

CHANAKYA 2.0

For CA Foundation

Lecture- 05

Business Laws

Top 100 Questions – Q 41 to 50
Writing Practice Session Part 05

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Question no 41

Bank

Anand-

Ⓐ surety-

Mr. Anand, is employed as a cashier on a monthly salary of ` 2,000 by ABC bank for a period of three years. X gave surety for Mr. Anand's good conduct. After nine months, the financial position of the bank deteriorates. Then Mr. Anand agrees to accept a lower salary of ` 1,500/- per month from Bank. Two months later, it was found that Mr. Anand has misappropriated cash since the time of his appointment. What is the liability of X? (RTP Nov 2016) (RTP Nov 2014) (RTP NOV 2019) (MTP MAY 2018) (NOV 2018)

Answer

Law - If the creditor makes any variance (i.e. change in terms) without the consent of the surety, then surety is discharged as to the transactions subsequent to the change. [Section 133, Indian Contract Act, 1872].

~~Conclusion~~ - In the instant case X is liable as a surety for the loss suffered by the bank due to misappropriation of cash by Anand during the first nine months but not for misappropriations committed after the reduction in salary. .

Conclusion - In present case, X will be discharged from its liability -
He will not be liable for mis-appropriations because due to change of salary there is variation in terms and conditions which ~~is~~ without his consent resulting in discharge of surety.

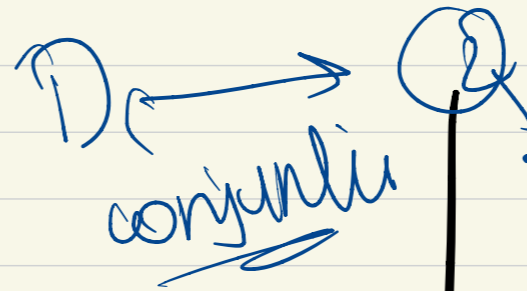
Question 42

Distinguish between a contract of Indemnity and a contract of Guarantee as per the Indian Contract Act, 1872. (4 Marks) (MTP Oct. 22)

whereas, however, but if

shortest → PC le Ravi PC → guarantee PC.

Indemnity



Guarantee

Basis

(i) P → no. of parties.

2 →

Indemnity only.

Three

creditor, P.D, surety.

(ii) C → no. of contracts

↓

- 3 → surety
- (i) creditor → debtor
 - (ii) creditor & surety
 - (iii) surety and P.D.

(iii) primary liability

Indemnifier

Principal debtor

(iv) Existence of debt

NO

Yes

(v) R → Right to recover

cannot recover.

recover from P.D.

(vi) P → purpose

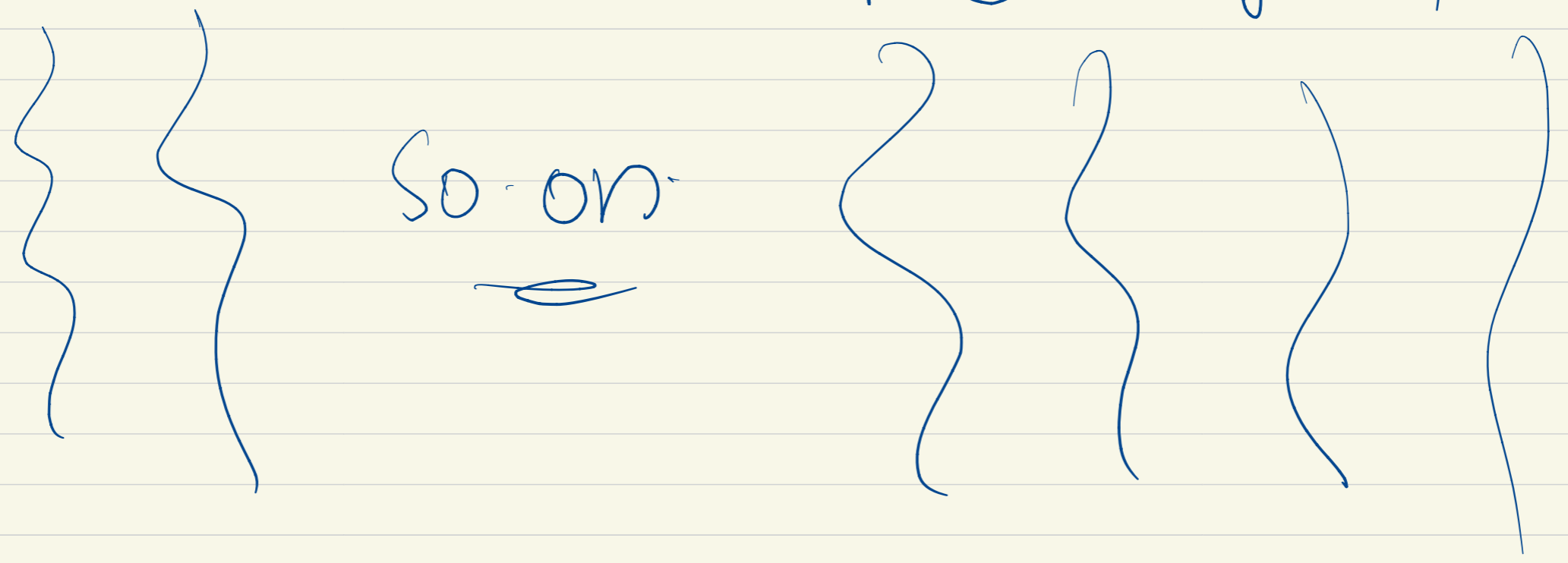
Reimbursement of loans

security to creditor

Q2 Following are points of distinction between Indemnity and guarantee:-

(i) No. of parties → In contract of indemnity there are two parties → indemnifier and indemnity holder whereas in contract of guarantee there are three parties - creditor, principal debtor and surety.

