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Blue print of Important Questions of CA Foundation Law June 23

Chapter 1 - The Indian Contract Act, 1872

Unit - I Nature of Contracts

Intention to create legal relationship

Q.1 Mr and Mrs Merritt married in 1941. They held their matrimonial home in joint names. In 1966 Mr Merritt left the family home to live with another woman. Mr Merritt agreed to pay Mrs Merritt Rs.4000 per month. At Mrs Merritt's request, he signed a document confirming that when she had repaid the balance on the mortgage, he would transfer the matrimonial home into her sole name. Mrs Merritt paid off the mortgage and successfully acquired a declaration that the house belonged to her. Mr Merritt appealed against it. Advise Mrs.Merrit

Q.2 Mr. Ramesh promised to pay Rs. 50,000 to his wife Mrs. Lali so that she can spend the sum on her 30th birthday. Mrs. Lali insisted her husband to make a written agreement if he really loved her. Mr. Ramesh made a written agreement and the agreement was registered under the law. Mr. Ramesh failed to pay the specified amount to his wife Mrs. Lali. Mrs. Lali wants to file a suit against Mr. Ramesh and recover the promised amount. Referring to the applicable provisions of the Contract Act, 1872, advise whether Mrs. Lali will succeed.

Invitation to offer Vs Offer

Q.3 Mr. Aseem is a learned advocate. His car was stolen from his house. He gave an advertisement in newspaper that he will give the reward of Rs. 10,000 who will give the information about his car. Mr. Vikram reads the advertisement and on making some efforts got the stolen car and informed Mr. Aseem. Mr. Aseem found his car but denied giving reward of Rs. 10,000 to Mr. Vikram with the words, "An advertisement in newspaper is just an invitation to make offer and not an offer. Hence, he is not liable to make the reward." State with reasons whether under Indian Contract Act, 1872, Mr. Vikram can claim the reward of Rs. 10,000.

Q.4 X, gave an advertisement in a newspaper that a sale of office furniture by auction will be held at 2 p.m. On 9th August 1997 at 'bharat Maidan, Stall No. 420, New Delhi.' Y from Mumbai reached New Delhi on the appointed date and time but X had cancelled the auction sale. Advise Y.

Offer & modes of its revocation

Q.5 Define an offer. Explain the essentials of a valid offer. How an offer is different from an invitation to offer?

Explain the modes of revocation of an offer as per the Indian Contract Act, 1872.

Acceptance

Q.6 Define the term Acceptance. Discuss the legal provisions relating to communication of Acceptance.

Mr. Pratham applied for a job as principal of a school. The school management decided to appoint him. One member of the school management committee privately informed Mr. Pratham that he was appointed but official communication was not given from the school. Later, the management of the school decided to appoint someone else as a principal. Mr. Pratham filed a suit against the school for cancellation of his appointment and claimed damages for loss of salary. State with reasons, will Mr. Pratham be successful in suit filed against school under the Indian Contract Act, 1872?

Related Question: Miss Shakuntala puts an application to be a teacher in the school. She was appointed by the trust of the school. Her friend who works in the same school informs her about her appointment informally. But later due to some internal reasons her appointment was cancelled. Can Miss Shakuntala claim for damages?

Communication, acceptance and revocation of proposals [Sec 4,5 & 6]

Q.7 A, the secretary of a building society, handed over to B, in the office of the society, an offer to sell a property at £750. Fourteen days' time was given to B for acceptance. B was residing in a different town, and took away with him the offer to that town. The next day, at about 3.30 p.m. B sent, by post, his letter of acceptance. This letter was received at society's office at 8.30 Pm. But before that at about 1.00 p.m. the society had posted a letter revoking its offer. B received the letter of revocation at 5.30 p.m. Advice B.

Q.8 A applied for shares in a company. A withdrew his offer on 26th October. His letter of withdrawal was received by the company at 11.30 a.m. on 27th October. But on 27th October at 10.00 a.m., the company had already resolved to allot the shares to A, and the letter of allotment (acceptance) was given to a peon to post, but the letter was not actually posted till 11.30 a.m. Advice A and also to company.

Void Agreements/Contract | Illegal Agreement | Types of Contract

Q.9 X threatens to kill Y if he (Y) does not sell his house to X for Rs. 1, 00,000. Y agrees. X borrows Rs. 1, 00,000 from Z who is also aware of the purpose of the loan. What is the nature of the agreement between X and Y, and X and Z?

Q.10 Mr. Y is a devotee and wants to donate an elephant to the temple as a core part of ritual worship. He contacted Mr. X who wanted to sell his elephant. Mr. X contracted with Mr. Y to sell his elephant for Rs. 20 Lakhs. Both were unaware that the elephant was dead a day before the

agreement. Referring to the provisions of the Indian Contract Act, 1872, explain whether it is a void, voidable or a valid contract.

