

27 APR 2024

NATIONAL LAW UNIVERSITY, JODHPUR

Re Mid Term, April – 2024

Semester: UG II Semester

Subject: Contract-II (Specific Contracts)

Time: One and Half Hour

Marks: 50

Instructions:

1. *All questions are compulsory.*
2. *Please answer all questions to the point. Brevity will be greatly appreciated.*

Q.1) Discuss the evolution of law in India regarding relationship between sale and bailment.

Marks 20

Q. 2) Company X owns a plot of land and leases it Company Y to set up a factory for manufacturing apparels without notifying Y of the arrears in revenue. Y, under the belief that the plot is in compliance with all local land revenue rules, sets up the factory. However, the local inspector, during the annual audit discovers the arrears in land revenue and seals the premises until all arrears are cleared. Y pays the amount and claims it back from X as indemnification. X argues that the lease deed does not contain an indemnity clause, hence Y cannot claim indemnity against X.

Marks 10

Q. 3) On January 1, 2024, P lends Rs. 20 lakhs to Q for which R is the surety. On February 15, P lends an additional Rs. 10 lakhs to Q for which Q provides his personal car as a security. Q defaults under the first loan and R pays the guarantee. R then moves against the security given under the second contract to reclaim the amount paid. Can R's action be supported by the Indian contract law? Would the response change if we apply the English law?

Marks 8+2 = 10

Q. 4) 'While the statutory language on effect of variance on surety's obligations under the Indian Contract Act, 1872, is narrow, its scope and import stand considerably expanded through creative judicial interpretation.' – Do you agree? Substantiate with supporting cases. Marks 10



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NATIONAL LAW UNIVERSITY, JODHPUR

End Term Examination May – 2024

Semester: UG II Semester

Subject: Contract-II (Specific Contracts)

Time: Three Hours

Marks: 100

Instructions:

1. *Answer any 5 out of 6 questions.*
2. *Marks have been indicated against each question.*
3. *Your answers must be to the point, brevity will be appreciated.*

Q.1) a. X and Y enter into a contract to supply goods for which purchase price is payable by Y on January 2, 2021. Y also undertakes to deposit the GST directly with the tax authorities by January 20, 2021. However, Y defaults and X is served with a demand notice on January 21, 2021. X deposits the tax on February 1, 2021, and writes to Y for indemnity. However, in spite of repeated conversations over nearly 3 years, Y refuses to pay. On January 23, 2024, X files a suit against Y claiming the indemnity amount. Y contends that the limitation period of 3 years lapsed on January 21, 2024, from the time when X's liability became absolute. Hence, X's suit is barred by limitation. X has approached you for legal assistance. Advise.

b. ABC, Inc. employs X to work as a cashier. Y stands as the surety for X's conduct during employment. 3 months after employment, X is suspected of misappropriation of funds and an internal inquiry committee is constituted to investigate the matter. The committee collects evidence, records statements of witnesses and conducts hearings, and in its final report finds X guilty of misconduct. ABC asks Y to pay the agreed sum guaranteed for X's conduct. Y refuses to pay on the ground that ABC had knowingly allowed the misappropriation to happen and had acted in a manner which is inconsistent to the rights of Y. Therefore, Y should be discharged of liability as surety. Examine the merits of Y's contention in light of ONE relevant case law.

(Marks 10+10=20)

Q. 2) a. X executes a lease in favour of Y on a plot of land for which an annual rent of Rs. 6,00,000 is payable by Y to X. The lease would renew automatically in the absence of revocation by either party with a month's notice. The local municipal law makes all such transactions heritable in the event of death of either party. Z agrees to be the surety for this transaction. Y dies after one year and X files a suit against W, Y's surviving widow, for recovering the arrears. W defaults and X approaches Z for payment with 8 months into that year. Z contends that his obligation as a surety ended with the death of Y and terminated the continuing guarantee by sending a notice. His liability would not extend beyond 8 months in that year. X however claims the amount for the entire year. Examine the merits of these contentions with the help of supporting case laws.

b. X finds a crate of oranges belonging to Y in the taxi during the month of January. Temperatures in the month of January in New Delhi are expected to preserve oranges for 6-7 days. If kept in the refrigerator, the time may extend to 10 days. After incurring search costs of Rs. 2000 and preservation expenses of Rs. 500 for 5 days, X is able to locate Y, who refuses to pay these costs and expenses to Y as no contract exists between X and Y. X has approached you for legal assistance. Advise.

(Marks 10+10=20)



(Marks 20)

Q. 3) Explain the rights and duties of a partner in a partnership firm.

Q. 4) a. P, Q and R are partners in a validly constituted partnership firm. Q and R are arrested for conspiring with S, a bank employee to misappropriate the bank's funds in favour of Q and R. After Q, R and S are arrested, the police prosecute all of them under Sections 3 and 4 of Prevention of Money Laundering Act. However, as a procedural lapse, individual chargesheet is not filed against Q, as opposed to R. A chargesheet is also filed against the firm. Accordingly, Q seeks discharge from the criminal proceedings on account of this lapse. Examine the merits of Q's contention with the help of ONE supporting case law.

b. X deposits a box of jewelry worth Rs. 30 lakhs with ABC Bank which stores the box in a strong room made of wood. ABC is unaware of the content of the box. A group of robbers break into the bank in the middle of the night and steal the box. X files a suit against ABC claiming that ABC is liable for not taking the reasonable duty of care. ABC has approached you for legal assistance. Advise.

(Marks 10+10=20)

Q. 5) Compare and contrast the approaches taken by the Indian and common law in allowing subrogation to the surety in a contract of guarantee.

(Marks 20)

Q. 6) 'While the Indian Contract Act, 1872, expressly provides for the attorney's lien, the safeguards enunciated under various judicial pronouncements have vastly reduced the prospects of enforcing this lien as a matter of right.' - Do you agree? Substantiate with reasons and supporting cases.

(Marks 20)