is furnished by a stranger and not by the promisee himself, the agreement will be void.

- (a) True, as the consideration must be furnished by the promisee himself.  
(b) False, as the law requires that there must be some consideration, who furnished it is immaterial.

22. Under the English Law, the consideration must move from the promisee and promisee alone. The consideration furnished by a stranger is no consideration.

- (a) True  
(b) False.

23. The forbearance to sue is regarded as

- (a) Invalid consideration  
(b) No consideration  
(c) Valid consideration  
(d) None of these

24. Compromise of disputed claims is

- (a) Valid consideration  
(b) Invalid consideration

- (c) Forbidden by law  
(d) Unlawful consideration.

25. A sold and delivered certain goods to B on credit. C, afterwards, requested A not to file a suit against B for recovery of the price of goods for a year and promised that if he (A) agreed for the same then C will pay the price on B's failure to pay. Accordingly, A agreed not to file the suit for a year.

In this case, the contract between A and C is

- (a) Voidable as A's consent is obtained by misrepresenting the facts.  
(b) Void as such a consideration is no consideration.  
(c) Unlawful as the law prohibits the curtailment of one's right to sue.  
(d) Valid as the 'forbearance to sue\*' is regarded as valid consideration.

26. The consideration for an agreement may be

- (a) Past  
(b) Present  
(c) Future  
(d) all of these.

27. Consideration in an agreement

- (a) May be present, past or future  
(b) May be present or future only  
(c) May be past or present only  
(d) Must be present only.

28. A promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, is

- (a) Void being without consideration.  
(b) Voidable, being enforceable at the option of promisor alone.

(c) Valid, the past consideration is the valid consideration.

(d) Unlawful being forbidden by law.

29. A found B's purse and gave it to him. B promised to give Rs. 500 to A as reward. In this case, for B's promise, there is

(a) Past consideration

(b) Present consideration

(c) Future consideration

(d) No consideration.

30. Under the English law, past consideration is not regarded as good consideration, but this rule is subject to following exception:

(a) past act at request.

(b) Promise to pay time-barred debt.

(c) Negotiable instrument issued for past consideration.

(d) all of the above.

31. When the consideration for a promise is rendered in future, it is termed as future or executory consideration which is regarded valid under:

(a) Section 25

(b) Section 2 (d)

(c) Section 25, Explanation I

(d) Section 2 (b).

32. Consideration may be present or future but not past.

(a) True, as the past consideration is no consideration.

(b) False, as the law recognizes present, past and future consideration as good consideration.

### 3.2. LEGALITY OF AGREEMENT WITHOUT CONSIDERATION

1. An agreement without consideration is void. This general rule is recognized under;

(a) Section 2 (d)

(b) Section 10

(c) Section 25

(d) None of these.

2. "All agreements made without consideration are void".

(a) True, as there are no exceptions to this general rule.

(b) False, as there are certain exceptions to this general rule.

3. Exceptions, to the general rule that an agreement without consideration is void, are provided in

(a) Section 10

(b) Section 25

(c) Judicial precedents

(d) Usages and customs.

4. An agreement without consideration between the parties who are in near relation to each other, is valid and enforceable if the agreement is

(a) In writing

(b) Registered

(c) Base on natural love and affection

(d) all of these.

5. for the enforcement of an agreement without consideration based on natural love and affection, which of the following condition is not required?

(a) It must be between near relatives.

(b) It must be ratified by the court of law.

(c) It must be in writing.

(d) It must be registered.

6. A promise to pay for past services is valid and binding even though it is without consideration. However, for the validity of such promise, the past services should have been rendered

- (a) Voluntarily
- (b) At promisor's request
- (c) Under compulsion
- (d) Under some contract.

7. for the enforcement of a promise to pay a time-barred debt without consideration, which of the following conditions is not required?

- (a) It must be in writing.
- (b) It must be definite and express.
- (c) It must be signed by the promisor.
- (d) It must be registered in a Court of Law.

8. The absence of consideration shall not affect the validity of gift actually made.

- (a) True, as it is recognized under Section 25 of the Indian Contract Act.
- (b) False, as the gift is always made for some consideration.

9. Which of the following statement are correct?

- (i) Consideration is not required for the creation of an agency.
- (ii) Consideration is not required for making an actual gift.
- (iii) Consideration is not required for promise to render services to a relative.
- (iv) Consideration is not required for promise to pay time-barred debt.

- (a) (i), (ii), (iii)
- (b) (ii), (iii), (iv)
- (c) (i), (ii), (iv)
- (d) (i), (iii), (iv).

10. A contract of agency made without consideration is valid. It is recognized under

- (a) Section 25
- (b) Section 185
- (c) Section 25, Explanation I
- (d) Judicial precedents

### 3.3 PRIVACY OF CONTRACT OR STRANGER TO CONTRACT

1. The rule of Privity of contract is provided in

- (a) Section 2 (d)
- (b) Section 25
- (c) Section 25, Explanation I
- (d) Judicial precedents.

2 As per the rule of Privity of contract, <sup>f</sup>

- (a) a stranger to a contract cannot sue.
- (b) a stranger to consideration cannot sue.
- (c) a stranger to contract can sue.
- (d) a stranger to consideration can sue.

3. A stranger to contract (i.e., a person who is not a party to the contract) cannot enforce the contract because of the applicability of the doctrine of

- (a) Privity of consideration
- (b) Privity of contract
- (c) No consideration no contract
- (d) Section 25, explanation II.

4. If the consideration to an agreement is furnished by a stranger and not by the promisee himself, the agreement will be

- (a) Void, as the consideration must be furnished by the promisee.
- (b) Voidable, as in such a case the promisor has the option to avoid the contract.

(c) Valid, as the law requires that there must be some consideration, who furnished it, is immaterial.

(d) Unlawful, as the consideration by a stranger is regarded as unlawful.

5. Which of the following statement is correct?

(a) A stranger to consideration can sue.

(b) A stranger to contract cannot sue.

(c) Both (a) and (b) are correct.

(d) None of these is correct.

6. A person who is not a party to the contract can enforce the contract on the same principle that consideration furnished by stranger is valid.

(a) True, as the rule is that a stranger to a contract can sue.

(b) False, as the rule is that a stranger to a contract cannot sue.

7. In certain cases, a person who is not a party to the contract can enforce the contract.

(a) True, as certain exceptions have been recognized to the rule of Privity of contract-

(b) False, as the rule of Privity of contract is an absolute rule, no exceptions are there.

8. A person who is not a party to a contract

(a) Can sue

(b) Cannot sue

(c) Can sue with the permission of court

(d) Can sue only in recognized exceptional cases.

9. Which of the following is the recognized exception to the rule of Privity of contract?

(a) Trust or charge

(b) Marriage settlement and family arrangements

(c) Acknowledgement of payment

(d) All of the above.

10. A transferred certain property to B to be held by him in trust for the benefit of C. In this case,

(a) Contract is voidable as C is not a party to the trust.

(b) Contract is void as C is not a party to the trust. '

(c) C, although not a party to the trust, can sue for the benefits available to him under the trust.

(d) C cannot enforce the trust as he is not a party to it.

11. In which of, the following important cases, the exception of 'trust or charge' to the rule of Privity of contract was recognized?

(a) Lalman Shukla v. Gauri Datt

(b) Khwaja Mohd Khan v. Hussani Begum

(c) Carlili v. Carbolic Smoke Ball Co-

(d) Balfour v. Balfour

12. A person who is not a party to the trust can enforce the same if the following conditions are satisfied.

(a) He must be clearly named as a beneficiary under the trust or charge.

(b) The trust or charge in his favour must be of specific property.

(c) The benefit to the beneficiary must be of Rs. 50,000 or more.

(d) Both (a) and (b).

13. On a partition of joint properties, two brothers agreed to invest in equal shares, a certain sum of money for the maintenance of their mother. In this case, for requiring her sons to the investment for her maintenance, the mother

(a) Can sue

(b) Cannot sue

(c) Can sue with court permission



(d) Can sue with permission of her sons.

14. A person who is not a party to the contract but in whose favour some trust or charge under some specific property is created

- (a) Can sue
- (b) Cannot sue
- (c) Can sue with court permission
- (d) Can sue with permission of other parties.

15. A person for whose benefit a provision is made in partition deed of joint family property but he is not a party to such settlement,

- (a) Cannot sue as partition of property is not a recognized exception.
- (b) Can sue as it is a recognized exception to the rule of Privity of contract.
- (c) Can sue after becoming party to the settlement.
- (d) can sue only if court allow him to do so.

### FILL IN THE BLANKS AND PAIR MATCHING QUESTIONS

### Choose appropriate option to fill in the blanks in questions 1 to 5:

1. \_\_\_\_\_ must move at the desire of the promisor.

- (a) Offer
- (b) Acceptance
- (c) Consideration
- (d) Obligation.

2. In England \_\_\_\_\_ consideration is not regarded as good consideration.

- (a) Present
- (b) Past
- (c) Future
- (d) Present and future.

3. Consideration \_\_\_\_\_ the performance of existing duties.

- (a) Must be
- (b) May be
- (c) Must not be
- (d) Always be.

4. There \_\_\_\_\_ a stranger to consideration.

- (a) can be
- (b) Cannot be
- (c) Must be
- (d) must always be.

5. An agreement is \_\_\_\_\_ if consideration is furnished by a stranger.

- (a) Void
- (b) Voidable
- (c) Illegal
- (d) Void

### OBJECTIVE TYPE QUESTION (with correct/incorrect options and hints)

1. The term 'consideration' is used in the sense of quid pro quo (i.e., something in return),

(a) Correct (b) incorrect.

2. The consideration must move at the desire of the promisor.

(a) Correct (b) Incorrect.

3. The consideration must move from the promisee alone.

(a) Correct (b) incorrect.

4. The consideration may move even from a person, who is not a party to the contract,

(a) Correct (b) incorrect.

5. The consideration must be of some value in the eyes of law and it must be equivalent in value to the promise

(a) Correct (b) incorrect.

6. Inadequacy of the consideration cannot be taken into account by the court in determining whether the consent was freely given.

(a) Correct (b) incorrect.

7. The consideration must be something more than what the promisee is already bound to do by law.

(a) Correct (b) incorrect.

8. Forbearance to sue is recognized as a valid consideration.

(a) Correct (b) incorrect.

9. Consideration may be present or future but not past.

(a) Correct (b) incorrect.

10. An agreement made without consideration is void.

(a) Correct (b) incorrect.

11. An agreement based on natural love and affection between near relatives is valid and enforceable even if there is no consideration.

(a) Correct (b) incorrect.

12. A promise to pay for past voluntary services is not binding as being without consideration.

(a) Correct (b) incorrect.

## Chapter 4:- Capacity to Contract

### MULTIPLE CHOICE QUESTIONS

#### 4.1. INTRODUCTION AND PERSONS NOT COMPETENT TO CONTRACT

1. The requirement that the parties to an agreement must be competent to contract, is laid down in
  - (a) Section 10
  - (b) Section II
  - (c) Section 24
  - (d) Section 25.
2. The capacity to contract (i.e., competence of the parties) is defined in
  - (a) Section 10
  - (b) Section 11
  - (c) Section 24
  - (d) Section 25.
3. The capacity to contract means
  - (a) Willingness of the parties to enter into a contract.
  - (b) Intention of the parties to enter into a contract.
  - (c) Competence of the parties to enter into a valid contract.
  - (d) Certificate to enter into a valid contract.
4. The capacity to contract is
  - (a) A legal rule of validity
  - (b) An essential element of a valid contract
  - (c) An essential element of competency
  - (d) None of these.
5. An agreement by or with a party not competent to contract is \_\_\_\_\_
  - (a) Valid
  - (b) Voidable
  - (c) Forbidden
  - (d) Void.
6. Which of the following persons are not competent to contract?
  - (a) Minors
  - (b) Persons of unsound mind
  - (c) Persons disqualified by law
  - (d) All of these.
7. Every person is competent to contract who is of the
  - (a) Age of majority
  - (b) Age of minority
  - (c) Sound reputation
  - (d) Sound financial position
8. Every person is competent to contract who is
  - (a) Of sound mind
  - (b) Not disqualified from contracting
  - (c) Both (a) and (b)
  - (d) None of these.
9. For the purposes of entering into contract, a minor is a person who has not completed the age of
  - (a) 15 years
  - (b) 18 years
  - (c) 21 years
  - (d) 25 years.

10. Under English Law, for all purposes, a minor is a person who is under the age of

- (a) 15 years
- (b) 18 years
- (c) 21 years
- (d) 25 years.

11. A minor is defined as a person who has not completed eighteen years of age in section 3 of the

- (a) Guardians and Wards Act, 1890
- (b) Indian Contract Act, 1872
- (c) Indian Majority Act, 1875
- (d) Court of Wards Act.

12. For the purposes of validity of contract, a person entering into contract should be of sound mind

- (a) Only at the time when he makes the contract
- (b) Only at the time when he enforces the contract
- (c) Both at the time of making as well as enforcement of contract
- (d) Throughout his life.

13. The soundness of mind for the purposes of entering into a valid contract is defined in

- (a) Section 10
- (b) Section II
- (c) Section 12
- (d) Judicial decisions.

14. A drunken or intoxicated person is not competent to contract as he falls in the category

- (a) Persons disqualified by law
- (b) Persons of unsound mind
- (c) Persons discarded by society
- (d) Enemies of society.

15. Which of the following are the persons of unsound mind?

- (a) Idiot
- (b) Lunatic
- (c) Drunken or intoxicated person
- (d) all of these

16. An idiot can enter into a valid contract at a time when he is of sound mind.

- (a) True, as the incapacity is to be taken into account at the time of entering into contract
- (b) False, incapacity of an idiot is permanent, at no time he is of sound mind.

17. Which of the following persons are not competent to contract being the persons disqualified by law?

- (a) Alien enemies
- (b) Insolvents
- (c) Convicts
- (d) All of these.

18. Which of the following persons do not fall in the category of persons of unsound mind?

- (a) Idiots
- (b) Lunatics
- (c) Alien
- (d) Drunken persons.

19. Flaw in capacity to contract may arise from

- (a) Uncertainty of object
- (b) Unsoundness of mind
- (c) Want of consideration
- (d) Illegality of object.

20. Incompetency to enter into a contract, includes
- (a) minority
  - (b) Disqualification by law from contracting
  - (c) Unsoundness of mind
  - (d) all of these.

#### 4.2 NATURE AND EFFECTS OF MINORS AGREEMENTS

1. As a general rule an agreement with or by a minor is
- (a) Void ab initio
  - (b) Voidable
  - (c) Valid
  - (d) Unlawful.
2. The leading case on the point that minor's agreement is void ab initio, is
- (a) Lalman Shukla v. Gauri Datl
  - (b) Carlill v. Carbolic Smoke Ball Co.
  - (c) Mohoribibi v. Dharmodas Ghose
  - (d) Nash v. Imman.
3. In certain circumstances minor's agreements are considered valid and enforceable.
- (a) True, as certain exception are recognized under law.
  - (b) False, as minor's agreements are void ab initio.
4. The expression void ab initio means the contract
- (a) Becoming void at a later stage
  - (b) Void from the very beginning
  - (c) Enforceable after rectifying the defect
  - (d) Voidable at the option of minor.

5. A minor who fraudulently enters into a contract representing that he is a major, then afterwards he
- (a) Can take the defense of his minority.
  - (b) Cannot take the defense of his minority.
  - (c) is liable to be held guilty of fraud.
  - (d) Is debarred from entering into any contract.
6. On attaining the age of majority, an agreement entered into during his minority
- (a) Becomes voidable
  - (b) Becomes valid
  - (c) Can be ratified by him
  - (d) Cannot be ratified by him.
7. A minor, who by fraudulently representing his age borrows some money
- (a) Can be sued for tort of deceit (i.e., fraud).
  - (b) Cannot be sued for tort of deceit.
  - (c) Becomes a fraud person in the eyes of law.
  - (d) Suffers permanent capacity to contract.
8. The doctrine of restitution refers to the restoration of property or goods obtained by false representation. This doctrine is
- (a) Beneficial to minors
  - (b) Not applicable to minors
  - (c) Applicable to minors
  - (d) None of these.
9. A minor who by false representation of his age, has obtained some property or goods, is
- (a) Guilty of tort of deceit (fraud).
  - (b) Liable to restore the same if traceable in his possession,
  - (c) Not liable to restore even if traceable in his possession.
  - (d) At liberty to use the goods as his own.

10. A contract which is beneficial to minor (i.e., in which minor is beneficiary),

- (a) is void ab initio
- (b) is voidable
- (c) Cannot be enforced by minor
- (d) Can be enforced by minor.

11. The rule that 'a contract for minor's benefit is enforceable' is provided in

- (a) Section 10 of the Indian Contract Act, 1872.
- (b) Section 25 of the Indian Contract Act, 1872.
- (c) Section 33 of the Specific Reliefs Act, 1963.
- (d) Judicial precedents i.e., judicial decisions given by courts.

12. A minor is incompetent to contract, but the law does not regard him as incapable of accepting benefit.

- (a) True, as he can enforce the contract in which minor is beneficiary?
- (b) False, as minor's agreements are void ab initio.

13. A minor,

- (a) Can become a partner in a partnership firm.
- (b) Cannot become a partner in a partnership firm even on attain in majority.
- (c) Can be admitted to the benefits of the firm.
- (d) cannot be admitted to the benefits of the firm.

14. A minor,

- (a) Can be appointed as an agent.
- (b) Cannot be appointed as an agent.
- (c) Can appoint others as his agent.
- (d) None of these.

15. A minor,

- (a) Can be declared as insolvent.
- (b) Cannot be declared as insolvent.

- (c) Can be declared insolvent for limited purpose.
- (d) Is regarded as insolvent under law.

16. Minor's parents or guardian incur the whole liability for minor's agreements.

- (a) True, as they are legally bound by minor's agreements.
- (b) False, as they do not have any liability for minor's agreements.

17. Liability of minor's estate (i.e., property) for the necessities supplied to him is provided in

- (a) Section 11 of the Indian Contract Act.
- (b) Section 25 of the Indian Contract Act.
- (c) Section 68 of the Indian Contract Act.
- (d) None of these, as minor's estate is not liable.

18. Can a minor be held personally liable for the 'necessaries' supplied to him?

- (a) Yes, under Section 68 minor is personally liable.
- (b) No, under Section 68 only minor's property is liable.

19. In a case where a minor enters into an agreement for the purchase of 'necessaries', then

- (a) Minor is personally liable to pay.
- (b) Minor's estate is liable to pay.
- (c) Minor's guardian are liable to pay.
- (d) None of these, as minor's agreement is void.

20. Which of the following conditions should be satisfied for liability of minor's estate for necessities supplied to him?

- (a) Goods supplied should be reasonably necessary for minor's support in life.
- (b) Minor should not have already sufficient supply of such necessities.

- (c) Both (a) and (b) should be satisfied.
- (d) None of these as estate's liability is absolute.

21. Minor's estate is liable for the 'necessaries' supplied to him. The term 'necessaries' is

- (a) defined in Section 11 of Indian Contract Act.
- (b) defined in Section 12 of Indian Contract Act.
- (c) defined in Section 68 of Indian Contract Act.
- (d) not defined in the Indian Contract Act.

22. The 'necessaries' are the goods suitable to the life of infant or other persons, and to his actual requirement at the time of sale and delivery. This definition is as per

- (a) Section 2 of the English Sales of Goods Act, 1893
- (b) Section 2 of the Sale of Goods Act, 1932
- (c) Section 2 of the Indian Contract Act, 1872
- (d) None of these, as it is based on judicial decision.

