1. In the case of rights to sell the goods of Pawnee, if the Pawnor fails to pay the money due under the pledge, and the Pawnee sells the good. If proceeds of sale is greater than amount due, what will be the effect of such sale?

| a. The Pawnee will retain the money | b. The Pawnee will retain the half of the money | c. The Pawnee shall pay the surplus to the Pawnor | d. None of the above |

2. 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. Decide whether A can revoke the authority of B?

| a. A cannot revoke | b. A can revoke | c. A can revoke to some extent | d. Can’t Say |

3. K is the wife of A. She purchased a saree on credit from B. B demanded the amount from A for the same amount. Decide in the light of provisions of the Indian Contract Act, 1872, whether B would succeed or not?

| a. B is entitled to sue A | b. B Is entitled to sue K | c. B is not entitled to sue A & K | d. Can’t Say |

4. What is the meaning of ‘agent’ as per section 182?

| a. A person employed to do any act for another | b. A person employed to represent another in dealing with third person | c. Either a or b | d. None of the above |

5. When the Pawnee can retain the pledged goods?

| a. When the promise is not performed | b. Interest on debt not paid | c. Necessary expenses for preservation of Goods | d. All of the above |

6. R of New Delhi sends his agent M to purchase certain goods from Global Enterprise, Mumbai on credit for him. Later on R pays the amount for the goods purchased. On another occasion the agent sends M to purchase goods but this time pays sufficient cash to M for the purpose. M, however again purchases the goods from Global Enterprise but on credit and soon thereafter he dies. Global Enterprise files a suit against R for recovery of the said amount. Decide whether Global Enterprise would be given any relief by the court under the provisions of the Indian Contract Act, 1872?

| a. R is not liable to Global Enterprise | b. M’s legal heir is liable to Global Enterprise | c. R is liable to Global Enterprise | d. None of the above |

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

| a. B is not liable to pay the compensation | b. B is liable to pay the compensation | c. B is liable to pay half of the compensation of the damage so caused | d. B Is not liable to pay the compensation up to some extent |

8. During which circumstances Bailee shall not be liable for any loss or destruction of goods?

| a. He is not negligent | b. The loss was caused due to an act of god or other unavoidable reasons | c. Both a or b | d. None of the above |

9. P appoints Q, a minor to sell his car for not less than Rs. 2.5lacs. Q sells it for Rs. 2lacs, whether P will be bound by the transaction or the transaction will be revoked?
11.2

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
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</thead>
<tbody>
<tr>
<td>a. P will be bound to sell the car for Rs. 2 lacs</td>
<td>b. P will be liable to compensate the party involved, in case of revocation</td>
</tr>
<tr>
<td>10. The Delivery of goods by one person to another as security for the payment of a debt is called ...........?</td>
<td>a. Bailment</td>
</tr>
<tr>
<td>11. A delivers a rough diamond to B, a jeweler, to be cut and polished, which is accordingly done. Does B has particular lien for his liability if not paid by A with context on contract of Bailment?</td>
<td>a. B is entitled to retain the Diamond</td>
</tr>
<tr>
<td>13. A principal owes a duty to ...................... the agent for any losses the agent suffers because of the Principal. This duty usually arises where an agent is held liable for the principal’s misconduct.</td>
<td>a. Ratify</td>
</tr>
<tr>
<td>14. ............agency is the most common form of agency.</td>
<td>a. Express</td>
</tr>
<tr>
<td>15. What are the duties of an agent amongst the following?</td>
<td>a. To conduct the business In accordance with the directions given by the principal</td>
</tr>
<tr>
<td>16. What are the rights of an agent amongst the following?</td>
<td>a. To retain money out of the sums received In agency business for advances made or expenses incurred and remuneration due to him</td>
</tr>
<tr>
<td>17. What is the purpose of delivery under the contract of Pledge?</td>
<td>a. For payment of a debt</td>
</tr>
<tr>
<td>18. Sunil borrowed a sum of Rs. 3 Lakhs from Rajendra. Sunil appointed Rajendra as his agent to sell his land authorized him to appropriate the amount of loan out of the sale proceeds. Afterwards, Sunil revoked the agency. Decide under the provisions of the Indian Contract Act, 1872. Whether the revocation of the said agency by Sunil is lawful.</td>
<td>a. Valid</td>
</tr>
<tr>
<td>20. Which among the following can become an agent?</td>
<td>a. A minor</td>
</tr>
</tbody>
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### Chapter 11  INDIAN CONTRACT ACT, 1872