(ii) No. of contracts → In contract of indemnity there ~~are~~ ^{is} only one contract between indemnifier and indemnity holder however in contract of guarantee there exist 3 contracts (i) between (i) creditor and P-D (ii) creditor and surety (iii) surety and P-D.



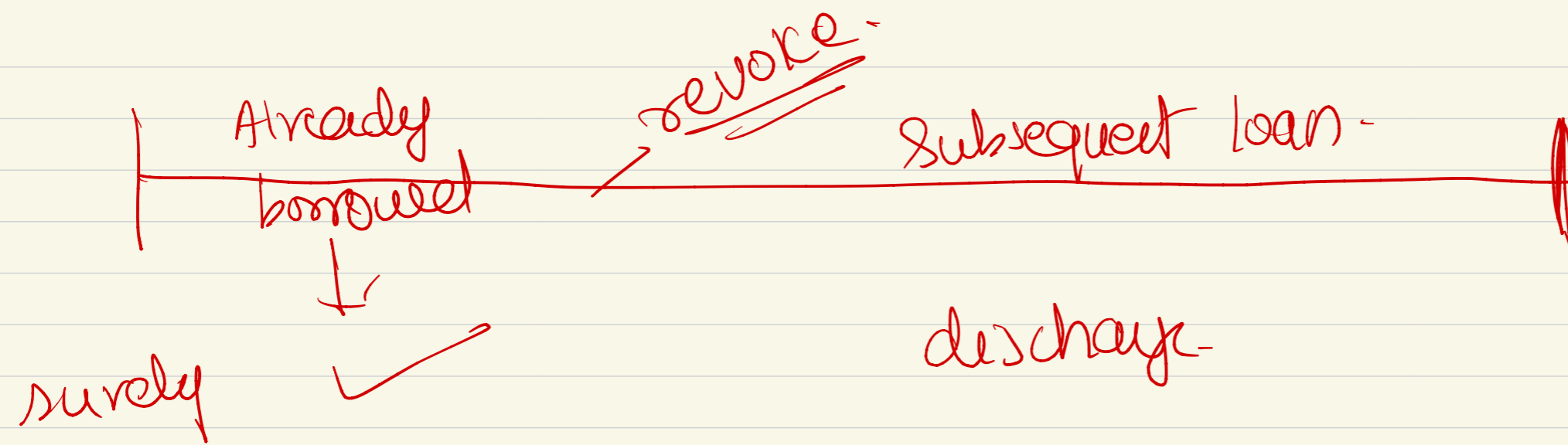
Question 43

'Amit' stands surety for 'Bikram' for any amount which 'Chander' may lend to 'Bikram' from time to time during the next three months subject to a maximum amount of Rs. 1,00,000 (one lakh only). One month later 'Amit' revokes the surety, when 'Chander' had already lent to 'Bikram' Rs. 10,000 (ten thousand). Referring to the provisions of the Indian Contract Act, 1872, decide:

- i. Whether 'Amit' is discharged from all the liabilities to 'Chander' for any subsequent loan given to 'Bikram'?
- ii. What would be your answer in case 'Bikram' makes a default in paying back to 'Chander' the already borrowed amount of Rs. 10000?

yes-

liable-



Law ~~See~~ As per sec- 130 of Indian Contract Act, 1872, in case of revocation of guarantee by surety.

- (i) He will be discharge from all subsequent loans.
- (ii) However he continues to be liable for already contracted debts.

Conclusion → In present case

- (i) Yes due to revocation of his surety, Amit is discharged from all subsequent loan ~~to~~ given to Bikram.
- (ii) Amit is still liable for already borrowed money before his revocation of 10,000 and Amit will pay 10,000 to chander. Later will recover 10,000 from Bikram.

Question 44

Amar bailed 50 kg of high quality sugar to Srijith, who owned a kirana shop, promising to give ` 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? (module)

Answer

Law-

According to Section 157 of the Indian Contract Act, 1872, if the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, in such a manner that it is impossible to separate the goods bailed from the other goods and deliver them back, the bailor is entitled to be compensated by the bailee for the loss of the goods.