23. Which of the following is considered to fall in the category of 'necessaries'?

- (a) Expenses incurred for performing funeral ceremonies of minor's father.
- (b) Money borrowed to save minor's property from sale in execution.
- (c) Expenses for education, training for trade, medical care and legal advice etc.
- (d) All of these have been held by courts to fall in this category.

24. A minor having ample supply of clothes according to his position, bought number of new dress including eleven fancy waist-coats. In which of the following case, these were held not to be necessaries?

- (a) Chappel v. Cooper

- (b) Balfour v. Balfour
- (c) Nash v. Inman
- (d) None of these.

25. Which of the following is correct about minor's agreements?

- (i) Minor's agreements are void ab initio.
- (ii) Minor can ratify contract on attaining majority.
- (iii) Minor can be beneficiary to a contract,
- (iv) Minor is personally liable to pay for necessaries.

- (a) (i), (ii)
- (b) (i), (iii)
- (c) (ii), (iii)
- (d) (ii), (iv)

26. In case of minor's agreements, the estoppel against minor

- (a) Does apply.
- (b) Does not apply,
- (c) Opposed to public policy
- (d) None of these.

#### 4.1. AGREEMENTS BY PERSONS OF UNSOUND MIND

1. An agreement with persons of unsound mind is

- (a) Void
- (b) Voidable
- (c) Valid
- (d) Unlawful.

2. The 'sound mind' for the purposes of entering into a valid contract is defined in

- (a) Section 11
- (b) Section 12
- (c) Section 25
- (d) Section 68.

3. A person is said to be of sound mind for the purposes of making a contract if he is capable of understanding it and of forming a rational judgement as to its effects upon his interest, at the time when

- (a) Contract is intended to be enforced
- (b) He attends the court
- (c) He makes the contract
- (d) Other party attends the court.

4. Persons of unsound mind are

- (a) Competent to contract
- (b) Not competent to contract
- (c) Discouraged by law not to enter into contract
- (d) Required to enter into contract with the permission of court.

5. Which of the following sections provide that persons of unsound mind are not competent to contract?

- (a) Section II
- (b) Section 12
- (c) Section 13
- (d) Section 14.

6. A contract made by an idiot is \_\_\_\_\_

- (a) Valid
- (b) Void
- (c) Voidable
- (d) illegal.

7. A contract made by a drunken or intoxicated person is \_\_\_\_\_

- (a) Valid
- (b) Voidable
- (c) Void
- (d) Unlawful.

8. A lunatic can enter into a valid contract

- (a) At any time
- (b) Only with court permission
- (c) If the other party has no objection
- (d) Only during lucid intervals.

9. In reference to lunatics, the term 'lucid intervals' means the period when he is

- (a) Under medical treatment
- (b) of sound mind
- (c) Of unsound mind
- (J) none of these.

10. In a case where a lunatic enters into a contract for the purpose of 'necessaries', then

- (a) lunatic is personally liable to pay
- (b) lunatic's guardian is liable to pay
- (c) lunatic's estate is liable to pay
- (d) guardian's estate is liable to pay.

11. As per Section 12, a person is said to be of sound mind for the purpose of making a contract if, at the time of making contract, he is capable of

- (a) Understanding the contract
- (b) Forming a rational judgement about the effects of contract on his interest
- (c) Both (a) and (b)
- (d) None of these.

12. Under the English Law. an agreement made by a person of unsound mind is

- (a) Void abolition.
- (b) Voidable at the option of person of unsound mind.
- (c) Voidable at the option of other person.
- (d) Forbidden under the provisions of English Common Law.



13. A person who is usually of unsound mind, but occasionally of sound mind

- (a) Cannot make a contract at all.
- (b) Can make a contract only with court permission.
- (c) Can make a contract when he is of sound mind.
- (d) Can make a voidable contract only.

14. A person who is usually of sound mind, but occasionally of unsound mind

- (a) Cannot make a contract at all.
- (b) Can make a contract when he is of sound mind.
- (c) May make a contract when he is of unsound mind.
- (d) Both (a) and (c).

15. The competence of the person of unsound mind to enter into contract when he is of sound mind is provided in

- (a) Section II
- (b) Section 12
- (c) Section 13
- (d) Section 25.

16. A person of unsound mind can enter into a valid and enforceable contract if he is of sound mind

- (a) At the time of making contract.
- (b) At the time of enforcing contract.
- (c) Both at the time of making as well as enforcing the contract.
- (d) None of these, as such a contract is void ab initio.

17. Which of the following statements are correct?

- (i) At idiot cannot enter into a valid contract as his incapacity is permanent
- (ii) a lunatic can enter into a valid contract during lucid intervals

(iii) a person who is usually of unsound mind but occasionally of sound mind cannot enter into a contract

(iv) a person who is usually of sound mind but occasional of unsound mind may not enter into a contract when he is of unsound mind.

- (a) (i),(ii),(iii)
- (b) (ii),(iii),(iv)
- (c) (i),(ii),(iv)
- (d) (i),(iii),(iv)

18. An agreement made by a person of unsound mind is void. However, he can enter into a valid contract if he is of sound mind at the time of agreement. This is provided in

- (a) Section 12
- (b) Section 13
- (c) Section 14
- (d) None of these.

#### 4.4. AGREEMENTS BY PERSONS DISQUALIFIED BY LAW

1. As per Section 11, the persons disqualified by law are

- (a) Not competent to contract.
- (b) Competent to contract.
- (c) Persons of unsound mind.
- (d) None of these.

2. Which of the following persons are disqualified by law from entering into a valid contract?

- (a) Alien enemies
- (b) Insolvents
- (c) Convicts
- (d) all of these.

3. Contracts with an alien enemy before the declaration of war. which are against the national interest, are

- (a) Terminated
- (b) Not affected at all
- (c) Suspended and revived after war
- (d) None of these.

4. On declaration of a person as insolvent, his property vests in the receiver and the insolvent

- (a) Cannot enter into any contract.
- (b) Cannot enter into contract relating to his property.
- (c) Can enter into contract relating to his property only.
- (d) Being disqualified by law, is sent to jail.

5. A convict who is sentenced for imprisonment,

- (a) Cannot enter into contract throughout his life.
- (b) Cannot enter into contract during the period of imprisonment.
- (c) Can enter into a valid contract even during imprisonment.
- (d) Can enter into only a contract of marriage.

6. The contractual capacity of a company registered under the Companies Act, 1956, is regulated by the

- (a) memorandum of association
- (b) Provisions of the Companies Act
- (c) Both (a) and (ft)
- (d) The Government of India.

7. Which of the following statements are incorrect on convict's capacity to enter into contract on the expiry of his sentence? A convict

- (a) Can enter into a valid contract.
- (b) Cannot enter into a valid contract.

(c) Treated at par with idiots for the purposes of contracting.

(d) becomes permanently incapable of entering into contract.

(a) (i),(ii),(iii)

(b) (ii),(iii),(iv)

(c) (i),(ii),(iv)

(d) (i),(iii),(iv)

8. Which of the following persons are not disqualified by law to enter into a valid contract?

- (i) Idiot
- (ii) Insolvent
- (iii) Person of 19 years
- (iv) Diplomatic staff of foreign state

(a) (i),(ii)

(b) (iii),(iv)

(c) (i),(iv)

(d) (ii),(iv)

**FILL IN THE BLANKS AND PAIR MATCHING  
QUESTIONS**

**Choose appropriate option to fill in the blanks in questions 1 to 5:**

1. An agreement is \_\_\_\_\_ if it is made by the parties not competent to contract,

- (a) Valid
- (b) Void
- (c) Voidable
- (d) illegal.

2. A person below

- (a) 15 years    (b) 17 years
- (c) 18 years    (d) 21 years.

3. A contract is \_\_\_\_

- (a) Valid
- (b) Void ab initio
- (c) Void
- (d) Voidable.

4. A minor \_\_\_\_\_ appointed as agent

- (a) Cannot be
- (b) Can be
- (c) Must always be
- (d) Must not be

5. A contract with a lunatic is \_\_\_\_\_ where it is made during lucid intervals

- (a) Void
- (b) illegal
- (c) Voidable
- (d) Valid.

6. Match the following:

(i) capacity	(a) minor's estate is liable
(ii) necessaries	(b) competence to enter into contract
(iii) alien enemy	(c) Indian Majority Act, 1875
(iv) minor	(d) Disqualified by law from contracting.

7. Match the following:

(i) Section 11	(a) soundness of mind
(ii) Section 12	(b) minor's liability for necessities
(iii) Section 25	(c) capacity to contract
(iv) Section 68	(d) contract without consideration void.

8. Match the following:

(i) void ab initio	(a) contract beneficial to minors
(ii) idiot	(b) memorandum of association
(iii) valid	(c) minor's agreements
(iv) company	(a) incompetent to contract

9. Match the following:

(i) capacity to contract	(a) disqualified by law from contracting
(ii) drunken person	(b) essential element of a valid contract
(iii) ratification	(c) incompetent to contract
(iv) insolvent	(d) not applicable for minor's agreements

## OBJECTIVE TYPE QUESTIONS

(with correct/incorrect options and hint)

1. For the purpose of entering into contract, a minor is a person who has not completed twenty one years of age-

(a) Correct (b) incorrect.

2. The general rule is that minor's agreements are voidable.

(a) Correct (b) incorrect.

3. An agreement made by a minor during the minority can be ratified (i.e., confirmed) by him on attaining the age of majority.

(a) Correct (b) incorrect.

4. A contract to take a loan by a boy of sixteen years of age from a money-lender of 50 years old, is a valid contract.

(a) Correct (b) incorrect.

5. If a minor obtains some property or goods by misrepresenting his age. he can be asked to restore it to the person from whom he has received it.

(a) Correct (b) incorrect.

6. A promissory note duly executed in favour of minor is void.

(a) Correct (b) incorrect

7. A minor can be a beneficiary or a promisee.

(a) Correct (b) incorrect.

8. A minor is personally liable for the necessaries supplied to him.

(a) Correct (b) incorrect.

9. A minor cannot become a full fledged partner in a partnership firm.

(a) Correct (b) incorrect.

10. A minor cannot be appointed as an agent, as he is not competent to contract.

(a) Correct (b) incorrect.

11. A minor cannot be declared as an insolvent.

(a) Correct (b) incorrect.

12. The parents or guardians of a minor are liable for the liabilities incurred by the minor.

(a) Correct (b) incorrect.

## Chapter 5:- Free Consent

### Multiple choice questions:-

#### 5.1 FREE CONSENT AND ELEMENTS WHICH AFFECT THE CONSENT

1. The term 'consent' is defined in

- (a) Section 12
- (b) Section 13
- (c) Section 14
- (d) Section 15

2. The term 'free consent' is defined in

- (a) Section 12
- (b) Section 13
- (c) Section 14
- (d) Section 15

3. Two or more persons are said to consent when they agree upon the

- (a) Same thing in the same sense
- (b) Same thing in the different sense
- (c) Different thing in the different sense
- (d) Different thing in the same sense

4. The 'consent' means that the parties should have identity of mind i.e. they should agree the same thing in the same sense. Under English Law it is called

- (a) Error in consensus
- (b) Error in causa
- (c) Consensus ad idem
- (d) None of these.

5. A had two scooters, one green and the other white and offered to sell his green scooter to B for

Rs. 10000. B accepted the offer believing it to be white. In this case no contract arises between A and B as there is no

- (a) Consensus ad idem
- (b) Error in consensus
- (c) Error on cause
- (d) Both (a) and (b)

6. The cases of 'no consent' i.e. when there is no consent at all, are described by Salmond as

- (a) Error in cause
- (b) Error in consensus
- (c) Consensus ad idem
- (d) None of these

7. Error in consensus is the complete absence of consent and prevents the existence of following essential element of a contract

- (a) Competence of parties
- (b) Consideration
- (c) Consensus ad idem
- (d) Offer and acceptance.

8. In case there is error in consensus the agreement is \_\_\_\_\_

- (a) void
- (b) valid
- (c) Voidable
- (d) unlawful

9. In case of 'no free consent' i.e. when the consent is there but the same is not free are described by Salmond as

- (a) Error in causa
- (b) error in consensus
- (c) Consensus ad idem
- (d) none of these

10. In case there is error in causa i.e. when the consent of parity is not free the contract is \_\_\_\_\_.

- (a) void
- (b) valid

(c) Voidable

(d) unlawful

11. The consent of a party is not free when it is caused by \_\_\_\_\_.

- (a) Coercion                      (b) undue influence  
(c) Misrepresentation      (d) all of these

12. The consent of a party is not free when it is caused by \_\_\_\_\_.

- (a) Fraud                              (b) mistake  
(c) Both of these                      (d) none of these

13. Which of the following elements do not affect the free consent of the parties?

- (a) Coercion                              (b) fraud  
(c) Incompetency                      (d) mistake

14. In cases where consent is obtained by any of the four elements namely, coercion, undue influence, fraud or misrepresentation the contract is

- (a) void                                      (b) voidable  
(c) Valid                                      (d) illegal

15. In cases where both the parties to an agreement are under a mistake as to the fact essential to the agreement the agreement is

- (A) void                                      (b) voidable  
(c) Valid                                      (d) illegal

16. In which of the following cases of mistake of both the parties the contract is void ab initio because of complete absence of consent?

- (a) Where there is error as to the nature of the contract  
(b) Where there is error as to the identity of the contract  
(c) Where there is error as to the subject –matter of the contract

(d) all of the above

17. The effect of 'no free consent' and 'no consent at all' is the same on the validity of a contract as in both the case the contract is voidable.

- (a) True, as all the elements affecting consent renders the contract voidable  
(b) False as 'no consent at all' covers the case of mistake of both the parties as to the fact essential to the contract which makes the contract void ab initio

## 5.2 COERCION: ESENTIAL ELELMENTS AND EFFECT

1. The term 'coercion' is defined in

- (A) section 15                              (b) section 16  
(c) Section 17                              (d) sections 18

2. Committing any act forbidden by the Indian Penal Code (i.e. committing an offence) with the intention of obtaining the consent to a contract amounts to

- (a) Fraud  
(b) Misrepresentation  
(c) Coercion  
(d) Undue influence

3. Threat to commit any act forbidden by the Indian Penal Code in order to obtain consent to a contract amounts to

- (a) Mistake  
(b) Misrepresentation  
(c) Coercion  
(d) Undue influence

4. The unlawful detention of any property of a person in order to obtain his consent to a contract amounts to

- (a) Undue influence                      (b) coercion

- (c) Misrepresentation                      (d) fraud
5. Threatening to detain any property of a person in order to obtain his consent to a contract amounts to
- (a) Undue influence                      (b) mistake  
(c) Misrepresentation                      (d) coercion
6. A threatens to kill B if he does not sell his scooter to him for Rs. 1000 only. Here B's consent is obtained by
- (a) Undue influence                      (b) coercion  
(d) Fraud                                      (d) none of these
7. Consent is not caused by coercion if it is obtained by
- (a) Committing any set forbidden by Indian Penal Code (IPC)  
(b) Committing an act forbidden by IPC at a place where the IPC is not in force.  
(c) Threat to file a civil suit  
(d) Unlawful detaining of any property.
8. Committing or threatening to commit any act forbidden by IPC or unlawful detaining or threatening to detain any property amounts to coercion under section 15 if such act is done with the intention of
- (a) Causing the other party to enter into contract  
(b) Injuring the other party  
(c) Causing loss to the other party  
(d) all of the above
9. The threatening act amounting to coercion
- (a) Must be initiated by a party to the contract only.  
(b) Must be initiated by a stranger only.  
(c) May be initiated by a party or any person even by a stranger  
(d) Must be initiated by both the party as well as the stranger

10. The threatening act amounting to coercion
- (a) Must be directed against the party to contract  
(b) Must be directed against stranger only  
(c) Must be directed against both the party and the stranger  
(d) May be directed against the party or against any person who is not a party.
11. A threatens to kill B's son unless he signs a promissory note for Rs. 500000 in A's favour. Under threat to B's son B sings the promissory note. In this case B's case consent is obtained by
- (a) Undue influence  
(b) Coercion  
(c) Fraudulent act  
(d) None of these
12. Consent obtained by a threat to commit suicide amounts to coercion
- (a) True as threat to commit suicide is forbidden by Indian Penal Code.  
(b) False as threat to commit suicide is not punishable by the Indian Penal Code
13. When the consent of a party is obtained by coercion by coercion the contract is \_\_\_\_\_
- (a) Valid                                      (b) void  
(c) Voidable                                      (d) illegal
14. When the consent of a party is obtained by coercion the contract is voidable at the option of
- (a) Either party to the contract  
(b) A party whose consent was so obtained  
(c) A party who obtained the consent  
(d) Court deciding the case
15. The consent is said to be obtained by coercion if it is obtained by threatening to commit any act

forbidden by India Penal Code (IPC). If IPC is not in force at a place where the coercion is committed then the contract is

- (a) Void
- (b) voidable
- (c) Valid
- (d) invalid

16. A contract induced by coercion is voidable at the option of the party whose consent is obtained by coercion. It means that such party

- (a) May put an end to the contract if he so chooses.
- (b) Must put end to the contract
- (c) Must decide to be bound by the contract and claim damages
- (d) Must put an end to the contract and remake it new terms.

17. Which of the following statements is incorrect?

- (a) under the English Law the term 'duress' is used for 'coercion', and it covers only the threats of bodily harm to a party or his wife parents or child.
- (b) The duress must be initiated by a party to the contract against the other party or his children parents or wife.
- (c) The burden of proof lies upon the party committing coercion i.e. he has to prove that the consent was not obtained by coercion.
- (d) The burden of proof lies upon the other party who wants to set aside the contract on plea of coercion i.e. he has to prove that his consent was obtained by coercion..

18. Consent obtained by a threat to commit suicide amounts to \_\_\_\_\_

- (a) Coercion
- (b) Undue influence
- (c) Fraud
- (d) None of these

19. Which of the following involves a criminal act i.e. an act forbidden by the Indian Penal Code?

- (a) Misrepresentation
- (b) Fraud
- (c) Coercion
- (d) None of these

20. Threat to commit suicide amounts to

- (i) Fraud
  - (ii) coercion
  - (iii) Undue influence
  - (iv) offence under IPC
- (a) (i) and (ii)
  - (b) (ii) and (iii)
  - (c) (iii) and (iv)
  - (d) (ii) and (iv)

### 5.3. UNDUE INFLUENCE ESSENTIAL ELEMENTS AND EFFECTS

1. The term 'undue influence' is defined in

- (a) section 15
- (b) section 16(1)
- (c) Section 16(2)
- (d) section 17

2. The circumstances in which one party is presumed to dominate the will of another are provided in

- (a) section 15
- (b) section 16(1)
- (c) Section 16(2)
- (d) section 18

3. Where one party is in a position to dominate the will of another and uses his superior position to obtain the consent of weaker party the consent is said to be obtains by

- (a) Coercion
- (b) duress
- (c) Fraud
- (d) undue influence

4. Undue influence is kind of

- (a) Mental coercion
- (b) Physical coercion
- (c) Both of these



(d) none of these

5. Which of the following is not an essential element of undue influence?

- (a) One party must be in a position to dominate the will of the other party.
- (b) The dominant party must use his superior position to obtain an unfair advantage over the weaker party.
- (c) the dominant party must obtain an unfair advantage over the weaker party.
- (d) one party must be in a dominant position but he may or may not use his position to obtain unfair advantage over the weaker party.

