

**AMIT BACHHAWAT TRAINING FORUM**  
**INDIAN CONTRACT ACT CASE STUDIES QUESTIONS**

**Q. Shambhu Dayal started “self service” system in his shop. Smt. Prakash entered the shop, took a basket and after taking articles of her choice into the basket reached the cashier for payments. The cashier refuses to accept the price. Can Shambhu Dayal be compelled to sell the said articles to Smt. Prakash? Decide.**

**Ans. Invitation to Offer :** The offer should be differentiated from an invitation to offer. An offer is the last expression of willingness by the offeror to be bound by his offer when the party decided to accept it. In case the party fails to express his last willingness proposes certain terms on which he is ready to negotiate, in the he does make an offer, but invites. Only the other party to make the offer on those terms. Thus this is the difference between the two.

In the above problem, the display of articles with a price in it in a self-service shop is simply and invitation to offer. It is in no sense an offer for sale, the acceptance of which constitutes the contract. In this case, Smt. Prakash has selected some articles and approaches the cashier for payment, simply made an offer to buy the articles selected by her, If the cashier refuses to accept the price, the interested buyer cannot force him to sell. [Fisher V. Bell (1961)]

**Q. Father promised to pay his son a sum of Rs. 1 lakh if the son passed C.A. examination in the first attempt. The son passed the examination in the first attempt, but father failed to pay the amount as promised. Son files a suit for recovery of the amount. State along with reasons whether son can recover the amount under the Indian Contract Act, 1872.**

**Ans.** According to the provisions of the Indian Contract Act, 1872 the problem asked in the question is based on Section 10 of the Act. As per the provision, the parties must intend their agreement to result in legal relations. Agreements of a social or domestic nature do not contemplate legal relationship and, as such are not contract and it cannot be enforced by the law. The leading case on this point is Balfour vs. Balfour (1912 2KB.571). Thus by applying the above provisions in the case it was held that the son cannot recover the amount of Rs. 1 lakh from the father, because of the reason explained above.

**Q. Ramaswami proposed to sell his house to Ramanathan. Ramanathan sent his acceptance by post. Next day, Ramanathan sends a telegram withdrawing his acceptance. Examine the validity of the acceptance in the light of the following:**

- i. the telegram of revocation of acceptance was received by Ramaswami before the letter of acceptance.
- ii. The telegram of revocation and letter of acceptance both reached together.

**Ans. Communication of an acceptance is complete:-**

- i. **As against the proposer**, when it is put in course of transmission to him so as to be out of the power the acceptor to withdraw the same
- ii. **As against the acceptor**, when it comes to the knowledge of the proposer.

When a proposal is accepted by a letter sent by post, the communication of acceptance will be complete as against the proposer when the letter of acceptance is posted as against the acceptor when the letter reaches the proposer.

- i. In this case, the revocation of acceptance will be valid as the telegram of revocation reaches before the letter of acceptance. The acceptance as such will not be valid.
- ii. If the telegram of revocation and letter of acceptance both reach together then its validity will be judged by the letter whichever is first read.

**Q. X, a minor was studying in M. Com. in a college. On 1st July, 2005 he took a loan of Rs.10,000 from B for payment of his college fees and to purchase books and agreed to repay by 31st December, 2005. X possesses assets worth Rs. 2 lakhs. On due date X fails to pay back the loan to B. B. now wants to recover the loan from X out of his (X's) assets. Referring to the provisions of the Indian Contract Act, 1872 decide whether B would succeed.**

**Ans.** A minor is liable to pay out of his property for ‘necessaries’ supplied to him or to his minor dependents whom **he is legally bound to support (U/s 68)**. As per Sec. 2, Necessaries means **‘Goods suitable to the condition in life of such infant or other person**, and to his actual requirement at the time of a sale &

delivery". Necessaries also include **education, training for a trade medical advice etc. Any loan** incurred to obtain necessities will also make the minor's property liable i.e. A loan taken by minor to obtain necessities also binds him and is recoverable by the lender as if he himself had supplied the necessary. In the given case X, a minor had taken loan of ` 10,000 from B for his education (payment of college fees and purchase of books. Therefore, X's assets will be liable for the payment of loan of Rs. 10,000. B (the lender) can recover the amount given by way of loan. Hence B would succeed in recovering loan out of X's assets.

