

**Legal Vidhiya Presents: Law of
Contract Questions from Previous
AIBE Exams**

Legal Vidhiya

AIBE XVIII

1. Which of the following is not a fraud as per the Indian Contract Act, 1872?
 - A. A promise made without intention of performing it.
 - B. An active concealment of fact by one having knowledge of the fact.
 - C. Mere silence if not duty bound to speak.**
 - D. Any act or omission law specifically declares to be fraudulent.
2. Which of the following statement is correct if A, intending to deceive B, falsely represents that five hundred maunds of indigo are made annually at A's factory, and thereby induces B to buy the factory?
 - A. Contract is void ab initio.
 - B. Contract is voidable at the option of A.
 - C. Contract is voidable at the option of B.**
 - D. Contract is voidable at the option of A & B.
3. A stipulation in a bond for payment of compound interest on failure to pay simple interest at the same rate as was payable upon the principal is not a penalty within the meaning of which of the following provision of the Indian Contract Act, 1872?
 - A. Section 73
 - B. Section 74**
 - C. Section 75

D. Section 76

AIBE XVII

1. In which of the following cases it was decided that a contract with minor is void?
 - (A) Carlill V. Carbolic Smokes Ball Co
 - (B) Chinnaih V. Ramaiah
 - (C) Mohori Bibee V. Dharmodas Ghose**
 - (D) Harvey V. Facey
2. B, the proprietor of a newspaper, publishes at A's request, a libel upon C in the paper, and A agrees to indemnify B against the consequences of the publication, and all costs and damages of any action in respect thereof. B is sued by C and has to pay damages, and also incurs expenses. Decide in the light of the Section 224 of the Indian Contract Act, 1872.
 - (A) A is not liable to B upon indemnity.**
 - (B) A is liable to B upon indemnity.
 - (C) A is not liable to C upon indemnity.
 - (D) None of these
3. A person whom the agent names to act for the principal in the business of agency, under the express or implied authority to name, is called:
 - (A) Sub-agent
 - (B) Substituted Agent**
 - (C) Agent
 - (D) Procured Agent

AIBE XVI

1. Frustration of contract is provided by which section of the India contract Act?

- (A) Sec. 73
- (B) Sec. 70
- (C) Sec. 2(d)
- (D) **Sec. 56**

2. Law laid down under section 73 of Indian Contract Act 1872 is related to which of the following cases:

- (A) Hotheater Vs De-la-tur
- (B) Rabinson Vs Devison
- (C) **Hedley Vs Baxendal**
- (D) Dickinson Vs Dads

AIBE XV

1. X, Y, Z jointly promise to pay A an amount of Rs. 50,000/- Subsequently X, Y became untraceable. Can A compel Z to pay? (The Indian Contract Act)

- (A) **A can, under Section 43 para 1**
- (B) A can under Section 49 para 1
- (C) A cannot and will have to wait till X, Y become traceable
- (D) Z can be compelled only for one third

2. Indemnity contract is defined under

- (A) **Section 124 of the Indian Contract Act**
- (B) Section 67 of the Indian Contract Act
- (C) Section 127 of the Indian Contract Act
- (D) Section 128 of the Indian Contract Act

3. Peek Vs. Gurney is a famous case related to

- (A) Coercion
- (B) **Fraud**
- (C) Mistake of fact
- (D) Mistake of law

4. Under Section 70 of the Indian Contract Act, where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered. This principle is known as

- (A) A Contract of Uberrimae fide
- (B) Implied Agency
- (C) **Quantum meruit**
- (D) De nova contract

5. The definition of Contract is defined under

- (A) Section 2(a) of the Indian Contract Act.
- (B) **Section 2(h) of the Indian Contract Act.**
- (C) Section 2(d) of the Indian Contract Act.
- (D) Section 2(g) of the Indian Contract Act.