6. the domination of will is an essential requirement of \_\_\_\_\_

- (a) Coercion
- (b) Undue influence
- (c) Fraud
- (d) Misrepresentation

7. A party is presumed to dominate the will of another where he

- (a) Holds a real or apparent authority over the other
- (b) Makes a contract with another in mental distress
- (c) Stands in fiduciary relation to the other
- (d) all of these

8. The fiduciary relationship

- (a) Trust and confidence
- (b) Senior and junior
- (c) None of these
- (D) Both of these

9. The fiduciary relationship

- (a) Is considered coercive
- (b) Raises the presumption of undue influence

(c) Does not raise the presumption of undue influence

(d) Raises the presumption of fraud being employed.

10. Which of the following relations fall in the category of 'fiduciary relations' and usually the presumption of undue influence?

- (a) Solicitor and client
- (b) doctor and patient
- (c) Spiritual adviser and devotee
- (d) all of these

11. Which of the following relations do not fall in the category of fiduciary relationship and thus do not raise the presumption of undue influence?

- (a) Parent and child
- (b) Trustee and beneficiary
- (c) Landlord and tenant
- (d) Woman and her confidential managing agents

12. A contract with a person who is in mental distress raises the presumption of

- (a) Domination of will
- (b) Undue influence
- (c) Both of these
- (d) None of these

13. Contracts with a pardansahin woman raise the presumption of

- (a) Domination of will
- (b) undue influence
- (c) Both of these
- (d) none of these

14. When the consent of a party is obtained by undue influence the contract is \_\_\_\_\_.

- (a) Valid
- (b) void
- (c) voidable
- (d) illegal

15. When the consent of a party is obtained by undue influence the contract is voidable at the option of

- (a) Either party to the contract
- (b) A party whose consent was so obtained
- (c) A party who obtained the consent
- (d) Court which has to decide the case

16. A contract induced by undue influence is voidable at the option at the party whose consent is obtained by undue influence. It means that such party

- (a) May put an end to the contract if he so chooses
- (b) Must put an end to the contract
- (c) Must put an end to the contract and remake it on new terms
- (d) Must enforce the contract and claim of damages for undue influence

17. When a contract is challenged in a court of law on the ground of undue influence the burden of proof lies upon the

- (a) Stronger party prove that other party's consent was not obtained by undue influence
- (b) Weaker party to prove that his consent was obtained by undue influence
- (c) Court to prove the undue influence
- (d) None of these

18. Where the weaker party challenged the contract on the ground of undue influence he has to prove that the superior party

- (a) was in a position to dominate his will
- (b) actually used his influence to obtain his consent
- (c) Both (a) and (b)
- (D) only (a) as the second is presumed to be proved

19. In those cases where is presumption of undue influence the burden of proof is shifted from the weaker party to the stronger party.

- (a) True as in such a case stronger party has to prove that the consent of weaker party was not induced by undue influence.
- (b) False as the burden of proof is always upon the weaker party.

#### 5.4 FRAUD: ESSENTIAL ELEMENTS AND EFFECTS

1. The term 'fraud' is defined in \_\_\_\_\_.

- (a) Section 15
- (b) section 16
- (c) Section 17
- (d) section 18

2. Acts which constitute fraud have been specified in \_\_\_\_\_.

- (a) Section 15
- (b) section 16
- (c) Section 17
- (d) section 18

3. The important case Derry v. Peek (1889) 14 App. Cas.337, deals with

- (a) Coercion
- (b) Undue influence
- (c) Misrepresentation
- (d) Fraud

4. In Derry v. Peek it was observed that fraud exists when it is shown that the false representation has been made

- (a) Knowingly
- (b) Unintentionally
- (c) Recklessly careless whether it be true or fals
- (d) both (a) and (c)

5. Which of the following is not an essential element of fraud?

- (a) It must be committed with belief in its truth.
- (b) It must be committed with an intention to deceive
- (c) It must be committed with the knowledge of its falsity.
- (d) It must be committed by a party to the contract.

6. Which of the following is the essential element of fraud?

- (a) It must be committed upon the party to contract or his agent
- (b) It must have actually deceived the other party.
- (c) Both (a) and (b)
- (d) None of these

7. Which of the following acts constitute fraud?

- (a) A promise made without any intention of performing it.
  - (b) Positive assertion of a fact to be true when a person's information does not warrant to be so though he believes it to be true.
  - (c) The active concealment of a fact by one having knowledge of belief of the fact
  - (d) The suggestion a fact which is not true by one who does not believe it to be true.
- (a) (i),(ii),(iii)                      (b) (i),(ii),(iv)  
(c)(ii),(iii),(iv)                      (d) (i),(ii),(iv)

8. A promise made without any intention of performing it amounts to \_\_\_\_\_

- (a) Unintentional representation
- (b) Misrepresentation
- (c) Fraud
- (d) None of these

9. A false statement of facts made with the knowledge of its falsity amounts to \_\_\_\_\_

- (a) Fraud
- (b) Misrepresentation
- (c) Wrongful misrepresentation
- (d) None of these

10. Which of the following acts does not fall in the categories of fraud?

- (a) Active concealment of fact.
- (b) Innocent false statement of facts
- (c) Intentional false statement of facts
- (d) Promise made without any intention to perform

11. A mere attempt to deceive the other party amounts to

- (a) Fraud if the other party is actually deceived
- (b) Fraud whether or not the other party is actually deceived
- (c) Positive assertion not warranted by information
- (d) Misrepresentation.

12. Which of the following statements is incorrect?

- (a) Person making a false statement is not guilty of fraud if he believes in its truthfulness
- (b) A fraudulent act committed by stranger amounts to fraud
- (c) A fraudulent act which does not actually deceive the other party does not amount to fraud
- A fraudulent act committed upon a stranger does not amount to fraud

13.A, by auction sold to B horse which A knew to be unsound. A told nothing to, B about the horse's unsoundness. In this case A has obtained B's consent by

- (a) Fraud
- (b) Misrepresentation

- (c) Undue influence
- (d) None of these

14. Mere silence as to the facts likely to affect the willingness of a person to enter into a contract is

- (a) Fraud
- (b) no fraud
- (c) Unlawful
- (d) punishable

15. 'Mere silence is not fraud'. This general rule is provided in

- (a) Section 17, Explanation
- (b) section 18, Explanation
- (c) Section 19, Explanation
- (d) judicial decisions

16. The active concealment of facts by a party having knowledge or belief of the fact amounts to \_\_\_\_\_.

- (a) Fraud
- (b) Misrepresentation
- (c) Unintentional misrepresentation
- (d) none of decisions

17. A, a horse dealer, sold a horse to B. A knew that the horse had a cracker hoof which he filled up in such a way as to prevent its detection. In this case B's consent was obtained by

- (a) Misrepresentation
- (b) false statement of facts
- (c) Unintentional representation
- (d) active concealment of facts

18. There is no exception to the general rule that a mere silence is not fraud

- (a) True, as it is the absolute rule provided in section 17, explanation
- (b) False as two exceptions have been provided in section 17 explanation itself

19. Silence amounts to fraud where

- (a) There is duty to speak
- (b) Silence is equivalent to speech
- (c) A person discloses half truth only
- (d) all of the above cases

20. When the consent of a party is obtained by fraud the contract is \_\_\_\_\_

- (a) void
- (b) voidable
- (c) Valid
- (d) unlawful

21. When the consent of a party is obtained by fraud the contract is voidable at the option of

- (a) A party whose consent was so obtained
- (b) a party who obtained the consent
- (c) Either party to the contract
- (d) court which has to decide the case

22. A contract induced by fraud is voidable at the option of the party whose consent is obtained by fraud. It means that such a party.

- (a) Must put an end to the contract
- (b) Must cancel the old contract and make a fresh one on new terms
- (c) Must enforce the contract and claim damages for fraud
- (d) May put an end to the contract if he so chooses.

23. In cases of silence amounting to fraud where the other party had the means of discovering truth with ordinary diligence the contract is

- (a) void
- (b) voidable
- (c) Not voidable
- (d) conditional

24. Where a party commits a fraud but fraud does not induce the other party to enter into the contract the contract is

- (a) Voidable                      (b) not voidable
- (c) Void                              (d) void ab intino

25. The aggrieved party i.e. the party whose consent was obtained by fraud may

- (a) Rescind (i.e. revoke) the contract only
- (b) affirm (i.e. accept) the contract only
- (c) Rescind or affirm the contract
- (d) none of these

26. Which of the following remedies is available to a party whose consent was obtained by fraud?

- (a) Right to rescind the contract
- (b) right to affirm the contract
- (c) Both of these
- (d) none of these

27. Where the consent of a party is obtained by fraud which of the following statements is incorrect?

- (a) The aggrieved party can exercise his option either to rescind the contract or affirm it only once
- (b) Once the option is exercised by the aggrieved party he cannot change his stand
- (c) After exercising the option only one more opportunity is available to the aggrieved party to change the option
- (d) once the option is exercised both the parties are bound by the contract

28. The aggrieved party's right to rescind the contract is lost if

- (a) He does not rescind the contact within a reasonable time
- (b) He expressly or impliedly affirms the contract

(c) The third party in good faith acquires right in the subject-matter.

(d) In all the above cases right of rescission is lost

29. A, fraudulently sold his car to B. Afterwards , B came to know about the fraud but instead of complaining he further sold the car to C. in this case,B's right to rescind the contract is

- (a) Lost                              (b) not lost
- (c) strengthened                (d) none of these

### 5.5 MISREPRESENTAION: ESSENTIAL ELEMENTS AND EFFECTS

1. The term 'misrepresentation' is defined in

- (a) Section 15                      (b) section 16
- (c) section 17                      (d) section 18

2. Misrepresentation refers to the false statement of facts made by a party

- (a) Without any intention to deceive
- (b) with the intention to deceive
- (c) Knowingly and without belief in its truth
- (d) recklessly careless whether it be true or false

3. The important element which distinguishes misrepresentation from fraud is that the it to be so though he believes it to be true there is

- (a) Intentional statement
- (b) innocent statement
- (c) Important statement
- (d) irrelevant statement

4. When a person positively asserts that a fact is true when his information does not warrant it to be so though he believes it to be true there is

- (a) Undue influence
- (b) misrepresentation

- (c) Unwarranted statement
- (d) fraud

5. Misrepresentation is an innocent (i.e. unintentional) misstatement of facts and its includes

- (a) a positive false statement made without any basis for information
- (b) A breach of duty which brings advantage to the person committing it
- (c) Inducement of mistake about subject-matter
- (d) All the above acts

6. A told B that one C would be the director of a company. A believed this information to be true, but he had obtained it not directly from C but from another person D. the information proved to be false. In this case A's statement falls in the category of

- (a) Positive unwarranted statement
- (b) misrepresentation
- (c) Fraudulent statement
- (d) both (a) and (b)

7. Any breach of duty which without any intent to deceive gains an advantage to the person committing it by misleading another to his prejudice falls in the category of

- (a) Fraud
- (b) misrepresentation
- (c) Undue influence
- (d) none of these

8. In the negotiations for a marriage contract the relative speaking for the girl failed to disclose that she was suffering from epileptic fits. In this case engagement is voidable on account of

- (a) Fraud
- (b) undue influence

- (c) Undue influence
- (d) none of these

9. A false statement of facts made without any intention to deceived the other party falls under the category of

- (a) Fraud
- (b) undue
- (c) coercion
- (d) misrepresentation

10. When the consent of party is obtained by misrepresentation the contract is

- (a) Void
- (b) voidable
- (c) valid
- (d) unlawful

11. When the consent of a party is obtained by misrepresentation the contract is voidable at the option of

- (a) A party whose consent was so obtained
- (b) A party who obtained the consent
- (c) Either party to the contract
- (d) Court which has to decide the case

12. A contract induced by misrepresentation is voidable at the option of aggrieved party. It means that such a party

- (a) Must rescind (i.e. cancel) the contract
- (b) Must cancel the contract and make a fresh one on new terms
- (c) Must enforce the contract and claim damages
- (d) May put an end to the contract if he so chooses

13. In case of misrepresentation where the other party had the means of discovering the truth with ordinary diligence the contract is

- (a) Void
- (b) voidable
- (c) not voidable
- (d) conditional

14. Where the misrepresentation does not induce the other party to enter into contract the contract is

- (a) Voidable (b) not voidable  
(c) void (d) void ab initio

15. The arrived party i.e. the party whose consent was obtained by misrepresentation may

- (a) Rescind (i.e. revoke) the contract only  
(b) affirm (i.e. accept) the contract only

16. Which of the following remedies is available to a party whose consent was obtained by misrepresentation?

- (a) Right to rescind the contract  
(b) right to affirm the contract  
(c) Both of these  
(d) none of these

17. Which of the following statements is incorrect?

- (a) In case of fraud or misrepresentation aggrieved party can either rescind the contract or affirm the contract  
(b) A party who affirms the contract can also change his option after wards if he so decides.  
(c) A contract is not voidable if fraud or misrepresentation does not induce the other party to enter into a contract.  
(d) A party cannot complain of fraudulent silence or misrepresentation if he had the means of discovering the truth with ordinary diligence.

18. The aggrieved party can rescind the contract on account of fraud. Can he also claim damages from the other party?

- (a) Yes (b) no

19. The aggrieved party can rescind the contract on account of misrepresentation. Can he also claim damages from the other party?

- (a) Yes (b) no

20. Which of the following elements make the contract voidable?

- (i) Fraud  
(ii) coercion  
(iii) Misrepresentation  
(iv)  
(a) (i),(ii),(iii) (b) (ii),(iii),(iv)  
(c) (i),(ii),(iv) (d) (i),(iii),(iv)

## 5.6. MISTAKE: TYPES, ESSTIALS AND EFFECTS

1. Where both the parties to an agreement are under a mistake about the essential facts, it is called

- (a) unilateral  
(b) bilateral mistake  
(c) Common mistake  
(d) mistake of law

2. Where only one party to an agreement is under a mistake about the essential fact it is called a

- (a) Unilateral  
(b) bilateral mistake  
(c) Common mistake  
(d) mutual mistake

3. A bilateral mistake of essential facts renders the agreement

- (a) Void (b) valid  
(c) voidable (d) illegal

4. Where the consent of both the parties is given under mistake the agreement

- (a) Void (b) valid  
(c) voidable (d) illegal

5. As per section 20 where the parties to an agreement are under a mistake as to a matter of fact essential to the agreement the agreement is

- (a) Void (b) valid  
(c) voidable (d) illegal

6. An agreement for the sale and purchase of a horse which unknown to both the parties was dead at the time of bargain is

- (a) Void (b) valid  
(c) voidable (d) illegal

7. On account of bilateral mistake a contract to be declared as void under section 20 the mistake must be about the

- (a) Existing fact  
(b) future fact  
(c) Both of these  
(d) none of these

8. A contract for hiring a car for attending a coronation ceremony which unknown to both the parties has already been cancelled is

- (a) Voidable (b) valid  
(c) Conditional (d) void

9. An agreement for the sale of a truck existing at the time of bargain which was destroyed in an accident subsequent to the bargain is void under

- (a) Section 20 (b) section 22  
(c) Section 50 (d) section 56

10. Generally a unilateral mistake of essential facts

- (a) Renders the agreement void  
(b) Does not render the agreement void  
(c) Renders the agreement illegal  
(d) is considered a mistake of law

11. As per section 22 merely because the contract was caused by one of the parties to it being under a mistake as to the matter of fact the contract is not

- (a) Void (b) valid  
(c) Voidable (d) illegal

12. A contract is void on account of bilateral mistake of essential fact but if there is mistake of only one party then the contract is

- (a) Void (b) valid  
(c) Voidable (d) illegal

13. "In certain cases unilateral mistake also renders the agreement void".

- (a) True where the unilateral mistake has the effect of defeating the true consent of parties.  
(b) False as in all cases a unilateral mistake does not affect the validity of an agreement

14. A agreed to buy horse from B. At the time of bargain the horse was dead though neither party was aware of this fact. In this case the agreement is

- (a) void (b) valid  
(c) Voidable (d) illegal

15. When both the parties to an agreement are under mistake about the existence of subject-matter the agreement is

- (a) Not void (b) void  
(c) Voidable (d) illegal



16. When both the parties to an agreement have different subject-matter in mind the agreement is

- (a) Not void
- (b) void
- (c) Voidable
- (d) illegal

17. in case of bilateral mistake about essential facts there is complete absence of consent which is described by Salmond as

- (a) Consensus ad idem
- (b) Error in cause
- (c) Error in consensus
- (d) None of these

18. The complete absence of consent renders the agreement void because in such cases there is no

- (a) Consensus ad idem
- (b) Error in cause
- (c) Error in consensus
- (d) None of these

19. Which of the following bilateral mistakes of fact does not render the agreement as void?

- (a) Mistake about title of subject-matter
- (b) Mistake about quality of subject-matter
- (c) Mistake about quantity of subject-matter
- (d) Mistake about a fact not essential to agreement

20. Which of the following bilateral mistakes are about the fact essential to the agreement and thus render the agreement as void?

- (a) Mistake about substance of subject-matter
- (b) Mistake about price of the subject-matter
- (c) Both (a) and (b)
- (d) None of these two

21. Where an agreement is impossible to perform but the fact of impossibility is unknown to both the parties the agreement is

- (a) Void
- (b) voidable
- (c) Illegal
- (d) valid

22. Where an agreement is impossible to perform but the fact of impossibility is known to both the parties the agreement is

- (a) Void
- (b) voidable
- (c) Illegal
- (d) valid

23." An agreement to do an impossible act in itself, is void."

- (a) True as section 56 makes specific provision in this regard
- (b) False as section 56 also provides certain exceptions to this rule

24. The effect of bilateral mistake of fact is that it renders the agreement void. It is provided

- (a) Section 19
- (b) section 20
- (c) Section 21
- (d) sections 22

25. Generally a unilateral mistake as to the matter of fact does not affect the validity of the contract under a mistake as to the matter of fact the contract is

- (a) True as section 22 makes specific provision in this regard
- (b) False as such contracts are void under section 22

26. As per section 22 merely because a contract was caused by one of the parties to it being under a mistake as to the matter of fact the contract is

- (a) Not valid
- (b) not void
- (c) Not voidable
- (d) unlawful

27. A unilateral mistake of fact affects the validity of the contract if the unilateral mistake even in cases of unilateral mistake?

- (a) is about some fact essential to the contract
- (b) Has the effect of defeating the true consent of the parties
- (c) Both (a) and (b)
- (d) None of these

28. Which of the following is considered as an essential fact that affects the validity of a contract even in cases of unilateral mistake?

- (a) Identity of the parties to an agreement (b) nature if the agreement
- (c) None of these is essential
- (d) Both of these are essential

29. A intends to enter into an agreement with B only and with no other person. C fraudulently representing himself as B entered into an agreement with A who believed him to be real B. in this case the contract is void on account of

- (a) Unilateral mistake about identity
- (b) Bilateral mistake about identity
- (c) Common mistake about identity
- (d) Mutual mistake about identity

30. The important case *Cundy v. Lindsay* (1878) 3 AC 459 deals with

- (a) Bilateral mistake as to nature of agreement
- (b) Unilateral mistake as to nature of agreement
- (c) Bilateral mistake about identity of parties
- (d) Unilateral mistake about identity of parties

31. Where by a fraudulent representation of a party there is unilateral mistake about the identity of the party the contract is

- (a) Void
- (b) voidable
- (c) Valid
- (d) illegal

32. Generally the mistake about the identity of a party or about the nature of agreement is caused by fraud or misrepresentation of one party.