**Q. Explain the concept of 'misrepresentation' in matters of contract. Sohan induced Suraj to buy his motorcycle saying that it was in a very good condition. After taking the motorcycle, Suraj complained that there were many defects in the motorcycle. Sohan proposed to get it repaired and promised to pay 40% cost of repairs. After a few days, the motorcycle did not work at all. Now Suraj wants to rescind the contract. Decide giving reasons.**

**Ans. Misrepresentation:** According to Section 18 of the Indian Contract Act, 1872, misrepresentation means and includes:-

1. Any breach of duty by a person, which brings benefits to the person committing it by misleading another to his prejudice.
2. A positive assertion, that a fact is true when his information does not permit it to be so, though he believes it to be true.
3. When a party causes, however innocently, the other party to the agreement to make a mistake relating to the subject-matter of the agreement.

**Problem:** - Section 19 of the Act states that in the case of misrepresentation by the other party, the aggrieved party is in a position to avoid or cancel the contract. The right to rescind the contract is lost by the aggrieved party, if after becoming aware of the misrepresentation, it states taking advantage under the contract. Accordingly in the given case **Suraj could not rescind the contract**, as his acceptance to the offer of Sohan to bear 40% of the **cost of repairs impliedly amounts to final acceptance of sale [Long V.Lloyd(1958)]**

**Q. Miss X, a film actress agreed to work exclusively for a period of two years, for a film production company. However, during the said period she enters into a contract to work for another film producer. Discuss the rights of the aggrieved film production company under the Indian Contract Act, 1872.**

**Ans.** Agreement in restraint of trade is considered against public policy and therefore void under Section 27 of the Indian Contract Act. However in case of service agreement restraint of the nature mentioned in the given problem shall be valid if reasonable. The facts of the said problem are based on the case of Lumley Vs. Warner. In this case the aggrieved film production company can restrain Miss X, the film actress to enter into a contract and work for another film producer, since she has agreed to work exclusively for the film production company for two years. Another similar case was that of Warrior Bros. Vs. Nelson (1937).

**Q. Akhilesh entered into an agreement with Shekhar to deliver him (Shekhar) 5,000 bags to be manufactured in his factory. The bags could not be manufactured because of strike by the workers and Akhilesh failed to supply the said bags to Shekhar. Decide whether Akhilesh can be exempted from liability under the provisions of the Indian Contract Act, 1872.**

**Ans.** Section 56 (para 2) of Indian Contract Act, 1872 states that when **the performance of a contract becomes impossible or unlawful** subsequent to its formation, the contract becomes void, this is known as supervening impossibility. The impossibility of **performance is not an excuse from performance**. This means that, when a person has promised to do something he must fulfil his promise unless the performance becomes absolutely impossible. Absolute impossibility depends upon the facts of the case. On account of **strike lock-out and civil disturbances, the performance does not become absolutely impossible**. The contract does not get discharged in such cases unless it is agreed by the parties to the contract. In this case Mr. Akhilesh, could not deliver the bags as promised because of strike by the workers. This difficulty in performance cannot be considered as impossible as it attracts Section 56 (Para 2) and hence Mr. Akhilesh is liable to Mr. Shekhar for non-performance of contract.

**Q. Mr. Seth an industrialist has been fighting a long drawn litigation with Mr. Raman another industrialist. To support his legal campaign Mr. Seth enlists the services of Mr. a legal expert stating that an amount of Rs.5 lakhs would be paid, if Mr. X does not take up the brief of Mr. Raman. Mr. X agrees, but at the end of**

**the litigation Mr. Seth refuses to pay. Decide whether Mr. X can recover the amount promised by Mr. Seth under the provisions of the Indian Contract Act, 1872.**

**Ans.** The problem as asked in the question is based on one of the essentials of a valid contract. Accordingly, one of the essential elements of a valid contract is that the agreement must not be one which the law declares to be either illegal or void. A void agreement is one without any legal effect, Thus, agreements in restraint of trade, marriage, legal proceedings etc. are void agreements Thus, Mr. X cannot recover the amount of Rs.5 lakhs, promised by Mr. Seth because it is an illegal agreement and cannot be enforced by law.