Unit- 2: Consideration

Very Important Unit

Q.1 Define consideration. What are the legal rules regarding consideration under the Indian Contract Act, 1872?

Adequacy of consideration

Q.2: X, who was badly in need of money offered to sell his car worth Rs. 1,00,000 to Y for Rs. 10,000. Before the car was delivered, X received an offer of Rs. 20,000 and refused to carry out the contract on the ground of inadequacy of consideration. Is X liable to Y for damages? [2 Marks]

Suit by third party to Contract (Doctrine of privity of Contract) (Complete topic is important)

Q.3 A was appointed by his father as his successor. A was put in possession of the entire estate of his father. It was agreed between A and his father that he (A) would give certain sum of money and a village to B (an illegitimate son of A's father), on his attaining majority. A is refusing on attainment of majority of B. Advice B.

No Consideration No Contract (Complete topic is important)

Natural love & affection

Q.4 X, a Hindu husband executed a registered document in favour of Y, his wife, whereby he promised to pay her Rs. 1,000 per month. Later, X did not pay. Can Y recover from X (a) if this promise was made without any disagreement and quarrels between them? (b) if this promise was made after disagreement and quarrels between them?

Time barred debt

Q.5 X owes Y Rs. 10,000 but this debt is time barred. In a birthday party of Z, who is a friend of X and Y, X promises Y to pay this debt. Later, X refuses to Y. Can Y recover the promised amount from X?

Past voluntary service

Q.6 Anita and Sonali are friends, Sonali treats Anita during Anita's illness. Sonali does not accept payment from Anita for treatment and Anita promises Sonali's daughter Tania to pay her Rs. 75,000. Anita, being in poor circumstances is unable to pay. Tania sues Anita for the money. Can Tania recover?
Offer your views based on provisions of the Indian Contracts Act, 1872.

Charity

Q.7 X promises to donate Rs. 10,000 towards the repairs of a temple. X does not pay. Can the trustees recover the promised amount from X (a) if they have not incurred any liability on the faith of the X's promise, (b) if they have incurred any liability on the faith of this promise.

Gift

Q.8 X gifted Rs. 50,000 to Y his neighbour's wife by executing a registered gift deed without any consideration. There is no near relation between X and Y. Is this gift valid?

Related Question: X promises to make a gift of Rs. 50,000 to Y, his neighbour's wife. Is this promise valid?

Unit – 3: Other Essential Elements of a Contract

Agreement/Contract with minor

Q.1 Srishti, a minor, falsely representing her age, enters into an agreement with an authorised Laptop dealer Mr. Gupta, owner of SP Laptops, for purchase of Laptop on credit amounting Rs. 60,000/- for purchasing a laptop, on 1st August 2021. She promised to pay back the outstanding amount with interest @ 16% p.a. by 31st July 2022. She told him that in case she won't be able to pay the outstanding amount, her father Mr. Ram will pay back on her behalf. After One year, when Srishti was asked to pay the outstanding amount with interest she refused to pay the amount and told the owner that she is minor and now he can't recover a single penny from her.

She will be adult on 1st January 2024, only after that agreement can be ratified. Explain by which of the following way Mr. Gupta will succeed in recovering the outstanding amount with reference to the Indian Contract Act, 1872.

- (i) By filing a case against Srishti, a minor for recovery of outstanding amount with interest?
- (ii) By filing a case against Mr. Ram, father of Srishti for recovery of outstanding amount?

By filing a case against Srishti, a minor for recovery of outstanding amount after she attains maturity?

Free Consent

Q.2 An agent refused to hand over the account books of the business, at the end of his term of office, to the new agent unless the principal freed him from the liability in respect of his agency. The principal executed a release deed under which the agent was freed from liability. Advice principal.

Q.3 Chandan was suffering from some disease and was in great pain. He went to Dr. Jhunjhunwala whose consultation fee was Rs. 300. The doctor agreed to treat him but on the condition that

Chandan had to sign a promissory note of Rs. 5000 payable to doctor. Chandan signed the promissory note and gave it to doctor. On recovering from the disease, Chandan refused to honour the promissory note. State with reasons, can doctor recover the amount of promissory note under the provisions of the Indian Contract Act, 1872?

Q.4 Karan agreed to purchase wooden table for his study room from Mr. X. Table was in good condition and was examined by Karan before purchasing. He found no defects in it and paid Rs. 20,000 for that table. Later on, it was found that one leg of table is broken, and Mr. X has pasted the wood and tried to hide the defects in the table. Can Karan return the table and claim the amount back? Discuss the same with reference to Indian Contract Act, 1872.