- (a) True
- (b) false

33. Where there is fraudulent representation about the nature (i.e. character) of the document the contract is

- (a) Valid
- (b) voidable
- (c) Void
- (d) unlawful

34. A by fraudulent representation got signed a gift deed from B in his favour representing it to be power of attorney. The gift deed is

- (a) Valid as gift deed is always valid
- (b) Voidable as there is fraud by one party
- (c) Void as there is mistake about nature of document
- (d) Illegal as fraud is an illegal act

35. Where there is fraudulent representation about the contents (not the nature) of a document the contract is

- (a) Valid as the contents are not material to contract
- (b) Voidable as there is fraud by one party
- (c) Void as there is mistake about document
- (d) Illegal as fraud is an illegal act

36. A contract made by mistake about some foreign law is

- (a) void
- (b) valid
- (c) Voidable
- (d) illegal

37. A contract made by mistake about some foreign law is

- (a) Void voidable (b) valid (c) voidable (d) illegal

38. A mistake as to law not force in India has the same effect as

- (a) Fraud  
(b) Misrepresentation  
(c) Mistake of fact  
(d) Mistake of Indian Law

39. Which of the following agreements are void?

- (i) Agreement made under the mistake of Indian law  
(ii) Agreement made under the mistake of foreign law  
(iii) Agreement made under unilateral mistake of fact  
(iv) Agreement made under bilateral mistake of fact
- (a) (i), (ii), (iii) (b) (ii), (iii), (iv)  
(c) (i), (ii), (iv) (d) (i), (iii), (iv)

## Chapter 6: Legality of Object and Consideration

### 6.1: Introduction and Definition

1. All agreements are contracts if they are made
  - a) For lawful consideration only.
  - b) With lawful object irrespective of the legality of consideration.
  - c) For lawful consideration irrespective of the legality of object.
  - d) For lawful consideration as well as with lawful object.
  
2. Every agreement of which the object or consideration is unlawful in
 

a) Void	b) Voidable
c) Valid	d) Wager
  
3. The provision regarding the legality of object & consideration is emphasized in
 

A) Section 10	B) Section 23
C) Both a & b	D) None of these
  
4. All agreements are contracts only if they are made for lawful consideration and with lawful object. It is emphasized in
 

a) Section 10	b) Section 23
c) Both a and b	d) None of these
  
5. An agreement with unlawful object or unlawful consideration is void. It is emphasized in
 

A) Section 10	B) Section 23
C) Both a and b	D) None of these
  
6. An agreement for lawful consideration but with an unlawful object is

- |          |                      |
|----------|----------------------|
| A) Void  | B) Voidable          |
| C) Wager | D) partially illegal |

7. An agreement with lawful object but for an unlawful consideration is
 

A) Void	B) Voidable
C) Wager	D) partially unlawful
  
8. The definition of both the unlawful object and unlawful consideration is given in
 

a) Section 10	b) Section 23
c) Both a and b	d) None of these.
  
9. The consideration or object of an agreement is considered unlawful where it is
  - i. Forbidden by law
  - ii. Fraudulent
  - iii. Immoral
  - iv. Inadequate

a) i, ii, iii, iv	b) ii, iii, iv
c) i, ii, iv	d) i, ii, iii
  
10. In which of the following cases, the consideration or object of an agreement is not considered unlawful?
  - a) Where it is opposed to public policy.
  - b) Where it defeats the provision of any law.
  - c) Where it is not as per the requirements of promise.
  - d) Where it is injurious to another person or his property.

### 6.2: Cases of Unlawful Object and Consideration

1. The cases in which the object or consideration is considered unlawful are provided in

- a) Section 10  
b) Section 23  
c) Both of these  
d) Judicial decisions
2. In which of the following cases, the object or consideration of an agreement is unlawful?  
a) Where it is forbidden by law  
b) Where it is fraudulent  
c) Where it is immoral  
d) All of the above
3. In which of the following cases, the object or consideration of an agreement is not unlawful?  
a) Where it is not opposed to public policy  
b) Where it does not defeat the provision of any law  
c) Where it does not defeat the provision of any law  
d) Both a and b
4. Where the object or consideration of an agreement is forbidden by law, the agreement is  
A) Void                      B) Voidable  
C) Valid                      D) Illegal
5. A agrees to pay Rs.5 lakhs to B if he (B) procures an employment for A in Income Tax Department. The agreement is  
A) Valid                      B) Void  
C) Voidable                  D) Contingent
6. A agrees to pay Rs.2 lakh to B if he kills C. The agreement is  
a) Valid                      b) Voidable  
c) Void                        d) Wagering
7. Where the object or consideration of an agreement is not directly forbidden by law, but is of such a nature that if permitted, it would defeat the provision of any law, the agreement is  
a) Contingent              b) Voidable  
c) Valid                        d) Void
8. A agrees to pay Rs.25,000 to B if he becomes surety for A in a criminal case pending in the court of law. This agreement is  
a) Void                        b) Voidable  
c) Allowed                  d) Contingent
9. Where the object or consideration of an agreement is fraudulent, the agreement is  
A) Valid                      B) Void  
C) Fraudulent              D) Voidable
10. A, B and C entered into an agreement to carry on some fraudulent business and to share the profit in equal shares. This agreement is  
a) Valid                        b) Voidable  
c) Void                        d) Fraudulent
11. An agreement to commit a crime or any wrongful act for which a civil suit can be brought, is  
a) Void                        b) Voidable  
c) Valid                        d) None of these
12. Where the object or consideration of an agreement is regarded as immoral, the agreement is  
a) Void                        b) Voidable  
c) Restricted                d) Void

13. Where the object or consideration of an agreement is opposed to public policy, the agreement is
- a) Void
  - b) Voidable
  - c) Valid
  - d) None of these

### 6.3: Agreements Opposed To Public Policy

1. An agreement is said to be opposed to public policy when it
- a) Is injurious to the welfare of the society
  - b) Tends to prejudice the welfare of the society
  - c) Either a or b
  - d) Is against provision of any law
2. An agreement opposed to public policy is
- a) Void
  - b) Voidable
  - c) Valid
  - d) None of these
3. Which of the following is not covered by heads of public policy?
- a) Trading with an enemy
  - b) Contracts to do impossible act
  - c) Trafficking in public offices
  - d) Marriage brokerage contracts.
4. Which of the following agreements do not fall in the category of agreements opposed to public policy?
- a) Agreement to commit a crime.
  - b) Agreement restricting personal liberty.
  - c) Agreement in restraint of parental right.
  - d) Agreement of wagering nature.
5. An agreement intended to induce a government officer to act corruptly is
- a) Void, being against public policy
  - b) Voidable, being involving corrupt practices only
  - c) Valid, being made according to routine corrupt practices
  - d) Enforceable with the permission of government.
6. An agreement for the procurement of a public recognition such as Param Veer Chakra or any other title for monetary or other consideration is
- a) A quasi contract
  - b) Contingent contract
  - c) Opposed to public policy
  - d) Not opposed to public policy
7. Which of the following statements are correct?
- i. An agreement with voters to procure their votes for monetary consideration is void.
  - ii. An agreement with a person for procuring a seat in a college for monetary consideration is void
  - iii. An agreement by way of wager is voidable.
  - iv. An agreement restricting personal liberty is void.
- a) i, ii, iii
  - b) ii, iii, iv
  - c) i, ii, iv
  - d) i, iii, iv

8. An agreement which interferes with the administration of justice is opposed to public policy. Which of the following agreements fall in this category?
- An agreement which obstructs the ordinary course of justice
  - An agreement for stifling prosecution.
  - A champertous agreement with mala fide intention.
  - All of the above.
9. A agrees to pay Rs.50, 000 to B if he gives false evidence in his favour in a case pending against him in a court of law. This agreement is
- Void as such agreements are usually made and are recognized by courts.
  - Void as it interferes with administration and thus opposed to public policy.
  - Enforceable after seeking permission of the court.
  - Conditional depending upon the decision of the case.
10. An agreement not to prosecute an offender or to withdraw a pending prosecution is void, and is known as the agreement for
- Maintenance
  - Champerty
  - Stifling prosecution
  - None of these
11. An agreement, to give assistance (monetary or otherwise) to another person to recover property by legal action and to share the proceed of litigation, is known as
- Champertous agreement
  - Stifling prosecution
  - Maintenance agreement
  - None of these
12. A champertous agreement which is fair and made with bona fide object of assisting a person is valid.
- True
  - False.
13. An agreement to pay the lawyer according to the results of the case is against public policy
- True
  - False
14. An agreement to procure the marriage of a person in consideration of money is
- Called a marriage brokerage contract
  - Against the public policy
  - Valid and enforceable
  - Both a and b.
15. Which of the following agreements is void as being opposed to public policy?
- An agreement to indemnify a person against consequences of his criminal act.
  - An agreement by a father to transfer the guardianship of his minor son to a third person.
  - An agreement which restricts the personal liberty of an individual.
  - All the above are void, being opposed to public policy.
16. Agreements (a) in restraint of marriage, (b) in restraint of legal proceedings and (c) in restraint of trade have been expressly declared to be void by the Indian Contract Act. Do they also fall in the category of agreements opposed to policy?

- a) Yes      b) No

17. An agreement is void if it is opposed to public policy. Which of the following is not covered by heads of public policy?

- a) Trading with an enemy.
- b) Trafficking in public offices.
- c) Marriage brokerage contract.
- d) Contracts to do impossible acts.

18. Which of the following agreements fall in the category of agreements opposed to public policy?

- a) Agreements to defraud creditors.
- b) Agreements in restraint of legal proceedings.
- c) Agreements in restraint of trade.
- d) All of these.

#### 6.4: Illegal Agreements

1. An agreement forbidden by law is known as

- a) Legal agreement
- b) Illegal agreement
- c) Wagering agreement
- d) Invalid agreement

2. An illegal agreement is

- a) Void
- b) Voidable
- c) Valid
- d) Conditionally enforceable.

3. Which of the following statements is incorrect?

- a) An agreement which is immoral or opposed to public policy is illegal.
- b) An illegal agreement is enforceable with the permission of court.

c) An illegal agreement is enforceable with the permission of court.

d) An illegal agreement is void and thus not enforceable in a court of law.

4. An agreement to do an illegal act e.g. to commit murder or publish libel (defamatory statement) is illegal.

- a) Void
- b) Voidable
- c) Valid
- d) Conditionally enforceable.

5. The law treats the illegal agreement as if it had not been made at all and thus, no right of action is available to either party.

- a) True                      b) False

6. A let out his house to B, a known prostitute, for the purpose of her trade. It is an illegal agreement and void. Can A recover rent from B?

- a) Yes                      b) No

7. An illegal agreement is void. However, a collateral transaction to an illegal agreement e.g. money borrowed to carry on illegal business, is

- a) Valid                      b) Voidable
- c) Void                      d) Uncertain.

8. A collateral transaction to an illegal agreement will be treated as illegal and void even if it is lawful in itself.

- a) True                      b) False



9. A knowingly let out his house to B, a prostitute. A cannot recover the rent as it is an illegal agreement and void. Can he file a suit for eviction and recovery of possession?
- a) Yes, as his right as owner is enforceable without disclosing the illegality.  
b) No, as he knowingly let out the house.

10. Where an agreement consists of two parts one legal and the other illegal, and the legal part is separable from the illegal one, such legal part is
- a) Void                                      b) Valid  
c) Voidable                                d) Illegal.

11. Which of the following statements is correct?
- a) An illegal agreement is voidable.  
b) Transaction collateral to illegal agreement is valid.  
c) In case of illegal agreements, court help only the weak party.  
d) In case of illegal agreements, courts are neutral and help neither party.

**Fill in the Blanks and Pair Matching Questions**  
**Choose appropriate option to fill in the blanks in question 1 to 4:**

1. An agreement is \_\_\_\_\_ if its object or consideration is unlawful.
- a) Void                                      b) Voidable  
d) Valid                                      c) Wager
2. \_\_\_\_\_ is not covered under the heads of public policy.
- a) Trading with enemy

- b) Trafficking in public office  
c) Contracts to do impossible acts  
d) Marriage brokerage contracts.

3. An agreement is \_\_\_\_\_ if it is made with lawful object but for unlawful consideration.
- a) Valid                                      b) Void  
c) Voidable                                d) Wager
4. An agreement is \_\_\_\_\_ if it is made for lawful consideration but with unlawful object.
- a) Valid                                      b) Void  
c) Voidable                                d) Wager

5. Match the following:

i) Opposed to public policy	a) Fraudulent object or consideration
ii) Unlawful	b) Contract dependent on happening or non-happening of an event
iii) Champertous agreement	c) Agreement in restraint of parental rights
iv) Contingent contract	d) An agreement to give assistance for litigation and share the proceeds.

**Objective type questions (with correct/ incorrect options and hints)**

1. The object or consideration of an agreement is unlawful where it is forbidden by law.
- a) Correct                                      b) Incorrect.
2. Every agreement of which the object or consideration is unlawful is voidable.
- a) Correct                                      b) Incorrect.

3. Where the object or consideration of an agreement is fraudulent, or implies an injury to the person or property of another, or immoral or opposed to public policy, it is said to be unlawful.  
a) Correct      b) Incorrect.
4. Where the object or consideration of an agreement is not directly forbidden by law, by if permitted it would defeat the provisions of any law, then the agreement is not void.  
a) Correct      b) Incorrect.
5. A, a Hindu already married and his wife alive, entered into a marriage agreement with B, another lady. This agreement is void.  
a) Correct      b) Incorrect
6. An agreement with voters to procure their votes for monetary consideration is void.  
a) Correct      b) Incorrect.
7. An agreement with a person for procuring a seat in a medical college for monetary consideration is void.  
a) Correct      b) Incorrect.
8. An illegal agreement is void but not forbidden by law.  
a) Correct      b) Incorrect.
9. Every, illegal agreement is unlawful, but every unlawful agreement is not necessarily illegal  
a) Correct      b) Incorrect.
10. An illegal contract is fatal to the main contract, but not to collateral transactions.

a) Correct      b) Incorrect.

11. A promise to take either rice<sup>4</sup> or smuggled opium for a consideration of rupees one thousand is wholly void.  
a) Correct      b) Incorrect.

12. Where the legal and illegal parts of an agreement cannot be separated, the whole agreement is illegal and unenforceable.  
a) Correct      b) Incorrect.

## **Chapter 7: Void Agreements**

### **7.1: Definition and Types (Categories) of Void Agreements**

1. The term 'void agreement' is defined in \_\_\_\_\_.  
a) Section 2 (a)  
b) Section 2 (b)  
c) Section 2 (g)  
d) Section 2 (h)
2. A void agreement is on which is  
a) Not enforceable by law  
b) Enforceable at the option of both parties  
c) Enforceable at the option of one party  
d) Enforceable with permission of court.
3. As per section 2 (g), an agreement not enforceable by law is said to be \_\_\_\_\_  
a) Voidable      b) Void  
c) Valid          d) Invalid

4. Certain types of agreements have been expressly declared to be void by the Indian Contract Act.

- a) True                                      b) False.

5. Which of the following types of agreements have been expressly declared to be void?

- i. Agreement by persons not competent to contract [section 10]
- ii. Agreement under mutual mistake of fact [section 20]
- iii. Agreement with unlawful object or consideration [section 23]
- iv. Agreement with inadequate consideration.

- a) (i), (ii), (iii)  
b) (i), (iii), (iv)  
c) (i), (ii), (iv)  
d) (ii), (iii), (iv)

6. Which of the following types of agreements have been expressly declared to be void?

- i. Agreements without consideration [section 25]
- ii. Agreements in restraint of marriage [section 26]
- iii. Agreement in restraint of trade [section 27]
- iv. Agreements which are conditional i.e., contingent contracts.

- a) (i), (ii), (iv)  
b) (ii), (iii), (iv)  
c) (i), (iii), (iv)  
d) (i), (ii), (iii)

7. Which of the following types of agreement have been expressly declared to be void?

- a) Agreements in restraint of legal proceedings [section 28]
- b) Agreement with uncertain meanings [section 29]
- c) Agreements to do impossible acts [section 56]
- d) All of the above.

8. Wagering agreements have been declared to be void under

- a) Section 24    b) Section 30  
c) Section 29    d) None of these.

### 7.2: Agreements In Restraint Of Marriage

1. An agreement in restraint of marriage i.e., which prevents a person from marrying, is

- a) Valid                                      b) Voidable  
c) Void                                        d) None of these.

2. Agreements in restraint of marriage have been declared void under

- a) Section 26                                b) Section 27  
c) Section 28                                d) Section 29.

3. Every agreement in restraint of marriage of any person other than a minor is

- a) Voidable                                b) Void  
c) Valid                                        d) None of these.

4. An agreement in restraint of marriage is void if the restraint is

- a) Complete only  
b) Partial only  
c) Complete or partial  
d) Approved by court.

5. An agreement which puts restriction on a person from marrying is void under section 26 being an agreement in restraint of

- a) Liberty                      b) Marriage
- c) Legal right                d) Social right.

6. An agreement which prevents a person from marrying altogether is

- a) allowed
- b) allowed with court permission
- c) Void
- d) Voidable.

7. An agreement which prevents a person from marrying a particular person or a person of particular class is

- a) Void
- b) Voidable
- c) Valid
- d) Allowed with court permission.

8. An agreement which prevents a person from marrying for a fixed period only is valid

- a) True, as it is not regarded as an agreement in restraint of marriage.
- b) False, as it also falls in the category of agreements in restraint of marriage.

9. An agreement in restraint of marriage is valid in case of

- a) Married persons
- b) Educated persons
- c) Minors
- d) None of these.

10. An agreement which prevents a person from marrying a particular person is valid.

a) True, as partial restraint is recognized by law.

b) False, as both restraints, complete or partial, make the agreement void.

11. Under the English Law, an agreement in restraint of marriage is void, if it puts

- a) A partial restraint only
- b) An absolute restraint only
- c) Either partial or absolute restraint
- d) An absolute restraint with court permission.

12. Under the English Law, an agreement restraining marriage with particular person or with a person of particular community is

- a) Void                              b) Voidable
- c) Illegal                            d) Valid.

### 7.3: Agreements In Restraint Of Trade.

1. Agreements in restraint of trade have been expressly declared void under

- a) Section 26                      b) Section 27
- c) Section 28                      d) Section 29.

2. An agreement which prevents a person from carrying a lawful business is \_\_\_\_\_

- a) Valid                              b) Void
- b) Voidable                        d) Contingent.

