

# Indian Contract Act

## Unit 1

1. Important Definitions:

(a) Contract 2(h): An agreement enforceable by law.

(b) Agreement 2(c): Every promise and every set of promises forming consideration for each other

(c) Promise 2(b): when the person to whom proposal is made signifies his assent thereto, the proposal is said to be accepted. Proposal when accepted becomes a promise.

(d) Enforceability by law: An agreement to become

Contract must give rise to legal obligation which means duly enforceable by law.

Important Equations:

1. Contract = Agreement + legal enforceability
2. Agreement = offer + Acceptance

\* Difference between Contract and Agreement refer Book.

2. Essentials of a Valid Contract

As Given by section 10 of ICA 1872:

1. Agreement: An agreement is a result of offer and Acceptance and its first essential element of a Valid Contract.
2. Free Consent: Two or more persons are said to Consent when they agree upon same thing in same sense. The term used is Consensus ad idem. Consent would not be considered free if Caused by coercion, undue influence, fraud, misrepresentation or mistake.

3. Capacity of Parties: Section 11 signifies that every person is competent to contract who is

- of age of Majority
- is of sound mind
- is not disqualified from contracting.

4. Consideration: It means "quid pro quo" i.e. "something in return".

5. Lawful Consideration and Object: Section 23 states that Consideration or Object is not lawful if it is prohibited by law or if it defeats any provision of any law.

6. Not expressly declared to be void: Agreement entered must not be expressly either ~~to~~ unlawful or void.

Essentials of valid contract not mentioned in Section 10:

1. Two Parties: A contract involves at least two parties, one making offer and other accepting it.  
Case: State of Gujarat vs. Ramlal S & Co.
2. Parties must intend to create legal relations:  
Social or domestic type of agreements are not enforceable in court of law.

Case: Balfour Vs. Balfour.

3. Other Formalities to be complied with:

Agreement may be written or Oral; there is no difference between these two. However, certain formalities may be added

Eg. Insurance contract must be written contract only

4. Certainty of Meaning: Agreement must be certain and not vague.

5. Possibility of performance of an Agreement: Any agreement to do impossible task cannot be enforceable.

Eg. finding treasure by Magic.

## Types of Contract :

① On the Basis of Validity:

(a) Valid Contract : Binding and enforceable contract ,  
Eg A purchased goods worth ₹100000 from B.

(b) Void Contract : Contract that ceases to be enforceable .

Eg: A agreed to write Book and later died.

(c) Voidable Contract : An agreement enforceable at the option of one of the Party.  
Eg. X agree to sell his scooter to Y at gunpoint.

(d) Illegal Contract : Immoral contracts that are void ab initio and cannot be enforced  
Eg. Contract of Murder.

(e) Unenforceable Contract : Contract with some technical defects eg: Time barred Debt.

On the basis of formation of contract:

- (a) Express Contract: If terms are expressed by words or in writing:
  - written contract.
- (b) Implied Contract: No written terms and conditions, implication is by action or conduct of parties.
- (c) Tacit Contract: Silent contract that is inferred by conduct of parties. eg: cash withdrawn from ATM.

(d) Quasi Contract : A contract created by law under certain circumstances.  
Eg. Finder of goods.

(e) E Contracts : E Commerce contract Eg: online shopping.

On the Basis of Performance of Contract:

(a) Executed Contract : When any act is done or ~~is~~ executed. Eg: Sale of goods for cash.

(b) Executory Contract : When consideration is performed in future.

(i) Unilateral contract : When one party has performed duty.

(ii) Bilateral contract : When obligation is outstanding on part of ~~both~~ both parties.

## Proposal / offer [Section 2(a)]:

When 1 Person signifies to another his willingness to do or to abstain from doing anything with a view to obtain assent of that act or abstinence, it is assumed that offer is made.

## Essentials of Proposal:

- 1) Person Making Proposal or offer is called Promisor or offeror
- 2) For a valid offer the Party making it must express his willingness to do or not to do something.

3). Willingness must be expressed with a view to obtain assent from other party

4) An offer can be positive as well as negative

Kinds of offer:

- How made:

(a) Express offer

(b) Implied offer

- To whom made

(a) General offer

(b) Specific offer

## Classification of a offer:

- (a) General offer: An offer made to public at large, anyone can accept.  
Case: Carlill vs. Carbonic Smoke Ball Co.
- (b) Special offer: When offer is made to specific person  
Case: Boulton vs. Jones
- (c) Cross offer: When two parties exchange identical offers. However to bind, one party must accept
- (d) Counter offer: When offer is accepted subject to

modification and variation in original terms

(e) Standing or continuing offer:  
An offer which is allowed to remain open for specific period of time.

Essentials of valid offer:

- ① Offer must be capable of creating legal relation.
- ② It must be certain, definite and not vague.
- ③ It must be communicated to offeree.

④ Case: Lalman Shukla v. Gauri datl.

④ It must be made with a view to obtain assent from other party.

⑤ It may be conditional

⑥ Offer should not contain a term non-compliance of which amounts to acceptance.

⑦ Offer may be either specific or general.

⑧ Offer may be express or Implied

⑨ Offer is different from Invitation to offer, Statements of Intention/Price, Prospectus or Advertisement.

⑩ Statement of price is not an offer.

## Modes of Revocation of offer:

①

# Question Answer Practice

Module

①

An agreement comes into existence when one party makes proposal or offer to other party & that party gives acceptance [ Agreement = Accepted proposal + (consideration) ]  
However, A Contract is an agreement Enforceable by law [ Contract = Agreement + legal Enforceability ]

There are certain agreement that don't legal enforceability for eg: Social, Moral or Religious agreements.

Therefore, we can say Agreement is wider term.

So, Any agreement not intended to create legal relation is not a Contract.

However, Prerequisite of Contract is an Agreement