



CA Nikesh Agrawal

**CA Foundation May 2025**

# **BUSINESS LAW**

## **EXAM ORIENTED FREE**

## **FASTRACK BATCH**

Must Watch For Unsuccessful Students

**LIVE**   
**STREAMING**

FREE FOR ALL  
ON YOUTUBE  
EVERYDAY

### Details

Time : 4:30 pm to 6:15 pm daily

Source : ICAI Module

Batch Completion : Upto 15th April



Scan the QR to join the Batch Group

**Chapter: 2 - Indian Contract Act, 1872**

**Unit: 6 - Contingent & Quasi Contract**

**(Covers All RTP, MTP, PYQ, ICAI SM, MDTP till Jan 2025)**

11 - Mr. L let out his residential house to Mr. M for ` 50,000 p.m. for a period of one year. According to the Rent agreement, electricity bill will be paid by Mr. L. But Mr. L could not pay electricity dues up to 5 months, due to his financial hardships. The Electricity Board sent the notice of disconnection, if it is not paid within a week's time. To avoid all this, Mr. M paid the electricity bill of ` 50,000 with penalty. Later on, L refused to reimburse ` 50,000 and argued that he has paid bill voluntarily because of his own interest. Decide with reference to provisions of the Indian Contract Act, 1872 whether Mr. M is entitled to be reimbursed by Mr. L?

1)a)ii)4m,MDTP8,10, 1)a)ii)3m,MTP2,Jan2025, 1)a)i)3m,Sept2024

**Ans** - According to Section 69 of the Indian Contract Act, 1872, a person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

In the instant case, Mr. M paid the electricity bill to avoid the disconnection that was pending due to Mr. L's failure to fulfil his contractual obligation. Hence, Mr. M is entitled to be reimbursed ₹ 50,000 from Mr. L.

10 - Raghav found gold and diamond studded wristwatch value approximately 1,00,000/- on the roadside. He picked it up and then advertised in the newspaper that the true owner thereof can take the watch after showing proper evidence. After waiting for a certain period of time, when the true owner did not turn up, he gifted that wristwatch to his son Mahesh. A few days later, Madhav, the true owner of watch, somehow noticed his watch on wrist of Mahesh. He approached him to collect the same, but Mahesh refused. In the evening, Raghav called Madhav and told him that he incurred 20,000 to find the true owner if he fails to reimburse him the lawful expenses incurred on finding out the true owner, he will sue him for recovery thereof or retain the possession of the watch with him till recovery. Even he can sell the watch for recovery of expenses. Advise whether the following actions of Raghav were lawful according to provisions of The Indian Contract Act, 1872:

- (A) Gifting the wristwatch to his son.
- (B) Warning Madhav to sue for recovery of lawful expenses incurred in finding true owner.
- (C) Retaining the possession of wristwatch till recovery of lawful expenses.
- (D) Selling of wristwatch for recovery of expenses.

4)a)i)4m,MDTP10, 4)a)i)4m,Sept2024

**Ans - Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872):** A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.

Thus, a finder of lost goods has:

- (i) to take proper care of the property as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

**The right of finder of lost goods- may sue for specific reward offered [Section 168]:** The finder of goods has no right to sue the owner for compensation for trouble and expense voluntarily incurred by him in finding the owner and preserving the goods found. But he has a right to retain the goods against the owner until he receives such compensation.

**When finder of thing commonly on sale may sell it [Section 169]:** When a thing which is commonly the subject of sale if lost, if the owner cannot with reasonable diligence be found, or if he refuses, upon demand, to pay the lawful charges of the finder, the finder may sell it—

- (1) when the thing is in danger of perishing or of losing the greater part of its value, or
- (2) when the lawful charges of the finder in respect of the thing found amount to two-thirds of its value.

Hence, the answers are:

**(A) Gifting the wristwatch to his son Mahesh is unlawful.** Raghav had no ownership rights over the watch and could not legally transfer it to someone else.

**(B) Warning Madhav to Sue for Recovery of Lawful Expenses:** Raghav has no right to sue Madhav for the expenses voluntarily incurred by Raghav in finding the owner.

**(C) Retaining Possession of the Wristwatch Until Recovery of Lawful Expenses:** Raghav's action of retaining the wristwatch until Madhav reimburses him for lawful expenses is valid.

**(D) Selling of Wristwatch for Recovery of Expenses:** the watch is not perishable, and the expenses claimed (₹ 20,000) are far below two-thirds of the value of the watch (₹ 1,00,000). Therefore, Raghav does not have the right to sell the watch under these circumstances, and selling the watch would be unlawful.