3. An agreement is void if it restrains anyone from exercising

- a) A lawful profession, trade or business
- b) Any profession, trade or business
- c) An unlawful profession, trade or business

- d) None of these.
4. As per Section 27, every agreement by which anyone is restrained from exercising a lawful profession, trade or business of any kind is
- Completely void
  - Completely voidable
  - To that extent void
  - To that extent voidable.
5. An agreement in restraint of trade is void only if the restraint imposed is \_\_\_\_\_
- Complete
  - Partial
  - Conditional
  - Any of these.
6. Where an agreement in restraint of trade is divisible, then the
- Unrestricted part is valid and enforceable
  - Whole agreement is void and unenforceable
  - Whole agreement is valid and enforceable
  - None of these.
7. Where an agreement in restraint of trade is not divisible, then the
- Whole agreement is valid and enforceable
  - Whole agreement is void and unenforceable
  - Unrestricted part is valid and enforceable
  - None of these.
8. A agrees to pay a certain sum of money to B, a rival shopkeeper, if he closes his business in A's locality only. This agreement is
- Valid
  - Voidable
  - Void
  - None of these.
9. A agrees to pay a certain sum of money to B, a rival shopkeeper, if he closes his business for three months in a year. This agreement is
- Void
  - Voidable
  - Valid
  - None of these.
10. All agreements in restraint of trade are void and there is no exception to this general rule.
- True, as the Indian Contract Act specifically provides that there will be no exception.
  - False, as the Indian Contract Act and Partnership Act provide exceptions.
11. An agreement which restrains the seller of a goodwill from carrying on a similar business within specified local limits is
- Void
  - Voidable
  - Valid
  - Contingent.
12. When the goodwill of a business is sold, the seller may be restrained from carrying on similar business within specified local limits.
- True, as it is the recognized exception under section 27, which is necessary to protect the interest of purchaser of goodwill.
  - False, as all agreements in restraint of trade are void.

13. An agreement restraining the seller of goodwill from carrying on business will be valid and enforceable if the restriction
- Is reasonable and specifies the local limits
  - Specifies the period for which it will remain in force
  - Is from carrying on a similar business only
  - All the above conditions should be satisfied.
14. An agreement which restrains a continuing partner of a firm from carrying on any business other than the business of the firm is
- Void
  - Voidable
  - Valid
  - Unlawful.
15. A partner of a firm, so long as he is partner, can be restrained from carrying on
- Any business
  - Similar business
  - Both of these
  - None of these.
16. An agreement which restrains an outgoing (i.e., retiring) partner from carrying on the business similar to that of the firm is
- Void
  - Valid
  - Voidable
  - Unlawful.
17. An outgoing (i.e., retiring) partner can be restrained from carrying on
- Similar business only
  - Any business
  - Both of these
  - None of these.
18. An agreement restraining the outgoing (i.e., retiring) partner from carrying on business similar to that of the firm will be valid and enforceable if the restriction
- Is reasonable
  - Specifies the local limit
  - Specifies the period for which it will remain in force
  - All of these.
19. A service agreement which prevents an employee from working anywhere else during the period covered by service agreement, is
- Void
  - Valid
  - Voidable
  - Illegal.
20. A service agreement which restrains an employee from accepting similar appointment after the termination of service is
- Void
  - Valid
  - Voidable
  - Illegal.
21. Regulations as to the opening and closing of business in the market are
- Not legal
  - Valid
  - Void
  - Illegal.
22. An agreement by a producer to sell all his output to one distributor who in turn agrees not to buy his requirement from any other producer is
- Valid
  - Void
  - Voidable
  - Illegal.

## 7.4: Agreements In Restraint Of Legal

### Proceedings

1. An agreement in restraint of legal proceedings is
  - a) Valid
  - b) Void
  - c) Voidable
  - d) None of these.
2. Agreements in restraint of legal proceedings have been declared as void under
  - a) Section 26
  - b) Section 27
  - c) Section 28
  - d) Section 29
3. An agreement which completely restrains a person from enforcing his legal rights is
  - a. Void
  - b. Valid
  - c. Voidable
  - d. None of these.
4. An agreement which partially restrains a person from enforcing his legal rights is
  - a. Void
  - b. Valid
  - c. Voidable
  - d. None of these.
5. A has the legal right to file a suit (legal case) against B either at Delhi or at Calcutta. A and B entered into an agreement, that A can enforce his rights at Delhi only and not in Calcutta. This agreement is
  - a) Valid, as it puts a partial restraint only
  - b) Void, as a restraint, partial or absolute, renders an agreement void
  - c) A contingent contract as it depends upon A's sacrifice
  - d) Illegal, as such restrictions are unlawful.
6. A legal action for breach of contract may be initiated within three years from the date of breach. An agreement which provides that no action would be taken after two years is
  - a) Valid, as it puts a partial restraint only
  - b) Void, as it curtails (i.e., cuts short) the period of limitation which is expressly prohibited under section 28.
  - c) Illegal, as such restraints are unlawful
  - d) Enforceable with the permission of court.
7. Which of the following agreements is not void as being an agreement in restraint of legal proceedings?
  - a) An agreement which extinguishes the right of a party.
  - b) An agreement which discharges a party from liability.
  - c) An agreement which provides for a reference to arbitration instead of court of law.
  - d) An agreement which limits the time within which a right may be enforced.
8. An agreement which puts absolute restraint on legal proceedings is void and there is no exception to this rule.
  1. True, as the Indian Contract Act specifically provides that there will be no exception.
  2. False, as the exceptions have been provided in Explanation I and II of Section 28 itself.

9. An agreement between the parties to refer any future dispute which may arise between them to arbitration is

- a) Void
- b) Valid
- c) Voidable
- d) Illegal.

10. An agreement between the parties to refer any existing dispute between them to arbitration is

- a) Void
- b) Valid
- c) Voidable
- d) Illegal.

11. Which of the following agreements are void?

- i. Agreement to stifle legal proceedings.
- ii. Agreement which extinguishes the right of a party.
- iii. Agreement to refer future dispute to arbitration.
- iv. Agreement to refer existing dispute to arbitration.
  - (i), (ii)
  - (ii), (iii)
  - (iii), (iv)
  - (i), (iv).

### 7.5: Uncertain Agreements

1. An agreement the meaning of which is not certain is

- a) Void
- b) Valid
- b) Voidable
- d) Contingent.

2. An agreement the meaning of which is not capable of being made certain is

- a) Void
- b) Valid
- c) Voidable
- d) Contingent.

3. The uncertain agreements have been declared void under

- a) Section 26
- b) Section 27

c) Section 28

d) Section 29

4. A agrees to sell his car to B at a price which he may be able to pay. This agreement is

- a) Valid
- b) Voidable
- c) Void
- d) Contingent.

5. A agrees to sell his scooter to B for Rs.5,000 or Rs. 10,000. This agreement is

- a) Valid
- b) Void
- c) Voidable
- d) Contingent

6. An agreement the meaning of which is capable of being made certain is

- a) Valid
- b) Void
- c) Voidable
- d) Contingent

7. A agrees to sell to B, 100 tins of coconut oil at a price to be fixed by C, a third party. This agreement is

- a) Voidable, as B may or may not enforce the agreement
- b) Void, as its meaning is not capable of being made certain
- c) Valid, as the price can be made certain by C
- d) Illegal, as such agreements are prohibited by law.

8. A agrees to sell to B all the production of his only factory situated in Okhla. This agreement is

- a) Void, as there is no certainty about the product to be sold
- b) Valid, as all the production is agreed to be sold, there is no uncertainty in the agreement



- c) Voidable, at the option of B
- d) None of these.
- e)

### 7.6: Wagering Agreements

1. An agreement to pay money or money's worth on the happening or non-happening of a specified uncertain event, is known as
  - a) Uncertain agreement
  - b) Wagering agreement
  - c) Contingent contract
  - d) Quasi-contract.
  
2. The term 'wager' or 'wagering agreement' has not been defined in the Indian Contract Act.
  - a) True
  - b) False
  
3. Agreements by way of wager have been declared void under
  - a) Section 28
  - b) Section 29
  - b) Section 30
  - d) None of these
  
4. A agrees to pay Rs.500 to B if it rains on Monday, and if it does not rain on Monday, then B will pay Rs.500 to a. this is a (1) an
  - a) Uncertain agreement
  - b) Wagering agreement
  - c) Contingent contract
  - d) Quasi-contract
  
5. An agreement will be void as being of wagering nature, if it is dependent on the happening or non- happening of
  - a) An uncertain event
  - b) A certain event
  - c) Controlled event
  - d) None of these
  
6. If in an agreement, one party may win and cannot lose, or he may lose and cannot win, then the agreement is not wagering agreement.
  - a) True
  - b) False
  
7. In which of the following cases an agreement does not fall in the category of wagering agreement?
  - a) Where either party has control over the happening or non-happening of event.
  - b) Where other than the stake money, a party has some other interest in the happening or non-happening of event
  - c) Where there are no mutual chances of gain or loss.
  - d) All of the above.
  
8. A new promise to pay the stake money already won upon a wager is
  - a) Valid
  - b) Void
  - c) Voidable
  - d) Contingent
  
9. Can the money deposited with a third person (i.e, a stakeholder) for the purpose of paying to the winner be recovered by the winner?
  - a) Yes
  - b) No
  
10. Can depositor recover back the money deposited with the stakeholder for the purpose of payment to winner?
  - a) Yes, if the same has not been paid to the winner
  - b) No, as wager also renders it to be unenforceable
  
11. Which of the following statements is correct?
  - a) A wagering agreement is void but not illegal.

- b) In gujrat and old Bombay wagering agreements have been declared to be illegal
- c) Both a and b
- d) None of these.

12. Except in Gujrat and old Bombay, a transaction collateral to the main wagering agreement is not void.

- a) True
- b) False

13. A commercial transaction in which the common intention of the parties is not to deliver the goods but to settle the difference between the contract price and the market price, such transaction is

- a) Not a wager b) A wager
- b) Contingent d) None of these.

14. A contract of insurance is

- a) A wager
- b) Not a wager
- c) Valid
- d) Both b and c.

15. A contract of insurance is a wagering agreement, thus void.

- a) True, as its nature is that of wager
- b) False, as it is perfectly valid.

### 7.7: Agreements To Do Impossible Acts

1. An agreement to do an impossible act, is
  - a) Valid
  - b) Void
  - c) Voidable
  - d) Contingent.
2. Agreement to do impossible acts have been declared void under
  - a) Section 28
  - b) Section 29
  - c) Section 30
  - d) Section 56.

3. A agrees to discover a treasure by magic and B agrees to pay Rs.10,000 to A for this act. This agreement is

- a) Void
- b) Valid
- c) Voidable
- d) None of these.

4. A agrees to enclose a space between two parallel lines and B agree to pay Rs.5,000 to A for this act. This is an agreement to do

- a) An illegal act
- b) An impossible act
- c) A wagering act
- d) A forbidden act.

5. An agreement to do an impossible act can be enforced with the permission of court.

- a) True
- b) False.

### Answers

#### 1: Definition and Types (Categories) of Void Agreements

1 c	2 a	3 a	4 a
5 a	6 d	7 d	8 b

#### 7.2: Agreements In Restraint of Marriage.

1 c	2 a	3 b	4 c
5 b	6 c	7 a	8 b

#### 7.3: Agreements in Restraint of trade.

1 b	2 b	3 a	4 c
5 d	6 a	7 b	8 c
9 a	10 b	11 c	12 a
13 d	14 c	15 c	16 b
17 a	18 d	19 b	20 a
21 b	22 a		

### 7.4: Agreement in Restraint of Legal

#### Proceedings

1 b	2 c	3 a	4 b
5 a	6 b	7 c	8 b
9 b	10 b	11 a	

### 7.5: Uncertain Agreement.

1 a	2 a	3 d	4 c
5 b	6 a	7 c	8 b

### 7.6: Wagering agreements

1 b	2 a	3 c	4 b
5 a	6 a	7 d	8 b
9 b	10 a	11 c	12 a
13 b	14 d	15 b	

### 7.7: Agreement To Do Impossible Acts.

1 b	2 d	3 a	4 b
5 b			

### Fill in the blanks and pair matching questions

Choose the appropriate option to fill in the blanks in Question 1 to 5:

- \_\_\_\_\_ are declared to be void under the Indian Contract Act.
  - Quasi contracts
  - Wagering agreements
  - Contingent contracts
  - Insurance contracts
- \_\_\_\_\_ renders an agreement in restraint of trade void.
  - Only complete restraint

- Complete or partial restraint
- Only partial restraint
- Consideration.

- An agreement is \_\_\_\_\_ where it is made to refer a future dispute to arbitration.
  - Valid
  - Void
  - Voidable
  - Illegal.
- An agreement to sell goods is \_\_\_\_\_ where it provides that the price to be paid shall be fixed by a third party.
  - Void
  - Voidable
  - Illegal
  - Valid
- A \_\_\_\_\_ is one which provides that money or money's worth will be paid on the happening or non-happening of a specified uncertain event.
  - Contingent contract
  - Wagering agreement
  - Insurance contract
  - Quasi- contract.

6. Match the following:

Section 2 (g)	a) Agreement in restraint of marriage
Section 26	b) Void agreement
Section 27	c) Agreement in restraint of legal proceedings
Section 28	d) Agreement in restraint of trade.

7. Match the following:

i) Uncertain agreement	a) Agreement to discover treasure by magic
------------------------	--

ii)Wagering agreement	b)Void agreement
iii)Void ab initio	c)Agreement with uncertain meaning
iv)Illegal agreements	d)Agreement to pay money or money's worth on the happening or non-happening of uncertain event.

### Objectives Type Questions

(With correct/ incorrect options and hints)

- |   |   |
|---|---|
| <p>1. An agreement not enforceable by law is said to be void.<br/>a) Correct                      b)Incorrect</p> <p>2. Every agreement which does not restrain a person from marrying altogether but simply restrain him from marrying a particular person or from marrying for a fixed period is valid.<br/>a) Correct b) Incorrect</p> <p>3. An agreement which does not restrain a person from marrying altogether but simply restrains him from marrying a particular person or from marrying for a fixed period, is valid.<br/>a) Correct                      b) Incorrect</p> <p>4. An agreement in restraint the seller of the goodwill from carrying on similar business within specified local limits is valid.<br/>a) Correct                      b) Incorrect</p> | <p>5. An agreement which restrains the seller of the goodwill from carrying on similar business within specified local limits is valid.<br/>a) Correct                      b) Incorrect</p> <p>6. A person joined service for 20 years and agreed not to work elsewhere during the period of service. The agreement is valid.<br/>a) Correct                      b) Incorrect</p> <p>7. A manufacturer agrees to sell his entire goods to a sole selling agent who in turn agrees not to deal in similar goods of any other manufacturer. This agreement is void being in restraint of trade.<br/>a) Correct                      b) Incorrect</p> <p>8. An agreement which restricts absolutely the parties from enforcing their legal rights is void.<br/>a) Correct                      b) Incorrect</p> <p>9. An agreement which cuts short the period of limitation prescribed by the Law of Limitation is valid and enforceable.<br/>a) Correct                      b) Incorrect</p> <p>10. An agreement to purchase a cycle for Rs.500 or Rs.800 is voidable.<br/>a) Correct                      b) Incorrect</p> <p>11. A agreed to sell his radio set to B for a price which he (B) may be able to pay. This agreement is void<br/>a) Correct                      b) Incorrect</p> <p>12. A agreed to sell to B 100 tonne of oil at a price to be fixed by C. This agreement is void.<br/>a) Correct                      b) Incorrect</p> |
|---|---|

13. An agreement by way of wager is void.  
a) Correct                      b) Incorrect
14. Transaction incidental to wagering agreements are not void.  
a) Correct                      b) Incorrect
15. In England, transactions collateral to wagering agreements are also void.  
a) Correct                      b) Incorrect

1. A contract dependent on the happening or non-happening of future uncertain event is a  
a) Contingent contract  
b) Uncertain contract  
c) Void contract  
d) Voidable contract.
2. A contract to do or not to do something if some event, collateral to such contract, does or does not happen, is legally known as  
a) Uncertain contract  
b) Wagering agreement  
c) Contingent contract  
d) Voidable contract.
3. Legally, the term contingent contract is defined in \_\_\_\_\_.  
a) Section 30                  b) Section 31  
c) Section 56                d) Section 68.
4. A contingent contract is \_\_\_\_\_.  
a) Void                        b) Voidable  
c) Illegal                      d) Valid.
5. The performance of a contingent contract becomes due only upon the happening or non-happening of future uncertain event.  
a) True                        b) False.
6. A promises to pay Rs.500 to B if it rains on the first Monday of next month. It is a  
a) Wagering agreement  
b) Contingent contract  
c) Wagering agreement  
d) Contingent contract.
7. A agrees to pay Rs.5,000 to B if B's car is burnt. It is

## **Chapter-8 Contingent Contracts**

### **8.1: Definition and Essential Elements of a Contingent Contract**

- a) Void contract  
b) Voidable contract  
c) Wagering agreement  
d) Contingent contract.
8. Which of the following is not an essential requirement of a valid contingent contract?
- a) The performance must be conditional.  
b) The event must be uncertain.  
c) The event must form part of the contract.  
d) The event must be independent or ancillary.
9. A agrees to purchase B's horse for Rs.20,000, if the horse proves lucky. It is
- a) A contingent contract as its performance depends upon uncertain event i.e., luck of the horse.  
b) Not a contingent contract as the event (i.e., luck of the horse) is part of main contract.  
c) Void contract on account of uncertainty.  
d) Both (b) and (c).
10. An uncertain event on the happening or non-happening of which the performance of a contingent contract depends,
- a) Must be an act of the party  
b) Must be an act of the parties  
c) Must be some another independent event  
d) May be an act of the parties or some other independent event.
11. A agrees to pay Rs.50,000 to B marries C. it is
- a) A wagering agreement  
b) A contingent contract  
c) An uncertain contract  
d) A voidable contract.
12. Can the collateral event on which contingent contract is dependent be an act of the party?
- a) Yes                      b) No.
13. A contract dependent on the sole discretion or will of the promisor is
- a) An uncertain contract  
b) A contingent contract  
c) A forbidden contract  
d) A voidable contract.
14. A promises to pay Rs.5,000 to B if he (A) feels like to pay. This agreement is \_\_\_\_\_.
- a) Valid                      b) Voidable  
c) Void                      d) Illegal.
15. A contingent contract dependent on the happening of impossible event is
- a) Void                      b) Valid  
c) Voidable                      d) Illegal.
16. Which of the following fall in the category of contingent contract?
- a) Contracts of insurance  
b) Contracts of guarantee  
c) Sale of goods on credit  
d) Both (a) and (b)
17. A contract of insurance which provides that fixed amount of money shall be paid on the happening of the event e.g., fire, accident etc. is a
- a) Contingent contract  
b) Wagering agreement  
c) Uncertain agreement

d) None of these.

18. A contract of life insurance is a

- a) Contract of indemnity
- b) Contingent contract
- c) Wagering agreement
- d) Uncertain agreement.

19. A contract of insurance which does not provide for the payment of fixed amount but according to the loss suffered by insured person, is a

- a) Contract of indemnity
- b) Contract of guarantee
- c) Wagering agreement
- d) None of these.

### 8.2: Rules Regarding Enforcement of Contingent Contracts

1. Which of the following statements is correct?

- a) Contingent contracts are void and thus not enforceable in the court of law.
- b) Contingent contracts are valid and thus are enforceable in the court of law.
- c) Contingent contracts are voidable and thus enforceable at the option of promisor.
- d) Contingent contract fall in the category of wagering agreements.

2. A contingent contract dependent on the happening of future uncertain event can be enforced when that event

- a) Happens
- b) Becomes impossible
- c) Does not happen
- d) Both (b) and (c).

3. When does the future uncertain event, on the happening of which the contract is dependent, becomes impossible, then the contract becomes \_\_\_\_\_.

- a) Valid
- b) Voidable
- c) Void
- d) None of these.

4. A contract to pay Rs.50,000 to B marries C. but C dies before marriage. The contract between A and B

- a) Cannot be enforced
- b) Can be enforced at the option of A
- c) Can be enforced if B marries C's sister
- d) Can be enforced at the option of B.