Conclusion - In the given question, Srijith's employee mixed high quality sugar bailed by Amar and then packaged it for sale. The sugar when mixed cannot be separated. As Srijith's employee has mixed the two kinds of sugar, he (Srijith) must compensate Amar for the loss of his sugar

Question 45

A hires a carriage from B and agrees to pay ₹ 500 as hire charges. The carriage is unsafe, though B is unaware of it. A is injured and claims compensation for injuries suffered by him. B refuses to pay. Discuss the liability of B. (module)

Law

Bailor (B) → Bailee (A)

Sec 150 = non-gratuitous bailment → bailor will be liable for any destruction or loss caused to bailee for default in goods.

Conclusion: B will be liable as this is a non-gratuitous bailment and he will have to compensate bailee for injury.

A) Continuous - \rightarrow 10 ques - 6/7 Audel - 2/3 100%

B) 1 session \rightarrow ~~writing~~ prax + 50 questions
solve

Question 46

Srushti acquired a valuable diamond at a very low price by a voidable contract under the provisions of India Contract Act, 1872. The voidable contract was not rescinded. Srushti pledged the diamond with Mr. VK. Is this a valid pledge under the Indian Contract Act, 1872? (Nov. 2019) (module)

178A - Non-owner
when valid pledge -> voidable contract -> before making void -> pledge -> valid.....
so concluding yes since srushti pledged before contracts was rescinded-

Question 47

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 *husband* amount. Decide in the light of provisions of the Indian Contract Act, 1872, whether Nalli would succeed. (ICAI study Material)

Hunt

Coew

Contract Act

wife is implied agent of husband if following conditions are satisfied

- (i) for necessaries
- (ii) household-like husband and wife.
- (iii) husband do not give sufficient money to borne necessaries

Conclusion Yes Nalli ~~would~~ would succeed as P being husband will be bound to pay for any necessaries supplied to his wife R.

Question 48

QRahul, a transporter was entrusted with the duty of transporting tomatoes from a rural farm to a city by Aswin. Due to heavy rains, Rahul was stranded for more than two days. Rahul sold the tomatoes below the market rate in the nearby market where he was stranded fearing that the tomatoes may perish. Can Aswin recover the loss from Rahul on the ground that Rahul had acted beyond his authority? (ICAI study Material)

Answer

Law - Agent's authority in an emergency (Section 189 of the Indian Contract Act, 1872): An agent has authority, in an emergency, to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence, in his own case, under similar circumstances.

Conclusion - In the instant case, Rahul, the agent, was handling perishable goods like 'tomatoes' and ~~can decide the time, date and place of sale, not necessarily as~~ ^{sold tomatoes} ~~per~~ ^{Aswin} instructions of the Aswin, the principal, with the intention of protecting Aswin from losses. Here, Rahul acts in an emergency as a man of ordinary prudence, so Aswin will not succeed against him for recovering the loss.

Question 39

- i. A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to 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?

(MTP May 24) (6 Marks)

Agency coupled with interest ⇒ irrevocable agency

Answer

(i) Law - According to section 202 of the Indian Contract Act, 1872, where the agent has himself an interest in the property which forms the subject matter of the agency, the agency cannot, in the absence of an express contract, be terminated to the prejudice of such interest.

In other words, when the agent is personally interested in the subject matter of agency, the agency becomes irrevocable.

Conclusion - In the given question, A gives authority to B to sell A's land, and to pay himself, out of the proceeds, the debts due to him from A. As per the facts of the question and provision of law, A cannot revoke this authority, nor it can be terminated by his insanity.

(ii) Law - According to section 191 of the Indian Contract Act, 1872, a "Sub-agent" is a person employed by, and acting under the control of, the original agent in the business of the agency. Section 210 provides that, the termination of the authority of an agent causes the termination (subject to the rules regarding the termination of an agent's authority) of the authority of all sub-agents appointed by him.

Conclusion - In the given question, B is the agent of A, and C is the agent of B. Hence, C becomes a sub-agent. Thus, when A revokes the authority of B (agent), it results in termination of authority of sub-agent appointed by B i.e. C (sub-agent).

Question 50

Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for ₹ 20 lakhs in the name of a nominee and then purchased it himself for ₹ 24 lakhs. He then sold the same house to Mr. Ahuja for ₹ 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain. (ICAI study Material)

Answer

(i) Law - The problem in this case, is based on the provisions of the Indian Contract Act, 1872 as contained in Section 215 read with Section 216. The two sections provide that where an agent without the knowledge of the principal, deals in the business of agency on his own account, the principal may: repudiate the transaction, if the case shows, either that the agent has dishonestly concealed any material fact from him, or that the dealings of the agent have been disadvantageous to him can Claim from the agent any benefit, which may have resulted to him from the transaction.

Conclusion - In present case, Ahuja can recover 6 lac ₹ from Mr. Smta being the amount of personal profit earned by Mr. Smta while dealing in business of agency.

Question no ~~51~~ 40

Examine whether the following constitute a contract of 'Bailment' under (RTP June 2024)

the provisions of the Indian Contract Act, 1872:

(i) Vikas parks his car at a parking lot, locks it, and keeps the keys with himself.

*NO -
sec 149 → no
delivery.*

(ii) Seizure of goods by customs authorities.

sec-148 → delivers + purpose + Return → YES



THANK YOU