



UNITS -

1 - Nature of Contract :-

2 - Consideration

3 - Other essential elements of Contract

4 - Performance of Contract

5 - Breach of Contract

6 - Contingent / Quasi contract

7 - Indemnity + Guarantee

8 - Bailment + Pledge

9 - Agency

General  
Contract

1 to 75

Special  
Contracts

124 to 138



# ★ The Indian Contract Act, 1872

★ → Came into force 01<sup>st</sup> Sep. 1872

★ → Applicable to whole of India

★ → History :- Hindu law → Manu (Bilateral & Barter)

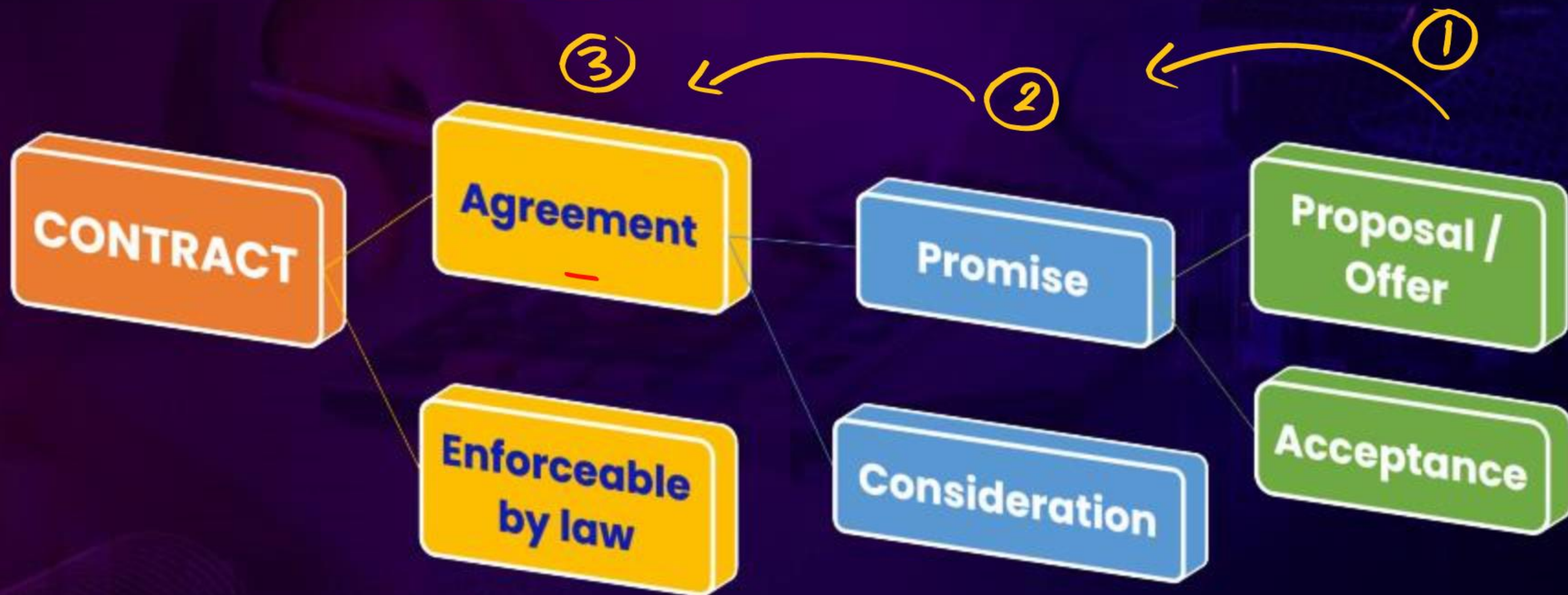
Mohammedan law of contract

English law → Minor ⊗ / sound mind ⊗ / Intoxicated ⊗

→ Importance ?

For Business transaction.


# WHAT IS A CONTRACT?



# ACCEPTANCE

Section 2(b)



1. When the person to whom the proposal is made
2. signifies his assent thereto, 
3. the proposal is said to be accepted.
4. The proposal when accepted,
5. Becomes a Promise

When  
Proposal / offer  
is  
accepted

PROMISE

# CONSIDERATION

= unit 2

Section 2(d)



Consideration is an essential element of a valid contract without which no single promise will be enforceable.

quid pro quo, i.e. Something in return.