5. A contingent contract dependent on the non-happening of future uncertain event can be enforced when that event

- a) Happens
- b) Become impossible
- c) Does not become impossible
- d) Both (a) and (c).

6. A contingent contract dependent on the non-happening of future uncertain event becomes void when such event

- a) Happens
- b) Does not become impossible
- c) Does not happen
- d) Both (a) and (b)

7. A agrees to pay Rs.10,000 to B if a certain ship does not return. This is a contingent contract and can be enforced when the ship

- a) Returns
- b) Sinks
- c) Does not sink
- d) Both (a) and (c)

8. Now suppose in Q. No.7, the ship returns, then the contract becomes

- a) Void                      b) Valid  
c) Voidable                d) Illegal.

9. A contingent contract dependent on the happening of future uncertain event within the fixed time can be enforced when that event

- a) Does not happen within the fixed time.  
b) Becomes impossible before the expiry of fixed time.  
c) Happens within the fixed time.  
d) Happens after the expiry of fixed time.

10. A contingent contract dependent on the happening of future uncertain event within fixed time becomes void when such event.

- a) Happens within the fixed time.  
b) Does not happen within the fixed time.  
c) Becomes impossible before the expiry of fixed time.  
d) Both (b) and (c).

11. A agrees to pay Rs.10,000 to B if a certain ship returns within a year. The ship sinks within the year. In this case, the contract becomes \_\_\_\_\_.

- a) Valid                      b) Void  
c) Voidable                d) Illegal.

12. A contingent contract dependent on the non-happening of future uncertain event within fixed time can be enforced if such event

- a) Happens within the fixed time.  
b) Does not happen within the fixed time.  
c) Happening becomes impossible before the expiry of fixed time.  
d) Both (b) and (c).

13. A agrees to pay Rs.10,000 to B if a certain ship does not return within a year. The ship sinks before the expiry of the year. The contract becomes

- a) Enforceable    b) Non-enforceable  
c) Void                      d) Voidable.

14. Now suppose, in the above Q.No.13, the ship returns within the year, then the contract becomes

- a) Enforceable    b) Voidable  
c) Void                      d) Illegal.

15. Now suppose, in the above Q.No.13, the ship arrives after one year, then the contract becomes

- a) Enforceable    b) Voidable  
c) Void                      d) Illegal.

16. A contingent contract dependent on the happening of impossible event is \_\_\_\_\_

- a) Void                      b) Voidable  
c) Valid                      d) Illegal.

17. A agrees to pay Rs.2 lakh to B if he brings on earth a star from sky. This contingent contract is

- a) Void                      b) Voidable  
c) Valid                      d) Illegal.

**Fill in the blanks and pair matching questions**

1. A \_\_\_\_\_ is one which is depended on the happening or non-happening of future uncertain event.

- a) Uncertain contract



- b) Contingent contract
- c) Wagering agreement
- d) Quasi-contract Act.

2. A contingent contract is \_\_\_\_\_ under the Indian Contract Act.

- a) Valid
- b) Void
- c) Voidable
- d) Illegal.

3. An uncertain event on which performance of a contingent contract depends \_\_\_\_\_ act of the contract is dependent, becomes impossible.

- a) Must be
- b) Must not be
- c) May be
- d) Always be.

4. A contingent contract becomes \_\_\_\_\_ when the future uncertain event, on the happening of which the contract is dependent, becomes impossible.

- a) Void
- b) Voidable
- c) Illegal
- d) Void.

5. Match the following:

i)Contingent contract	a)A promises to sell something to B for Rs.10,000
ii)Uncertain agreement	b)Requirement of contingent contract
iii)Uncertain event	c)Contingent contract dependent on impossible event
iv)Void contingent contract	d)A promises to pay Rs.1,000 to B if it rains on Monday.

6. Match the following:

i)Section 31	a)Contingent contract dependent on impossible event
ii)Section 32	b)Definition of contingent contract
iii)Section 33	c)Contingent contract dependent on happening of uncertain events
iv)Section 36	d)Contingent contract dependent on non-happening of uncertain event.

### Objective type questions

(with correct/ incorrect options and hints)

1. A contract dependent on the happening or non-happening of a future uncertain event is uncertain contract and thus void.

- a) Correct
- b) Incorrect

2. A contingent contract is a contract to do or not to do something if some event, collateral to such contract, does or does not happen.

- a) Correct
- b) Incorrect

1. The future event upon which the performance of the contingent contract depends must be a certain event.

- a) Correct
- b)Incorrect

2. A contract to purchase a horse, if the horse proved lucky, is a contingent contract.

- a) Correct
- b) Incorrect

3. A contract for the sale of goods to be delivered on arrival is a contingent contract

as the delivery of goods is dependent on their arrival.

- a) Correct b) Incorrect
4. A agrees to pay Rs.1,000 to B, if it rains on next Monday. It is a contingent contract.  
a) Correct b) Incorrect
5. A promise by A to pay Rs.500 to B if he (A) likes to pay the amount, is a contingent contract.  
a) Correct b) Incorrect
6. Where the goods are sent on approval, the contract is a contingent contract.  
a) Correct b) Incorrect
7. The contracts of insurance, indemnity and guarantee all fall in the category of contingent contracts.  
a) Correct b) Incorrect
8. A contingent contract is void due to uncertainty as its performance depends upon the happening or non-happening of a future uncertain event.  
a) Correct b) Incorrect
9. All wagering contracts are contingent contracts but all contingent contracts are not necessarily wagering agreements.  
a) Correct b) Incorrect

## Chapter 9 Quasi Contracts

### 9.1: Definition And Basis Of Quasi Contract

1. A quasi contract is an obligation which the law creates in the absence of any agreement.

- a) True                      b) False.

2. The term quasi contract is used in the Indian Contract act, in  
a) Sections 68 to 72  
b) Section 69 only  
c) Section 71 only  
d) None of these.
3. Which of the following expressions is used in the Indian Contract Act in the part dealing with quasi contracts?  
a) Quasi-contractual obligations.  
b) Certain relations of quasi-contractual obligations.  
c) Certain relations resembling those created by contract.  
d) Obligations in absence of actual contract.
4. About quasi-contractual obligations, which of the following statements is correct?  
a) There is no real contract in existence.  
b) There is no offer and acceptance.  
c) There is no intention to make a contract.  
d) All of these.
5. Quasi contracts are \_\_\_\_\_.  
a) Void                      b) Valid  
c) Voidable                d) Illegal.
6. Quasi contracts are enforceable even if the essential elements of contract are not there.  
a) True, as quasi-contractual obligations have been specifically made enforceable.  
b) False, as it is included in the definition of contract under the Indian Contract Act.

7. A quasi contract is not a contract in the strict sense of the term.
  - a) True, as there is no contract in existence.
  - b) False, as it is included in the definition of contract under the Indian Contract act.
  
8. A quasi contract is \_\_\_\_\_.
  - a) A contract
  - b) A legal obligation
  - c) An agreement
  - d) A contingent contract.
  
9. A, a tradesman, left certain goods at B's house by mistake. In this case, B
  - a) Is bound to return the goods under quasi-contractual obligations.
  - b) Is not bound to return the goods as there is no agreement between the two.
  - c) Can use the goods as his own and can also claim compensation from A.
  - d) Is under obligation to make a fresh contract with A for the use of these goods.
  
10. In the above Q. No.9, if B uses the goods as his own, then can A recover the price from B?
  - a) Yes, on the basis of quasi contract.
  - b) No, as there is no agreement and A cannot get the benefit of his own mistake.
  
11. The basis of 'quasi-contractual relations' is the
  - a) Existence of a valid contract between the parties.
  - b) Existence of a voidable contract between the parties.
  - c) Prevention of unjust enrichment at the expense of others.
  - d) Provisions contained in Section 10 of the Contract Act.

12. Quasi-contractual relations are based upon the intention of the parties.
  - a) True, an intention is the basis of every enforceable contract.
  - b) False, as this relation is imposed upon the parties by the law.

### 9.2: Circumstances (or Cases) Of Quasi Contracts

1. The circumstances in which the quasi-contractual relations arise are provided in the Indian Contract Act itself.
  - a) True, as Sections 68 to 72 deal with certain relations resembling those created by contract.
  - b) False, as the situations of quasi contracts cannot be specified. It is for the courts to allow such relations keeping in view the circumstances of the case.
  
2. In which of the following circumstances, the quasi-contractual obligations arise?
  - a) Liability of a finder of goods.
  - b) Compensation for non-gratuitous acts.
  - c) Recovery of payments made by interested persons.
  - d) All of the above.
  
3. The quasi-contractual obligations arise where a person
  - a) Supplies necessaries to an incompetent person.
  - b) Makes payment of money or delivery of goods by mistake or under coercion.
  - c) Both of these.

- d) None of these.
4. A person supplying necessaries to an incompetent person (such as a minor or lunatic), is entitled to be reimbursed from the property of such person on the basis of
- Valid contract
  - Quasi contract
  - Voidable contract
  - Contingent contract.
5. A person supplying 'necessaries' to an incompetent person is entitled to be reimbursed from the
- Incompetent person personally
  - Parents of incompetent person
  - Property of incompetent person
  - Funds with the state government.
6. A supplies to B, a lunatic, the 'necessaries' suitable to his condition in life. In this case
- B is personally liable to pay
  - B's property is liable
  - B's parents are personally liable
  - If B's property is not sufficient to reimburse, then he is personally liable.
7. A person who supplies 'necessaries' to a minor is entitled to be reimbursed from the property of minor on the basis of
- Valid contract
  - Voidable contract
  - Quasi contract
  - Contingent contract.
8. A person making payment on behalf of another person can recover the same from such other
- person even if there is no contract of reimbursement.
- True, as Section 69 allows the reimbursement in such circumstances.
  - False, as reimbursement in no case is possible without a valid contract.
9. In the absence of a contract of reimbursement, which of the following conditions should be satisfied for enabling a person to recover the payment made on behalf of another person?
- Person making the payment must be interested in paying the amount.
  - Person making the payment must not be legally bound to make the payment.
  - Other person must be legally bound to make the payment.
  - All of the above.
10. A's property was wrongfully advertised for sale for recovery of government revenue due from B. in order to save his property, A paid the government dues. In this case, A is entitled to recover the amount of dues paid by him from B on the basis of:
- Government contract
  - Valid contract
  - Quasi contract
  - None of these.
11. A, a tradesman, left certain goods at B's house by mistake, who treats the goods as his own. In this case,
- B is not bound to pay for the goods as there is no binding contract.
  - B is bound to pay as A's act is non-gratuitous and quasi contract arises between them under Section 70.

- c) A is not entitled to recover as no such relation arises under Section 70 due to one's own mistake.
- d) The contract is voidable at the option of either party.

12. Where a person finds certain goods belonging to some other person, the finder

- a) Becomes the owner of the goods and can use them.
- b) Is under a duty to trace the true owner and return the goods.
- c) Can sell the perishable goods if the true owner cannot be found.
- d) Both (b) and (c).

13. Under law, the responsibility of a finder of goods is the same as that of a

- a) Bailee                      b) Bailor
- c) Thief                        d) None of these.

14. A person to whom money has been paid or anything delivered by mistake or under coercion must repay or return it.

- a) True, as quasi-contractual obligations arise in such cases under Section 72.
- b) False, as the contract effected by mistake or coercion is not enforceable.

15. A paid some money to B by mistake which was in fact due to C. In this case.

- a) A is not entitled to recover money as there is no contract between A and B.
- b) A is not entitled to recover money as a mistake makes the agreement, if any, void.
- c) A is entitled to recover money under Section 72 of the Indian Contract Act.

- d) B is not liable to repay as he did not ask for such payment.

16. If the obligation created by quasi contract has not been discharged, then the injured party becomes entitled to receive compensation from a party in default.

- a) True, as Section 73 makes a provision in this regard.
- b) False, as Section 73 simply makes a quasi contract enforceable without consideration.

**Fill in the blanks and pair matching questions**

**Choose the appropriate option to fill in the blanks in questions 1 to 3:**

1. A quasi contract is a \_\_\_\_ contract.
  - a) Void                              b) Voidable
  - c) Valid                            d) Illegal.
  
2. The expression \_\_\_\_\_ - is used in the Indian Contract Act in the part dealing with quasi contracts.
  - a) Quasi- contractual obligations.
  - b) Obligations in the absence of actual contract.
  - c) Certain relations of quasi-contractual obligations.
  - d) Certain relations resembling those created by contract.
  
3. A person supplying \_\_\_\_\_ to incompetent persons is entitled to be reimbursed on the basis of quasi-contracts.
  - a) Necessaries
  - b) Luxuries

- c) Any material
- d) Ornaments only.

4. Match the following:

i)Section 68	a)Liability of finder of goods
ii)Section 69	b)Supply of necessaries to incompetent persons
iii)Section 70	c)Payments made by interested persons
iv)Section 71	d)Compensation for non-gratuitous acts.

5. Match the following:

i)Finder of goods	a)A tradesman leaving goods at friend's house by mistake
ii)Quasi-contract	b)Liable as a bailee
iii)Necessaries	c)Prevention of unjust enrichment
iv)Basis of quasi-contract	d)Liability of minor's estate.

**Object type questions  
(with correct/ incorrect options and hints)**

1. In quasi contracts, the promise to pay is always an implication of law, not of facts.
  - a) Correct
  - b) Incorrect

2. A quasi contract is not at all an enforceable contract.
  - a) Correct b) Incorrect.
3. In a quasi contract, though there is no real contact between the parties, but intention to enter into a contract is definitely there.
  - a) Correct b) Incorrect.
4. The Indian Contract Act expressly uses the words 'quasi contracts' to give legal recognition to these contracts.
  - a) Correct b) Incorrect.
5. A quasi contract is enforceable because it possesses all the essential elements of a valid contract.
  - a) Correct b) Incorrect.
6. A minor is personally liable to pay for the necessaries supplied to him.
  - a) Correct b) Incorrect.
7. A person supplying necessaries to the dependents of a person of unsound mind is entitled to be reimbursed from the property of the person of unsound mind.
  - a) Correct b) Incorrect.
8. The liability of the finder of goods is the same as of a bailee.
  - a) Correct b) Incorrect

## **Chapter.10 PERFORMANCE OF CONTRACTS**

### **10.1: Introduction**

1. Performance of contract means the performance by the parties of their respective obligations (promises).
  - a) True
  - b) False.
2. The obligation of the parties to perform their respective promise is provided in
  - a) Section 34
  - b) Section 35
  - c) Section 36
  - d) Section 37.
3. Unless the performance is dispensed with or excused under the provisions of the Indian Contract Act or any other law, the parties to a contract must
  - a) Actually perform their respective promises
  - b) Offer only to perform their respective promises
  - c) Either perform or offer to perform their respective obligations
  - d) None of these.
4. Performance of contract means the performance of respective obligations under the contract by
  - a) Promisor only
  - b) Promisee only

- c) Both the promisor and the promisee
  - d) Court of law.
5. The parties to the contract may discharge their duties to perform their respective obligations by
  - a) Actual performance
  - b) Making an offer to perform
  - c) Either actual performance or offer to perform
  - d) Approaching the court of law.
6. On the valid performance of contractual obligations by the parties, the contract
  - a) Is discharged
  - b) Becomes enforceable
  - c) Becomes void
  - d) None of these.
7. The performance of contract can take place by
  - a) Performance of promise
  - b) Tender of performance of promise
  - c) None of these
  - d) Either of these.
8. Performance of contract may be
  - a) Actual
  - b) Attempted
  - c) Either (a) or (b)
  - d) None of these.

### **10.2: Performance and Tender Of Performance**

1. The fulfillment of their respective promises by the parties to the contract is known as
  - a) Actual performance of contract
  - b) Tender of performance
  - c) Compulsory performance
  - d) None of these.

2. A party is said to have performed his promise when he has fulfilled his respective obligation under the contract.
  - a) True
  - b) False.
3. A party who has performed his respective promise under the contract
  - a) Becomes liable to the other party
  - b) Is discharged from liability under the contract
  - c) Is guilty of performance without cooperation
  - d) None of these.
4. Under the Indian Contract must an offer of performance of promise to the other party, and such 'an offer to perform' is known as
  - a) True, as Section 37 makes specific provision in this regard.
  - b) False, as Section 37 provides that the contract can also be performed by tender of performance.
5. A party bound to perform the promise may make an offer of performance of promise to the other party, and such 'an offer to perform' is known as
  - a) Tender of performance
  - b) Defaulted performance
  - c) Conditional performance
  - d) None of these.
6. A valid tender of promise
  - a) Is considered equivalent to performance of promise.
  - b) Cast duty on the promise (i.e., other party) to accept the performance.
    - c) Is allowed under Section 37 of the Indian Contract Act.
    - d) All of these.
7. On rejection of valid tender of performance by the promise, the
  - a) Promisor is discharged from his liability under the contract.
  - b) Promisor can sue the promise for breach of contract.
  - c) Both (a) and (b)
  - d) None of these.
8. The refusal by the promise to accept a valid tender of performance amounts to
  - a) Frustration of contract
  - b) Attempted performance
  - c) Disobedience of tender
  - d) Attempted breach of contract.
9. On rejection of valid tender of money by the creditor, the debtor is
  - a) Discharged from making repayment of debt.
  - b) Not discharged from making repayment of debt.
  - c) Guilty of making tender as tender of money is not allowed.
  - d) Entitled to concession in debt for making tender in time.
10. Which of the following is the essential requirement of a valid tender?
  - a) It must be made at proper time and place.
  - b) It must be unconditional and of the whole obligation.



- c) It must provide a reasonable opportunity of inspection to the other party.
- d) All of the above.

11. A entered into contract with B to deliver certain goods at a certain price to B. A offered the goods to B at proper time and place, but B refused to accept the goods. In this case,

- a) A is discharged from further liability under the contract, but gets no other right.
- b) A can sue B for breach of contract, but not discharged from his liability.
- c) A is discharged from his liability and can also sue B for breach of contract.
- d) B is not guilty of breach as a party is not bound to accept a valid tender of performance.

12. Which of the following statements is correct regarding the validity of a tender of performance?

- a) A person making the tender must be able and willing to perform the whole of the promise.
- b) A tender must be made to a proper person i.e., to the promisee or his duly authorized agent.
- c) Both of the above statements are correct.
- d) None of the above statements is correct.

### 10.3: Persons Entitled To Perform and Demand Performance

1. Which of the following persons can perform the contract?
  - a) Promisor alone
  - b) Legal representatives of promisor
  - c) Agent of promisor
  - d) All of these.
2. A contract involving personal skill of the promisor can be performed by
  - a) Promisor alone
  - b) Agent of promisor
  - c) Promisor's legal representatives
  - d) All of these.
3. A promises to paint a picture for B for Rs. 10,000. A dies before painting the picture. In this case,
  - a) A's legal representative should arrange a painter and perform the contract.
  - b) Contract comes to an end on the death of A.
  - c) B remains liable to pay the agreed amount to A's legal representative.
  - d) None of these.
4. In case the promisor dies before the performance of the contract, then which of the following statements is correct?
  - a) His legal representatives become liable to perform the contract if the contract does not involve any personal skill of the promisor.
  - b) The contract comes to an end if it involves the personal skill of the promisor.
  - c) Both (a) and (b)
  - d) None of these.

