

Daily Practice — Legal Reasoning · Logical Reasoning · Quantitative Techniques

Every question is passage-based, CLAT-2026 grade. Darken one bubble. Negative marking applies. Full solutions with examiner notes are in the companion answer sheet.

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SECTION — LEGAL REASONING

LEGAL PRINCIPLE — COMPANY LAW · SEPARATE LEGAL PERSONALITY, DIRECTOR DUTIES AND RELATED-PARTY CONTRACTS UNDER THE COMPANIES ACT, 2013 (Q1-Q4)

A company registered under the Companies Act, 2013 is in law a person distinct from the members who compose it. *Salomon v A Salomon & Co Ltd* (1897) settled the point: the company owns its own property, owes its own debts and may contract with its own shareholders, so a member who lends to it on security ranks as a secured creditor like any other. Courts lift the corporate veil only where the form is used to defeat the law, to evade a subsisting obligation or to work a fraud, or where the company is a mere sham concealing the true actors.

Section 166 sets out a director's duties. He must act in good faith to promote the objects of the company for the benefit of its members as a whole, exercise due and reasonable care, skill and diligence and independent judgment, avoid situations of direct or indirect conflict with the interest of the company, and not achieve any undue gain or advantage to himself or to his relatives. A director who makes such a gain is liable under section 166(5) to pay an amount equal to it to the company.

Section 188 governs contracts with related parties. Such a contract needs the consent of the Board by resolution, and no member who is a related party may vote on a members' resolution approving it. Where the contract is entered into without that consent and is not ratified within three months, section 188(3) makes it voidable at the option of the Board, and the director concerned must indemnify the company against any loss it suffers. Sections 241 and 242 let a member apply to the Tribunal against affairs conducted in a manner oppressive or prejudicial to any member.

1. Vikram holds all but six of the shares in a company he formed to take over his own leather business, and he lent it money against a debenture charged on its assets. The company fails, and its unsecured trade creditors say it was only Vikram under another name.

- ☐ A. The creditors are paid first, because a company run by one man is in law his agent.
- ☐ B. The creditors are paid first, since a shareholder may never also be a creditor of his own company.
- ☐ C. Vikram is paid first on his debenture; the company is a person distinct from him.
- ☐ D. The veil must be lifted, the business carried on being the very business he carried on before.

2. Bound by a covenant not to solicit his former employer's clients for two years, Harish incorporates a company in which he and his wife hold every share, and that company then solicits exactly those clients.

- ☐ A. The veil may be lifted: the company is a device to evade a subsisting obligation.
- ☐ B. The company alone answers for the soliciting, being a person distinct from Harish and his wife.
- ☐ C. No relief lies at all, because Harish in person has solicited nobody and has broken no covenant.
- ☐ D. The covenant binds the company of its own force, a company being the agent of its members.

3. A director learns at a Board meeting of a contract the company is negotiating, takes it for a firm owned by his son and earns four crore rupees by doing so. The company is unable to prove that it lost anything.

- ☐ A. He owes the company nothing, no loss flowing from what he did having been established.
- ☐ B. He may be removed from office, but the gain made by his son's firm may be kept.
- ☐ C. Only his son's firm answers for the gain, since the director himself concluded no contract at all.
- ☐ D. He must pay the company an amount equal to the gain, under section 166(5).

4. A company buys machinery from a firm in which a director's brother is a partner. No Board resolution was passed before the purchase and nothing is ratified in the four months that follow.

- ☐ A. The contract is void from the beginning, a contract with a related party being forbidden outright.
- ☐ B. It is voidable at the option of the Board, and the director must indemnify any loss.
- ☐ C. It stands, because ratification by the Board is needed only where the members have first approved it.
- ☐ D. It stands unless some member first applies to the Tribunal under sections 241 and 242 of the Act.

LEGAL PRINCIPLE — LAW OF CONTRACT · CONSIDERATION, THE EXCEPTIONS IN SECTION 25, FRUSTRATION AND DAMAGES UNDER THE INDIAN CONTRACT ACT, 1872 (Q5-Q8)

An agreement becomes a contract when a proposal is accepted and the promise is supported by consideration. Section 2(d) of the Indian Contract Act, 1872 defines consideration as an act, abstinence or promise done or made at the desire of the promisor by the promisee or any other person. Because the definition says any other person, consideration may move from a stranger to the contract; but only a party to the contract may sue upon it.

Section 25 declares an agreement made without consideration void, and then saves three cases: a promise in writing and registered, made on account of natural love and affection between parties standing in a near relation; a promise to compensate a person who has already voluntarily done something for the promisor; and a promise in writing, signed by the debtor, to pay a debt the creditor could not otherwise recover because it is time-barred.

