

2 MAR 2023

142

NATIONAL LAW UNIVERSITY, JODHPUR  
Mid Term, February-March – 2023  
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) A lends Rs. 20 lakhs to B for which the parties draw up a loan agreement, dated January 1, 2022, with an added guarantee where C undertakes to stand as the surety for the entire loan obligation. The loan is repayable on January 1, 2023, with the amount inclusive of interest set at Rs. 22 lakhs. Since C has to travel a lot due to professional commitments and may not be available physically to discuss contractual matters, C keeps the original copy of the letter of guarantee with B. On November 1, 2022, A and B agree to revise the due amount to Rs. 21 lakhs, keeping in mind the fluctuating market rate of interest. Upon default by B, A sues C for Rs. 21 lakhs. C contends that the terms of the initial agreement were varied without his consent amounting to a discharge from liability. A has approached you for legal assistance. Advise.

Marks 10

Q. 2) X leases a plot of land to Y for an annual rent of Rs. 10 lakhs. However, Y does not pay any rent for two years. Y additionally fails to pay the cost of construction materials to one Z from whom he had procured the materials for constructing a building on the land. Y also defaults in payment of municipal taxes to the local authority. X, after making repeated demands to Y to meet all the above obligations, decides to transfer the ownership of the plot to Y in lieu of which Y undertakes to meet all the obligations towards Y, Z and the municipality. However, Y continues to default and X is forced to rely on an indemnity clause in the earlier contract. Y refuses to pay an indemnity to X on the ground that he has not suffered any actual damages. X has approached you for legal assistance. Advise.

Marks 10

Q. 3) P lends Rs. 20 lakhs to Q and R based on the security of some joint family properties belonging to Q and R. P additionally lends Rs. 10 lakhs to R for which S is the surety. R defaults in the second contract and P claims this amount from S. S claims his right to sell the joint family properties under the first contract to reclaim this amount back from R to which Q objects claiming that S is not a party to the first contract which is having a different purpose altogether when compared with the second contract. S approaches you for legal assistance. Advise.

Marks 10

Q. 4) Discuss the circumstances under which surety cannot claim discharge from liability in the event of discharge from liability of the principal debtor.

Marks 20



29 APR 2023

## NATIONAL LAW UNIVERSITY, JODHPUR

Re Mid Term, April – 2023

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) William Penn (WP) and Quest Mall Authority (QMA) entered into a contract for renting out a shop to WP for an annual rent of Rs. 2,50,000. The contract was guaranteed by State Bank of Travancore (SBT). The transaction was also secured by a charge created on the inventory of pens. On January 1, 2023, WP defaulted in the payment of annual rent. QMA immediately approached the Kolkata City Civil Court and obtained a decree to enforce his rights against the inventory and ordering SBT to pay at the same time. During execution, SBT filed an application stating that since the decree issued by the City Civil Court is a composite one, QMA cannot approach SBT for payment unless it has exhausted its rights with regard to the shop inventory. Decide.

Marks 10

Q. 2) X and Y enter into a contract to supply goods for which purchase price is payable by Y on January 2, 2020. Y also undertakes to deposit the GST directly with the tax authorities by January 20, 2020. However, Y defaults and X is served with a demand notice on January 21, 2020. X deposits the tax on February 1, 2020, and writes to Y for indemnity. However, in spite of repeated conversations over nearly 3 years, Y refuses to pay. On January 23, 2023, X files a suit against Y claiming the indemnity amount. Y contends that the limitation period of 3 years lapsed on January 21, 2023, 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.

Marks 10

Q. 3) Krishnaswamy Trading Partners (KTP) is registered as a partnership firm in Chennai selling automobile tyres. The firm was extended a credit facility as an overdraft on its existing account to the tune of Rs. 20 lakhs by the United Bank of India (UBI). The liability was secured by one Mr. Karunanidhi as a surety and an additional security of a Rs. 5 lakhs worth of inventory of tyres was also furnished. A clause in the contract stated that the tyres were subject to periodic valuations and would be replaced or supplemented if found inadequate. On default, UBI tried to sell the tyres but observed a shortfall of Rs. 2 lakhs. After being issued a notice by UBI, KTP agreed to provide additional tyres in lieu of an extension of 1 month. Meanwhile, UBI approached Mr. Karunanidhi for payment. However, he refused to pay on the ground that the new agreement between KTP and UBI amounted to giving time to KTP and therefore discharged him from liability under the earlier contract which has not been effectively substituted by the new arrangement. UBI filed a suit in the Chennai District Court against Mr. Karunanidhi. Decide.