5. Where promisor dies before performance of a contract involving personal skill, the promisee can demand performance from legal representatives of promisor if he so wishes.

- a) True, as the promisee is at liberty to demand performance.
- b) False, as contracts involving personal skill come to an end on the death of promisor.

6. Which of the following statements is incorrect?

- a) A contract which does not involve any personal skill or consideration may also be performed by duly authorized agent of the promisor.
- b) A performance of contract by a third party is valid and effective if promisee accepts performance from a third person.
- c) A promise can never be performed by a third person.
- d) Both (a) and (b).

7. A owed a large sum of money to B, C, a friend of A, offered to pay a lesser amount to B in full and final settlement of B's claim on A. And B accepted it in full and final settlement. In this case,

- a) The contract is validly performed and B cannot recover the balance from A.
- b) The contract is not validly performed as third party is not allowed to perform monetary transactions.
- c) Though B has accepted performance, he remains entitled to recover the balance.

d) C is personally liable to compensate B for the shortfall.

8. A owes Rs.50,000 to B. before clearing his liability, A dies leaving behind an estate worth Rs.40,000. In this case, A's legal representatives are liable for

- a) Rs.10,000
- b) Rs.40,000
- c) Rs.50,000
- d) None of these.

9. Which of the following statements is correct?

- a) As a general rule the performance of promise can be demanded by the promisee.
- b) On the death of promisee, the performance can be demanded by his legal representatives if the contract does not involve any personal skill or consideration.
- c) Only (a) is correct
- d) Both (a) and (b) are correct.

#### 10.4: Performance of Joint Promises

1. Where two or more persons jointly enter into an agreement with one or more persons, the promise is known as

- a) Joint promise
- b) Combined promise
- c) Reciprocal promise
- d) None of these.

2. The rules relating to performance of joint promises are contained in

- a) Section 37 to 41
- b) Section 42 to 45
- c) Section 39

- d) Section 37.
3. When two or more persons have made a joint promise, then unless the contrary (i.e., different) intention appears from the contract, all such promisors must fulfill the promise
- Jointly or severally
  - According to their wish
  - Jointly
  - Severally.
4. A, B, and C jointly promise to pay Rs.60,000 to D. before performance of the contract, C dies. In this case, the contract should be
- Treated as void on C's death.
  - Renewed between A, B, and D.
  - Performed by A and B alone.
  - Performed by A and B jointly along with C's legal representatives.
5. Now suppose if in Q. No.4 above, all the three promisors A, B and C die before performance of the contract. In that case, the contract
- Becomes void due to impossibility of performance.
  - Should be performed jointly by the legal representatives of all the three promisors.
  - Becomes conditional depending upon the discretion of the legal representatives.
  - None of these.
6. On the death of all joint promisors before the performance of the contract, the legal representatives of all of them jointly become liable to perform the contract. This rule is known as
- Devolution of joint liabilities
  - Devolution of joint rights
  - Devolution of performance
  - None of these.
7. A, B and C jointly promise to pay Rs.30,000 to D. For recovery of this amount, can D file a suit against A only?
- Yes, as the liability of joint promisors is joint and several.
  - No, as the liability of joint promisors is joint only.
8. A, B and C jointly owe Rs.60,000 to D. A was compelled by D to pay the entire amount of Rs.60,000. In this case,
- D is not justified and he is liable to refund the entire amount to A.
  - A can file a suit against D for recovery of the amount exceeding his share.
  - A is entitled to recover Rs.20,000 each from B and C.
  - On payment by A, the contract is discharged, and B and C are also not liable to A.
9. Where a promise releases one of the several joint promisor, then the
- Remaining joint promisors are also discharged.
  - Remaining joint promisors remain liable to pay the entire amount.



- b) Enforce the contract in court within the specified time.
  - c) Obey the court order within the specified time.
  - d) Both (b) and (c).
6. In commercial transactions, time is considered to be the essence of the contract, and if the party fails to perform the contract within specified time, the contract becomes.
- a) Void and cannot be enforced.
  - b) Enforceable in higher courts.
  - c) Voidable at the option of the other party.
  - d) Illegal for non-compliance of contractual terms.
7. Where time is not the essence of the contract, failure to perform the contract within the fixed time makes the contract
- a) Void    b) Voidable
  - c) Illegal    d) None of these.
8. Failure to perform the contract within the fixed time where time is not the essence of the contract does not affect the validity of the contract, but the innocent party can
- a) Claim compensation from the defaulting party for delayed performance.
  - b) Withdraw from the contract.
  - c) Perform his part of contract in installments.
  - d) None of these.

### 10.6: Performance of Reciprocal Promises

1. The term 'reciprocal promise' is defined in
- a) Section 2 (e)
  - b) Section 2 (f)
  - c) Section 2 (g)
  - d) Section 2 (h).
2. The promises forming consideration for each other are called
- a) Reciprocal promises
  - b) Mutual promise
  - c) Independent promises
  - d) None of these.
3. A and B promise to marry each other. In this case there are
- a) Reciprocal promise
  - b) A's promise is the consideration for B's promise
  - c) B's promise is the consideration for A's promise
  - d) All of the above.
4. Which of the following are the categories of reciprocal promises?
- a) Mutual and concurrent
  - b) Conditional and dependent
  - c) Mutual and independent
  - d) All of these.
5. The promises which are to be performed simultaneously are known as
- a) Mutual and concurrent
  - b) Conditional and dependent
  - c) Mutual and independent
  - d) None of these.
6. The sale of goods for cash is an example of reciprocal promise known as
- a) Mutual and
  - b) Conditional and dependent
  - c) Mutual and independent
  - d) Cash and concurrent.

7. Where the performance of a promise by one party depends upon the prior performance of promise by the other, the promise is known as
- Mutual and concurrent
  - Conditional and dependent
  - Mutual and independent
  - Concurrent and dependent.
8. A agreed to construct a house for B, and B agreed to supply the necessary material required for construction. In this case, the promises are
- Mutual and concurrent
  - Mutual and independent
  - Conditional an dependent
  - Mutual and dependent.
9. Where the promise by each party is to be performed without waiting for the other party to perform his promise, the promise is known as
- Conditional and dependent
  - Concurrent and independent
  - Mutual and concurrent
  - Mutual and independent.
10. Where each party is a promisor as well as promise, it is a case of
- Every valid contract
  - Reciprocal promises
  - General offer contracts
  - Contingent contracts.
11. Where one party to a reciprocal promise prevents the other party from performing his promise, the contract becomes
- Void and unenforceable.
  - Voidable at the option of prevented party.
  - Enforceable with the permission of the court.
12. A contracted with B to clear B's mine and removes a rock from there. The crusher for the purpose was to be supplied by B, but he failed to supply the same. In this case,
- Contract is voidable at A's option.
  - Contract is voidable at B's option.
  - A is entitled to recover compensation from B for any loss suffered due to non-performance.
  - Both (a) and (c).
13. Where in case of reciprocal promise, a person promises to do certain things which are legal and alternatively to do certain other things which are illegal, then
- Only the legal part can be enforced n a court.
  - No part can be enforced as illegality affects both parts.
  - Promisor is liable to pay damages for non-performance of legal as well as illegal part.
  - Both of (b) and (c).
14. A agreed to pay Rs.10,000 to B, and in consideration B agreed to deliver to A either 10 bags of rice or 2 kg. smuggled opium. In this case, the
- Whole agreement is void on account of illegality.
  - Agreement to deliver rice is valid and enforceable.
  - Agreement to deliver opium can be performed with the permission of court.
  - A is liable to compensate B for non-supply of opium.

15. Where a party to contract transfers his rights under the contract to another person, it is legally known as

- a) Novation of contract
- b) Rescission of contract
- c) Waiver of contract
- d) Assignment of contract

16. The assignment of contract by operation of law takes place

- a) On the death of party
- b) With mutual consent of parties
- c) On confirmation by legal representatives
- d) With discretion of party taking rights.

### 10.7: Appropriation of Payments

1. The rules relating to appropriation of payments are contained in

- a) Sections 57 to 59
- b) Sections 59 to 61
- c) Section 68
- d) Section 73.

2. Where the debtor instructs the creditor to which debt the payment is to be appropriated, then as per section 59, the creditor

- a) Must appropriate the payment as per instruction.
- b) Must appropriate payment in chronological order.
- c) May appropriate payment towards any lawful debt.
- d) May appropriate payment towards any debt lawful or unlawful.

3. Where the debtor does not expressly intimate as to which debt the payment is to be appropriated, then as per Section 60, the creditor

- a) Must appropriate the payment towards the last due debt.
- b) Must appropriate payment in chronological order.
- c) May appropriate payment towards any lawful debt.
- d) May appropriate payment towards any debt lawful or unlawful.

4. Can a time-barred debt be adjusted by a creditor, where the debtor makes the payment without indicating the debt to be adjusted?

- a) Yes, in such a case the creditor is at liberty to do this.
- b) No, as a time-barred debt cannot be recovered.

5. Where payment by a debtor is made without any express indication of appropriation, to which of the following debts payment can be appropriated by the creditor?

- a) Any legal debt
- b) Time-barred debt
- c) Any debt legal or illegal
- d) Both (a) and (b).

6. Where neither party makes any appropriation, then as per Section 61, the payment should be appropriated in chronological order i.e., in order of time,

- a) Including the illegal debts
- b) Including the time-barred debts
- c) Including time-barred debt
- d) Starting from last five years only.

**Fill in the blanks and pair matching questions**

1. A contract \_\_\_\_\_ on valid performance of contractual obligations by the parties.
  - a) Becomes void
  - b) Becomes enforceable
  - c) Is discharged
  - d) Is breached.
  
2. \_\_\_\_\_ means an offer of performance by the party.
  - a) Conditional performance
  - b) Tender of performance
  - c) Anticipatory performance
  - d) Actual performance.
  
3. A contract becomes \_\_\_\_\_ where time is essence of the contract, and the party fails to perform the contract within the specified time
  - a) Voidable                      b) Void
  - c) Illegal                        d) Discharged.
  
4. In case of \_\_\_\_\_, each party is a promisor as well as well as promise.
  - a) Mutual and independent
  - b) Reciprocal promises
  - c) Concurrent promises
  - d) Dependent promises.

5. Match the following:

i)Actual performance	a)Adjustment of payments towards debts
ii)Tender of performance	b)Fulfillment of promises by parties
iii)Assignment	c)Offer of performance
iv)Appropriation	Transfer of contractual rights.

6. Match the following:

i)Mutual and concurrent	a)Performance of promise by one party depends upon prior performance by the other
ii)Mutual and independent	b)Promises to be performed simultaneously
iii)Conditional and dependent	c)Where each party is promisor as well as promise
iv)Reciprocal promises	d)Promise by each party to be performed without waiting for the other to perform.

**OBJECTIVE TYPE QUESTIONS**

**(With correct/incorrect options and hints)**

1. The performance is not of the various modes of discharge of the contract and the contract is discharged as soon as one of the parties performs his part of obligations.
  - a) Correct                      b) Incorrect.



2. An offer of performance of the promise is known as 'tender of performance', and a valid tender of performance is equivalent to the performance of promise.

a) Correct b) Incorrect.

3. In case a valid tender of performance by the promisor is rejected by the promisee, then the promisor is excused from further performance.

a) Correct b) Incorrect.

4. In case of payment of a debt, the rejection of a valid tender of performance by the creditor discharges the debtor from the liability for the repayment of the debt.

a) Correct b) Incorrect.

5. Performance of the contract may be made only by the parties to the contract.

a) Correct b) Incorrect.

6. A promise under a contract can be performed only by the promisor himself.

a) Correct b) Incorrect.

7. The performance by a third party is also effective if the promisee accepts the same.

a) Correct                      b) Incorrect

8. As a general rule, promisee is the only person who can demand performance of the promise.

a) Correct b) Incorrect.

9. When the promisee does not accept the offer of performance, the promisor is not responsible for non-performance.

a) Correct b) Incorrect.

10. If the promises are joint, the right to claim performance is joint and not joint and several.

a) Correct b) Incorrect.

11. If the promisors are joint, the promisee may compel any one or more of the joint promisors to perform the whole promise.

a) Correct b) Incorrect.

12. If any one of the joint promisors is released from liability, the other joint promisors are automatically discharged from liability

a) Correct b) Incorrect.

13. Where time is of the essence of the contract, the failure to perform the contract within the specified time renders the contract voidable.

a) Correct b) Incorrect.

14. A promise to take either rice or smuggled opium for a consideration of Rs.1,000 is wholly void.

a) Correct b) Incorrect.

15. Where the debtor does not intimate, the creditor has the right to appropriate payment to time-barred debt.

a) Correct b) Incorrect.

## **Chapter 11: Discharge of Contracts**

### **11.1: Introduction and Modes of Discharge of Contract**

1. On the valid performance of contract, the contract is said to be discharged.
  - a) True
  - b) False.
  
2. Which of the following is a mode of discharge of contract?
  - a) By performance of contract
  - b) By agreement
  - c) By impossibility of performance
  - d) All of these.
  
3. Which of the following modes, the contract is discharged?
  - a) B operation of law
  - b) By lapse of time
  - c) By breach of contract
  - d) All of these.
  
4. The term 'frustration' is used in the English Law which is the parallel concept of
  - a) Initial impossibility

- b) Supervening impossibility
- c) Lapse of time
- d) Public policy

5. The discharge of contract means that the parties are no more liable under the contract.

- a) True                      b) False.

6. The discharge of contract means the
- a) Enforcement of obligations of parties
  - b) Coming to end of obligations of parties.
  - c) Starting of obligation.
  - d) Payment of damages and penalty.

### 11.2: Discharge of Contract by Impossibility of Performance

1. The legal provisions relating to discharge of contract by impossibility of performance are contained in
- a) Section 55              b) Section 56
  - c) Section 58             d) Section 59.
2. An agreement to do an act impossible in itself is void. This statement refers to initial impossibility and is provided in
- a) Section 56, first para
  - b) Section 56, second para
  - c) Section 57
  - d) Section 59.
3. The provision relating to supervening (i.e., subsequent) impossibility is provided in
- a) Section 56, first para
  - b) Section 56 second para
  - c) Section 57
  - d) None of these.

4. Which of the following impossibility is the ground for discharge of contract?
- a) Initial impossibility
  - b) Supervening impossibility
  - c) Bothe of these
  - d) None of these.

5. An agreement to do an act impossible in itself is \_\_\_\_\_.

- a) Void                      b) Voidable
- c) Valid                     d) Illegal.

6. A contract containing anundertaking to do an impossible act is \_\_\_\_\_.

- a) Void ab initio        b) Voidable
- c) Valid                    d) Illegal.

7. An initial impossibility i.e., which exists at the time of formation of the contract, makes the contract

- a) Valid                    b) Voidable
- c) Void ab initio        d) Illegal.

8. A contract is void on the ground of initial impossibility

- a) Only where it is unknown to the parties.
- b) Only where it is known to the parties.
- c) Whether it is known or unknown to the parties at the time of agreement.
- d) When it is know to the third parties.

9. A agreed to sell his horse to B. But unknown to both the parties. The horse was dead at the time of agreement. In this case, the contract is

- a) Void and the parties are discharged from performance.

- b) Void but the parties are not discharged from performance.  
 c) Voidable at the option of either party.  
 d) Voidable at the option of A only.
10. The initial impossibility may be known or unknown to the parties, the agreement is void in both the cases, but where it is known to the promisor alone, he is liable to pay compensation to the promisee which he may suffer on account of non-performance of the contract.  
 a) True                      b) False.
11. When after the formation of a valid contract, an event happens which makes the performance of contract impossible, the contract becomes  
 a) Voidable                  b) Void  
 c) Valid                        d) Illegal.
12. In which of the following cases, the contract is not discharged on the ground of subsequent impossibility?  
 a) Death of promisor  
 b) Change of law  
 c) Commercial hardships  
 d) Destruction of subject-matter.
13. Which of the following is the leading case on the discharge of contract by destruction of subject-matter?  
 a) Krell v. Henri, (1903) 2 KB 740 CA.  
 b) Taylor v. Caldwell, (1863) 3 B&S 826.  
 c) Taylor v. Portington, (1855) all E.R.128.  
 d) Carlill v. Carbolic smoke Ball Co., (1893) 1 Q. B. 256.
14. A agreed to let a music hall to B for holding music shows on certain dates. Before any show was organized, the music hall was destroyed in an accidental fire. In this case, the contract becomes  
 a) Void and is discharged.  
 b) Voidable at A's option.  
 c) Void but not discharged  
 d) Voidable at B's option.
15. Failure of the basic object of the contract due to non-occurrence of the contemplated event makes the contract  
 a) Voidable                  b) Illegal  
 c) Void                         d) None of these.
16. A contracts to paint a picture for B for Rs.10,000. A dies before painting the picture. In this case, on A's death, the contract becomes  
 a) Voidable at B's option  
 b) Void and is discharged  
 c) Voidable at option of A's legal heirs  
 d) None of these.
17. A contract is discharged on account of change of circumstances where the performance becomes  
 a) Virtually impossible  
 b) Extremely difficult or hazardous  
 c) Temporarily impossible  
 d) Both a and b.
18. In which of the following cases, a contract is discharged on the ground of frustration or subsequent impossibility?  
 a) Outbreak of war  
 b) Change of law or government policy  
 c) Both of these

d) None of these.

19. In which of the following cases, the contract is not discharged on the ground of frustration or subsequent impossibility?

- a) Difficulty in performance
- b) Commercial hardships
- c) Strikes, lock-outs etc.
- d) All of these.

20. In which of the following cases, the contract is not discharged on account of frustration of subsequent impossibility?

- a) Impossibility induced by the party himself
- b) Impossibility due to conduct of third person
- c) Failure of one of the several objects
- d) All of these.

21. A agreed to supply certain goods to B which were to be procured from C's factory. Due to strike in C's factory, A could not supply the goods. The contract

- a) Is discharged
- b) Is not discharged
- c) Becomes voidable
- d) Becomes unlawful.

22. In case the performance of a contract becomes more difficult due to some unexpected events, then the contract

- a) Becomes void on account of impossibility.
- b) Becomes voidable on account of difficulty
- c) Is discharged on account of impossibility.
- d) Is not discharged on account of impossibility.

23. A agreed to supply certain goods to B which were to be imported by C. But C failed to import the goods. In this case, the contract is

- a) Discharged
- b) Not discharged
- c) Voidable
- d) Impossible to perform.

### 11.3: Discharge of Contract by Agreement

1. The legal provisions relating to the discharge of contract by mutual agreement of the parties are contained in
  - a) Section 61 b) Section 62
  - c) Section 63 d) Both b and c.
2. When the parties enter into fresh contract in place of the original contract, then the original contract
  - a) Is discharged
  - b) Is not discharged
  - c) Is suspended
  - d) Becomes voidable.
3. Which of the following modes of discharge of contract by fresh agreement are recognized under the Indian Contract act?
  - a) Novation b) Rescission
  - c) Alteration d) All of these.
4. Which of the following modes of discharge of contract by fresh agreement are also recognized under the Indian Contract act?
  - a) Remission b) Waiver
  - c) Both a and b d) None of these.
5. Acceptance of any other satisfaction by the promisee also discharges the contract.