Section 27 makes every agreement by which a person is restrained from exercising a lawful profession, trade or business void to that extent, saving only the sale of goodwill. Section 56 provides that a contract to do an act which, after it is made, becomes impossible is void when the act becomes impossible; a bargain merely made harder or costlier is not thereby frustrated. Section 73 provides for compensation for loss which naturally arose in the usual course of things, or which the parties knew when contracting to be



never for remote or indirect loss. Where a sum is named in the contract as payable on breach, section 74 entitles the injured party to reasonable compensation not exceeding that sum, whether or not actual damage is proved.

5. Ratna gifts her land to her daughter on the condition, accepted by the daughter in writing, that the daughter pay an annuity to Ratna's brother. The daughter stops paying and the brother sues her.

- ☐ A. The suit fails, the brother having given nothing at all for the daughter's promise to pay him.
- ☐ B. The suit succeeds: under section 2(d) consideration may move from any other person.
- ☐ C. The suit fails, because a gift once completed can carry no condition that the law will enforce.
- ☐ D. The suit succeeds only if the brother joins his sister Ratna as a co-plaintiff in the proceeding.

6. Without being asked, Farid finds and returns Girish's lost consignment of cotton. A month later Girish promises in an unregistered letter to pay him twelve thousand rupees for the trouble, and then refuses to pay.

- ☐ A. The promise is void, past consideration being no consideration at all under the Act.
- ☐ B. The promise binds only if registered, natural love and affection being wholly absent between them.
- ☐ C. Farid recovers nothing, having acted without any request from Girish before he acted at all.
- ☐ D. The promise is enforceable: it compensates a voluntary past act done for the promisor.

7. A contractor agrees to supply crushed stone at a fixed rate for two years. Eight months in, a mining ban triples his cost and he will lose money on every load he delivers. He pleads frustration.

- ☐ A. The plea fails: performance has become costlier but has not become impossible.
- ☐ B. The plea succeeds, a contract being frustrated once performance ceases to be commercially worthwhile.
- ☐ C. The plea succeeds, because section 56 covers every supervening event outside a party's own control.
- ☐ D. The plea fails, but only because a year of the contract's term still remains.

8. A supply contract names five lakh rupees as payable on delay. The buyer proves a delay but no actual loss, and the court finds two lakh rupees a fair measure of what the delay was worth to him.

- ☐ A. Nothing whatever is payable, the buyer having failed to prove that he suffered any loss.
- ☐ B. The whole of the five lakh rupees is payable, the parties having fixed that figure themselves.
- ☐ C. Two lakh rupees: reasonable compensation, not exceeding the sum named.
- ☐ D. Five lakh rupees, to be reduced later only if the seller applies to have the clause set aside.

SECTION — LOGICAL REASONING

LOGICAL REASONING — INFERENCE · THE TRUST'S NOTE ON FOURTEEN READING ROOMS (Q9–Q12)

A trust that runs fourteen reading rooms has published a note on last year's working. Every reading room that lends textbooks also runs a doorstep delivery van. No reading room that closes on Sundays runs a delivery van. Nine of the fourteen have a cafe attached, and every cafe-attached room lends textbooks. Membership rose at each reading room that added evening hours, and evening hours were added only where a delivery van was already running. Three reading rooms recorded a fall in membership over the year. The trust gives a maintenance grant only to rooms that lend textbooks, and every room that received the grant reported a surplus at the close of the year. The note also records that two rooms were shut for repairs for a month, and that the busiest room of all is one without a cafe. It ends by stating the trust's intention to add evening hours at every room that has a cafe attached.

9. On the note's own statements, which of the following must be true of the nine reading rooms that have a cafe attached?

- ☐ A. Each of them received a maintenance grant from the trust during the year.
- ☐ B. Each of them added evening hours at some point during the year just ended.
- ☐ C. Each of them reported a surplus at the close of the year under review.
- ☐ D. None of them closes on Sundays.

10. A fifteenth reading room is taken over by the trust, and it is found to close on Sundays. Which conclusion follows from the note?

- ☐ A. It lends no textbooks and receives no grant.
- ☐ B. It has no cafe attached and its membership must have fallen during the year.
- ☐ C. It runs no delivery van, though it may lend textbooks to its members as before.
- ☐ D. It will receive the grant as soon as it begins to run a doorstep delivery van.

11. What, if anything, follows from the note about the three reading rooms whose membership fell during the year?

- ☐ A. All three of them must be reading rooms that have no cafe attached to them.
- ☐ B. At least one of the three must have been among the rooms shut for repairs.
- ☐ C. None of the three added evening hours.
- ☐ D. None of the three runs a doorstep delivery van for the readers it serves.