Q.5 X bought Shares in a Company on the faith of a Prospectus which contained an untrue statement that one Z was a Director of the Company. X had never heard of Z and the untrue statement of Z being a Director was immaterial from his point of view. Can X claim damages on grounds of fraud?

Validity of an agreement

Q.6 A husband and his wife entered into an agreement that upon the husband marrying a second wife, the first wife would get the right to divorce him. Whether the agreement is valid.?

Two co-widows entered into an agreement that if anyone of them remarried she would forfeit her right to her share in the deceased husband's property. Whether the agreement is valid.?

Q.7 X and Y were two organizations trading in wheat of 'Popular Brand' in Uttar Pradesh. X realizes that the wheat business is high yielding. To expand his business X offered Y a sum of ₹ 10 Lakhs on the condition that Y shall not sell Popular Brand' wheat in Uttar Pradesh. X failed in making the promised payment to Y. Y filed a suit against X for non-fulfillment of the promise. Is the suit maintainable?

Q.8 A, a businessman sold the goodwill of his trade to B. Both of them agreed that A will not practice the same trade for 3 years, and also that A will not carry on any business competing in any way with the business of B. Whether the agreement is valid.?

Q.9 A clause in a life insurance policy was that "no suit to recover under the policy shall be brought after one year from the date of death of assured." X died and his legal representatives filed a suit to recover the assured sum after two and half years. Is this suit maintainable?

Person by whom promise is to be performed | Effect of accepting performance from third person

Q.10 Mr. Singhania entered into a contract with Mr. Sonu to sing in his hotel for six weeks on every Saturday and Sunday. Mr. Singhania promised to pay Rs. 20,000 for every performance. Mr. Sonu performed for two weeks but on third week his health condition was very bad, so he

did not come to sing. Mr. Singhania terminated the contract. State in the light of provisions of the Indian Contract Act, 1872: -

- (a) Can Mr. Singhania terminate the contract with Mr. Sonu?
- (b) What would be your answer in case Mr. Sonu turns up in fourth week and Mr. Singhania allows him to perform without saying anything?
- (c) What would be your answer in case Mr. Sonu sends Mr. Mika on his place in third week and Mr. Singhania allows him to perform without saying anything?

Section 42: Devolution of joint liabilities | Section 43: Any one of joint promisors may be compelled to perform | Each promisor may compel contribution | Sharing of loss by default in contribution | Section 44: Effect of release of one joint promisor.

Q.11 X, Y and Z jointly borrowed Rs. 60,000 from L. Decide in the light of The Indian Contract Act, 1872:

- (i) Whether L can compel only Y to pay the entire loan of Rs. 60,000.
- (ii) If X, Y and Z died, whether L can compel only the Legal representatives of X to pay the loan of Rs. 60,000.
- (iii) If the whole amount was repaid to L by Y. How much Y can recover from X and Z?
- (iv) If the whole amount was repaid to L by Y and Z became insolvent and his private assets are sufficient to pay only 1/5 of his share of debts. How much Y can recover from X and Z?
- (v) If the whole amount was repaid to L by Y, Z became insolvent and his private assets are sufficient to pay only 1/5 of his share of debts and X died and his son W inherited the assets of Rs. 17000. How much Y can recover from X and Z?
- (vi) If L releases X from his liability and sues Y and Z for payment, whether Y and Z are also released from their liability to L and X is released from his liability to Y and Z for contribution.

Appropriation of payments

Q.12 Mr. Murari owes payment of 3 bills to Mr. Girdhari as on 31st March, 2020. (i) Rs. 12,120 which was due in May 2016. (ii) Rs. 5,650 which was due in August 2018 (iii) Rs. 9,680 which was due in May 2019. Mr. Murari made payment on 1st April 2020 as below without any notice of how to appropriate them:

- (i) A cheque of Rs. 9,680
- (ii) A cheque of Rs. 15000

Advice under the provisions of the Indian Contract Act, 1872.

Contracts which need not be performed

Q.13 Explain any five circumstances under which contracts need not be performed with the consent of both parties.

Obligation of person who has received advantage under void agreement, or contract that becomes void.

Q.14 Mr. Rich aspired to get a self-portrait made by an artist. He went to the workshop of Mr. C an artist and asked whether he could sketch the former's portrait on oil painting canvass. Mr. C agreed to the offer and asked for Rs. 50,000 as full advance payment for the above creative work. Mr. C clarified that the painting shall be completed in 10 sittings and shall take 3 months.

On reaching to the workshop for the 6th sitting, Mr. Rich was informed that Mr. C became paralyzed and would not be able to paint for near future. Mr. C had a son Mr. K who was still pursuing his studies and had not taken up his father's profession yet?