- a) True, as it has been recognized under Section 63.
- b) No, as it is not the recognized mode of discharge of contract.
6. A contract is discharged by novation, which means the
- Cancellation of the existing contract
  - Change in one or more terms of the contract
  - Substitution of existing contract for a new one
  - Abandonment of the rights by a party.
7. A contract is discharged by rescission, which means the
- Cancellation of the existing contract
  - Change in one or more terms of the contract
  - Acceptance of lesser performance
  - None of these.
8. If the parties to a contract agree to alter the contract, then the existing contract
- Need not be performed and is discharged
  - Is not discharged as alteration is not permitted
  - Becomes viable at the option of either party
  - Remains alive till brought to original terms and conditions.
9. A contract is discharged by remission, which means the
- Abandonment of a right by the party
  - Cancellation of existing contract
  - Acceptance of lesser performance

d) None of these.s

10. A owed Rs.5,000 to B. A paid Rs.4,000 to B and B accepted it in full satisfaction. In this case
- A is discharged from his liability of Rs.5,000
  - A remains liable for the balance Rs.1,000
  - Contract becomes voidable at B's option
  - A is discharged from his liability but the contract is not discharged.
11. A, a money-lender, lends Rs.15,000 to B for his business purposes. Subsequently, A, at his own, informs B that he need not repay the amount. Here, the contract is discharged by
- Novation
  - Satisfaction
  - Performance
  - Waiver.
12. The acceptance of any other satisfaction by the promisee, instead of the performance of the promise made to him,
- Discharges the contract
  - Does not discharge the contract
  - Makes the contract voidable at the option of other party
  - Delays the performance of the contract.

#### **11.4: Discharge of Contract by Operation of Law and Lapse of Time**

1. In which of the following cases, the contract is discharged operation of law?
- Material alteration
  - Insolvency
  - Death of promisor
  - All of these.

2. When the contents of a written document are materially altered by one party without the consent of the order, the contract (i.e., written document), is
  - a) Discharged
  - b) Not discharged.
  - c) Enforceable with court permission
  - d) Voidable
  
3. Material alteration of written document by one party without the consent of the other operates as cancellation of the document.
  - a) O, True                      b) False.
  
4. An insolvent is discharged from all liabilities and debts contracted by him
  - a) Throughout his life as an insolvent is discharged permanently.
  - b) After the court order declaring him as insolvent.
  - c) Prior to the court order declaring him as insolvent.
  - d) After court order and with the permission of the court.
  
5. Contracts involving personal skill or consideration of the promisor are discharged, by operation of law, on the death of the promisor.
  - a) True                              b) False.
  
6. A contracts to sing in B's theatre on a particular show. A died before the show. In this case, the contract
  - a) Becomes voidable at the option of B.
  - b) Must be performed by A's legal representatives on his behalf.

- c) Is discharged as it is a contract involving personal skills of promisor.
  - d) Becomes unlawful being a contract with dead person.
  
7. A contract is discharged if it is not enforced within the limitation period prescribed by law. The limitation period for the recovery of loan amount is
  - a) 2 years b) 3 years
  - c) 4 years d) 5 years.

**11.5: Discharge of Contract by Breach of Contract.**

1. Failure by a party to perform his obligations under the contract is known as
  - a) Breach of contract
  - b) Failure of contract
  - c) Performance of contract
  - d) None of these.
  
2. Which of the following types of breach of contract are recognised under the Indian Contract Act?
  - a) Actual breach
  - b) Anticipatory breach
  - c) Both (a) and (b)
  - d) Only (a).
  
3. A breach of contract is one of the various modes of discharge of contract.
  - a) True, as breach by one party entitles other party to treat the contract as discharged.
  - b) False, as breach by one party is not sufficient to discharge the contract.
  
4. Which of the following breach acts as a mode of discharge of contract?

- a) Actual breach
- b) Anticipatory breach
- c) Both of these
- d) None of these.

**Fill in the blanks and pair matching questions**  
**Choose the appropriate option to fill in the blanks in questions 1 to 4:**

1. A contract is \_\_\_\_\_ if it contains an undertaking to do an impossible act.
  - a) Void                      b) Valid
  - c) Voidable                      d) Illegal.
  
2. \_\_\_\_\_ is not a ground for discharge of contract on account of supervening impossibility.
  - a) Death of promisor
  - b) Change in law
  - c) Commercial hardships
  - d) Destruction of subject.
  
3. \_\_\_\_\_ means substitution of existing contract for a new one.
  - a) Remission              b) Novation
  - c) Waiver                  d) Satisfaction.
  
4. A contract \_\_\_\_\_ if its performance more difficult due to some unexpected events.
  - a) Becomes void
  - b) Is discharged
  - c) Becomes voidable

- d) Is not discharged.

5. Match the following:

i)Section 56, first para	a)Discharge of contract by agreement
ii)Section 56, second para	b)Discharge of contract by destruction of subject matter
iii)Section 63	c)Initial impossibility
iv)Taylor v. Caldwell	d)Supervening impossibility.

6. Match the following:

i)Alteration	a)Substitution of new contract for an existing contract
ii)Novation	b)Modification of terms of contract with mutual consent
iii)Remission	c)Cancellation of the contract
iv)Rescission	d)Acceptance of lesser fulfillment of promise.

**Objective type questions**  
**(with correct/incorrect answer)**

1. When the parties to a contract fulfill their respective obligations under the contract, the contract is said to be discharged.
  - a) Correct b) Incorrect.



2. When the performance of a contract is impossible, the contract is said to be discharged.  
a) Correct b) Incorrect.
3. An agreement to do an act impossible in itself is voidable.  
a) Correct b) Incorrect.
4. Where at the time of the agreement, the initial impossibility of performance is known to both the parties, then the agreement is not void.  
a) Correct b) Incorrect.
5. Commercial impossibility does not make the contract void.  
a) Correct b) Incorrect.
6. A and B contact to marry each other. Before the time fixed for marriage, A becomes mad. This contract is discharged on account of supervening impossibility.  
a) Correct b) Incorrect.
7. A contract for hiring a flat for witnessing a coronation procession of king will become voidable if the procession is cancelled due to king's illness.  
a) Correct b) Incorrect.
8. The impossibility of performance due to the conduct of a third party does not discharge the contract.  
a) Correct b) Incorrect.
9. Commercial impossibility is not a valid excuse for the non-performance of a contract.  
a) Correct b) Incorrect.

10. In case of novation, if the new contract cannot be enforced for any reason, the parties remain bound by the old contract.  
a) Correct b) Incorrect.
11. Strikes, lock-outs and civil disobediences discharge a contract on the ground of impossibility of performance.  
a) Correct b) Incorrect.
12. Outbreak of war is not an excuse for non-performance of a contract.  
a) Correct b) Incorrect.

## **12 Chapters BREACH OF CONTRACT**

### **12.1 Introduction**

1. The breach of contract means the
  - a. Performance of contract by both the parties.
  - b. Failure of a party to perform his obligations.
  - c. Payment of compensation due to non-performance.
  - d. Postponement of the performance of contract.
2. The breach of contract occurs when a party
  - a. Fails to perform his obligation on due date.

- b. Declares not to perform his obligation on due date.
  - c. Both a and b
  - d. None of these.
3. The breach of contract may be
- a. Actual breach only
  - b. Anticipatory breach only
  - c. Either a or b
  - d. None of these.
4. When on the due date of performance or during the performance, a party fails to perform his obligation, it is known as
- a. Actual breach of contract
  - b. Anticipatory breach of contract
  - c. Abandonment of contract
  - d. Cancellation of contract
5. When prior to the due date of performance, the promisor absolutely refuses to perform the contract it is known as
- a. Actual breach of contract
  - b. Cancellation of contract
  - c. Anticipatory breach of contract
  - d. Abandonment of contract.

## 12.2 BREACH OF CONTRACT : A MODE OF DISCHARGE OF CONTRACT

### 1. A breach of contract

- a) Discharges the other party from performing his obligations.
- b) Does not discharge the other party from performance.
- c) Gives one more chance to defaulting party to perform the contract.
- d) Is not recognised under the Indian Law.

### 2. Anticipatory breach is the repudiation of the contract

- a. On due date of performance.
- b. During the performance
- c. Before the due
- d. Both a and b

### 3. A contracted to supply 100 bags of rice to B on 30<sup>th</sup> December, 2006. Before the due date of performance (i.e. 30<sup>th</sup> December, 2006) A informed B that he will not supply any rice to B as contracted. In this case

- a. There is anticipatory breach of contract.
- b. B may immediately treat the contract cancelled.
- c. Both of these
- d. None of these.

### 4. The doctrine of anticipatory breach has been incorporated in.

- a) Section 37
- b) Section 39
- c) Section 41
- d) Section 43

### 5. In case of anticipatory breach of contract, the aggrieved party (i.e. party not at fault) may treat the contract as

- a) Discharged and bring an immediate action for damages.
- b) Operative and wait till the time for performance arrives.
- c) Exercise either option (a) or (b).
- d) Only option (a) is available.

6. An anticipatory breach of contract does not give any right to claim compensation.

- a) True                      b) False

### 12.3 REMEDIES FOR BREACH OF CONTRACT

1. In case of breach of contract, which of the following remedy is available to the aggrieved party?
  - a) Suit for rescission
  - b) Suit for damages
  - c) Suit for specific performance
  - d) All of these.
  
2. When a party rightfully rescinds (i.e, cancels) the contract, he is
  - a) Discharged from all obligations under the contract.
  - b) Entitled to receive compensation, from the defaulting party, for damages due to non-performance.
  - c) Only (a) as there is no provision for compensation.
  - d) Both (a) and as section 75 makes provision for damages.
  
3. A party entitled to rescind the contract loses the remedy, where
  - a) He has ratified the contract.
  - b) Third party has acquired right in good faith.
  - c) Contract is not separable and rescission is sought of a part only.
  - d) All of these.
  
4. The court may grant rescission where the contract is
  - a) Void
  - b) Uncertain
  - c) Voidable at the option of plaintiff

d) Voidable at the option of defendant.

5. In case of breach of contract, the remedies by way of suit for quantum meruit and suit for injunction are also available to the aggrieved party.
  - a) True
  - b) False.
  
6. In case of breach of contract, how an aggrieved party can recover compensation from defaulting party
  - a) By suit for injunction
  - b) By suit for damages
  - c) By suit for specific performance
  - d) None of these.
  
7. Damages for breach of contract are awarded by the courts to
  - a) Prevent the breach of contract.
  - b) Punish the liable party.
  - c) Compensate the aggrieved party.
  - d) Discourage private contract.
  
8. Quantum meruit means
  - a) As much as is earned
  - b) As much as is paid
  - c) Non gratuitous promise
  - d) Liquidated private contract
  
9. Where a party is entitled to claim compensation in proportion to the work done by him, it is possible by way of
  - a) Suit for damages
  - b) Suit for injunction
  - c) Suit for quantum meruit
  - d) None of these.

10. The right to claim on quantum meruit is available to the party in addition to the right to claim damages in case of breach of contract.
- True
  - False.
11. A was engaged by B to write some material to be published in instalments in a weekly magazine of B. after a few issues of the magazine, it was discontinued by B. in this case, can A recover compensation from B for the work done?
- Yes
  - No
12. The claim on quantum meruit can always be filed by party who is not at fault.
- True, as the defaulting party has no claim on quantum meruit.
  - False, as the defaulting party may also sue on quantum meruit for work done if contract is divisible and the order party has accepted work done.
13. The specific performance of a contract may be ordered by the court where the damages
- Are nominal only
  - Are adequate remedy
  - Can be ascertained
  - Are not adequate remedy.
14. Ordering the relief by way of specific performance of contract is
- At the discretion of the court.
  - Right of a person and the court must give it.
  - Provided in the Indian Contract Act.
  - Both (b) and (c).

15. In which of the following cases, specific performance of contracts is not allowed by courts?
- Where compensation in terms of money is an adequate relief
  - Where contract is of personal nature i.e., depends upon personal skill or qualifications of parties.
  - Where the contract is not fair and just.
  - All of these.
16. In which of the following cases, specific performance can be allowed?
- Contract to sing a song
  - Contract to paint a picture
  - Contract to enter into partnership at will
  - None of these.
17. A court order for restraining a person from doing something which he promised not to do can be obtained by filing a suit for
- Injunction
  - Specific performance
  - Quantum meruit
  - None of these

#### 12.4: DAMAGES FOR BREACH OF CONTRACT

1. It is the right of an aggrieved party to claim damages from the defaulting party for the breach of contract.
- True
  - False
2. The damages for breach of contract are awarded by the courts in order to
- Punish the liable party.
  - Compensate the aggrieved party.
  - Prevent breach of contract.

- d) Discourage private contracts.
3. Ordinary damages are those damages which are
- Agreed at the time of contract
  - Awarded by way of punishment
  - Natural and probable consequence of the breach
  - Deposited in the court immediately on breach
4. Special damages are those damages which are
- Due to some special or unusual circumstances.
  - Awarded by way of punishment
  - Agreed at the time of contract.
  - Deposited in the court immediately on breach.
5. Law governing the payment of damages is based on the leading English case,
- Hadley v. Sullivan
  - Hobbs v. London Rail Co
  - Hadley v. Baxandale
  - None of these.
6. Which of the following statements is correct?
- Ordinary damages are recoverable.
  - Special damages are recoverable only if the parties knew about them.
  - Remoter or indirect damages are not recoverable.
  - All of these.
7. Special damages i.e., the damages which arise due to some special or unusual circumstances
- Are not recoverable altogether.
  - Cannot illegal being punitive in nature
- Cannot be claimed as a matter of right.
  - Can be claimed as a matter of right.
8. Nominal damages are very small in amount and are awarded
- To punish the defaulting party.
  - Simply to establish party's right to claim damages
  - To discourage breach of contract
  - Only to influential parties.
9. Law governing the damages is based on the leading English case Hadley v. Baxandale (1854)9 Ex. 341, and is incorporated in
- Section 73
  - Section 74
  - Section 75
  - None of these.
10. Remote or indirect damages are not due to natural and probable consequence of the breach. These are
- Recoverable
  - Not recoverable
  - Illegal
  - Both (b) and (c)
11. Generally, which of the following damages are not recoverable?
- Ordinary damages
  - Special damages
  - Remote damages
  - Nominal damages.
12. The damages to be payable are determined keeping in view the loss suffered on the date of
- True
  - False.

13. The damages to be payable are determined keeping in view the loss suffered on the date of
- Making the contract
  - Breach
  - Enforcement of right
  - None of these
14. In case of breach of a contract for the sale of goods, the measure of damages is the difference between the contract price and market price on the date of
- Enforcement of contract
  - Breach
  - Making of contract
  - None of these.
15. As a general rule, the exemplary damages are not allowed. However, the court may award these damages in case of
- Breach of promise to marry
  - Wrongful dishonor of customer's cheque by banker
  - Breach of contract sell superior quality goods.
  - Both a and b.
16. Where a banker wrongfully dishonours a customer's cheque, the court may award
- Ordinary damages
  - Special damages
  - Exemplary damages
  - None of these.
17. An amount of compensation fixed payable in case of breach and which is fair and genuine pre-estimate of probable damages is known as
- Liquidated damages
  - Nominal damages
  - Special damages
  - Penalty.
18. An amount of compensation fixed for breach, which is disproportionate to the damages which may result on breach, is known as
- Exemplary damages
  - Special damages
  - Liquidated damages
  - Penalty.
19. A stipulation which provides that an increased rate of interest will be paid from the date of default is regarded as
- Remote damages
  - Increased damages
  - Penalty
  - None of these.
20. A stipulation which provides that in case of default, the money repaid shall be double the amount borrowed, is regarded as
- Liquidated damages
  - Penalty
  - Increased liability
  - None of these.
21. A stipulation which provides that in case of default the whole of the borrowed money shall become due is
- Penalty
  - Not penalty
  - Punitive damages
  - None of these.
22. Which of the following statements is incorrect?

- a) In both the cases of 'liquidated damages' and 'penalty' reasonable compensation is allowed by the courts.
- b) The amount fixed, whether named liquidated damages or penalty, determines the maximum liability in case of breach.
- c) The courts generally reduce the amount if it appears by way of penalty.
- d) Where the amount appears to be penalty, nothing is allowed by the courts as penalty is not enforceable.

23. The 'earnest money' is a part of purchase price paid in advance and is liable to be forfeited, whereas, the security deposit is refundable and not liable to be forfeited.

- a) True, as it is the legal position.
- b) False, as both can be forfeited.

**Choose the appropriate option to fill in the blanks in question 1 to 4:**

1. There occurs an \_\_\_\_\_ breach of contract when prior to the due date of performance, promisor absolutely refuses to perform the contract.
  - a) Actual
  - b) Anticipatory
  - c) Active
  - d) Absolute.
  
2. \_\_\_\_\_ incorporates the doctrine of anticipatory breach.
  - a) Section 37
  - b) Section 39
  - c) Section 41
  - d) Section 43

3. \_\_\_\_\_ are those damages which are natural and probable consequence of breach.
  - a) Ordinary damages
  - b) Special damages
  - c) Nominal damages
  - d) Remote damages.
  
4. \_\_\_\_\_ means the amount of compensation fixed for breach which is disproportionate to the damages which may result on breach.
  - a) Liquidated damages
  - b) Exemplary damages
  - c) Special damages
  - d) Penalty.

5. Match the following:

i)Actual breach	a)Remedy for breach of contract
ii)Anticipatory breach	b)As much as earned
iii)Quantum meruit	c)Breach of contract on the due date of performance
iv)Suit for injunction	d)Breach of contract prior to the due date of performance

6. Match the following:

i)Section 39	a)Damages awarded to establish party's right
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ii)Section 73	b)Damages generally not recoverable
iii)Nominal damages	c)Legal provision of anticipatory
iv)Vindictive damages	d)Legal provisions governing damages

7. Match the following:

i)Liquidated damages	a)Disproportionate and unfair estimate of probable damages
ii)Special damages	b)Part of purchase price paid in advance
iii)Penalty	c)Damages due to special or unusual circumstances
iv)Earnest money	d)Genuine pre-estimate of probable damages

1. Actual breach of contract takes place on the due date of performance and not during the performance.  
a) Correct      b)Incorrect
2. Anticipatory breach of contract takes place during the performance of the contract.  
a) Correct b) Incorrect
3. In case of actual breach of contract, the contract becomes void if time is the essence of the contract.  
a) Correct b) Incorrect.

4. In case of anticipatory breach of contract, the aggrieved party can put an end to the contract and bring an immediate action for damages without waiting for the due date of performance.  
a) Correct b) Incorrect
5. In case of anticipatory breach of contract, if the aggrieved party does not take any action till the due date of performance, then the party liable for breach may perform his promise on due date which will be binding on the aggrieved party.  
a) Correct b) Incorrect.
6. In legal sense, the expression quantum Meruit means the payment in proportion to work done.  
a) Correct b) Incorrect
7. The suit for claim on quantum meruit can be filed where the work done is incomplete but the contract is divisible.  
a) Correct b) Incorrect
8. A singer who agrees to sing exclusively at the theatre for a certain period can be restrained from singing else where during that period.  
a) Correct b) Incorrect
9. The damages for breach of contract are awarded by the courts to punish the party liable for breach of contract.  
a) Correct b) Incorrect
10. Ordinary damages are recoverable only if the parties had the knowledge about them at the time of contract.  
a) Correct b) Incorrect



11. Special damages are recoverable only if the special circumstances resulting in such damage are known to the parties.  
a) Correct b) Incorrect
12. The Indian Law governing the payment of damages is based on the leading English case of Hadley v. Baxandale (1854) Ex. 341 as there is no provision in the Indian Contract Act.  
a) Correct b) Incorrect