**Q.** **M Ltd. contracts with Shanti with Shanti Traders to make and deliver certain machinery to them by 30.6.2004 for Rs. 11.50 lakhs. Due to labour strike, M Ltd could not manufacture and deliver the machinery to Shanti Traders. Later, Shanti Traders procured the machinery from another manufacturer for Rs. 12.75 lakhs. Shanti Traders was also prevented from performing a contract which it had made with Zenith Traders at the time of their contract with M Ltd. and were compelled to pay compensation for breach of contract. Advise Shanti Traders the amount of compensation which it can claim from M Ltd. referring to the legal provisions of the Indian Contract Act**

**Ans.**

1. Consequences for the breach of contract are discussed under Sec. 73 of the Indian Contract Act. 1972.
2. According to it. When a breach of contract takes place the aggrieved party is entitled to receive from the party **who has broken the contract, compensation** for any loss or damage caused to him by breach.
3. Compensation can be claimed for **any damage or the loss which naturally arises in the usual course of events.**
4. **Compensation is not provided for any any remote or indirect damages or losses.**
5. While estimating the loss or damage for the breach of the contract, the means if any provided to the aggrieved party for overcoming the inconveniences occurred due to the non-performance of the contract must be taken into consideration. Thus by applying the above principle of law to the given case, M. Ltd. is required to compensate for the loss of Rs.1.25 lakhs (i.e. Rs.12.75 – Rs.11.50 = Rs.1.25 lakhs). Which had arisen naturally due to the non-performance of the contract by the specified date? To determine the amount of compensation which Shanti Traders was needed to make to Zenith Traders, depends upon the point whether M. Ltd. had knowledge about the contract of Shanti Traders, for supply of the contracted machinery to Zenith Traders on the specified date if so, M Ltd. is also required to pay the compensation which Shanti Traders, had to pay to Zenith traders for breach of contract, Otherwise M Ltd. is not liable for compensation.

**Q.** **Mr. Ramaswamy of Chennai placed an order with Mr. Shah of Ahmadabad for supply of Urid Dhall on 10.11.2006 at a contracted price of Rs.40 per kg. The order was for the supply of 10 tonnes within a month's time viz. before 09.12.2006. On 04.12.2006 Mr. Shah wrote a letter to Mr. Ramashwwamy stating that the price of Urid Dhall was sky rocketing to Rs.50 per. kg. and he would not be able to supply as per original contract. The price of Urid Dhall rose to Rs.53 on 09.12.06 Advise Mr. Ramaswamy oiting the legal position.**

**Ans.** **Increase in price of urid dhall**

- Does not amount to supervening impossibility (Sec. 56)

**Non-delivery of urid dhall by Mr. Shah**

- Results in a breach of contract by Mr. Shah.
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**If Ramaswamy waits till 09.12.2006**

- Mr. Shah shall be liable to pay damages to Mr. Ramaswamy. The amount of damages shall be 10 tons @ Rs.13 per kg. (i.e., difference between the contract price and price as on 09.12.2006), i.e. Rs. 1,30,000.
- However, if some supervening impossibility arises before 09.12.2006 (e.g., imposition of ban on trading in urid dhall by the Government), the contract shall become void, and consequently, Mr. Shah shall not be liable to pay any damages.

**If Ramaswamy repudiates the contract on 04.12.2006**

- Mr. Shah shall be liable to pay damages to Mr. Ramaswamy. The amount of damages shall be 10 tons @ Rs. 10 per kg (i.e. difference between the contract price and price as on 04.12.2006), i.e.,Rs. 1,00,000.

## Liability of joint promisors where a joint promisor is adjudged insolvent

**Q.** A, B and C are partners in a firm. They jointly promise to pay Rs.1,50,000 to P. C. became insolvent and his private assets are sufficient to pay only 1/5 of his share of debts. A is compelled to pay the whole amount to P. Examining the provisions of the Indian Contract Act, 1872, decide the extent to which A can recover the amount from B.

**Ans.** **Liability of A, B and C**

- Is Rs.50,000 each since joint promisors are jointly liable to fulfil the promise.

**Payment made by C**

- Is Rs.10,000 only.