---

**09 - Amit, a minor was studying in a college. On 1st July, 2023 he took a loan of ` 1,00,000 from Bhavesh for payment of his college fees and to purchase books and agreed to repay by 31st December, 2023. Amit possesses assets worth ` 9 lakhs. On due date,**

Amit fails to pay back the loan to Bhavesh. Bhavesh now wants to recover the loan from Amit out of his (Amit's) assets. Referring to the provisions of Indian Contract Act, 1872 decide whether Bhavesh would succeed. RTP, Sept2024, Sim, ICAI Module

**Ans** - According to section 68 of Indian Contract Act, 1872, if a person, incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

In the instant case, since the loan given to Amit is for the necessaries suited to the conditions in life of the minor, his assets can be sued to reimburse Bhavesh. Hence, Bhavesh can proceed against the assets of Amit.

---

**08 - What constitutes a contingent contract under the Indian Contract Act, 1872, and what are its essential elements?** 6)b)6m, MDTP5, 6)b)6m, MTP1, Sept, 2024

OR

**What is the meaning of contingent contract? Write briefly its essentials. Also, explain rules relating to enforcement of a contingent contract.**

6)b)6m, MDTP8, 9, 6)b)6m, MTP2, Jan2025, 6)b)6m, June2024, 2)a)7m, MTP2, June2023, 2)a)7m, MTP1, June2022, 2)a)7m, June2021, 6)a)5m, MTP1, Dec2020, RTP, June2020, RTP, June2019, 2)a)7m, June2018

**Ans - Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872)**

"A contract to do or not to do something, if some event, collateral to such contract, does or does not happen". Contracts of Insurance, indemnity and guarantee fall under this category.

**Meaning of collateral Event:** Collateral event is "an event which is neither a performance directly promised as part of the contract, nor the whole of the consideration for a promise".

**Essentials of a contingent contract**

(a) The performance of a contingent contract would depend upon the happening or non-happening of some event or condition. The condition may be precedent or subsequent.

(b) The event referred to as collateral to the contract. The event is not part of the contract. The event should be neither performance promised nor a consideration for a promise.

(c) The contingent event should not be a mere 'will' of the promisor. The event should be contingent in addition to being the will of the promisor.

(d) The event must be uncertain. Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.

OR

Rules Relating to Enforcement of a contingent contract:

The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

(a) Enforcement of contracts contingent on an event happening: Section 32 says that "where a contingent contract is made to do or not to do anything if an uncertain future event happens, it cannot be enforced by law unless and until that event has happened. If the event becomes impossible, such contracts become void".

(b) Enforcement of contracts contingent on an event not happening: Section 33 says that "Where a contingent contract is made to do or not do anything if an uncertain future event does not happen, it can be enforced only when the happening of that event becomes impossible and not before".

(c) A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.

Section 34 says that "if a contract is contingent upon as to how a person will act at an unspecified time, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies".

(d) Contingent on happening of specified event within the fixed time: Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.

(e) Contingent on specified event not happening within fixed time: Section 35 also says that - "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen".

(f) Contingent on an impossible event (Section 36): Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

**07 - P left his carriage on D's premises. Landlord of D seized the carriage against the rent due from D. P paid the rent and got his carriage released. Can P recover the amount from D?** RTP, June 2023, ICAI Module

**Ans -** Section 69 of the Indian Contract Act, 1872 states that a person who is interested in the payment of money which another person is bound by law to pay, and who therefore pays it, is entitled to get it reimbursed by the other.

In the present case, D was lawfully bound to pay rent. P was interested in making the payment to D's landlord as his carriage was seized by him. Hence being an interested party, P made the payment and can recover the same from D.

**06 - 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 necessaries 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 necessaries to Mr. Y for four years, Mr. M approached the former asking him to payback ` 15 Lakhs inclusive of ` 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 ` 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?

3)b)6m, Dec 2022

**Ans - (i) Claim for necessaries supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872):**

If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person. In the instant case, Mr. M supplied the food and other necessaries to Mr. Y (who lost his mental

balance) and Mr. Y's grandmother (incapable of walking and dependent upon Mr. Y), hence, Mr. M will succeed in filing the suit to recover money.

(ii) Supplier is entitled to be reimbursed from the property of such incapable person. Hence, the maximum amount of money that can be recovered by Mr. M is ` 15 Lakhs and this amount can be recovered from Mr. Y's parent's jewellery amounting to ` 4 Lakhs and rest from the house of Y's Parents. (Assumption: Y has inherited the house property on the death of his parents)

(iii) Necessaries will include the emergency medical treatment. Hence, the above provisions will also apply to the medical treatment given to the grandmother as Y is legally bound to support his grandmother.