21. Mercantile Agent means an agent having the authority to .......................?

a. Perform a particular act  

b. Do all acts connected with a particular business of the principal  

c. Act under the control of the original agent  

d. Consign the goods for the purpose of sale

22. Mr. A of Alwar engaged Mr. S as his agent to buy a house. Mr. S bought a house for Rs. 40 Lakhs in the name of a nominee and then purchased it himself for Rs. 44 Lakhs. He then sold the same house to Mr. A for Rs. 46 Lakhs. Mr. A later comes to know about the mischief of Mr. S and tries to recover the excess amount paid to Mr. S. Is he entitled to recover any amount from Mr. S and by how much?

| a. Mr. A is not entitled to recover any amount from Mr. S | b. Mr. A is entitled to repudiate the contract or to claim from Mr. S Rs. 6 lakhs | c. Mr. A is entitled to recover Rs. 4 lakhs from Mr. S | d. Mr. A is entitled to repudiate the contract or to claim from Mr. S Rs. 2 Lakhs |

23. An agency in which the agent himself has interest in the subject matter of agency is called ...................?

a. Agency by estoppel  

b. Agency by Holding Out  

c. Agency by necessity  

d. Agency coupled with interest

24. When an agent is considered as Agency by Estoppel?

| a. Law treating one person as an agent of another | b. A person who makes a representation to a third person that a certain person is his agent | c. A person by his affirmative conduct lead third person to believe that doing some act on his behalf is doing with authority | d. None of the above |

25. Which among the following is to be considered as a Gratuitous Bailment?

| a. For the exclusive benefit of Bailor | b. For the exclusive benefit of Bailee | c. For the mutual benefit of Bailor & Bailee | d. Both a or b |

26. Define the term 'PAWNEE' under the contract of Pledge?

| a. The Bailor in case of a pledge | b. The Bailee in case of a pledge | c. The third party in case of a pledge | d. Related Party of a Bailor |

27. When the goods are mixed without Bailor’s consent and goods are not separable, then what will be the consequences of the same?

| a. The parties will have a proportionate interest in such mixture | b. The Bailee shall pay the expenses of damage of separation | c. The Bailee is not liable for it | d. The Bailee shall be liable to pay damages to the Bailor for any loss caused to him |

28. When the Bailee has the right to be indemnified by the Bailor?

| a. When the Bailor has no title to the goods. | b. When the Bailee suffers any loss, caused because of Bailor | c. Both a and b | d. None of the above |

29. A (n) ................ is a contract a principal and agent enter into that says the principal cannot employ another agent other than the one stated.

30. A leave a cow in custody of B to be taken care of. The cow gives birth to a calf. What will be its consequences with context on contract of Bailment?

a. B is only bound to deliver the cow  

b. B is bound to deliver the calf as well as the cow to A

c. A is require to pay for the acquisition of calf from B  
d. A is require to pay for the acquisition of calf from B

31. When B requests A to lend Rs. 10,000 to C(Incompetent to contract) and guarantees that C will repay the amount within the agreed time but C failed to do so, Is it a valid contract under the Indian Contract Act, 1872?

a. Yes  
b. No  
c. Void-ab-initio  
d. Can’t Say.

32. Z guarantees to Y, to the extent of Rs. 2,000, payment for rice to be supplied by Y to X. Y supplies to X rice amounting to Rs. 500, but obtains from Z payment of the sum of Rs. 2000 in respect of the rice supplied. Decide whether Y can recover the amount from Z?

a. Y can recover from Z amounting Rs. 2,000  
b. Y cannot recover from Z, more than Rs. 500  
c. Y can recover from Z Rs. 500 and balance amount from X  
d. Y can recover from Z Rs. 1500 and balance amount from X

33. S and P go into a shop. S says to the shopkeeper, C, “Let P have the goods, and if he does not pay you, I will. This is a .......... 

a. Contract of Guarantee  
b. Contract of Indemnity  
c. Wagering agreement  
d. Quasi-contract

34. What are the reason for loss that is to be considered under the contract of indemnity u/s 24?

a. Conduct of the promisor himself  
b. Conduct of any other person  
c. Any act event or accident which is not in the control of the parties Le. Act of God  
d. Either a or b

35. Bailment is an act of delivering..........?

a. Goods  
b. Services  
c. Goods and Services  
d. None of the above

36. What is the form of contract under the contract of guarantee?

a. Must be oral  
b. Must be written  
c. Either oral or written  
d. None of the above

37. Bhavan owes Chetan a debt guaranteed by Amit. Chetan does not sue Bhavan for a year after the debt has become payable. In the meantime, Bhuvan becomes insolvent. Is Amit discharged? Decide with reference to the provision of the Indian Contract Act, 1872?

a. Amit is discharged from his liability  
b. Amit is discharged for half of the amount of Bhaven’s liability  
c. Amit Is not discharged  
d. None of the above

38. What are the rights of indemnity holder u/s 125?

a. Right to recover damages  
b. Right to recover cost of suit  
c. Right to recover the sums paid as a compromise of the suit  
d. All of the above

