

**Task 11- Indemnity and Guarantee****Marks: 15****Time: 25 mins**

Q1) (a) Mr. Chetan was appointed as Site Manager of ABC Constructions Company on a two years contract at a monthly salary of ` 50,000. Mr. Pawan gave a surety in respect of Mr. Chetan's conduct. After six months the company was not in position to pay ` 50,000 to Mr. Chetan because of financial constraints. Chetan agreed for a lower salary of ` 30,000 from the company. This was not communicated to Mr. Pawan. Three months afterwards it was discovered that Chetan had been doing fraud since the time of his appointment. What is the liability of Mr. Pawan during the whole duration of Chetan's Appointment. (5 marks)

(b) A stands surety for B for any amount which C may lend to B from time to time during the next 3 months subject to a maximum of Rs.50,000. One month later, A revokes the guarantee, when C had lent to B Rs. 5,000. Is A discharged from all the liabilities to C for any subsequent loan? What would be your answer in case B makes a default in paying back to C the money already borrowed i.e Rs.5,000? (5 marks)

Q2) (a) A guaranteed Z against trade debts to be contracted by M 'as a running balance of account to any amount not exceeding ₹8,000'. M became indebted to Z for 10,000 rupees and made a compromise with Z for 60 paise in the rupee, leaving a balance of ₹4,000 due to Z . Z brings action against A , claiming this amount under the guarantee. Decide? (3 marks)

b) Multiple Choice Questions (2 Marks)

(i) S and P go into a shop. S says to the shopkeeper, C, "Let P have the goods, and if he does not pay you, I will." This is a

- (a) Contract of Guarantee
- (b) Contract of Indemnity
- (c) Wagering agreement
- (d) Quasi-contract

(ii) A guarantee obtained by a creditor by keeping silence as to material circumstances is :

- (a) valid
- (b) voidable
- (c) unenforceable
- (d) invalid