



PRESIDENCY UNIVERSITY

BENGALURU

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Make Up Examinations - December 2025

Date: 26 - 12- 2025

Time: 9:30am - 12:30pm

School: SOL	Program: BBA. LLB. (Hons.)		
Course Code : LAW104	Course Name: SPECIAL CONTRACTS		
Semester: MK	Max Marks: 100	Weightage: 50%	

CO - Levels	C01	C02	C03	C04	C05
Marks	20	22	28	15	15

Instructions:

- (i) Read all questions carefully and answer accordingly.
- (ii) Do not write anything on the question paper other than roll number.

Part A

Answer ALL the Questions. Each question carries 2marks.

10Q x 2M=20M

1.	Distinguish between pledge and guarantee	2 Marks	L1	C03
2.	Explain the nature of the lien available to a bailee.	2 Marks	L3	C02
3.	Can an indemnity holder sue for damages even before incurring an actual loss? Give reasons.	2 Marks	L2	C01
4.	Critically examine whether a pledge without delivery of possession is enforceable.	2 Marks	L1	C03
5.	If goods are stolen from the bailee's custody, under what conditions is the bailee still liable?	2 Marks	L2	C02
6.	State briefly whether a guarantee given for a minor's debt is enforceable.	2 Marks	L2	C02
7.	Can a pawnee retain goods for a debt other than the debt for which goods were pledged? Explain briefly	2 Marks	L1	C03
8.	What remedy is available to a bailor if the bailee makes unauthorized use of the goods bailed?	2 Marks	L3	C01
9.	Under what circumstances can a pledge made by a mercantile agent be considered valid?	2 Marks	L2	C02
10.	Can a guarantee be enforced if there is a material misrepresentation by the creditor? Give reasons.	2 Marks	L1	C01

Part B

Answer the Questions.

Total Marks 80M

11.	a.	P guarantees a loan taken by Q from R. R, in good faith, extends the time for repayment of the loan without consulting P. Later, Q defaults on the payment. Discuss P's liability under the guarantee in this case, with reference to the Indian Contract Act.	10 Marks (4+3+3)	L1	CO3
	b.	Examine the concept of "lien" under the law of pledge. How does it differ from a right of retention in other forms of contractual relationships?		L2	CO2
	c.	Z pledges goods to Y to secure a loan. Z later defaults, and Y claims the right to sell the goods without giving prior notice to Z. Can Y legally sell the goods under the law of pledge, if yes in what capacity? What are the conditions for such a sale?		L3	CO4

Or

12.	a.	A pledges his watch to B for a loan. After some time, A is unable to repay the loan, and B sells the watch without informing A. A learns of the sale and sues for the return of his property. Discuss the rights and obligations of the pawnee under the Indian Contract Act, and whether B acted legally.	10 Marks (4+3+3)	L2	CO3
	b.	Examine the effect of a variation in the terms of the contract between the principal debtor and creditor on the surety's liability, as per the Indian Contract Act.		L3	CO1
	c.	X lends a book to Y for a month. Y keeps the book for a year, causing it to get damaged. X demands compensation for the damage. Can X claim compensation for the damage? What are the implications under the law of bailment?		L4	CO2

13.	a.	P appoints Q as his agent to sell goods on his behalf. Q, without informing P, sells the goods at a lower price to R. P discovers the sale and wants to challenge it. What legal recourse does P have against Q? Analyze the agency relationship and its implications under the Indian Contract Act.	10 Marks (4+3+3)	L3	CO4
	b.	Critically analyze the differences between the duties of a gratuitous bailee and a paid bailee under the Indian Contract Act. To what extent can the bailee limit his liability?		L4	CO1
	c.	X pledges 100 units of goods to Y as collateral for a loan. Y, after the loan is not repaid, sells the goods to Z without informing X. Z is unaware of the pledge. X demands the return of the goods from Z. Can X recover the goods from Z? Discuss the legal principles of pledge and the rights of the pledgor in such a situation.		L5	CO2

Or

14.	a.	A acts as an agent for B in selling goods. A enters into a contract with C for a sale that is later found to be fraudulent. B seeks to avoid the contract. What is B's legal position regarding the contract with C?	10 Marks (4+3+3)	L2	C03
	b.	Discuss whether an agent can act beyond the scope of the authority granted to him by the principal. What are the consequences of such actions for both the agent and the principal?		L3	C02
	c.	A leaves his goods at B's warehouse for storage. B negligently damages the goods. A sues for damages, but B claims that the contract was gratuitous, and he is not liable for any loss. Evaluate the situation and discuss B's liability under the law of bailment.		L4	C04

