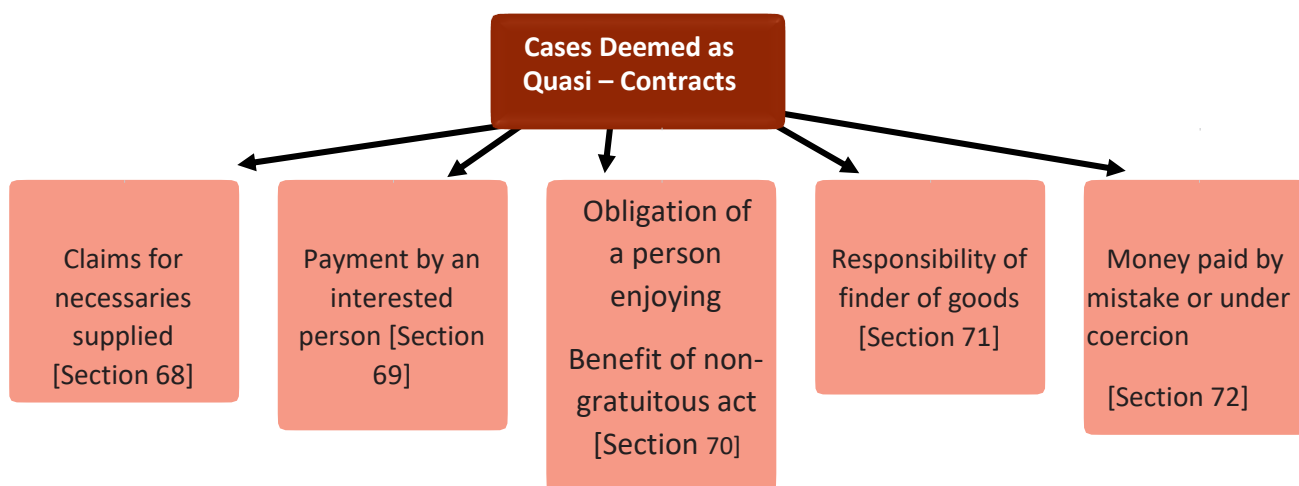


UNIT: 6
CONTINGENT AND QUASICONTRACTS

CONTINGENT CONTRACTS	“A contract to do or not to do something, if some event, collateral to such contract, does or does not happen”.
RULES FOR ENFORCEMENT	<ul style="list-style-type: none"> ▪ If it is contingent on the happening of a future event, it is enforceable when the event happens. ▪ If it is contingent on a future event not happening. It can be enforced when happening of that event becomes impossible or it does not happen at the expiry of time fixed for non-happening of the event. ▪ If the future event is the act of a living person any conduct of that person which prevents the event happening within a definite time renders the even time possible. ▪ If the future event is impossible at the time of the contract is made, the contract is <i>void ab initio</i>.
QUASI CONTRACTS	A quasi or constructive contract rests upon the maxims, “No man must grow rich out of another person’s loss”.



Question 1**Pick-up the correct answer from the following:****A contract of insurances**

- Contingent contract
- Wagering agreement
- Contract of guarantee
- Unilateral agreement

Answer:

Contingent contract

Question 2**Pick-up the correct answer from the following and give reasons:**

Contingent Contract is a

- Void
- Valid
- Voidable
- Illegal

Answer:

Option (1): Valid - As per Sec. 31 of the Indian Contract Act, 1872 a contingent contract is a contract to do or not to do something, if some collateral to such contract does or does not happen. Thus It is a conditional contract.

Question 3**Distinguish between a Wagering Contract and a Contingent Contract.****Answer:**

Difference between Wagering Agreement and Contingent Contract			
S. No.	Basis	Wagering Agreement	Contingent Contract
1.	Meaning	A wagering agreement is a promise to give money or money's worth up on the determination or circumstances of an uncertain event.	A contingent contract on the other hand is a contract to do or not to do something if some event, collateral to contract does or does not happen.
2.	Reciprocal promises	A wagering agreement consists of reciprocal promises.	A contingent contract may not contain reciprocal promise.
3.	Event	In a wagering agreement the uncertain event is the sole determining factor.	In a contingent contract the event is only collateral.
4.	Nature	A wagering agreement is essentially of a contingent nature.	A contingent contract may not be of a wagering nature.