~~\*~~ Agreement

=

Offer/Proposal + Acceptance  
For  
Mutual consideration

PROMISE





# AGREEMENT

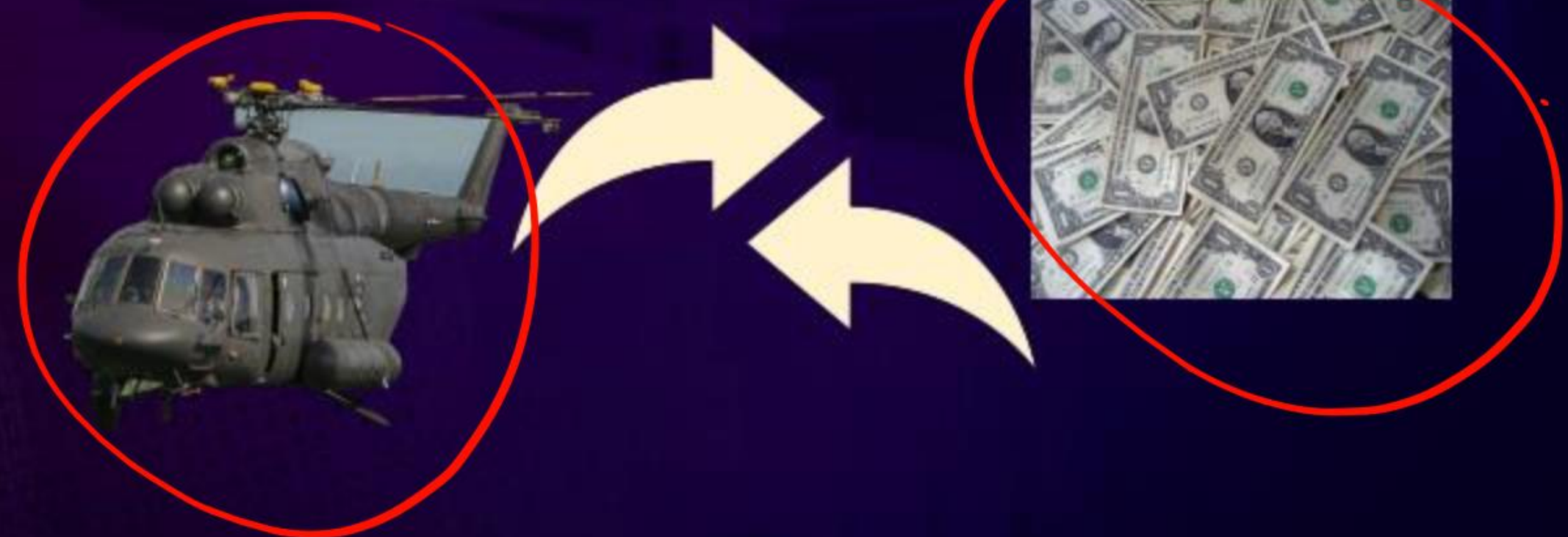


Section 2(e)

- 1. Every **promise** and every set of promises
- 2. Forming the **consideration** for each other



## RECIPROCAL PROMISES



# Enforceability by law



An agreement to become a contract



Must give rise to a legal obligation



Which means a duty enforceable by law. ✓

≡ Contract

<sup>accept + offer</sup> =  
Accepted proposal/Agreement

+

Enforceability by law ✓

❖ **All agreements are not covered under The ICA, 1872**

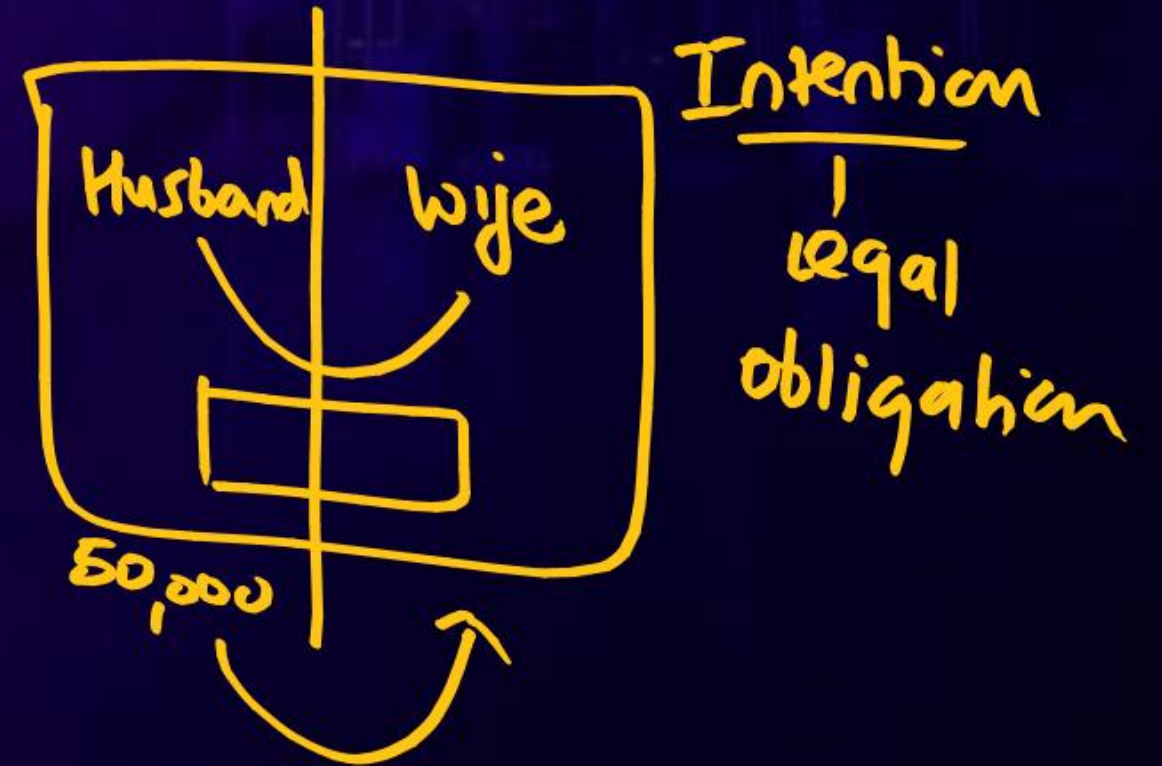
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❖ **As some of those are not contracts.**