6. Agreement is:

- (A) **a promise or set of promises forming consideration to each other**

- (B) enforceable by law
- (C) enforceable contract
- (D) Unenforceable by law

7. Delivery of goods by one person to another for some purpose upon a contract that they shall, when the purpose is accomplished, be returned or disposed of according to the directions of the person delivering them. This process is termed as:

- (A) Agency
- (B) **Bailment**
- (C) Guarantee
- (D) Contingency

AIBE XIV

1. Which one of the following sentences is correctly method

- (A) In India, consideration must follow from promise only.
- (B) In India, consideration must follow from only promisor or only promise.
- (C) In India, consideration must follow from promisor or any other person
- (D) **In India, consideration must follow from promise or any other person**

2. Which of the following statements are true?

- i. Minor's contract can be ratified on attaining majority
- ii. Minor's contract be ratified on attaining majority

- iii. Minor's contract can be ratified jointly by both the parties to the contract
- iv. Minor is not liable under minor's contract

- (A) (i) and (iii)
- (B) **(ii) and (iv)**
- (C) (i) and (ii)
- (D) (ii) and (iii)

3. Assertion (A): Collateral transaction to wagering are valid. Reason (R): Only wagering agreements are declared void under section 30 of the Indian Contract Act.

- (A) (a) is true, but (r) is false
- (B) (a) is false, but (r) is true
- (C) Both (a) and (r) are true, but (r) is not correct explanation of (a)
- (D) **Both (a) and (r) are true and (r) is correct explanation of (a)**

AIBE XI

1. Which of the following is not an essential of a contract of guarantee

- (A) Concurrence of three parties
- (B) Surety's distinct promise to be answerable
- (C) Liabilities to be legally enforceable
- (D) **Existence of only one contract**

2. The term 'Agent' is defined in Indian Contract Act under Section

- (A) 180 of the Act
- (B) 181 of the Act
- (C) **182 of the Act**
- (D) 183 of the Act

3. What is the maximum number of partners in Banking business?

- (A) Eight
- (B) **Ten**
- (C) Twelve
- (D) Sixteen

4. A person who gives the guarantee is called

- (A) Bailee
- (B) Creditor
- (C) Debtor
- (D) **Surety**

AIBE X

1. A contract can be specifically enforced

- (A) Where compensation is adequate relief for the non-performance of the contract
- (B) Where the contract by its nature is determinable
- (C) Where it involves the performance of continuous duty which the court cannot supervise
- (D) **None of the above**

2. In which of the following cases a set off

can be claimed

(A) 'A' owes the partnership firm of 'B' & 'C' Rs.1000/- 'B' dies leaving 'C' surviving. 'A' sues 'C' for a debt of Rs.1500/- due in his separate character. 'C' wants to set off the debt of Rs.1000/-

(B) 'A' sues 'B' for Rs.20000/- 'B' wants to set off the claim for damages for breach of contract for specific performance

- (C) Both 'A' & 'B'
- (D) None of the above

3. A Contract of Indemnity under the Indian Contract Act 1872 has been defined in Section

- (A) **124**
- (B) 123
- (C) 125
- (D) 126 (a)

specific

AIBE IX

1. Contract without consideration made in writing and registered and made on account of natural love and affection is

- (A) void
- (B) reasonable
- (C) **valid**
- (D) unenforceable

2. Which is correct

(A) Proposal + acceptance = promise

(B) promise + consideration = agreement

(C) agreement + enforceability = contract

(D) all of the above

2. A contingent contract based on the specified uncertain events not happening within a fixed time under section 35.

(A) remains valid even if the event does not happen within that fixed time

(B) becomes void at the expenses of the time fixed

(C) becomes void if the happening of that event becomes impossible before the expiry of time fixed

(D) both (b) and (c)

3. Communication of acceptance is complete as against the proposer

(A) When it comes to the knowledge of the proposer

(B) **When it is put in course of transmission to him so as to be out of power of the acceptor**

(C) When the acceptor is communicated to the proposer

(D) All of the above

4. Where co-judgment debtors are in the position of joint promisors, each is

(A) not jointly and severally liable to the decree holder

(B) **jointly and severally liable to the decree holder**

(C) Jointly liable to the decree holder only

(D) severally liable to the decree holder only

5. In cases of general offer, for a valid contract

(A) the acceptor need have the knowledge of the other

(B) **the acceptor must have the knowledge of the offer before acceptance by performance**

