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CONTRACT LAW QUESTIONS FOR CLAT

LAW OF CONTRACT QUIZ 2

Directions: Read the questions carefully and choose one of the options as your answer.

- (1). **Legal Principle:-** The notice for auction or sale of goods is only an invitation to offer, and not an offer in itself under the law of contract.

Facts of the Problem:- Uday puts up an advertisement in front of his house of selling the house at the price of Rs. 50 lakhs. Saif sees that advertisement and goes to Uday with the money to buy the house. Uday refuses to sell the house to Saif. Saif sues Uday for the breach of the contract.

Decide?

- A. Uday must sell his house to Saif at the advertised price.
- B. Saif would be able to get damages from Uday for the breach of contract.
- C. No legal remedy is available to Saif as the advertisement for the sale of the house was a mere invitation to offer.
- D. The court could decide the right price for the sale of the house by Uday.
- (2). **Legal Principle:-** A contract entered into by the use of misrepresentation is voidable at the option of the other party.

Facts of the Problem:- Lalit with an intention to deceive Rahul into buying his cement factory, falsely stated that his factory is capable of producing 2,000 kg of cement per day. However, in

reality, the factory only has a production capacity of 500 kg/day. Rahul gets induced and agrees to buy the factory.

Is it a valid contract?

- A. The contract is valid one and Rahul must buy the factory.
- B. The contract is voidable at the option of Rahul due to misrepresentation by Lalit.
- C. The contract is void due to false claims made by Lalit in relation to his factory.
- D. The price of the contract could be reduced to commensurate with the reduced production capacity of the factory.

(3). Legal Principle:- Any contract made for an unlawful consideration is void in law.

Facts of the Problem:- Gagan enters into a contract with Nikhil to murder his wife, Preity for a sum of Rs. 5 lakhs. Gagan agrees to pay the amount to Nikhil in return of the murder. Is it a valid contract?

- A. The contract is voidable at the option of Nikhil due to the risk involved in it.
- B. The contract is void due to unlawful consideration.
- C. The contract is valid and Nikhil must perform the act of murdering Preity.
- D. The contract is uncertain as the manner of murdering Preity is not specified in it.

(4). Legal Principle: With the counter proposal made by the party, the original offer ceases to exist.

Facts of the Problem: Badal offered to sell his car to Pranav at the price of Rs. 3 lakhs. Pranav replies that he is ready to buy the car at Rs. 2.5 lakhs only. Badal refuses to sell at that price. Later, Pranav goes to Badal with Rs. 3 lakhs to buy the car. Is the offer to Rs. 3 lakhs still valid?

- A. The offer of Rs. 3 lakhs is not valid with a counter offer of Pranav being made.
- B. The offer of Rs. 3 lakhs still stands for Pranav to buy the car.
- C. The offer stands as it was made by owner of the car i.e. Badal himself.
- D. The offer can be renegotiated by the buyer and seller.

(5). Legal Principle: A contract becomes void if the performance of the same becomes impossible under the circumstances.

Facts of the Problem: Ravi offers to buy the horse of Arjun for a price of Rs. 10 lakhs. Arjun, not knowing that the horse is already dead, agrees to the contract. Later the truth about the death of the horse is discovered. Is the contract valid?

- A. The contract is valid and the money must be paid for the horse.
- B. The contract is void as the performance of the same is impossible.
- C. The contract is void as the price of the horse is very high.
- D. The contract is valid and Arjun must deliver another horse to Ravi for the price.

(6). Assertion (A): The acceptance must be communicated by the offeree to the offeror and must be qualified and absolute.

Reason (R): An acceptance that is not communicated clearly to the offeror does not lead to the formation of contract.

- A. A is false but R is true.
- B. Both A and R are true but R is the correct explanation of A
- C. A is true but R is false
- D. Both A and R are false

(7). Principle: Acceptance (of offer) must be communicated by the offeree to the offeror so as to give rise to a binding obligation. The expression 'by the offeree to the offeror' includes communication between their authorized agents.

Facts: `Rohan' made an offer to buy ram's property for a stipulated price. `Ram' accepted it and communicated his acceptance to `soham', a stranger.

Which of the following derivations is CORRECT?

Response

- A. Ram's acceptance resulted in a promise.
- B. Ram's acceptance resulted in a contract.
- C. Ram's acceptance did not result in any agreement.
- D. Ram's acceptance resulted in an agreement.

(8). Principle: A contract which is duly supported by real and lawful consideration is valid notwithstanding the fact that the consideration is inadequate. The quantum of consideration is for the parties to decide at the time of making a contract, and

not for the courts (to decide) when the contract is sought to be enforced.

Facts: `Rohit` agrees to sell his house worth Rs. 25,00000/- for Rs. 100000/- to `Narjeet`. A's consent being an adult was taken without threat or force.

Which of the following derivations is CORRECT?