15.	a.	Explain the concept of "implied conditions" under the Sale of Goods Act, 1930, and provide examples of conditions that are implied by law in a contract of sale.	10 Marks (4+3+3)	L3	C01
	b.	Discuss the principle of "Caveat Emptor" under the Sale of Goods Act and the exceptions to this principle.		L2	C01
	c.	A appoints B as his agent to purchase goods on his behalf. B, without A's knowledge, buys the goods in his own name and later resells them at a higher price for a profit. Can A claim the goods from B, and can B keep the profit? Discuss in light of the principles of agency.		L5	C03

Or

16.	a.	A gave his bike and car for repair to B. After the repair was complete, A paid B for the bike and arrived at the repair shop for collecting the vehicles. B refused to return the vehicles to A, practicing his right of lien. Discuss in the light of the above scenario, the rights and liabilities of bailor and bailee.	10 Marks (4+3+3)	L2	C03
	b.	What are the rights of an unpaid seller against goods under the Sale of Goods Act, 1930? Discuss the conditions under which an unpaid seller can exercise these rights.		L4	C01
	c.	A gives B a piece of machinery for repair. After the repair, B, without informing A, uses the machinery in his own factory for a few months. When A asks for the machinery, B claims he has a lien for the repair costs. Can B refuse to return the machinery? Discuss the rights of the bailor and bailee under these circumstances.		L3	C03

17.	a.	<p>Tara, a renowned jewellery designer, entered into an agreement with Luxury Lounge, a high-end retail chain. Under this agreement, Tara would create exclusive designs that would be displayed at Luxury Lounge's stores on a consignment basis. The agreement specified that Luxury Lounge would be responsible for the safekeeping of the jewellery and would earn a 30% commission on sales. To finance her new collection, Tara borrowed ₹25 lakhs from Heritage Bank, with her brother Vikram providing a guarantee. Tara also pledged some of her existing jewellery pieces as security for the loan. During a prestigious exhibition, several pieces of Tara's jewellery worth ₹15 lakhs were stolen from Luxury Lounge's display. The subsequent investigation revealed that the store's manager had disabled the security system for maintenance but failed to implement alternative security measures as required by company policy. Luxury Lounge had taken out an insurance policy with Secure Insurers, which included coverage for theft. However, Secure Insurers refused the claim, citing a clause that voided coverage in cases of security protocol violations. Heritage Bank is now pressing for loan repayment, threatening to sell the pledged jewellery and enforce the guarantee against Vikram. Tara is seeking compensation from Luxury Lounge, who in turn is disputing liability while pursuing the insurance claim.</p> <p>Critically analyze the legal positions of all parties involved.</p>	15 Marks	L4	CO3
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Or

18.	a.	<p>DreamHome Realty appointed Rohit as their exclusive agent to sell a luxury apartment complex developed by them. The agency agreement authorized Rohit to negotiate with potential buyers but required final approval from DreamHome for any price below the listed amount. To incentivize Rohit, DreamHome indemnified him against any legal costs arising from disputes with buyers, provided he acted within his authority. Maya approached Rohit, expressing interest in purchasing a penthouse apartment. After negotiations, Rohit accepted a deposit of ₹10 lakhs from Maya and signed a provisional agreement promising a 5% discount that had not been pre-approved by DreamHome. When informed, DreamHome refused to honor the discount. Maya demanded a refund of her deposit plus compensation for breach of contract. When Rohit sought indemnification for potential legal costs, DreamHome refused, citing that he had exceeded his authority. Meanwhile, Arjun, who had stood as guarantor for Rohit's performance as an agent, contends that any material variation in the agency agreement releases him from his obligations as guarantor.</p>	15 Marks	L5	CO4
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	Analyze the legal issues arising from this scenario, with reference to the principles of agency, indemnity, and guarantee. Advise all parties on their rights and liabilities.			
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19.	a.	Meera is a successful artist who creates custom paintings for clients. Deepak approaches her to paint a landscape for his new office and agrees to pay ₹50,000. Meera purchases special imported paints worth ₹10,000 specifically for this project. Halfway through the painting, Deepak visits Meera's studio to check the progress. He is impressed with her work and asks if he can temporarily take the unfinished painting to show his business partners. Meera agrees, but clearly states that the painting must be returned within two days. Deepak fails to return the painting on time. After a week, when Meera contacts him, Deepak informs her that the painting was damaged when his office cleaner accidentally spilled water on it. Deepak refuses to pay for the damaged painting or compensate Meera for her time and materials. Analyze this case from the perspective of bailment. Discuss the rights and obligations of both Meera and Deepak. Determine whether Deepak is liable for the damage to the painting and what compensation, if any, Meera is entitled to receive.	15 Marks	L3	C03
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Or