(C) the acceptor may inquire the knowledge of the offer after the performance of the condition for acceptance

(D) Knowledge does not matter so long as the condition is performed with or without knowledge

AIBE VIII

1. Estoppel is a rule by which a party to litigation is/ are _____

(A) **Stopped from asserting or denying a fact**

(B) Prevented from appearing in person

(C) Prevented from hiding evidence

(D) Both (A) and (B)

2. Identify the wrong statement from the following:

(A) An indemnity is for reimbursement of a loss, while a guarantee is for security of the creditor

(B) **In a contract of indemnity, the liability of the indemnifier is secondary and arises when the contingent event occurs,**

in case of contract of guarantee the liability of surety is primary and arises when the Principal debtor defaults

(C) The Indemnifier after performing his part of the promise has no rights against the third party and he can sue the third party only if there is an assignment in his favour. Whereas in a contract of guarantee, the surety steps into the shoes of the creditor on discharge of his liability, and may sue the principal debtor

(D) In a contract of indemnity the liability of the indemnifier is primary and arises when the contingent event occurs. In case of contract of guarantee the liability of surety is secondary and arises when the principal debtor defaults

3. A transfer Rs.500 to his niece C, if she will desert her husband. The Transfer is

- (A) Void
- (B) Voidable
- (C) Valid
- (D) None of the above

4. Point out an example not related to a contract of bailment?

- (A) Delivering a watch or radio for repair
- (B) Leaving a car or scooter at a parking stand
- (C) Leaving Luggage in a cloak room
- (D) **A Shareholder executes an agreement/bond favouring the company thereby agreeing to satisfy the company for any loss caused as a consequence of his own act**

5. A Corporate resolution is not an offer unless efforts are made to communicate it. Which case held so.

- (A) **Blair v/s Western Mutual Benefit Association**
- (B) R V Dawood
- (C) Harvela Investment Ltd V/s Royal Trust Co. of Canada
- (D) None of the above

6. Which is true of contracts of agency?

- (A) The relation between the agent and the principal is of a trust
- (B) **It is only when a person acts as a representative of the other in the creation, modification or termination of contractual obligations: between that order and third persons that he is an agent**
- (C) The only essence of a contract of agency is the agent's representative capacity
- (D) None of the above

7. There was a contract to supply oilseeds, but the Government rendered the sale and purchase of oil-seed illegal under the Defence of India Rules. Identify the effect.

- (A) Party at default is held liable
- (B) **Both parties are discharged from the performance of such contract**
- (C) Both parties are directed specific performance of the contract
- (D) None of the above

8. Principles evolved in Hadley V/s Baxendale are the basis of Section Of the Indian Contract Act

- (A) 74
- (B) 55
- (C) 87
- (D) **73**

9. Peek V/s Gurney is a famous case relating to

- (A) Mistake
- (B) Misrepresentation
- (C) **Fraud**
- (D) Frustration of Contract

AIBE VII

1. In bailment if the goods are lent free of cost to the bailee for his use it is known as bailment by

- (A) Deposition
- (B) Pledge
- (C) **Commodation**
- (D) None of the above

2. What are the remedies open to the party aggrieved in a suit on contracts?

- (A) Specific Performance and Injunction
- (B) Specific Performance and damages
- (C) Specific Performance only
- (D) **All the above**

3. When the proposal and acceptance is

through letters, the contract is made at the place where

- (A) The acceptance is received
- (B) **The letter of acceptance is posted**
- (C) Both the above answers
- (D) None of the above

4. The surety stands discharged by

- (A) Death
- (B) Revocation
- (C) **Variance in the terms of the contract without his consent**
- (D) None of the above

5. Wager relate with

- (A) Present event
- (B) Past event
- (C) Future event
- (D) **Any of the above**