Discuss in light of the Indian Contract Act, 1872?

- (i) Can Mr. Rich ask Mr. K to complete the artistic work in lieu of his father?
- (ii) Could Mr. Rich ask Mr. K for refund of money paid in advance to his father?

Q.15 Mr. X and Mr. Y entered into a contract on 1st August, 2018, by which Mr. X had to supply 50 tons of sugar to Mr. Y at a certain price strictly within a period of 10 days of the contract. Mr. Y also paid an amount of Rs. 50,000 towards advance as per the terms of the above contract. The mode of transportation available between their places is roadway only. Severe flood came on 2nd August, 2018 and the only road connecting their places was damaged and could not be repaired within fifteen days. Mr. X offered to supply sugar on 20th August, 2018 for which Mr. Y did not agree. On 1st September, 2018, Mr. X claimed compensation of Rs. 10,000 from Mr. Y for refusing to accept the supply of sugar, which was not there within the purview of the contract. On the other hand, Mr. Y claimed for refund of Rs. 50,000 which he had paid as advance in terms of the contract. Analyse the above situation in terms of the provisions of the Indian Contract Act, 1872 and decide on Y's contention.

Unit- 5: Breach of Contract and its Remedies

Anticipatory Breach

Q.1 "An anticipatory breach of contract is a breach of contract occurring before the time fixed for performance has arrived." Discuss stating also the effect of anticipatory breach on contracts.

Compensation for loss or damage caused by breach of contract

Q.2 Mr. Murti was travelling to Manali with his wife by bus of Himalya Travels Pvt. Ltd. Due to some technical default in the bus, the driver has to stop the bus in a mid way in cold night. Driver advised the passenger to get the shelter in nearest hotel which was at a distance of only one kilometre from that place. The wife of Mr. Murti caught cold and fell ill due to being asked to get down and she had to walk in cold night to reach hotel. Mr. Murti filed the suit against Himalya Travels Pvt. Ltd. for damages for the personal inconvenience, hotel charges and medical treatment for his wife. Explain, whether Mr. Murti would get compensation for which he filed the suit?

Q.3 A photographer who had agreed to take photographs at a wedding, failed in breach of his contract to appear there. As a result the bride had no photographs of her wedding. She wants to file a suit for resulting injury to her feelings. Whether the suit is maintainable.?

Compensation for breach of contract where penalty stipulated for

Q.4 "Liquidated damage is a genuine pre-estimate of compensation of damages for certain anticipated breach of contract whereas Penalty on the other hand is an extravagant amount stipulated and is clearly unconscionable and has no comparison to the loss suffered by the parties". Explain the statement by differentiating between liquidated damages and penalty with reference to provisions of the Indian Contract Act, 1872.

Unit – 6: Contingent and Quasi Contracts

Contingent Contracts

Q.1 Explain the meaning of 'Contingent Contracts' and state the rules relating to such contracts. PQR, a hospital in Delhi, recruits Dr. A, on contract basis for a period of 3 months. The hospital management promises to pay Dr. A, a lumpsum amount of Rs. 1,00,000 if Dr. A test positive for noval corona virus (Covid 19) during the contract period of 3 months. Identify the type of contract and highlight the rule of enforcement. Also, what will happen if Dr. A does not contract Covid 19.

Quasi Contract/Deemed Quasi Contract

Q.2 Explain the term 'Quasi Contracts' and state their Characteristics.

Q.3 Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M, their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother some financial assistance for her emergency medical treatment. After supplying necessities to Mr.

Y for four years, Mr. M approached the former asking him to payback Rs.15 Lakhs inclusive of Rs. 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parent's jewellery to sell to a maximum value of Rs. 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y of legal suit to be brought against for recovering the money.

Now, you are to decide upon based on the provisions of the Indian Contract Act, 1872:

- (i) Will Mr. M succeed in filing the suit to recover money? Elaborate the related provisions?
- (ii) What is the maximum amount- of money that can be recovered by Mr. M?
- (iii) Shall the provisions of the above act also apply to the medical treatment given to the grandmother?

Q.4 A, a gold dealer, regularly pays sales tax as per law. Subsequently, the government lowers down the tax rate. Without knowing this new law, A continues to pay the sales tax on higher rates. On becoming aware that the rate has been lowered down, he claims the excess payment from the government. Advice A.

Q.5 A insured his goods with an insurance company against the risk of fire only. After sometimes, the goods were stolen from the godown, and A claimed the amount from the insurance company. The insurance company paid the amount under the mistake that goods had been destroyed by a peril insured against. On knowing that the goods were not insured against theft', the insurance company claimed the refund of money from A. Is it valid.?