5.	Type of contract	A wagering agreement is void.	A contingent contract is valid.
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Question 4

What do you understand by 'Quasi-Contract'? Discuss.

Answer:

A quasi-contract is a type of contract in which one party is bound to pay money in consideration of something done or suffered by the other party. Thus, no contractual relation exists between the parties, but law makes out a contract for them and such a contract is called a quasi-contract. The main objective of the quasi-contract is to prevent unjust enrichment or unjust benefit that no man should grow rich out of another person's loss. This theory was originally propounded by Lord Mansfield in the case *Moses Vs Macferlan*.

Question 5

Define Quasi Contract and state its features.

Answer:

A quasi-contract may be defined as "a transaction in which there is no contract between the parties; the law creates certain rights and obligations between them which are similar to those created by a contract."

Features

- ✦ The quasi-contract is imposed by law as it does not arise from any formal agreement. It is a relation created by law between two persons and this relation is similar to the relation created by contract.
- ✦ The basis of the quasi-contract is the principles of justice, equity and good conscience.
- ✦ The quasi-contract grants a right on one person and imposes the liability on the other person in relation with the advantage that he has already received.
- ✦ The right granted by a quasi-contract is available against a particular person or persons only and not against the whole world.

When an agreement is created under quasi-contract and is not discharged, the aggrieved party is entitled to receive the compensation from the party who is in default, as if the person has contracted to discharge it and has breached the contract.

Question 6

Supplies to B, a lunatic, the necessaries suitable to his conditions in life. In this case:

Answer:

Supplies to B, a lunatic, the necessaries suitable to his conditions in life. In this case, B's property is liable.

Question 7

Is quasi-contract a valid contract?

Answer:

Because a quasi contract is not a true contract, mutual assent is not necessary, and a court may impose an obligation without regard to the intent of the parties. When a party sues for damages under a quasi-contract, the remedy is typically restitution or recovery under a theory of quantum meruit.

Question 8

What are the elements of a quasi-contract?

Answer:

Quasi Contract Elements. There are three inherent principles to a quasi-contract. The plaintiff must show evidence of the goods or services they should have been compensated for. The defendant must have accepted those goods or services and receive some type of benefit from them.

Question 9

Is a quasi-contract the same as an implied contract?

Answer:

An implied-in-fact contract is formed by non-verbal conduct or actions between two parties. ... An implied-in-law contract is a quasi-contract which is imposed by the law on both parties, even though neither party had any intention of entering into a contractual agreement.

Question 10

Complete the sentence and rewrite it:

- 1. A contract to do or not to do something if some event, collateral to such contract, does or does not happen is legally known as-**
- 2. A contingent contract is _____.**

Answer:

- 1. Wagering agreement:** A contract to do or not to do something if some event collateral to such contract does not happen. A void agreement is on agreement without any legal effect and cannot be enforced in a court of law. The following are instance of void agreements. A agrees to pay a sum of money to B if a certain ship doesn't return
- 2. Valid:** A contingent contract will be valid only if it is a contract to do or not to do something. For instance, if a person A contracts to pay B, another person, a sum of 10,000 if B's house is burnt, it is a valid contingent contract.

Question 11

The performance of a contingent contract becomes due only upon the happening of present uncertain event. State the statement is true or false.

Answer:

The statement is False. **"The performance of a contingent contract becomes due only upon the happening or non-happening of future uncertain event".**

Question12

What are the Similarities between Quasi Contracts and Contracts?

Answer:

The result of contract and quasi contract are similar to that of contracts. So far as the claim for damages are concerned they are very similar to that of contracts because section 73 of the Indian Contract Act, 1872 provides remedies for the breach of quasi contracts as provided for the breach of express contracts in various sections of the Indian Contract Act, 1872. Remedies are available under quasi contract under Indian contract act, 1872

Question 13

Explain briefly: The duties and liabilities of a finder of goods are treated at par with bailee.