6. Qui facit per alium facit per se, means

(A) **Act of an agent is the act of principal**

(B) Act of an agent is not an act of principal

(C) Principal and agent are liable jointly

(D) Agent must not act in contravention of the act of principal

7. The Concept of 'privity of contract'

was rejected in

(A) Winterbottom v/s Wright

(B) **Donoghue V/s Stevenson**

(C) Longmeid V/s Holiday

(D) Heaven V/s Pender

(A) Proposal

(B) Consideration

(C) **Agreement**

(D) Contract

8. Frost V/s Knight is a leading case on

(A) Section 32

(B) Section 33

(C) **Section 34**

(D) Section 35

(A) Invalid

(B) **Valid**

(C) Void

(D) Voidable

9. Which among the following is a law based on equity?

(A) Indian Contract Act 1872

(B) Indian Penal Code 1863

(C) Indian Partnership Act 1932

(D) **Specific Relief Act 1963**

2. A Past consideration under Indian Law is

3. Consensus ad idem means

(A) Good faith

(B) Opinion of third parties

(C) Opinion of the offeree

(D) **Meeting of the minds**

4. Agreement in restraint of marriage is

(A) Contingent Contract

(B) Wager

(C) **Void**

(D) Valid

10. All contracts which are unlawful and void are known as:

(A) Illegal contracts

(B) **Nugatory Contracts**

(C) Voidable contracts

(D) None of the above

5. 'A' tells 'B', the shopkeeper, "Give Z the Goods, I will see you paid" - this contract is

(A) Bailment

(B) Agency

(C) Guarantee

(D) **Indemnity**

AIBE VI

1. A promise or set of promises forming consideration to each other is known as

6. A Contract to perform the promise or discharge the liability of a third person in case of his default - is a contract of

- (A) **Guarantee**
- (B) Default
- (C) Indemnity
- (D) Partnership

7. "He who does an act through another, does it himself" - is a contract of

- (A) Sale
- (B) Purchase
- (C) **Agency**
- (D) Partnership

8. When at the desire of the promisor, the promisee or any other person has done or abstained from doing something or does or abstains from doing something or promises to do or abstain from doing something, such act or abstinence or promise is called a

- (A) Proposal
- (B) **Consideration**
- (C) Acceptance
- (D) Agreement

9. X Owes Y Rs. 20,000/- but this debt is barred by Limitation Act. X executes a written promise to pay B Rs.15,000/- on account of debt. This is

- (A) Invalid
- (B) Void

(C) **Valid**

(D) Voidable

10. The following contract cannot be specifically enforced

- (A) **A Contract the performance of which involves the performance of continuous duty which the court cannot supervise**
- (B) A Contract the performance of which involves the performance of a continuous duty which the court can supervise
- (C) A Tort the discharge of which involves the performance of a continuous obligation
- (D) A Contract for the non-performance of which compensation is not adequate relief

AIBE V

1. A Contract made by a trustee in excess of his powers or in breach of trust cannot be specifically enforced as per

- (A) S.12
- (B) **S.11(2)**
- (C) S.12(2)
- (D) S.13

2. A Solicitor sold certain property to one of his clients. The client subsequently alleged that the property was considered overvalued and his consent was caused by _____. Court considered the relationship between the parties to reach the decision:

- (A) Coercion
- (B) Misrepresentation
- (C) **Undue Influence**

(D) Estoppel

3. "The law of contract is intended to ensure that what a man has been led to expect shall come to pass, that what has been promised shall be performed". Whose statement is this?"

(A) Lord Black

(B) Henderson

(C) **Anson**

(D) Salmond

4. Intention not to create a legal obligation was clear from the conduct of parties which among the popular cases deals on the topic:

(A) **Balfour V/s Balfour**

(B) Donogue V/s Stevenson

(C) Derry V/s Peek

(D) Birch V/s Birch

5. According to the Indian Law in a Lawful Contract, consideration

(A) Must move from promise only

(B) **May move from promise or any other person**

(C) Is not necessary at all

(D) None of the above

6. An agency can be terminated by

(A) Agreement between parties

(B) By renunciation by the agent

(C) By Completion of business of agency

(D) **All the above**

7. Which type of loss are not covered by a contract of Indemnity

(A) **Loss arising from accidents like fire or perils of the sea**

(B) Loss caused by the promisor himself or by a third person

(C) Loss arising by human agency

(D) None of the above

8. The debtor owes several distinct debts to the same creditor and he makes the payment which is insufficient to satisfy all the debts. In such a case, a question arises as to which particular debt the payment is to be appropriated. Which sections of the Contract Act provide an answer to this question?