- A. There is voidable contract between `Rohit` and `Narjeet` .
- B. There is no valid contract between `Rohit` and `Narjeet`.
- C. There is contract between the parties.
- D. None of the above

(9). Which of the following does not make a contract void?

- A. Genuine Mistake as to any law in applicable in India.
- B. The fact that one of the parties is occasionally of sound mind but generally of unsound mind.
- C. Mistake as to the matter of fact essential to the agreement.
- D. All are correct.

(10). Principle: A proposal (offer) should be made with an intention that after its valid acceptance, a legally binding promise or agreement will be created. The intention of the parties is to be ascertained from the terms of the agreement and the surrounding circumstances under which such an agreement is entered.

Facts: One morning while having breakfast, the teacher, says to 'x' (teacher's student) in a casual manner, 'I give you a car to you' if you get through the AIEEE exam.

Which of the following answers are CORRECT?

- A. The statement of teacher did not result in any enforceable agreement.
- B. The statement of teacher made a statement that resulted in an enforceable agreement.
- C. The statement of teacher made a statement that resulted in a valid proposal.
- D. The statement of teacher made a statement that resulted in an enforceable promise.



Correct answers:

1	2	3	4	5	6	7	8	9	10
C	B	B	A	B	B	C	C	B	A

Explanations:

1.

In the instant case, the advertisement for the sale of the house by Uday was not an offer to the contract. It was merely an invitation to sell. The legal position is that the notice for auction or sale of goods is only an invitation to offer, and not an offer in itself under the law of contract. Thus, no contract as made between Saif and Uday for the sale of the house and consequently, no question of awarding any damages for the breach of the contract arises.

Hence, option C is correct.

2.

In the instance situation, Lalit has misrepresented the production capacity of the cement factory to induce Rahul into buying the factory. Thus, the contract is voidable at the option of Rahul due to misrepresentation of Lalit. The Section 18 of the Indian Contract Act, 1872 deals with it.

Hence, option B is correct.

3.

In the present case, the contract is void as the consideration of the same i.e. murdering of Preity is unlawful. No obligations arise out of a void

contract. The Section 24 of The Indian Contract Act, 1872 states that a contract whose object or consideration is unlawful is void.

Hence, option B is correct.

4.

In the present case, the offer to buy the car at Rs. 3 lakhs ceases to exist at the moment, a counter offer of Rs. 2.5 lakhs been made by Pranav i.e. buyer of the car. Thus, an original offer is not valid if a counter offer has been made subsequently for the same object.

Hence, option A is correct.

5.

In the present case, the contract between Arjun and Ravi for the horse is void as the object of the contract i.e. horse is already dead at the time of entering into the contract. Thus, a contract becomes void if the performance of the same becomes impossible under the circumstances.

Hence, option B is correct.

6.

A contract comes into being from the acceptance of an offer. When the person to whom the offer is made signifies his assent thereto, the proposal is said to be accepted (Sec. 2(b)). Thus, acceptance of the offer must be absolute and unqualified. It cannot be conditional. Acceptance must be communicated to the offeror to create a binding contract. Mental acceptance is no acceptance in the eyes of law. But where the offer is to be

accepted by being acted upon, no communication to the offer will be necessary.

Hence, option B is correct.

7.

Offer must be communicated to the offeree:

The offer is completed only when it has been communicated to the offeree. Until the offer is communicated, it cannot be accepted. Thus, an offer accepted without its knowledge, does not confer any legal rights on the acceptor.

Example: LALMAN SHUKLA (VS) GAURI DATT. (1913) Facts: ‘

S’ sent his servant, ‘L’ to trace his missing nephew. He then announced that anybody would be entitled to a certain reward. ‘L’ traced the boy in ignorance of his announcement. Subsequently, when he came to know of his reward, he claimed it.

Judgment: He was not entitled for the reward.

Hence, option C is correct.

8.

The essential condition of valid consideration is that it must be ‘something’ to which the law attaches a value. The consideration when given by adults without any influence or coercion need not be adequate to the promise for the validity of an agreement.

Hence, option C is correct.

9.

A person is said to be of sound mind for the purpose of making a contract if, at the time when he makes it, he is capable of understanding it and of forming a rational judgment as to its effect upon his interests. According to section 12 of the Indian contract Act, a person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind.

A person, who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind.

For example

(a) A patient in a lunatic asylum, who is at intervals of sound mind, may contract during those intervals.

(b) A sane man, who is delirious from fever or who is so drunk that he cannot understand the terms of a contract or form a rational judgment as to its effect on his interests, cannot contract whilst such delirium or drunkenness lasts.

Hence, option B is correct.

10.

Intention is very important for a contract to take place between two parties. To make a student study, parents, guardians and teachers give a lot of incentives some of which are just fantasies to make them study and

achieve the best. The above promise of gifting a car was not of contractual obligation but just to give him some mental boost to clear the exam.

Hence, option A is correct.



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