



CA INTERMEDIATE  
SUBJECT- CORPORATE AND OTHER  
LAW

Test Code – CIM 8261

(Date :)

(Marks - 50)

**TOPIC : Indian Contract Act**

**QUESTION NO.1**

**(10\*1 = 10 MARKS)**

1. A contract of indemnity is a
  - (a) Contingent Contract
  - (b) Wagering contract
  - (c) Quasi Contract
  - (d) Void agreement
  
2. 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
  
3. The delivery of goods by one person to another as security for the payment of a debt is called
  - (a) Bailment
  - (b) Pledge
  - (c) Mortgage
  - (d) Hypothecation
  
4. The position of a finder of lost goods is that of a
  - (a) bailor
  - (b) bailee
  - (c) surety
  - (d) principal debtor
  
5. When an authority of agent is said to be implied :
  - (a) given by words
  - (b) spoken
  - (c) inferred from the circumstances of the case
  - (d) written
  
6. L made an offer to MD of a company. MD accepted the offer though he had no authority to do so. Subsequently L withdrew the offer but the company ratified the MD's acceptance. State which of the statement given hereunder is correct :

- (a) L was bound with the offer
  - (b) An offer once accepted cannot be withdrawn
  - (c) Both option (a) & (b) is correct
  - (d) L is not bound to an offer
7. A is residing in Delhi and has a house in Mumbai. A appoints B by a power of attorney to take care of his house. State the nature of agency created between A and B :
- (a) Implied agency
  - (b) Agency by ratification
  - (c) Agency by necessity
  - (d) Express agency
8. In a Contract of Guarantee there is/are :
- (a) One contract
  - (b) Two contracts
  - (c) Three contracts
  - (d) Four contracts.
9. The delivery of goods by one person to another for some specific purpose and time is known as:
- (a) Mortgage
  - (b) Pledge
  - (c) Bailment
  - (d) Charge
10. Out of the following, who can appoint an Agent ?
- (a) Minor
  - (b) Person of sound mind
  - (c) Person of unsound mind
  - (d) None of the above

## QUESTION NO.2

- A. 'A' gives to 'M' a continuing guarantee to the extent of Rs. 8,000 for the fruits to be supplied by 'M' to 'S' from time to time on credit. Afterwards 'S' became embarrassed and without the knowledge of 'A', 'M' and 'S' contract that 'M' shall continue to supply 'S' with fruits for ready money and that payments shall be applied to the then existing debts between 'S' and 'M'. Examining the provision of the Indian Contract Act, 1872, decide whether 'A' is liable on his guarantee given to M. **(4 MARKS)**
- B. Explaining the provisions of the Indian Contract Act, 1872, answer the following:
- (i) A contracts with B for a fixed price to construct a house for B within a stipulated time. B would supply the necessary material to be used in the construction. C guarantees A's performance of the contract. B does not supply the material as per the agreement. Is C discharged from his liability?

- (ii) C, the holder of an over due 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?

**(3\*2 = 6 MARKS)**

**QUESTION NO.3**

- A. Comment on the following : **(5 MARKS)**  
‘Principal is not always bound by the acts of a sub-agent’.
- B. Define contract of indemnity and contract of guarantee and state the conditions when guarantee is considered invalid ? **(5 MARKS)**

**QUESTION NO.4**

- A. State the essential elements of a contract of bailment. **(6 MARKS)**
- B. Mr. X, is employed as a cashier on a monthly salary of Rs. 2,000 by ABC bank for a period of three years. Y gave surety for X's good conduct. After nine months, the financial position of the bank deteriorates. Then X agrees to accept a lower salary of Rs. 1,500/- per month from Bank. Two months later, it was found that X has misappropriated cash since the time of his appointment. What is the liability of Y ? **(2 MARKS)**
- C. Ramesh instructed Suresh, a transporter, to send a consignment of apples to Mumbai. After covering half the distance, Suresh found that the apples will perish before reaching Mumbai. He sold the same at half the market price. Ramesh sued Suresh. Will he succeed? **(2 MARKS)**

**QUESTION NO.5**

- A. What are the rights of the indemnity-holder when sued? **(5 MARKS)**
- B. Mr. Ahuja of Delhi engaged Mr. Singh as his agent to buy a house in West Extension area. Mr. Singh bought a house for Rs. 20 lakhs in the name of a nominee and then purchased it himself for Rs. 24 lakhs. He then sold the same house to Mr. Ahuja for Rs. 26 lakhs. Mr. Ahuja later comes to know the mischief of Mr. Singh and tries to recover the excess amount paid to Mr. Singh. Is he entitled to recover any amount from Mr. Singh? If so, how much? Explain. **(5 MARKS)**