Answer:

Duties and Liabilities of finder of goods: The duties and liabilities of a finder of goods are treated at par with bailee. A person who finds goods belonging to another and takes them into his custody, is subject to the same responsibility as a bailee. (Section 71 of the Indian Contract Act, 1872). He is bound to take as much care of the goods as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk quality and value. He must also take all necessary measures to trace its true owner. If he does not take, he will be guilty of wrongful conversion of the property. Till the owner is found out, the property in the goods will vest in the finder and he can retain the goods as his own against the whole world except the real owner. He can sell the goods in the following cases:

Where the owner cannot with reasonable diligence be found; or
When found, he refuses to pay heavy full charges of the finder; or
If the thing is in danger of perishing losing greater part of its value.
If the law full charges amount to 2/3 of the value of the thing.

Question 14

Kinds of Quasi Contract

Answer:

- Supply of necessaries to persons who are incompetent to contract (Section 68).
- Payment by the interested person (Sec.69).
- Non-gratuitous acts (Section 70).
- Finder of Goods (Section 71).
- Payment of money or delivery of goods by mistake or under coercion (Section 72).

Question 15

Essentials of Contingent Contracts

Answer:

- 1] Depends on happening or non-happening of a certain event
The contract is contingent on the happening or the non-happening of a certain event. These said events can be precedent or subsequent, this will not matter.
- 2] The event is collateral to the contract
It is important that the event is not a part of the contract. It cannot be the performance promised or a consideration for a promise.
- 3] The event should not be a mere will of the promisor
The event cannot be a wish of the promisor.
- 4] The event should be uncertain

If the event is sure to happen, then the contract is due to be performed. This is not a contingent contract. The event should be uncertain.

Question 16

A's property was wrongly advertise for sale for recovery of government revenue due from B. In order to save B's property, A paid the government dues. In this case, A is entitled to recover the amount or not?

Answer:

On the basis of quasi contract, A is entitled to recover the amount of dues paid by him from B.

Question.17

A, a tradesman left certain goods at B's house by mistake, who treats the goods as his own. In this case:

Answer:

B is bound to pay as A's act is non gratuitous and quasi contract arises between them under section 70.

Question18

Enumerate the rights of the finder of lost goods.

Answer:

Finding is not keeping. The finder must make reasonable efforts to locate the real owner and may also spend reasonable money in taking care of the goods found. However, he earns certain rights also as against the goods found as well as the owner of those goods. His rights are:

1. He has a right of lien over the goods for his expenses. But he has no right to sue the owner for any such compensation (Section168).
2. He can sue for any specific reward, which the owner has offered for the return of goods (Section168).
3. He can even sell the goods under the following circumstances:
 - a) If the owner cannot with reasonable diligence be found;
 - b) If found, he refuses to pay the lawful charges of the finder;
 - c) If the goods are in the danger of perishing or of losing the greater part of their value
 - d) If the lawful charges of the finder, in respect of the goods found, amount to more than two thirds of their value (Section169).

Question 19

_____ is used in the Indian Contract Act in the part dealing with quasi contract?

Answer:

Certain relations resembling those created by contract.

Question 20

Distinction between Quasi Contracts and Contracts

Answer:

CONTRACTS	QUASI CONTRACTS
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A contract is a contract between two parties. In contract, always there is an agreement between the parties.	A quasi-contract is not a real contract. Quasi contracts are also known as “constructive contracts” or “certain relations resembling those created by contracts”.
In contract, always there is an agreement between the parties.	Where as in quasi-contract, there is no agreement between the parties.
In contract, the parties must give their consent to it	In quasi-contract, the parties do not consent.
In contract, the liability exists between the parties by the terms of the parties	In quasi-contract, the liability exists independent of the agreement and rests upon equity, justice and good conscience.
It is created by the operation of the contract.	It is imposed by law. It is not created by the operation of the contract.
It is right in ram, and also right in person is.	It is right in person am. I.e. strictly available against a person and is not available against the entire world.
2(h) of the Indian contract act, 1872, defines contract: “an agreement enforceable by law is a contract”	Salmond defines quasi contracts: “there are certain obligations which are not in truth contractual in the sense of resting on agreement, but which the law treats as if they were”.
Essentials: Free consent; The parties must be competent; There must be lawful consideration and lawful object; The agreement must not expressly be declared to be void; and If the law in force requires, it must be registered.	Essentials: It is imposed by law. It is not created by contract; It is a right in person am; The person who incurs expenses is entitled to receive money (unjust enrichment); and It is raised by a legal fiction.

