

M.K.G CA EDUCATION

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TEST-2

CA FOUNDATION

(05-09-2021 11:30 a.m. to 2:30 p.m.)

Covering topic :

CAPACITY TO CONTRACT, FREE CONSENT, LAWFUL OBJECT AND
CONSIDERATION, AGREEMENTS EXPRESSLY DECLARED VOID &
CONTINGENT CONTRACT

Time allowed: 3 hours

Maximum Marks: 100

Question :1

State with reason(s) whether the following agreement are True or false :

1. An agreement can be ratified by a minor on attaining the age of majority.
2. A person who is usually of sound mind, but occasionally of unsound mind, cannot enter into contract when is of unsound mind.
3. There is a presumption of undue influence in the relationship of husband and wife.
4. A threat amount into coercion necessarily proceed form a party to the contract.
5. If the object or the consideration of an agreement is not directly forbidden by law, but it indirectly defeats the provisions of any statutory law, the agreement is not void.
6. An outgoing partner who agrees with his partners not to carry on a business similar to that of the firm within specified local limits, may carry on that business.
7. An agreement is not a wager if either of the parties may win but cannot lose or may lose but cannot win.
8. A contract of insurance is a wagering agreement.
9. A contract of insurance is not a contingent contract.
10. Contingent contracts to do or not to do anything if a specified uncertain even happens within a fixed time, become void if the event happens.

(2 Marks each)

2*10= 20 marks

Question :2

State with reason(s) whether the following agreements are valid or void :

1. Where two courts have jurisdiction to try a suit, an agreement between the parties that the suit should be filed in one of those courts alone and not in the other.
2. X, a physician an surgeon, employs Y as an assistant on a salary of ₹ 75,000 per month for a term of two years and Y agrees not to practice as a surgeon and physician during these two years.

5 MARKS

Question :3**All parts carry 5 marks each****(a)**

Rahul, a minor, falsely representing his age, enters into an agreement with a shopkeeper for a loan amount for purchasing a laptop. He gave his expensive watch as a security and took a loan of ₹ 40,000. He was very happy to get ₹ 40,000 and quickly went to the market and purchased a laptop worth ₹ 30,000. He happily spent the rest of the amount with his friends on a pleasure trip.

Later on, Rahul realized that his watch was an expensive watch and he should not have given like this to the shopkeeper. So, he went back to the shopkeeper and asked for his watch back. Also, he refused to repay the loan amount. The shopkeeper disagrees to this and files a case against minor for recovery of the loan amount. Can the shopkeeper succeed in revering the loan amount under the Indian Contract Act, 1872?

(b)

“An Agreement the meaning of which is uncertain is void.” Discuss.

(c)

Explain the term Contingent Contract with reference to The Indian Contract Act, 1872 with the help of an example. Also discuss the rules relating to enforcement of contingent contract.

Question :4**All parts carry 5 marks each****(a)**

PQR, a hospital in Delhi, recruits Dr. A, on contract basis for a period of 3 months. The hospital management promises to pay Dr. A, a lumpsum amount of ₹ 1,00,000 if Dr. A test positive for noval corona virus (Covid 19) during the contract period of 3 months.

Identify the type of contract and highlight the rule of enforcement. Also, what will happen if Dr. A does not contract Covid 19.

(b)

Young widow was forced to adopt a boy under the threat preventing the body of her husband, who had just died, from being removed for cremation. Is this adoption valid under law?

(c)

Discuss the doctrine of public policy. Give examples of agreements contrary to public policy.

Question :5**All parts carry 5 marks each****(a)**

A and B of Delhi each deposit ₹ 1,000 with C to abide by the result of a bet between them. A wins the bet. C refuses to pay the amount to A. Can A recover the amount (i.e., ₹ 2,000) from C?

(b)

What is misrepresentation? Distinguish it from fraud.

(c)

X promises to drop prosecution which he has instituted against R for robbery and R promised to restore the value of things taken, can X enforce this promise? If so, give reasons.

Question :6

All parts carry 5 marks each

(a)

A sold some land to B. At the time of sale both parties believed in good faith that the area of the land sold was 10 hectares. It, however, turned out that the area was 7 hectares only. How is the contract of sale affected? Give reasons.

(b)

A sold some articles from his shop to B on credit, not knowing that B was a minor. The time fixed for payment expired and no payment was made. Sometime later when B attained majority, A sued him for the price. Will he succeed?

(c)

“An agreement in restraint of trade is void”. Examine this statement mentioning exceptions, if any.

Question :7

All parts carry 5 marks each

(a)

“A person who is usually of unsound mind, but occasionally of sound mind may make a contract when he is of sound mind”. Explain.

(b)

“Insurance contracts are basically wagering agreements”. Comment.

(c)

“Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that regard being had to them it is the duty of the person keeping silence to speak or unless his silence is equivalent to speech”. Explain.