**05 - 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 ` 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.** RTP, Dec2021

**Ans -** Section 31 of the Indian Contract Act, 1872 provides that "A contract to do or not to do something, if some event, collateral to such contract, does or does not happen" is a Contingent Contract.

Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.

In the instant case, the contract between PQR hospital & Dr. A is a Contingent Contract because the promisor, PQR hospital need to perform his obligation of paying Dr. A, the lumpsum amount of ` 1,00,000, only if he contracts with Covid 19 within a span of 3 months.

In Case, if Dr. A does not contract Covid 19, then the contract stands void automatically.

**04 - Enumerate the differences between 'Wagering Agreements' and 'Contract of Insurance' with reference to provision of the Indian Contract Act, 1872.** 6)a)5m, Dec2020

**Ans - Distinction between Wagering Agreement and Contract of Insurance**

S.N	Basis	Wagering Agreement	Contract of Insurance
	Meaning	It is a promise to pay money or money's worth on the happening or non-happening of an	It is a contract to indemnify the loss.

		uncertain event.	
Consideration		There is no consideration between the two parties. There is just gambling for money.	The crux of the insurance contract is the mutual consideration (premium and compensation amount).
Insurable Interest		There is no property in case of wagering agreement.	Insured party has an insurable interest in the life or property sought to be insured.
Contract of Indemnity		Loser has to pay the fixed amount on the happening of an uncertain event.	Except for life insurance, the contract of insurance indemnifies the insured person against loss
Enforceability		It is void insured and unenforceable agreement	It is valid and enforceable
Premium		No such logical calculations are required in case of wagering agreement.	Calculation of premium is based on scientific and actuarial calculation of risks.
Public Welfare		They have been regarded as against the public welfare.	They are beneficial to the society.

**03 - Explain the-term 'Quasi Contracts' and state their characteristics/features.**

6)b)6m, MDTP7, 6)b)6m, MTP1, Jan2025, RTP, June2024, 6)a)5m, MTP2, June2022, 6)a)5m, Dec2021, 6)b)5m, MTP2, Dec2021, RTP, Dec2020, ICAI Module

**Ans - Quasi Contracts: Already explained in Answer - 1**

The salient features of a quasi contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.
2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.

5. A suit for its breach may be filed in the same way as in case of a complete contract.

**02 - Rahul found a smart watch in a restaurant. He enquired about all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep till the true owner is found. After a week he went back to the restaurant to enquire about the smart watch. The manager refused to return it to Rahul, saying that it did not belong to Rahul. In the light of the Indian Contract Act, 1872, can Rahul recover it from the Manager?**

**1)a)i)4m,MDTP4, Sim,RTP,Jan2025, 1)a)i)4m,MTP3,June2024, Sim,RTP,Dec2023, Sim,1)a)4m,Dec2019, ICAI Module**

**Ans - Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872):** A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.

Thus, a finder of lost goods has:

- (i) to take proper care of the property as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

In the light of the above provisions, the manager must return the smart watch to Rahul, since Rahul is entitled to retain the smart watch found against everybody except the true owner.

**01 - What is Quasi Contract? Elaborate the cases which are deemed as Quasi Contract.**

**6)a)5m,MTP1,Dec2022, RTP,Dec2019**

**Ans - Quasi Contracts:** Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another.

**The following are the cases which are deemed as Quasi Contract:**

- a) Claim for necessities supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872): If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessities suited to his condition in

life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

To establish his claim, the supplier must prove not only that the goods were supplied to the person who was minor or a lunatic but also that they were suitable to his actual requirements at the time of the sale and delivery.

(b) Payment by an interested person (Section 69): A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

(c) Obligation of person enjoying benefits of non-gratuitous act (Section 70): In term of section 70 of the Act "where a person lawfully does anything for another person or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to pay compensation to the former in respect of, or to restore, the thing so done or delivered".

(d) Responsibility of finder of goods (Section 71): 'A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee'.

Thus, a finder of lost goods has:

- (i) to take proper care of the property as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

-----XXX-----



**CA Foundation May 2025**

# **BUSINESS LAW**

## **EXAM ORIENTED FREE**

## **FASTRACK BATCH**

Must Watch For Unsuccessful Students

**LIVE**  **FREE FOR ALL**  
**STREAMING** **ON YOUTUBE**  
**EVERYDAY**

CA Nikesh Agrawal

### Details

**Time : 4:30 pm to 6:15 pm daily**

**Source : ICAI Module**

**Batch Completion : Upto 15th April**



**Scan the QR to join the Batch Group**