39. Which among the following are not to be considered as a contract of indemnity?

a. A contract of Fire Insurance  
b. A contract of Marine Insurance  
c. A contract of Life Insurance  
d. All of the above

40. A contracts to save B against the consequences of any proceedings, which C may take against B in respect of a certain sum of 500 rupees. This is a: 

a. Contract of  
b. Quasi contract  
c. Contract of indemnity  
d. Void
41. Ravi becomes guarantor for Ashok for the amount which may be given to him by Navin within 6 months. The maximum limit of the said amount is Rs. 1 Lakh. After two months Ravi withdraws his guarantee. Up to the time of revocation of guarantee. Navin had given to Ashok Rs. 20,000. Whether Ravi is discharged from his liabilities to Navin for any subsequent loan? And, whether Ravi is liable if Ashok fails to pay the amount of Rs. 20,000 to Navin?

a. Ravi is discharged from all the liabilities
b. Ravi is liable to pay the said maximum limit of Rs. 1,00,000
c. Ravi is liable to pay the part of the amount of the maximum limit.
d. Ravi is not discharged for the loan of Rs. 20,000 already given by Navin to Ashok and discharged from all the liabilities after the date of revocation of continuing guarantee.

42. C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with X to give time to B. Is A discharged from his liability?

a. A is not discharged from his liability
b. A is discharged from his liability

c. A is discharged from his liability only to X
d. A is discharged from his liability only to C

43. Where 'X' obtains housing loan from LIC Housing and if 'Y' promises to pay LIC Housing in the event of 'X' failing to repay - Depict who is the Surety, the Principal Debtor and the Creditor in the given case?

a. X: Principal Debtor; LIC: Surety; Y: Creditor
b. X: Surety; LIC: Principal Debtor; Y: Creditor
c. X: Principal Debtor; Lic: Creditor; Y: Surety
d. X: Surety; LIC: Creditor; Y: Principal Debtor

44. In a Contract of Guarantee there is/are:

a. One contract
b. Two contracts
c. Three contracts
d. Four contracts

45. A guarantee obtained by a creditor by keeping silence as to material circumstances is:

a. Valid
b. Voidable
c. Unenforceable
d. Invalid

46. What is the meaning of "Indemnity"?

a. To make good the loss incurred by another person.
b. To compensate the party who has suffered some loss
c. To save a party from incurring a loss
d. All of the above

47. When the commencement of surety's liability arises?

a. When the creditor has sued the principal debtor
b. On the default by the principal debtor
c. When the Creditor gives notice to the principal debtor for his default
d. When the principal debtor gives notice to the surety for such default

48. A gives to C a continuing guarantee to the extent of Rs. 5,000 for the vegetables to be supplied by C to B from time to time on credit. Afterwards, B became embarrassed and without the knowledge of A, B & C contract that C shall continue to supply B with vegetables for ready money, and that the payment shall be applied to both the then existing debt between B & C. Examining the provision of the Indian Contract Act, 1872, decide whether A is liable on his guarantee given to C?

a. Yes, A is liable b. No, A is not liable, that take place variation between B & C c. No, A is not liable for any of the payment made as surety to C d. None of the above

49. A asks H to kill Z and promises to indemnify H against the consequences. H kills Z and is fined Rs.1000. Can H (indemnity holder) is able to claim the amount of Rs. 1000 from A (indemnifier)?

50. What is the meaning of Contract of Guarantee u/s 126?

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<td>a.</td>
<td>It is a contract to discharge petty liabilities of a third person in case of his default</td>
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<tr>
<td>b.</td>
<td>It is a contract to perform the promise of discharging the liabilities to any damages of a third person in case of his default</td>
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<tr>
<td>c.</td>
<td>It is a contract to perform the promise or discharge the liability of a third person in case of his default</td>
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<tr>
<td>d.</td>
<td>None of the above.</td>
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<td>Question</td>
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<td>16.</td>
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### Chapter 11
#### INDIAN CONTRACT ACT, 1872