12. Each of the following can be drawn from the note EXCEPT

- ☐ A. every reading room that runs a delivery van lends textbooks.
- ☐ B. a reading room that has a cafe attached does not close its doors on Sundays.
- ☐ C. a reading room that received the maintenance grant runs a doorstep delivery van.
- ☐ D. a reading room that lends no textbooks received no maintenance grant from the trust.

LOGICAL REASONING — PARADOX · THE BONUS FOR A CLEAN REGISTER (Q13–Q16)

A factory assembling water pumps introduced a scheme a year ago. Any assembly team that finished a month with no defect recorded against it in the works register received a bonus, shared equally among its members. In the twelve months since, the number of defects entered in that register has fallen by four fifths, and every team has drawn the bonus at least eight times. Over the same twelve months, complaints from buyers about faulty pumps have risen by half, and warranty repairs carried out by the firm's own engineers in almost the same proportion. Nothing else about the operation changed. The volume produced each month is what it was, 1 of the pump is unaltered, the castings and bearings come from the same two suppliers, and the inspectors who enter defe



register are the same men doing the same rounds. The works manager has been asked to explain how both sets of figures can be true at once.

13. Which of the following, if true, best explains how the works register and the buyers' complaints can both be accurate?

- ☐ A. Buyers have grown steadily more willing to complain about goods they consider faulty.
- ☐ B. Teams now pass defective units down the line rather than have them recorded.
- ☐ C. The bonus is modest and is shared equally among all the members of a team.
- ☐ D. Warranty repairs are carried out by the firm's own engineers and not by outside agents.

14. The works manager suggests that buyers have simply become readier to complain. Which of the following, if true, most undermines that suggestion?

- ☐ A. Complaints about delivery times and about packaging have risen over the same period.
- ☐ B. The firm has taken on no new buyer of any size during the twelve months in question.
- ☐ C. Some buyers complain twice about a single pump, once by letter and once by telephone.
- ☐ D. Warranty repairs, done only when an engineer verifies the fault, rose as steeply.

15. Each of the following, if true, would help to resolve the puzzle EXCEPT

- ☐ A. buyers complain about a pump only when it fails inside the warranty period.
- ☐ B. the inspectors share in the team bonus and now enter only the faults they cannot hide.
- ☐ C. faults found late in a shift are now put right unofficially and are never written down.
- ☐ D. a team that records a single defect loses the whole of that month's bonus for every member.

16. Which of the following, if true, would deepen the puzzle rather than resolve it?

- ☐ A. Teams learn their bonus position only at the close of each month.
- ☐ B. The pump sells today at the same price as it did before the scheme began.
- ☐ C. Every finished pump is tested by an independent agency before it leaves the works.
- ☐ D. The warranty offered to buyers runs for one year, as it did before the scheme began.

SECTION — QUANTITATIVE TECHNIQUES

QUANT — ENERGY & POWER · BAR/LINE GRAPH DI · FIVE YEARS OF A POWER UTILITY: GENERATION, SALES AND TARIFF (Q17–Q21)

The chart below sets out five years' working of a power utility that serves a cluster of small towns. For each year the bars give the electricity the utility generated and the electricity it actually sold to consumers, both in millions of units, and the line above them gives the average tariff, in rupees, at which a unit was sold that year. The difference between what is generated and what is sold is lost in transmission, in distribution and in theft, and the utility reports that difference as its loss. Revenue from sales in any year is the units sold that year multiplied by that year's average tariff. The figures behind the chart are reproduced in the table. The board reviews the same five rows every year before it fixes the tariff for the year that follows.

Year	Units generated (million)	Units sold (million)	Average tariff (Rs per unit)
2021	800	640	5.00
2022	900	738	5.50
2023	1,000	850	6.00
2024	1,200	996	6.25
2025	1,500	1,290	6.50

17. The utility counts as its loss the units generated in a year less the units sold in that year, taken as a percentage of the units generated. In which year was that loss the greatest, and what was it?

- ☐ A. 2021, twenty per cent
- ☐ B. 2022, eighteen per cent
- ☐ C. 2024, seventeen per cent
- ☐ D. 2025, fourteen per cent

18. By what percentage did the units generated in 2025 exceed the units generated in 2023?

- ☐ A. 33 $\frac{1}{3}$ per cent
- ☐ B. 66 $\frac{2}{3}$ per cent
- ☐ C. 25 per cent
- ☐ D. 50 per cent

19. What was the utility's revenue from the sale of electricity in 2024?

- ☐ A. Rs 6,474 million
- ☐ B. Rs 6,225 million
- ☐ C. Rs 5,976 million
- ☐ D. Rs 7,500 million, the whole of the year's generation

20. In how many of the five years shown did the units sold amount to more than 85 per cent of the units generated in that year?

