

**GUJARAT NATIONAL LAW UNIVERSITY
SILVASSA CAMPUS**

**Course: Law of Contracts – II (Specific Contracts, Partnership and Sale of
Goods)**

Semester- III (Batch: 2024-29)

End Semester Examination: Oct-Nov 2025

Date: 25th October 2025

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- Do not write anything on the question paper.
- The respective marks for each question are indicated in-line.
- Indicate the correct question numbers in front of the answer.
- No questions or clarification can be sought during the exam period, answer as it is, giving reason, if any.
- Word Limit: 10 Marks: 800 words and 5 Marks: 400 words

	Part - A	Marks
Answer any THREE questions		
Q.1	<p>“X” appoints “Y” as his agent to manage the sale of goods. Six months into the agency, “X” becomes insolvent, and shortly thereafter, “Y” suffers a severe mental illness, rendering him incapable of performing his duties. During this period, “Y” had already entered into contracts with third-party buyers on behalf of “X”.</p> <p>Analyse the legal consequences on the contract of agency upon the insolvency of the principal and the incapacity of the agent under the Indian Contract Act, 1872. Evaluate whether the contracts executed by “Y” before his incapacity are valid and enforceable against the principal. Further, discuss the various modes of termination of agency recognised under the Act. Support your answer with relevant statutory provisions and judicial precedents.</p>	(10)
Q.2	<p>Discuss the true test for determining the existence of a partnership under the Indian Partnership Act, 1932. In your answer, explain the role of (i) sharing of profits and (ii) mutual agency, highlighting the exceptions where sharing of profits does not create a partnership. Support your answer with relevant case laws, such as K.D. Kamath v. C.I.T. (1971) 82 ITR 680 (SC), and other judicial pronouncements that illustrate the principles involved.</p>	(10)
Q.3	<p>A transport company employed Ramesh as a cashier. Before confirming his appointment, the company obtained a guarantee from Suresh for Ramesh’s honesty and faithful discharge of duties. At the time of giving the guarantee, the company failed to disclose that Ramesh had previously been suspected of dishonesty in service. Later, Ramesh embezzled money, and the company sought to enforce the guarantee against Suresh.</p> <p>a. Discuss whether Suresh is liable as a surety under the Indian Contract Act, 1872. Is a guarantee obtained by misrepresentation or concealment valid?</p> <p>b. What are the essential features of a contract of guarantee?</p>	(10)

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- Justify your answers with relevant cases and provisions of the Indian Contract Act, 1872. (10)
- Q.4 Draft a Partnership Deed for a firm named “XYZ and Co.,” consisting of Mr Raju, residing at Flat No. 305, Sunrise Towers, MG Road, Chembur, Mumbai – 400074, Maharashtra, India, and Mr Shyam, residing at Apt. No. 12, Sai Enclave, Linking Road, Bandra (West), Mumbai – 400050, Maharashtra, India and Mr Kaju residing at House No. 7, Green Valley Residency, Powai Road, Hiranandani Gardens, Mumbai – 400076, Maharashtra, India.

The firm is located in Shantivan Heights Cooperative Housing Society, Lokhandwala Complex, Andheri (West), Mumbai – 400053, Maharashtra, India, and the partnership commences on 12 September 2025. It is a partnership at will. All three partners contribute equal capital and share profits in the ratio of 1:1:1. The deed should include clauses relating to the rights and duties of the partners, the operation of a bank account in a scheduled bank in the name of the firm to be jointly operated by all the partners, settlement of disputes through arbitration, and provisions relating to the admission and retirement of partners. Draft the deed in proper legal form.

Part – B

Marks

- Q.5 Distinguish between the following (**any TWO**): (5x2)
- a.) Agent and Servant
 - b.) Contract of Indemnity and Contract of Guarantee
 - c.) Partnership and Limited Liability Partnership (LLP)
- Q.6 Write Short Notes for the following (**any TWO**): (5x2)
- a.) Ratification under Agency
 - b.) Rights of a Pawnee, where the Pawnor defaults to pay the debt or perform the promise at the agreed time
 - c.) Rights of the Partners
