

TOPIC: Special Contract Act

Time allowed – 1.5 hours

**QUESTION : 1**

Manoj guarantees for Ranjan, a retail textile merchant, for an amount of Rs. 1,00,000, for which Sharma, the supplier may from time to time supply goods on credit basis to Ranjan during the next 3 months.

After 1 month, Manoj revokes the guarantee, when Sharma had supplied goods on credit for Rs. 40,000. Referring to the provisions of the Indian Contract Act, 1872, decide whether Manoj is discharged from all the liabilities to Sharma for any subsequent credit supply. What would be your answer in case Ranjan makes default in paying back Sharma for the goods already supplied on credit i.e. Rs. 40,000?

(6 MARKS)

**QUESTION : 2**

Explain whether the agency shall be terminated in the following cases under the provisions of the Indian Contract Act, 1872:

- (i) A gives authority to B to sell A's land, and to pay himself, out of the proceeds the debts due him from A. Afterwards, A becomes insane.
- (ii) A appoints B as A's agent to sell A's land. B under the authority of A, appoints C as agent of B. Afterwards, A revokes the authority of B but not of C. what is the status of agency of C?

(6 MARKS)

**QUESTION : 3(I)**

Amar bailed 50 kg of high quality sugar to Srijith, who owned a kirana shop, promising to give Rs. 200 at the time of taking back the bailed goods. Srijith's employee, unaware of this, mixed the 50 kg of sugar belonging to Amar with the sugar in the shop and packaged it for sale when Srijith was away. This came to light only when Amar came asking for the sugar he had bailed with Srijith, as the price of the specific quality of sugar had trebled. What is the remedy available to Amar?

(5 MARKS)

**QUESTION : 3(II)**

Comment on the statement 'Principal is not always bound by the acts of a sub-agent'.

(6 MARKS)

**QUESTION : 4(I)**

Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid?

(4 MARKS)

**QUESTION: 4(II)**

'C' advances to 'B', Rs. 2,00,000 on the guarantee of 'A'. 'C' has also taken a further security for the same borrowing by mortgage of B's furniture worth Rs. 2,00,000 without knowledge of 'A'. 'C' cancels the mortgage. After 6 months 'B' becomes insolvent and 'C' 'sues 'A' his

guarantee. Decide the liability of 'A' if the market value of furniture is worth Rs. 80,000, under the Indian Contract Act, 1872.

**(3 MARKS)**

**QUESTION : 5**

Mr. Chetan was appointed as Site Manager of ABC Constructions Company on a two years' contract at a monthly salary of Rs. 50,000. Mr. Pawan gave a surety in respect of Mr. Chetan's conduct. After six months the company was not in position to pay Rs. 50,000 to Mr. Chetan because of financial constraints. Chetan agreed for a lower salary of Rs. 30,000 from the company. This was not communicated to Mr. Pawan. Three months afterwards it was discovered that Chetan had been doing fraud since the time of his appointment. What is the liability of Mr. Pawan during the whole duration of Chetan's appointment.

**(6 MARKS)**

**QUESTION : 6**

R is the wife of P. She purchased sarees on credit from Nalli. Nalli demanded the amount from P. P refused. Nalli filed a suit against P for the said amount. Decide in the light of provisions of the Indian Contract Act, 1872, whether Nalli would succeed.

**(5 MARKS)**

**QUESTION : 7**

Mrs. A delivered her old silver jewellery to Mr. Y a Goldsmith, for the purpose of making new a silver bowl out of it. Every evening she used to receive the unfinished good (silver bowl) to put it into box kept at Mr. Y's Shop. She kept the key of that box with herself. One night, the silver bowl was stolen from that box. Was there a contract of bailment? Whether the possession of the goods (actual or constructive) delivered, constitute contract of bailment or not?

**(5 MARKS)**

**QUESTION : 8**

Examine whether the following constitute a contract of 'Bailment' under the provisions of the Indian Contract Act, 1872:

- (i) V parks his car at a parking lot, locks it, and keeps the keys with himself.
- (ii) Seizure of goods by customs authorities

**(4 MARKS)**