Marks 10

Q. 4) Discuss the concept of variance in respect of surety's discharge from liability in a contract of guarantee. Comment on whether this right can be voluntarily waived by the surety.

Marks 20

NATIONAL LAW UNIVERSITY, JODHPUR  
End Term Examination May – 2023  
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, 2020. Y also undertakes to deposit the GST directly with the tax authorities by January 20, 2020. However, Y defaults and X is served with a demand notice on January 21, 2020. X deposits the tax on February 1, 2020, and writes to Y for indemnity. However, in spite of repeated conversations over nearly 3 years, Y refuses to pay. On January 23, 2023, X files a suit against Y claiming the indemnity amount. Y contends that the limitation period of 3 years lapsed on January 21, 2023, 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. Bangladesh is famous for producing Muslin, a fine clothing material, which has been imported to India for the last 5 decades. X is a garments trader in Kolkata who sells Muslin clothes in his store. X has appointed Y, a Bangladeshi citizen, to procure the clothes from Dhaka and send them over to Kolkata through an export-import permit issued by the governments of both the countries. Political tensions escalated between the two countries in the last week of April and war seemed inevitable. X, with the knowledge of the impending war, on March 5, 2022, sent Y to Dhaka, who made his usual trip to the vendors in Dhaka and procured a stock worth Rs. 20,000. However, just before Y returned, on March 7, 2022, war broke out between India and Bangladesh. All communications between the two countries were cut off and Y was stuck in Dhaka with the consignment. The war continued for 6 months. After 3 months of waiting, Y noticed there was a mild discolouration of the muslin and feared it could deteriorate fast, though the average deterioration span for muslin was 1 year. Y immediately sold of the consignment to some local traders for a reduced price. On September 7, 2022, the two countries signed a cease-fire agreement and normal ties resumed. X asked Y to come back with the consignment. However, Y stated that he had sold off the consignment out of necessity due to the outbreak of war. X sued Y for the full value of the consignment. Decide.

(Marks 10+10=20)

Q. 2) a. A lends Rs. 20 lakhs to B for which the parties draw up a loan agreement, dated January 1, 2022, with an added guarantee where C undertakes to stand as the surety for the entire loan obligation. The loan is repayable on January 1, 2023, with the amount inclusive of interest set at Rs. 22 lakhs. Since C has to travel a lot due to professional commitments and may not be available physically to discuss contractual matters, C keeps the original copy of the letter of guarantee with B. On November 1, 2022, A and B agree to revise the due amount to Rs. 21 lakhs, keeping in mind the fluctuating market rate of interest. Upon default by B, A sues C for Rs. 21 lakhs. C contends that the terms of the initial agreement were varied without his consent amounting to a discharge from liability. A has approached you for legal assistance. Advise.

b. Discuss the differences between pledge and hypothecation.

(Marks 10+10=20)

Q. 3) Discuss the role of judiciary in mitigating the rigours of common law in interpreting indemnity.

(Marks 20)

Q. 4) a. Explain the rights of a partner in a partnership firm.

b. X, a judgement debtor owed Rs. 50,000 to Y, the creditor under a judicial decree. This debt was guaranteed by ABC Bank to the tune of Rs. 30,000, under a bank guarantee numbered as 02/19. ABC secured a counter indemnity from X by taking into its custody some fixed deposit receipts labeled on the top as 'Lien to BG 02/19' to the tune of Rs. 30,000. As soon as X defaulted, Y asked ABC to pay Rs. 30,000, a request which ABC honoured promptly. ABC immediately reached out to X to liquidate the fixed deposits under the lien. However, X refused on the ground that fixed deposits are legally owned by the bank and no lien could subsist on them and asked Y to proceed under a set off applicable to the general balance of accounts. Decide.

(Marks 10+10=20)

Q. 5) Discuss the origin of the concept of bailment in the law of contracts.

(Marks 20)

Q. 6) Discuss the evolution of the Supreme Court's approach in dealing with cases of composite decree where the creditor has remedies available both against the principal debtor and the surety.

(Marks 20)