**Deficiency of C to be shared by A and B**

- Is Rs.20,000 each.

**Amount recoverable from B by A**

- Is Rs.70,000 only.

**Q.** **Concept of Quantum Meruit?**

**Q.** **Concept of Direct Loss in case of breach of contract?**

**Q.** **Doctrine of Supervening impossibility?**

**Q.** **Irrevocable agency, Personal liability of agent, agency by ratification.**

**Q.** **How cosureties share liability amongst themselves?**

**Q.** **Difference Between:**

i. Void contract, void agreement & voidable contract.

ii. Indemnity and guarantee.

iii. Unilateral and bilateral mistake of fact.

iv. Bailment and Pledge.

v. Wagering agreement & contingent contract.

**Q.** **Can adequacy of consideration in a contract make it void.**

**Q.** **Rights of finder of goods.**

**Q.** **Quasi-contract.**

**Q.** **Modes of discharge of Contract?**

**Q.** **Remedies for breach of Contract?**

**Q.** **X buys a painting believing it to be worth Rs.1,00,000 while in fact it is worth only Rs.10,000. Is it a valid contract?**

**Ans.** Section to which the given problem relates: Explanation to Section 20.

Decision: This contract is valid.

Reason: An erroneous opinion as to the value of the thing which forms the subject matter of the agreement is not treated as mistake relating to a matter of fact. Here, X will have to blame himself for ignorance of the true value of the painting.

**Q.** **One Blenkarn, knowing that Blenkarn & Co. was a reputed customer of Lindsay & Co., placed an order with Lindsay & Co. by imitating the signature of Blenkarn & Co. The goods were then sold to Cundy, an innocent buyer. A suit was filed by Lindsay & Co. against Cundy for recovery of goods. Discuss the legal position.**

- Ans.** Section to which the given problem relates: Section 22  
Decision: Cundy didn't get a good title and hence he must return the goods or make payment for the same.  
Reason: There was no contract between Lindsay & Co. and Cundy as Lindsay never intended to contract with Blenkarn.
- Q.** **A woman by falsely misrepresenting her to be wife of a well-known Baron (a millionaire), obtained two pearl necklaces from a firm of jewellers on the pretext of showing them to her husband before buying. She pledged them with a broker, who in good faith paid her Rs.1,00,000. A suit was filed by the jeweller against the broker. Discuss the legal position.**
- Ans.** Solution: Section to which the given problem relates: Section 22.  
Decision: Broker did not get a good title and hence he must return the goods.  
Reason: There was no contract between the jeweller and the woman as jeweller never intended to contract with her.
- Q.** **X, an old illiterate man, was induced to sign a Bill of Exchange by means of a false representation that it was a mere guarantee. Discuss the legal position.**
- Ans.** Solution: Section to which the given problem relates: Section 22.  
Decision: X is not liable for the bill of exchange.  
Reason: X never intended to sign a bill of exchange.
- Q.** **A, a ship owner, contracts with B to convey him from Kolkata to Sydney in A's ship, sailing on the first of January, and B pays to A, by way of deposit, one-half of his passage-money. The ship does not sail on the first of January, and B, after being, in consequence, detained in Kolkata, for some time, and thereby put to some expense, proceeds to Sydney in another vessel, and in consequence, arriving too late in Sydney, loses a sum of money. Is A liable to pay anything to B?**
- Ans.** Solution: Section to which the given problem relates: Section 73.  
Decision and Reason: A is liable to repay to B deposit with interest, and the expense to which he is put by his detention in Kolkata, and the excess, if any, of the passage-money paid for the second ship over that agreed upon for the first, but not the sum of money which B lost by arriving in Sydney too late.
- Q.** **X contracted with Y to write a book in 12 volumes for Rs.1,00,000 payable on the completion of the whole work. Discuss the legal position in each of the following alternative cases:**  
a) If after completion and delivery of six volumes, Y abandoned the publication.  
b) If after completion and delivery of six volumes, X died.
- Ans.** **Case (a)** X is entitled to claim compensation for the work already done on quantum meruit basis.  
**Case (b)** X's legal representatives are not entitled to claim compensation for the work already done by X because the contract to write a book in 12 volumes is an indivisible contract.