20.	a.	Anil owns a car rental business. He appoints Priya as his agent to manage the business while he is abroad for three months. Their agency agreement authorizes Priya to rent out cars and collect payments but explicitly states that she cannot sell any vehicles without Anil's written approval. During Anil's absence, a regular customer named Vikram offers to purchase one of the premium cars in the fleet for ₹8 lakhs. Without consulting Anil, Priya agrees to the sale and accepts a down payment of ₹2 lakhs from Vikram. She provides Vikram with a receipt on the company letterhead, promising delivery of the car within a week. When Anil returns and learns about the transaction, he refuses to honor the sale. Vikram insists that the sale is binding and threatens legal action against both Anil and his business. Analyze the legal position of all parties in this scenario. Discuss whether Priya acted within her authority and the implications for Anil's business. Advise Anil, Priya, and Vikram on their rights and liabilities in this situation.	15 Marks	L5	C05
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21.	a.	<p>Rohit, a jewelry designer, needed capital to fulfill a large order. He approached City Finance for a loan of ₹15 lakhs, pledging gold worth ₹20 lakhs as security. The pledge agreement stated that:</p> <ol style="list-style-type: none"> 1. The gold would remain in City Finance's secure vault during the loan period 2. Rohit would repay the loan within 12 months at 12% interest 3. If Rohit defaulted, City Finance could sell the pledged gold after giving 15 days' notice 4. Any surplus from the sale would be returned to Rohit <p>After six months, Rohit faced business difficulties and missed two monthly payments. Without notifying Rohit, City Finance transferred the gold to their regional headquarters for "better safekeeping." During this transfer, one gold item worth approximately ₹2 lakhs was damaged.</p> <p>When Rohit eventually defaulted on the loan, City Finance sold the pledged gold through a private sale to a local jeweler (the manager's brother-in-law) for ₹18 lakhs, claiming this was the current market value. Independent appraisers later estimated the gold's value at ₹22 lakhs at the time of sale.</p> <p>City Finance deducted the loan amount plus interest (₹16.8 lakhs) and recovery expenses (₹50,000), returning only ₹70,000 to Rohit.</p> <p>Questions:</p> <ol style="list-style-type: none"> a) Analyze the essential elements of pledge present in this case and the rights and duties of the pledgee. b) Evaluate City Finance's actions regarding the transfer, damage, and sale of the pledged gold. Were these actions legally justified? c) Advise Rohit on his legal remedies against City Finance. 	20 Marks (6+8+6)	L4	CO5
Or					
22.	a.	<p>SecureTech Ltd. provides cybersecurity services to various businesses. They entered into a contract with MediData Healthcare to protect their patient database from cyber threats. The indemnity clause in their agreement stated:</p> <p>"SecureTech indemnifies MediData against all losses, damages, and legal costs arising directly from data breaches caused by failures in SecureTech's security systems. This indemnity</p>	20 Marks (6+8+6)	L5	CO4

excludes breaches resulting from MediData's staff negligence or force majeure events."

Six months into the contract, MediData suffered a significant data breach exposing confidential patient information. Investigation revealed:

1. The attack exploited a vulnerability in SecureTech's firewall that had not been patched despite a security advisory issued three weeks earlier
2. MediData's IT manager had disabled certain security protocols to improve system speed without informing SecureTech
3. Some patient data was compromised because it was stored in an unauthorized location by MediData staff

MediData faced legal claims from affected patients totaling ₹30 lakhs, regulatory fines of ₹15 lakhs, and business losses estimated at ₹20 lakhs. When MediData claimed indemnification, SecureTech offered to cover only 50% of the regulatory fines, arguing that:

1. MediData's security protocol violations contributed significantly to the breach
2. Business losses are consequential damages not covered by the indemnity
3. Patient claims resulted from improper data storage, which was MediData's responsibility

Questions:

- a) Analyze the essential elements of indemnity present in this case and distinguish it from other similar contracts.
- b) Evaluate the extent of SecureTech's liability under the indemnity clause, considering the circumstances of the breach.
- c) Advise MediData on their legal position and potential remedies.