- ☐ A. Two
- ☐ B. Three
- ☐ C. One
- ☐ D. Four

21. Suppose that in 2026 the utility generates 20 per cent more units than it generated in 2025, and that its loss for 2026 is held down to the percentage it recorded in 2023. How many units would it then sell?

- ☐ A. 1,548 million units
- ☐ B. 1,800 million units, the whole of the generation
- ☐ C. 1,275 million units
- ☐ D. 1,530 million units



QUANT — TRANSPORT & INFRASTRUCTURE · CASELET REASONING · THE TOLL PLAZA ON THE EXPRESSWAY (Q22-Q25)

An expressway operator collects toll at a single plaza on the road it maintains. On an ordinary working day twelve thousand vehicles cross the plaza, and they divide between cars, light goods vehicles and buses in the ratio five to three to two. The toll is eighty rupees for a car, one hundred and forty rupees for a light goods vehicle and two hundred and fifty rupees for a bus, and every vehicle pays the toll fixed for its class each time it crosses. A car owner who crosses often may instead buy a monthly pass for one thousand eight hundred rupees, which lets his car cross as often as he likes in that month without paying anything further. The operator is studying what it would collect if it raised the car toll, and for how many of its regular users the pass is worth buying.

22. What does the operator collect in toll at the plaza on an ordinary working day?

- ☐ A. Rs 14,40,000
- ☐ B. Rs 15,84,000
- ☐ C. Rs 16,32,000
- ☐ D. Rs 9,60,000, at the car rate for every vehicle

23. What share of the day's toll collection comes from buses?

- ☐ A. 37.9 per cent
- ☐ B. 31.8 per cent
- ☐ C. 30.3 per cent
- ☐ D. a little under one fifth

24. A commuter crosses the plaza twice on each day he travels, once in each direction. On how few days in a month must he travel for the monthly pass to cost him less than paying the toll at every crossing?

- ☐ A. Eleven
- ☐ B. Twenty-two
- ☐ C. Twelve
- ☐ D. Twenty-three

25. The operator raises the car toll from eighty rupees to ninety-five rupees, and the number of cars crossing on an ordinary working day falls by 8 per cent. What happens to the day's collection from cars?

- ☐ A. a rise of Rs 90,000
- ☐ B. a rise of Rs 44,400
- ☐ C. a fall of Rs 44,400
- ☐ D. no change, the rise in the toll offsetting the fall in traffic

RAPID FIRE — ONE-LINE RECALL

46 quick questions · not negatively marked

1. Which case settled that a company is a person distinct from its members? _____
2. Can a shareholder be a secured creditor of his own company? _____
3. Name three grounds on which a court lifts the corporate veil. _____
4. Is one-man control by itself a ground for lifting the veil? _____
5. Which section of the Companies Act, 2013 states a director's duties? _____
6. In whose interest must a director act under section 166(2)? _____
7. What standard of conduct does section 166(3) set? _____
8. What does section 166(4) forbid? _____
9. What does section 166(5) forbid, and for whose benefit? _____
10. What is the remedy for an undue gain under section 166(5)? _____
11. Must the company prove loss to recover under section 166(5)? _____
12. Which section governs contracts with related parties? _____
13. What consent does section 188 require first? _____
14. May a member who is a related party vote on the approving resolution? _____
15. What happens if a related-party contract is not ratified within three months? _____
16. Who indemnifies the company for loss on such a contract? _____
17. Is a related-party contract void or voidable? _____
18. Under which sections may a member complain of oppression and mismanagement? _____
19. Which section of the Contract Act defines consideration? _____
20. Whose act can be consideration under section 2(d)? _____
21. Can a stranger to the contract sue upon it? _____
22. Which case illustrates consideration moving from a third party? _____
23. What is the general rule in section 25? _____
24. State the first exception in section 25. _____
25. State the second exception in section 25. _____
26. State the third exception in section 25. _____
27. Does section 25(2) need a prior request by the promisor? _____
28. What does section 27 declare void? _____
29. What is the exception written into section 27 itself? _____
30. State the rule in section 56. _____
31. Does a steep rise in cost frustrate a contract? _____
32. Which case states that commercial hardship is not frustration? _____
33. What two kinds of loss does section 73 compensate? _____
34. Does section 73 reach remote loss? _____
35. What does section 74 give where the contract names a sum payable on breach? _____
36. Is the sum named under section 74 an automatic entitlement? _____
37. What must an inference be? _____
38. Why can you not infer the converse of a conditional? _____
39. What is the contrapositive, and is it valid? _____
40. What must a resolution to a paradox do? _____
41. How do you compute a utility's loss percentage? _____
42. When is a flat monthly pass worth buying? _____
43. What did Salomon v Salomon settle? _____
44. Name two grounds on which a court lifts the corporate veil. _____
45. Under s.166(5), what must a director not do? _____
46. A related-party contract entered without required consent i _____