CASE STUDY:

Question 21

Z rent out his house situated at Mumbai to W for a rent of ₹ 10,000 per month. A sum of ₹ 5 lac, the house tax payable by Z to the Municipal Corporation being in arrears, his house is advertised for sale by the corporation. W pays the corporation, the sum due from Z to avoid legal consequences. Referring to the provisions of the Indian Contract Act, 1872 decide whether W is entitled to get the reimbursement of the said amount from Z.

Answer:

Provision:

According to Sec. 69 of the Indian Contract Act, 1872, "A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other."

Present Case: W has made the payment of lawful dues of Z in which W had an interest. Therefore, W was entitled to get the reimbursement from Z.

Question 22

X, a minor was studying M.Com. in a college. On 1st July, 2005 he took a loan of 10,000 from B for payment of his college fees and to purchase books and agreed to repay by 31st December, 2005. X possesses assets worth 2 lakhs. On due date X fails to pay back the loan to B. B now wants to recover the loan from X out of his (X's) assets. Referring to the provisions of the Indian Contract Act, 1872 decide whether B would succeed.

Answer:

Yes, B can proceed against the assets of X. According to section 68 of the Indian Contract Act, 1872 "If a person, incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person." Since the loan given to X is for the necessaries suited to the conditions in life of the minor, his assets can be sued to reimburse B.

Question 23

Y holds agricultural land in Gujarat on a lease granted by X, the owner. The land revenue payable by X to the Government being in arrear, his land is advertised for sale by the Government. Under the Revenue law, the consequence of such sale will be termination of Y's lease. Y, in order to prevent the sale and the consequent termination of his own lease, pays the Government, the sum due from X. Referring to the provisions of the Indian Contract Act, 1872 decide whether X is liable to make good to Y, the amounts so paid?

Answer:

Yes, X is bound to make good to Y the amount so paid. Section 69 of the Indian Contract Act, 1872, provides that "A person, who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other. In the given case Y has made the payment of lawful dues of X in which Y had an interest. Therefore, Y is entitled to get her reimbursement from X.

PAST EXAMINATION QUESTIONS:

2018 - NOV[2](a)

(7 MARKS)

What is Contingent Contract? Discuss the essentials of Contingent Contract as per the Indian Contract Act, 1872.

Answer:

A Contingent Contract is a contract to do or not to do something, if some event, collateral to such contract, does or does not happen. Contracts of insurance, indemnity and guarantee fall under this category.

The essential constituents of a contingent contract are:

(a) The performance of a contingent contract would depend upon the happening or non-happening of some event. Or condition.

Example:

Promises to pay {Rs. 50,000 to B if it rains on first of the next month.

(b) The *event* referred to is collateral to the contract. The event is not part of the contract. The *event* should be neither performance promised nor a consideration for a promise.

(c) The contingent *event* should not be a mere will of the promisor. The *event* should be contingent in addition to being the will of the promisor.

(d) The *event* must be uncertain. Where the event is certain or bound to happen, the contract is due to be performed, then it is not a contingent contract.

2019–NOV

(6 MARKS)

Q.1 X found a wallet in a restaurant. He enquired of all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep till the true owner is found. After a week he went back to the restaurant to enquire about the wallet. The manager refused to return it back to X, saying that it did not belong to him.

In the light of the Indian Contract Act, 1872, can X recover it from the Manager?

Answer:

The finder of goods has no right to sue the owner for compensation for trouble and Expense Voluntarily incurred by him to presume the goods and to find the true owner, but he may retain the goods against the owner until he receives such compensation, until then the finder may retain the goods with him.

In the given case X finds a wallet in a restaurant and hands it over to the manager as the true owner could not be traced. After a week demands the wallet back from the manager, which he refuses to give, saying it did not belong to X.

Held, the manager must return the wallet to 'X' as he being the finder of lost goods was entitled to retain the goods found against everybody except the true owner.

Thus, X can recover the wallet from the manager.

DEC 2020

Answer any four questions from the remaining five questions (Marks 4)

- (a) Mr. X a businessman has been fighting a long drawn litigation with Mr. Y an industrialist. To support his legal campaign, he enlists the services of Mr. C a judicial officer stating that the amount of Rs. 10 lakhs would be paid to him if he does not take up the brief of Mr. Y.**

Mr. C agrees but, at the end of the litigation Mr. X refuses to pay to Mr. C Decide whether Mr. C can recover the amount promised by Mr. X under the provision of the Indian Contract Act, 1872?