| 17. a (Hint: According to Section 172 the goods must be delivered for some purpose, the purpose must be to deliver the goods as security for payment of a debt, or performance of a promise.) | 18. b (Hint: According to Section 202, of the contract of agency, agency in the above case is an agency coupled with interest, revocation of agency by Sunil is not valid, since the agency coupled with Interest cannot be revoked.) | 19. b (Hint: Symbolic Delivery means physical possession of goods is not actually transferred. A person does some act resulting in transfer of possession to any other person. Example: Delivery of a Railway Receipt.) | 20. d (Hint: According to Section 184 under the contract of agency, any person may become an agent, even a minor or a person of unsound minor can become an agent.) |
| 21. d (Hint: Mercantile agent means an agent having the authority to sell the goods, consign the goods for the purchase of sale, buy the goods, raise money on the security of the goods, acting as agent in the ordinary course of business.) | 22. b (Hint: Non-disclosure of profit of Rs. 6 Lakhs amounts to breach of duty by Mr. S, since Mr. S without disclosing all the material facts and without obtaining the consent of Mr. A, dealt in the business of agency on his own account and Mr. S made a secret profit, so Mr. A is entitled to repudiate the contract or to claim from Mr. S Rs. 6 Lakhs.) | 23. d (Hint: As per Section 202, when an agency is created for securing some benefit to the agent over and above his remuneration as an agent, it is called as agency coupled with Interest.) | 24. b (Hint: According to Section 237 of the contract of agency under the Indian Contract Act, 1872, an agency by estoppel is considered, if a person makes a representation to a third person that a certain person is his agent, and the third party, believing such representation to be true, enters into a contract with the pretended agent.) |
| 25. d (Hint: Gratuitous Bailment is defined as the bailment without any charges or reward, i.e., no hire charges are be paid by Bailee and no custody charges are paid by Bailor.) | 26. b (Hint: According to Section 172, the Bailor in case of pledge is called as Pawnor and the Bailee in case of pledge is called as Pawnee.) | 27. d (Hint: According to Section 157 of the Indian Contract Act, 1872, the Bailee shall be liable to pay damages to the Bailor for any loss caused to him as the goods are mixed without Bailor’s consent and goods are not separable.) | 28. c (Hint: According to Section 166, the Bailee has the right to be Indemnified by the Bailor, If the Bailor has no title to the goods, and as a consequence, the Bailee suffers from loss.) |
| 29. b (Hint: If principal and an agent enter into an exclusive agency contract, the principal cannot employ any agent other than the exclusive agent.) | 30. b (Hint: According to Section 163 of the Contract of Bailment under the Indian Contract Act, 1872, B is bound to deliver the calf as well as the cow to A.) | 31. a (Hint: It is a valid contract, according to Section 126, all the essentials of a valid contract must be present in the contract of guarantee, except, even if principal debtor is incompetent to contract, the guarantee is valid, but if surety is incompetent to contract the guarantee is void. Consideration received by the principal debtor is a sufficient consideration to the surety for giving the guarantee (Sec- 127).) | 32. b (Hint: Y cannot recover from Z more than Rs. 500 as the market value of the amount actually supplied is tenable and cannot earn excess profit from it, without the consent of Z.) |

| 33. a | 34. d (Hint: The Contract of Indemnity specifies that the Indemnity holder | 35. a (Hint: According to Section 148 of the Indian Contract Act, 1872, a "Bailment" | 36. c (Hint: A contract |

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shall be protected from the losses caused due to conduct of the promisor himself, or conduct of any other person. Thus loss occasioned by the conduct of the promise, or accident, or an act of God is not covered.

is an act of delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them.

of guarantee may be either oral or written.)

37. c (Hint: Amit is not discharged, since mere preference on the part of the creditor to sue the principal debtor does not discharge the surety.)

38.d (Hint: According to Section 125 of The Indian Contract Act, 1872, it defines the Rights of Indemnity Holder when sued, it pertaining to various conditions what kind of losses will be borne by Indemnifier who is been sued by the indemnity holder.)

39. c (Hint: A contract of Life Insurance is not covered under the contract of indemnity as any act, event or accident which is not In the control of the parties/the act of God is not covered u/s 124.)

40. b

41. d (Hint: As per Section 130, continuing guarantee may be revoked, at any time, by the surety by giving a notice to the creditor. However, revocation shall be effective only in respect of future transaction (i.e. the liability of the surety with regard to previous transactions remains unaffected).)

42.a (Hint: A is not discharged from his liability, since, where a contract to give time to the principal debtor is made by the creditor with a third person and not with the principal debtor, the surety is not discharged.)

43. c (Hint: Hence In the above case, according to Section 126, Surety is the person who gives the guarantee; Principal Debtor: is the person In respect of whose default the guarantee Is given; Creditor: Is the person to whom the guarantee is given.)

44. c

45. b

46. d (Hint: According to Section 124 of the Indian Contract Act, 1872. A contract is called a "Contract of Indemnity" If one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person.)

47. b (Hint: As per Section 128, the liability of surety arises immediately on default by the principal debtor.)

48. b (Hint: A is not liable to C for the transaction that take place after variation between B & C, since a surety is discharged If any transaction is made In a contract of guarantee without the consent of the surety.)

49. b (Hint: No, since the object of the agreement was unlawful as all the essentials of a valid contract must also be present in the contract of indemnity.)

50.c (Hint: According to Section 126 of The Indian Contract Act, 1872, it defines the meaning of "Contract of Guarantee", where a person himself performs the promise given or accepts to discharge the liability of a third person in case of his default.)