(A) **Section 59 to 61**

(B) Section 22 of 31

(C) Section 10 to 12

(D) Section 55 to 60

AIBE IV

1. A Suit for damages for breach of Contract can be filed, at a place:

(A) Where the contract was made

(B) Where the contract was to be performed or breach occurred

(C) Anywhere in India

(D) **Both (a) and (b)**

2. Which of the following is correct of a standard form contract?

- (A) **It is a valid contract**
- (B) One party has no choice but to accept and sign the contract
- (C) Both (i) and (ii)
- (D) The Consent is not a free consent

3. As a general rule, an agreement made without consideration is _____

- (A) **Void**
- (B) Voidable
- (C) Valid
- (D) Unlawful

4. A Contingent agreement based on an impossible event under Section 36 is

- (A) **Void**
- (B) Void till impossible is known
- (C) Void when even becomes impossible
- (D) Voidable

5. The consensus ad-idem means:

- (A) General Consensus
- (B) Reaching an agreement
- (C) **Meeting of minds upon the same thing in the same sense**
- (D) All the above

6. In famous Carlill V/s Carbolic Smoke

Ball Co., (1893) 1 QBD 256, the Hon'ble Court held that the Contract was accepted on being

- (A) Communicated
- (B) **Acted upon**
- (C) Refused
- (D) Advertised

7. Inadequacy of Consideration does not make the contract

- (A) **Void**
- (B) Voidable
- (C) Unenforceable
- (D) Neither Void or Voidable

8. A jus in personam means a right against

- (A) **A Specific Person**
- (B) The Public at Large
- (C) A Specific Thing
- (D) None of these

9. Exposure of goods by a shopkeeper is

- (A) Offer for Sale
- (B) **Invitation to Offer**
- (C) Offer
- (D) Acceptance

10. An agreement to remain unmarried is

(A) Valid

(B) **Void**

(C) Voidable

(D) Unenforceable

(C) Agreement violating legal procedure

(D) Agreement against public policy

11. An agreement enforceable at law is

(A) Enforceable acceptance

(B) Accepted offer

(C) Approved Promise

(D) **Contract**

(A) **Promise under Section 2(b)**

(B) Agreement under Section 2(e)

(C) Contract under Section 2(h)

(D) None of the above

12. An agreement shall be void for:

(A) Mistake of fact by one party

(B) Mistake of fact by both the parties

(C) Mistake of foreign law

(D) **All the above**

15. Offer under Section 2(a) is _____

(A) Communication from one person to another

(B) Suggestion by one person to another

(C) **Willingness to do or abstain from doing an act in order to obtain the assent of**

(D) None of the above

13. Void Agreement signifies:

(A) Agreement illegal in nature

(B) **Agreement not enforceable by law**

SALE OF GOODS ACT

(D) Section 70

AIBE XII

1. Which section of Sale of Goods Act 1930 deal with anticipatory breach of Contract

(A) Section 50

(B) Section 65

(C) **Section 60**

2. Which of the following is not an essential for a valid sale:

(A) The parties must be competent to contract

(B) There must be mental consent

(C) There must be a transfer of property

(D) There must be an agreement to sell

AIBE XI

5. Which is not a right of an unpaid seller against the goods

- (A) Lien
- (B) Stoppage in transit
- (C) Right of resale
- (D) To ascertain price**

AIBE VI

1. Caveat Emptor means

- (A) Purchaser beware**
- (B) Seller beware
- (C) Things outside commerce
- (D) A Warning Letter