Answer 1:

(a) Provision: As per Sec. 28 of Indian Contract Act, 1872 an agreement in restraint of legal proceeding is the one by which any party thereto is restricted absolutely from enforcing his rights under a contract through a court or which abridges the usual period for starting legal proceeding. A contract of this nature is void.

So problem asked in question is based upon Sec. 28 which is one of the essential of valid contract. Thus any agreement in restraint of legal proceeding is void and one without legal effect.

Conclusion: Thus Mr. C cannot recover amounts of Rs. 10 lakh from Mr. X as it is illegal agreement hence void and cannot be enforced by law.

2. (a) Define Misrepresentation and Fraud. Explain the Difference between Fraud and Misrepresentation as per the Indian Contract Act, 1872.

Answer 2:

(a) Misrepresentation (Section 18):-

In case of misrepresentation a party innocently makes wrong statement.

In case of misrepresentation the intention of a party is not to deceive the another party.

In case of misrepresentation a person represents something which is not actually true but he believes it to be true.

Note: - In case of misrepresentation the aggrieved party can avoid the contract.

Misrepresentation means and includes -

1. the positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true;
2. any breach of duty which, without an intent to deceive, gains an advantage to the person committing it, or any one claiming under him; by misleading another to his prejudice or to the prejudice of any one claiming under him;
3. Causing, however, innocently, a party to an agreement to make a mistake as to the substance of the thing which is the subject of the agreement.

Fraud (Section 17):

In case of fraud one party or his agent (with the consent of the another party) try to induce another party to enter into a contract with an intention to deceive another party. Following thing are considered as fraud :

(i) Suggestion or representation of the fact to another party which is actually not true and the represent or himself does not believe it to be true.

Example: A sells by auction his horse to B which A knows to be Unsound. A says to B that the horse is absolutely sound, but later came to know by B that the horse is unsound. This is a fraud.

(ii) Active concealment of a fact which represents or has knowledge.

(iii) A promise made without intention to perform it.

(iv) Any act done or fitted to deceive another party.

(v) Any act or omission which is specifically declared as fraudulent.

Note:- only those frauds are covered under Indian contract act which results in a contract i.e. due to which a party enter into a contract & those frauds are not caused under this act which does not lead the other party to enter into a contract.

Distinction between fraud and misrepresentation:

Basis of difference	Fraud	Misrepresentation
Section	Section 17	Section 18
Intention	To deceive the other party by hiding the truth.	There is no such intention to deceive the other party.
Knowledge of truth	The person making the suggestion believes that the statement as untrue	The person making the statement believes it to be true, although it is not true.
Recession of the contract and claim for damages	The injured party can repudiate the contract and claim damages.	The injured party is entitled to repudiate the contract or sue for restitution but cannot claim the damages.
Means to discover the truth	The party using the fraudulent act cannot secure or protect himself by saying that the injured party had means to cover the truth.	Party can always plead that the injured party had the means to discover the truth.

(c) In light of provisions of the Indian Contract Act, 1872 answer the following:

(i) Mr. S and Mr. R made contract wherein Mr. S agreed to deliver paper cup manufacture machine to Mr. R and to receive payment on delivery. On the delivery date, Mr. R didn't pay the agreed price. Decide whether Mr. S is bound to fulfill his promise at the time of delivery?

Answer

(c) (i) Provision : According to section 51 of Indian Contract Act, 1872. When a contract consists of Reciprocal Promises to be simultaneously performed, no promisor needs to perform his promise unless the promise is ready & willing to perform his reciprocal promise.

Such promises constitute concurrent conditions & the performance of one of the promises is conditional on the performance of the other. If one of the promises is not performed the other too need not to be performed.

Facts of case & conclusion: In the given case R did not pay the agreed price on the delivery date therefore R will be guilty of breach of promise & the breach would relive S of the obligation to perform his promise & would enable

S to treat the contract as at an end.

(ii) Mr. Y given loan to Mr. G of INR 30, 00,000. Mr. G defaulted the loan on due date and debt became time barred. After the time barred debt, Mr. G agreed to settle the full amount to Mr. Y. whether acceptance of time barred debt contract is enforceable in law?

