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.