

5 MAY 2025

NATIONAL LAW UNIVERSITY, JODHPUR

End Term Examination April-May -2025

Semester: UG II Semester

Subject: Law Of Contract- II

Time: Three Hours

Marks:100

Instructions:

1. All questions carry equal marks.
2. The paper consists of six questions. Attempt any five out of six. Write the question number of the attempted question, carefully.
3. Substantiate your answers with the use of relevant case laws.
4. If the students think any fact is missing, they are allowed to make assumptions. However, any such assumptions made, must be clearly stated in the answer.
5. Adhere to the prescribed word limit for each answer- 500 words

Q1. B guarantees payment to C, a tea-dealer, up to the amount of \$100 for any tea that C may from time to time supply to D. Initially, C supplies tea worth \$80 to D, and D pays for it. Later, C supplies tea worth \$60 to D, which remains unpaid. Discuss whether B is liable to C for the unpaid amount, and if so, to what extent, under the principles of guarantee under the Indian Contract Act, 1872. Support your answer with relevant reasons and cases. (20 Marks)

Q2. "Ratification is equivalent to a prior command; it relates back to the time of the original act." Discuss the creation of agency by mode of ratification and its effect. (20 Marks)

Q3. Mr. Arvind, an importer of gourmet goods, appointed Ms. Sneha as his agent to purchase 10 kg of premium saffron from a supplier in Kashmir. Ms. Sneha informed Mr. Arvind that she had successfully procured the saffron at ₹3,00,000 per kg but that the consignment would be dispatched once the road's blocked due to snow are reopened. Relying on this information, Mr. Arvind entered into onward contracts for the resale of the saffron with retailers. On enquiring again after a week, Ms. Sneha informed that she is the alleged purchase of transaction was dependent upon a third-party arrangement, and that third party supplier has not delivered the goods to her. Ultimately, the supplier failed to deliver, and Mr. Arvind suffered commercial losses. Arvind files a case against Sneha, asking her to make good the losses suffered by him. Decide whether Ms. Sneha is liable to pay for the same. (20 Marks)

Q4. Under the Indian legal framework governing contracts and bailment, hypothecation and pledge are both modes of securing a debt. While both relate to the use of goods as security, their legal nature, possession, and enforceability differ significantly. Critically examine the concept of hypothecation in the context of pledge. Distinguish between hypothecation and

pledge and support your answer with statutory provisions and judicial interpretations wherever applicable. **(20 Marks)**

Q5. Mr. Aryan leaves his SUV with SpeedCare Auto Pvt. Ltd., a service provider, for routine maintenance. Over time, Mr. Aryan accrues unpaid bills for these services, amounting to ₹40,000. When he comes to collect the vehicle, SpeedCare Auto refuses to return it, asserting a lien over the vehicle until the dues are paid. The company claims it has invested expenses and thus has the right to retain the car until such expenses are paid. Mr. Aryan files a suit demanding possession of the vehicle.

a) Explain the concept of particular lien and identify the essential conditions for its exercise under the Indian Contract Act, 1872.

b) Analyze whether SpeedCare Auto Pvt. Ltd. can claim a valid lien over the SUV in this case. **(10*2=20 Marks)**

Q6. Write a short note on following:

(10*2= 20 Marks)

- (i) Critically examine the position of Minors in a partnership firm.
- (ii) Whether the Indian Partnership Act, 1932, lays down specific provisions regarding the minimum and maximum number of partners in a partnership firm?

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Q1. Under common law, the proprietor of a hotel is an insurer of the property of its guests if it is lost, stolen or damaged *infra hospitium*, and it has a strict liability to make good the loss incurred to his guests. Analyse how the Indian courts have approached and interpreted this doctrine for the loss of parked cars *infra hospitium*. (20 Marks)

Q2. Anant guarantees to Bhaskar the payment of the price of six sacks of flour to be delivered by Bhaskar to Chandan, with the understanding that the payment will be made within one month of delivery. Bhaskar delivers five sacks to Chandan, who duly pays for them. Later, Bhaskar delivers an additional three sacks of flour to Chandan, who fails to pay for them. Bhaskar sues Arjun for non-payment.

- (i) Discuss whether Mr. Arjun is liable to pay Mr. Bhaskar for the price of the unpaid sacks.
- (ii) Distinguish between specific and continuing guarantees and apply the relevant legal principles to determine Mr. Arjun's liability.

(10*2=20 Marks)

Q3. Kavita purchased a second-hand washing machine from Rohit for Rs.2500. It was agreed that Mr. Rohit would restore the machine to working condition for an additional Rs.500. After taking delivery, Kavita later complained that the machine was not working properly. Mr. Rohit collected the motor and the timer for further repair.

At that point, Rs. 500 from earlier agreed repair amount was still unpaid. When Kavita went to collect the motor, Rohit refused to return the parts until the balance was cleared.



(i) Can Rohit exercise lien over the motor and timer in these circumstances?

(ii) Would your answer change if Kavita has partially paid Rs. 200 for the tailoring services?

(10*2=20 Marks)

Q4. A, a merchant in England, directs B, his agent at Bombay, who accepts the agency, to send him 100 bales of cotton by a certain ship "Admire". B, having it in his power to send the cotton, omits to do so, but however sends the cotton by an equally safe ship "Brail". The ship arrives safely in England. Soon after her arrival the price of cotton rises. B is bound to make good to A the profit which he might have made by the 100 bales of cotton at the time the ship arrived, but not any profit he might have made by the subsequent rise. **(20 Marks)**

Q5. The Indian Contract Act, 1872 outlines the legal framework governing the relationship between principal and agent, including the extent of an agent's personal liability in contracts made on behalf of the principal. While an agent generally does not incur personal liability for acts done within the scope of authority, there are specific circumstances in which the agent may be held personally liable. Discuss:

- a) Circumstances under which an agent becomes personally liable.
- b) Legal consequences of a pretended agent.

(10*2=20 Marks)

Q6. Sharing of profits is a key indicator of partnership, but not a conclusive one. Can a person who is entitled to share in the profits but not losses still be considered a partner under the Indian Partnership Act, 1932? Discuss with reference to the "test" of partnership. **(20 Marks)**