Answer

(ii) Provision: According to Section 25(3) of Indian Contract Act, 1872 where a promise in writing signed by the person making it or by his authorized agent, is made to pay a debt barred by limitation is valid without consideration.

Facts of case & conclusion: In the given case G agreed to settle the full amount to Mr. Y of time barred debt. If such promise is in writing & signed by G or by his authorised agent then acceptance of such time barred debt is enforceable otherwise not enforceable.

(iii) A & B entered into a contract to supply unique item, alternate of which is not available in the market. A refused to supply the agreed unique item to B. What directions could be given by the court for breach of such contract?

Answer

(iii) Provision: As per the provisions of Indian Contract Act, 1872 where damages are not an adequate remedy in the case of breach of contract, the court may in its discretion on a suit for specific performance direct party in breach, to carry out his promises according to the terms of the contract.

Facts of case & conclusion: In the given case A refused to supply the agreed unique item to B the alternate of which is not available in the market. Therefore, adequate remedies are not available to B hence court can direct for specific performance of the contract i.e. according to the terms of the contract.

Question 6.

(a) Enumerate the differences between 'Wagering Agreements' and 'Contract Of Insurance' with the reference to provision of the Indian Contract Act, 1872.

Answer 6:

(a) Distinction between Contract of Insurance and Wagering Agreement

	Basis	Contracts of Insurance	Wagering Agreement
1	Meaning	It is a contract to indemnify the loss.	It is a promise to pay money or money's worth on the happening or non-happening of an uncertain event.
2	Consideration	The crux of insurance contract is the mutual consideration (premium and compensation amount).	There is no consideration between the two parties. there is just gambling for money.
3	Insurable Interest	Insured party has insurable interest in the life or property sought to be insured.	There is no property in case of wagering agreement.

			There is betting on other's life and properties.
4	Contract of Indemnity	Except life insurance, the contract of insurance indemnifies the insured person against loss.	Loser has to pay the fixed amount on the happening of uncertain event.
5	Enforceability	It is valid and enforceable	It is void and unenforceable agreement.
6	Premium	Calculation of premium is based on scientific and actuarial calculation of risks.	No such logical calculations are required in case of wagering agreement.
7	Public Welfare	They are beneficial to the society	They have been regarded as against the public welfare.

JAN 2021

Question 1

(a) Mr. S aged 58 years was employed in a Govt. Department. He was going to retire after two years. Mr. D made a proposal to Mr. S to apply for voluntary retirement from his post so that Mr. D can be appointed in his place. Mr. D offered a sum of Rs. 10 Lakhs as consideration to Mr. S in order induce him to retire

Mr. S refused at first instance but when he valued the amount offered as consideration is just double of his cumulative remuneration to be received during the tenure of two years of employment, he agreed to receive the consideration and accepted the above agreement to receive money to retire from his office.

Whether the above agreement is valid? Explain with reference to provision of Indian Contract Act, 1872.

Answer:

Provision: According to the provision of the Indian contract Act, 1877, Public policy requires that money should not be involved in the appointment of an office in which public is interested. An agreement to pay money to a public servant in order to induce him to retire from his office so that another person may secure the appointment is considered as opposed to public policy
Conclusion: By applying above provision to the given case, we can conclude that the between Mr. D and Mr. S is void as it is in the nature of opposed to public policy.

(a) Define the term acceptance under the Indian Contract Act, 1872. Explain the legal rules regarding a valid acceptance.

Answer:

- 1. Definition [Sec.2(b)]:** When the person to whom
 - The proposal is made
 - Signification his assent thereto:

