

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

**Course: Law of Contracts II (Specific Contracts, Partnership and Sale of Goods)
Semester- III (Batch: 2021-26)**

End Semester Examination: November 2022

Date: 04th Nov, 2022

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 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, 7 Marks: 500 words, 3 Marks: 300 words.

Q.1 Reku, a farmer based in Bastar while surfing on YouTube, viewed several videos on the benefits of essential oils and their demand in the global market. He decided to grow the lemongrass plant and supply it to the global market. He employed, Anku, a local graduate in agricultural science, to manage the plantation. Anku was tasked to grow the variety of lemon grass most suitable for the land. Reku asked Anku to find a person who is a soil-health specialist to test the soil health and determine the nature of the soil. Post soil examination, the soil-health specialist was supposed to purchase the most-suitable lemongrass breed and recommend nutrients required for the plantation. Meanwhile, Reku left for Delhi NCR to meet manufacturers of aroma, medicines and tea to understand the demand-supply of lemongrass and look for the best clients who would pay him the highest price for his produce.

**Marks
(10x2
=20)**

While Reku was still touring Delhi, Anku hired Pintu, a young undergraduate student looking for an internship and exposure in organic farming. Pintu was asked to test the soil health and quality and determine the required amount of water and nutrients for the lemongrass plantation. Pintu conducted all the tests and called Reku to share the results and asked him to bring certain organic nutrients that were available in Haryana. Reku is happy with the soil health and thus meets few companies like Organic Oils and BesTea who were now ready to purchase the lemongrass from Reku. They enter into an agreement with Reku to purchase 50 kg of lemon grass for Rs 2 lakhs. An advance payment of Rs 50 Thousand was made by both companies to Reku. However, it turns out that the test conducted by Pintu was incorrect, and thus, the results were faulty. The harvest of lemongrass is not as per the description provided by Reku to Organic Oils and BesTea, who rescinded the contract and demanded their money back.

- a) Explain Subagent and Substituted Agent and differentiate between the two. Determine the relationship between Reku, Anku and Pintu and accordingly decide the liability of Anku and Pintu.

- b) Differentiate between sale and agreement to sell. Analyse the contract between Reku and Organic Oils and BesTea and the remedies available to them.

- Q.2 After all this fiasco, Reku was bitten by the start-up bug. He incubated Desi Aromatics, a start-up in agri-tech business of essential oils, where he commissioned the plantations of lemongrass and used it for manufacturing essential oils that are further sold to cosmetics and fragrance companies. (7)

He goes to a Shark Tank program to seek investment in his start-up from leading businessmen in the country. One of the sharks Mr. Sunil Grover is very impressed with the idea and after a lot of deliberation and negotiation, agrees to invest Rs. 1 crore in his business for a share of 30 percent profit in the annual turnover for next five years. Also, he agrees to provide Reku with clientele and help him out in marketing and product standardisation. They sign the deal and gradually start working on the project. However, the business doesn't catch up and starts running into losses due to stifling competition by several local and international brands. Thus, to cut into losses, Desi Aromatics started manufacturing sub-standard products and also repackaged expired products. One of the clients got allergic to it and filed a suit to claim damages for tortious liability under the Consumer Protection Act. Mr. Sunil Grover was also made a party to the suit on the grounds of being liable for the torts committed by his partner Reku.

Discuss the test to determine partnership. Determine whether Mr. Sunil Grover is a partner.

- Q.3 After all the troubles, Reku realised that only one avenue is left for him, which was to ask for money from his elder brother Sheku. Sheku is upset on seeing Reku distressed and agrees to give him a loan of Rs 3 lakhs on the security of his car. However, Reku informed Sheku that car is at Munna's garage for repairing. Thus they decide that Reku will instruct Munna to handover the keys of the car to Sheku who will then take the car to his home. (3)

Determine the kind of delivery in the contract between the parties.

- Q.4 On inquiring why Reku needs loan, Sheku is impressed with the business idea and asks to work under him. Sheku agrees to buy lemongrass produce from the farmers and deliver them to the essential oil manufacturing unit of Reku and to package and deliver the essential oils thus manufactured to the cosmetic and fragrance companies for a salary of Rs. 20 thousand a month. Reku agrees to it as now a trusted person will be associated with the business. However, the business is not earning profits as Reku had expected, so he cannot pay regular salary to Sheku. As Sheku required money, he pledged Reku's car to Munna for 4 lakhs rupees. Reku is upset and goes to Munna to get his car back. (10x2 =20)
- a) Discuss pledge by non-owners and also determine whether the pledge by Sheku to Munna is valid or not.
- b) Discuss different kinds of the authority of an agent and explain how the Ostensible Authority of an agent is wider and more extensive than actual authority.
