

BLOGS

Practice Questions on Contract Law for CLAT PG 2026 (Part III)

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1. In case of wrongful termination of agency by the principal, the agent is entitled to:

- A. File a criminal case
- B. Demand reinstatement
- C. Compensation for premature termination
- D. Seize the principal's property

Correct Answer: C. Compensation for premature termination

Explanation: If the agency is terminated without sufficient cause, especially if for a fixed term, the agent may claim compensation as per Section 205 of the Indian Contract Act.

2. A contract induced by misrepresentation is:

- A. Void
- B. Voidable at the option of the aggrieved party
- C. Valid and enforceable
- D. Illegal

Correct Answer: B. Voidable at the option of the aggrieved party

Explanation: Misrepresentation makes the contract voidable, not void, unless the misrepresentation becomes fraudulent.

3. Which of the following is not a kind of agent?

- A. Factor
- B. Broker
- C. Auctioneer
- D. Lessor

Correct Answer: D. Lessor

Explanation: Lessor is a party in a lease, not an agent. The others are recognized types of

mercantile agents.

4. Which of the following agreements is expressly declared void by the Indian Contract Act?

- A. Agreement with free consent
- B. Agreement with a minor
- C. Agreement with consideration
- D. Agreement to pay for services

Correct Answer: B. Agreement with a minor

Explanation: A minor is not competent to contract; any agreement with them is void ab initio.

5. Revocation of a proposal is effective only when:

- A. It is posted
- B. It is communicated to the offeree
- C. It is written down
- D. It is signed by the offeror

Correct Answer: B. It is communicated to the offeree

Explanation: Section 5 of the Indian Contract Act states that revocation must be communicated to be effective.

6. In a lease, which of the following rights is granted to the lessee?

- A. Ownership
- B. Right to use and enjoy the property
- C. Right to sell the property
- D. Right to demolish the property

Correct Answer: B. Right to use and enjoy the property

Explanation: A lease grants the lessee the right to use the property as per the lease terms, not ownership.

7. In a contract of indemnity, the indemnifier promises to:

- A. Repay a debt
- B. Compensate for loss caused to another
- C. Deliver goods

D. Transfer property

Correct Answer: B. Compensate for loss caused to another

Explanation: As per Section 124, a contract of indemnity is one where a party promises to save the other from loss.

8. Agency can be created by all of the following methods, except:

- A. Express appointment
- B. Operation of law
- C. Estoppel
- D. Coercion

Correct Answer: D. Coercion

Explanation: Coercion cannot create a valid agency; consent is essential.

9. In a gratuitous bailment, who bears the risk of loss if bailee takes reasonable care?

- A. Bailor
- B. Bailee
- C. Both equally
- D. Government

Correct Answer: A. Bailor

Explanation: If the bailee takes due care, the bailor bears the loss, especially in gratuitous bailment.

10. The rule of estoppel applies only when:

- A. There is a written contract
- B. There is a fiduciary relationship
- C. A person has acted upon a representation
- D. A contract is terminated

Correct Answer: C. A person has acted upon a representation

Explanation: Estoppel applies when a person acts on another's representation, and the maker of the representation is then prevented from denying it.