- **The proposal, when accept becomes a promise**
- 2. The proposal when acceptance become a promise**
Following Are the essential elements of valid acceptance: Acceptance can be given only by the person to whom the offer is made
 - I. As per section 7 of the Act, acceptance is valid only when it is absolute and unqualified
 - II. Acceptance must be communicated: To conclude a contract between the parties acceptance must become communicate in some visible form mere mental acceptance is not a valid acceptance
- 3. Acceptance must be made with the knowledge of the offer** Otherwise such acceptance is invalid and will not create any right to the acceptor
- 4. Mode of Acceptance**
 - a) Acceptance must be expressed in some usual and reasonable manner unless the proposal prescribes the manner in which offer has to be accepted
 - b) If the proposal prescribes the manner in which offer to be accepted it must be accepted in that manner only
- 5. Acceptance must be given within fixed time or reasonable time:**
 - a) If offer has prescribed time limit then prescribed shall be given within that time
 - b) If no time is prescribed then it shall be within reasonable time
- 6. Mere silence is not an acceptance:**
 - a) Acceptance cannot be implied the silence of the office / failure to answer
 - b) However it will be implied when offeree, through his previous conduct indicated that his silence amounts acceptance
- 7. Acceptance can be Express or implied:**
 - a) If acceptance is made through words spoken or written then it is known as express acceptance
 - b) If acceptance is made through any of the following ways, then it is known as implied acceptance or acceptance by conduct.
 - By conduct of to offeree
 - By performing the condition mentioned in the offer
 - By performing some act required by the offeror
 - By acceptance the benefit /services

Mr. B makes a proposal to Mr. S by post to sell his house for Rs. 10 lakhs and posted the letter on 10th April 2020 and the letter reaches to Mr. S on 12th April 2020. He reads the letter on 13th April 2020. Mr. S sends his letter of acceptance on 16th April 2020 and the letter reaches Mr. B on 20th April 2020. On 17th April Mr. S changed his reaches to Mr. B on 19 the April 2020.

Examine with reference to the Indian Contract Act, 1872:

- i. On which date, the offer made by Mr. B will complete?**
- ii. Discuss the validity of acceptance.**
- iii. What would be validity of acceptance if letter of revocation and letter of acceptance reached together?**

Answer:

PROVISION: According to the Indian contract act 1872. Communication of offer gets complete, when it comes the knowledge of the offeree. In other words when

the letter of offer is received by the offeree mere receiving of the letters is not sufficient. Offeree must read the message contained in the letter.

The provision relating to communication of acceptance and its revocation through post are as follows:

- 1) An acceptance can be revoked before acceptance letter reaches offeror.
- 2) Acceptor shall choose a faster medium of communication to communicate his revocation of acceptance than the, medium chosen to communicate his acceptance.
- 3) When acceptor sent his acceptance through post and revocation of acceptance through telegram then following rules will apply.
 - If telegram reaches first then acceptance will be invalid.
 - If letter reaches first then acceptance will be valid.
 - If both reaches at same time then acceptance will be invalid as it is human nature to open telegram first rather than letter.

CONCLUSION: By applying above provisions to the given case, we can conclude that,

CASE A: The offer letter made by MR. B is completed on 13th April 2020.

CASE B: Since telegram contains revocation reaches first to the offeror acceptance will be contained as invalid.

CASE C: The revocation of acceptance by MR. S is valid and acceptance is invalid.

(b) Explain Doctrine of 'Indoor Management' under the companies Act, 2013. Also state the circumstances where the outsider cannot claim relief on the ground of 'Indoor Management'.

Answer:

DOCTRINE OF INDOOR MANAGEMENT:

- 1) As per this doctrine, a person dealing with the company not presumed to have the knowledge of internal proceeding of the company. The details of internal procedure are not open to public inspection.
- 2) Thus, every person dealing with the company is entitled to assume that everything has been done regularly so far as the internal proceedings of the company are concerned.
- 3) Thus every person dealing with the company is entitled to assume that everything has been done according to the provisions and procedures laid down in MOA and AOA.

This doctrine seeks to protect the outsiders against the company

FOLLOWING ARE THE EXECEPTIONS TO THIS RULE:

- 1) **Actual or constructive knowledge of irregularity:** The protection under the Doctrine of indoor management cannot be claimed by a person who has the knowledge of irregularity of constructive notice of irregularity.
- 2) **Suspicion of Irregularity Negligence:** Where the circumstances are of a suspicious nature which invites further inquiry and the person has failed to enquire into it, he shall not be entitled to protection under this rule similarly, where the transaction is of an unusual nature, the outsider must make detailed inquires.
- 3) **Forgery:** The protection under this doctrine shall not be available where the outsiders have relied upon a forged document, because

nothing can validate forgery. A company is not liable for forgeries committed by its officer.

[NOTE: But a company may be held liable for fraudulent acts of its officers under their ostensible authority on its behalf.]