

## 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) Both 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 an undertaking 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 known 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
- Voidable
  - Illegal
  - Void
  - 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
- Voidable at B's option
  - Void and is discharged
  - Voidable at option of A's legal heirs
  - None of these.
17. A contract is discharged on account of change of circumstances where the performance becomes
- Virtually impossible
  - Extremely difficult or hazardous
  - Temporarily impossible
  - Both a and b.
18. In which of the following cases, a contract is discharged on the ground of frustration or subsequent impossibility?
- Outbreak of war
  - Change of law or government policy
  - Both of these
  - None of these.
19. In which of the following cases, the contract is not discharged on the ground of frustration or subsequent impossibility?
- Difficulty in performance
  - Commercial hardships
  - Strikes, lock-outs etc.
  - All of these.
20. In which of the following cases, the contract is not discharged on account of frustration of subsequent impossibility?
- Impossibility induced by the party himself
  - Impossibility due to conduct of third person
  - Failure of one of the several objects
  - 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
- Is discharged
  - Is not discharged
  - Becomes voidable
  - Becomes unlawful.
22. In case the performance of a contract becomes more difficult due to some unexpected events, then the contract
- Becomes void on account of impossibility.
  - Becomes voidable on account of difficulty
  - Is discharged on account of impossibility.
  - 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
- Discharged
  - Not discharged
  - Voidable
  - Impossible to perform.

### 11.3: Discharge of Contract by Agreement

- 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 promise 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
- a) Cancellation of the existing contract  
b) Change in one or more terms of the contract  
c) Substitution of existing contract for a new one  
d) Abandonment of the rights by a party.
7. A contract is discharged by rescission, which means the
- a) Cancellation of the existing contract  
b) Change in one or more terms of the contract  
c) Acceptance of lesser performance  
d) None of these.
8. If the parties to a contract agree to alter the contract, then the existing contract
- a) Need not be performed and is discharged  
b) Is not discharged as alteration is not permitted  
c) Becomes viable at the option of either party  
d) Remains alive till brought to original terms and conditions.
9. A contract is discharged by remission, which means the
- a) Abandonment of a right by the party  
b) Cancellation of existing contract  
c) 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) A is discharged from his liability of Rs.5,000  
b) A remains liable for the balance Rs.1,000  
c) Contract becomes voidable at B's option  
d) 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
- a) Novation    b) Satisfaction
  - c) Performance        d) Waiver.

12. The acceptance of any other satisfaction by the promisee, instead of the performance of the promise made to him,
- a) Discharges the contract
  - b) Does not discharge the contract
  - c) Makes the contract voidable at the option of other party
  - d) 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?
- a) Material alteration
  - b) Insolvency
  - c) Death of promisor
  - d) All of these.
2. When the contents of a written document are materially altered by one party without the consent of the other, 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
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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.