

**DIRECTORATE OF DISTANCE EDUCATION
NALSAR UNIVERSITY OF LAW, HYDERABAD**

**M.A. (Corporate Law)
Advanced Diploma in Corporate Law**

**Academic Year: 2024-2025
Second Semester Repeat Examination (May, 2025)**

1.2.4. Law of Contract

Duration of the Examination: 2 ½ hours

Total Marks : 70 marks

INSTRUCTIONS TO CANDIDATES

- a) Read the instructions carefully and adhere to the same.
- b) Please mention your DDE ID No., date of the exam, name of the programme & subject on the Answer Sheet and the Additional Answer Sheets, if any.
- c) The questions to be interpreted as given and no clarification can be sought from the Invigilator.
- d) Clearly indicate the question numbers while answering them. Answers without question numbers / wrong question numbers will not be evaluated.
- e) Write the answers clearly and neatly. Answers in illegible handwriting will not be taken into consideration.
- f) Candidates are prohibited to carry phones or any other electronic devices, books, material etc. in the Examination Hall.
- g) Copying is strictly prohibited and is considered as a serious academic mis-conduct and the University will take action as it deems fit.

Section – A

**Answer FIVE questions out of SEVEN questions and each question carries 10 marks.
(5 x 10 marks = 50 marks)**

1. Amit makes an offer to Bhavya through a properly addressed letter. Bhavya posts an acceptance, but before it reaches Amit, the postal delivery service goes on strike. Does a binding contract come into existence? Analyze the situation by applying the rules of communication of acceptance under the Indian Contract Act, 1872, reasoning to support your conclusion.
2. How does the statement "All contracts are agreements, but all agreements are not necessarily contracts" differentiate between agreements and contracts? Analyze this distinction with reference to the essential elements of a valid contract under the Indian Contract Act, 1872. Support your answer with relevant illustrations and judicial precedents.

3. Rahul transferred his house to his daughter, Sneha, through a gift deed, which included a direction that Sneha must pay ₹50,000 per month to Meera (Rahul's sister). Following this, Sneha executed an instrument in favor of Meera, agreeing to make the payment. However, Sneha later refused, claiming she is not liable as no consideration moved from Meera.

Decide whether Sneha is legally bound to pay the amount to Meera under the provisions of the Indian Contract Act, 1872.

4. Rajesh entered into a family settlement with his son, Amit, and daughter-in-law, Priya, regarding the division of family property. However, Rajesh's brother, Ravi, who was not a party to the settlement, now wishes to enforce a claim for a share of the property based on an alleged verbal agreement with Rajesh made before the settlement.

Can Ravi enforce his claim under the family settlement even though he was not a party to it? Analyze the enforceability of the settlement under the Indian Contract Act.

5. Arjun, a minor, regularly purchases vegetables and groceries on credit from Bhaskar's grocery store, creating a pattern of transactions over several months. On one occasion, he accumulates a substantial unpaid balance and fails to repay the amount. Bhaskar now seeks to recover the dues by claiming that the goods provided were "necessaries" under law. Critically analyze whether Bhaskar can enforce the payment against Arjun in light of the Indian Contract Act, 1872.

Discuss the legal capacity of minors to contract, the exception for necessaries, and the extent to which restitution is available in such circumstances.

6. Consider the following scenarios

- a. Ramesh, a retired schoolteacher, transfers his ancestral property to his nephew, Karan, after repeated emotional pressure and threats of abandonment by Karan, who had promised to take care of him in old age. Later, Ramesh learns that Karan never intended to fulfill his promise.
- b. Meena, a small business owner, signs a supply contract after the supplier threatens to publicly defame her and destroy her reputation.
- c. Arif enters into a contract based on a brochure that contains exaggerated and misleading claims about a business opportunity.

In the context of the above scenarios, analyze the factors that vitiate free consent under the Indian Contract Act, 1872.

7. How does a contract of indemnity function in terms of risk allocation and liability, and how does it differ from a contract of guarantee? Analyze the key distinctions between the two under the Indian Contract Act, 1872.

Section – B

Write short notes on any FOUR questions out of SIX questions and each question carries 05 marks. (4 x 5 marks = 20 marks)

- A)** Briefly explain the various modes of discharge of a contract under the Indian Contract Act, 1872.
- B)** Discuss the rights of a surety under a contract of guarantee as provided in the Indian Contract Act, 1872.
- C)** Explain the grounds on which the object of an agreement is deemed unlawful under the Indian Contract Act, 1872.
- D)** Define wagering contracts and analyze their legal status under the Indian Contract Act, 1872.
- E)** Write a brief note on "Frustration of Contract".
- F)** How does the presence of mistake affect the validity and enforceability of a contract?