

Subject: Business Economics

Course: B.A., 2nd Semester, Undergraduate.

Paper No: 203

Paper Title: Legal Aspects of Business.

Unit No.: 1 (One)

Title: Indian Contract Act, 1872

Lecture No: 1 (One)

Title: Indian Contract Act, 1872 Part-1

FAQs

Q-1. What is free consent?

Ans. The parties to the contract to give free consent for the arrangement. According to Section 14 of the Indian Contract Act, 1872, consent is said to be free when it is not caused by

- a) coercion as defined in section 15, or
- b) undue influence as defined in section 16 or
- c) Fraud as defined in section 17, or
- d) Misrepresentation as defined in section 18 or
- e) Mistake subject to the provisions of sections 20, 21 and 22

Q-2. Define Coercion?

Ans. According to Section 15 of the Indian Contract Act, 1872 coercion is the committing or threatening to commit, any act forbidden by the Indian Penal Code or unlawful detaining or threatening to detain, any property to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement.

Q-3. Define undue influence:

Ans. According to Section 16 of the Indian Contract Act, 1872, A contract is said to be induced by "undue influence" which the relations subsisting between the parties are such that one of the parties is in a position to dominate the will of the other and uses that position to obtain an unfair advantage over the other.

Q-4. Define the terms 'Consent' and 'Free Consent'. When consent is not said to be free? Explain.

Ans. Sec. 13 defines the meaning of consent as follows: "two or more persons are said to be consent when they agree upon the same thing in the same sense at the same time" Sec. 14 describe the cases when consent is not free. It lays down that consent is not free if it is caused by coercion, undue influence, fraud, misrepresentation etc. If the consent is not free the agreement is voidable at the option of the party whose consent was not free.

Q-5. Define Quantum Meruit

Ans. Quantum meruit is a Latin term meaning "as much as he deserved," the actual value of services performed. A payment for work completed under the terms of a breached contract, or when no contract exists or there is doubt as to the amount due for the work performed but done under circumstances when payment could be expected. If a person sues for payment for services in such circumstances the judge or jury will calculate the amount due based on time and usual rate of pay or the customary charge, based on quantum meruit by implying a contract existed.

Q-6. Define misrepresentation

Ans. According to Sec 18 there is misrepresentation:

When a person positively asserts a fact is true when his information does not warrant it to be so, though he believes it to be true. When there is any Breach of duty by a person which brings an advantage to the person committing it by misleading another to his prejudice. When a party causes however innocently the other party to the agreement to make a mistake as to the substance of the thing which is the subject of the agreement.

Q-7. Define rescission

Ans. When a contract is broken by one party, the other party may sue to treat the contract as rescinded and refuse further performance. In such a case, he is absolved of all his obligations under the contract.

The court may give rescission due to

1) contract is voidable. 2) contract is unlawful

The court may refuse to rescind if

2) Plaintiff has ratified the contract. 2) Parties cannot be restored to the original position. 3) The third party has acquired for value. 4) When only a part is sought to be rescinded. (sec 27 of specific relief act 1937).

Q-8. Define injunction

Ans. When a party is in breach of a negative term of contract the court may, by issuing an order, restrain him by doing what he promised him not to do. Such an order of the court is called injunction

Court refuses grant of injunction

[1] Whereby a promisor undertakes not to do something

[2] Which is negative in substance though not in form

Q-9. What is discharge by Lapse of Time

Ans. The Limitation Act, in certain circumstance, affords a good defence to suits for breach of contract, and infact terminates the contract by depriving the party of his remedy to law. For example, where a debtor has failed to repay the loan on the stipulated date the creditor must file the suit against him within three years of the default. If the limitation period of three years expires and he takes no action he will be barred from his remedy and the other party is discharged of his liability to perform.

Q-10. What is special damages?

Ans. Special damages: They arise on account of special or unusual circumstances affecting the plaintiff. They are remote in nature & not the natural & probable consequence of breach. Such damages cannot be claimed as a matter of right, they can be claimed only if the special circumstances which would result in special loss in case of breach are brought to the notice of the other party. Such damages must be in contemplation of the parties at the time of entering the contract, subsequent knowledge of the special circumstances will not create any special liability on the guilty party.