❖ **Only those agreements, which are enforceable by law**



❖ **Are contracts.**



★ When one person signifies his willingness to another person to do or not to do (abstain) something with an object of receiving assent, such act is called **OFFER/PROPOSAL**.

★ When the person to whom offer was made accepts or give his assent then it is called **Acceptance** & it converts into a **promise**.

**Consideration** is an essential element which means reciprocal promises and when it is available it form an **Agreement**.

An agreement which is binding on both the parties means which create legal obligation is **enforceable by law** & hence it will be called **Contract**.

# ★ Summary :- Essential elements of a Valid Contract :-

★ Other Important elements are as follows -

- ★ (1) Two parties = can be a natural or legal person
- ★ (2) Must be with an intention to create legal relationship or obligation. [social / domestic  $\neq$  contract] **Balfour vs Balfour**
- ★ (3) legal formalities / doc. are must in certain cases eg:  
contract of insurance, immovable property etc.
- ★ (4) Meaning must be certain & not vague or indefinite
- ★ (5) Performance must be possible & not impossible. Agreement -  
must be capable of performing.



SECTION 10 :- Essential elements which must be present in a valid contract :-



(1) [A] — [B]  
offer / acceptance



(2) FREE consent  
(आजाद)

(3) Capacity / competency of parties - SECTION - 11 <sup>(क्षमता)</sup>

- MINOR x
- Unsound x
- Disqualified x

(4) Consideration

(5) object / consideration = Lawful ✓ / legal ✓

(6) Not expressly to be void

## ★ SECTION 10 :- Essential elements of a VALID Contract →

★ All agreements are contract if →

- ★
- ① valid offer & acceptance is present.
  - ② they are made by the FREE CONSENT
  - ③ by the COMPETENT / CAPABLE parties
  - ④ for a legal / lawful object & consideration ⑥
  - ⑤ and they are not expressly to be void.

(1) An agreement is the first-essential element of a valid contract

Agreement is the outcome of valid offer & acceptance for consideration

(2) Consent between the parties should be there for the same thing in the same sense which is called "Consensus ad idem".

## ★ Section 10 = Continuation .....

- ★ - Consent should also be free means should not be caused by coercion, undue influence, fraud etc. If the consent is caused by such reasons then contract is voidable at the option of aggrieved party.
- ★
- ★

(3) SECTION-11 - Refer next star sheet

(4) Consideration must be present

(5) Object & consideration must be lawful / legal as per section 23  
eg:- Prohibited by law, injury to person / property, fraudulent  
Immoral or opposed to public policy etc.

(6) Not expressly to be VOID.

★ ★ ★ SECTION II = Qualifications / Competent parties :-



(b)  
Sound Mind  
he should be in  
his SENSES  
(- बुद्धि )

- Permanently Lunatic / पागल
- Idiot
- Drunken person (Intoxicated)

(c)  
Not disqualified  
by the court

- Convict / अपराधी
- Alien enemy  
    ↓  
    Country / war
- Insolvent etc.

! If any such person  
= Not Valid

★ Summary :- Types of contract = on the basis of VALIDITY

★ (1) Valid contract :- Which is binding & enforceable by law. It has all the essential elements.

★ (2) Void contract :- Contract which ceases to be enforceable means which cannot be enforced by court of law

(3) Voidable contract :- Contract which is not enforceable at the option of aggrieved party & when the party does so it becomes voidable.

(Majorly because of absence of free consent)

(4) illegal contract :- Which is forbidden by law & punishable. Collateral agreement - are also void with illegal agreement

(5) Unenforceable :- Not enforceable due to technical defect. eg:-  
Absence of writing, time barred debt etc.



## VOID Contract

## Voidable Contract

Enforceability  
Ⓢ

Not at all. Cannot be enforced now.

Yes. If one party wants.  
At the option one party

Why?  
Reason

Due to change in law  
—— Gov. policy  
—— Sub. impossibility

Due to absence of  
**FREE CONSENT.**

Performance

Not at all. Can't be performed

Yes, if the aggrieved party does not avoid the contract in reasonable time

RIGHTS

No legal rights / remedies  
None.

Rescind ✓ Reasonable time  
cancel ✓      Yes (void)  
   No (valid)



## VOID AGREEMENT

## ILLEGAL AGREEMENT

Meaning

From the beginning  $\neq$  Not enforceable  $\leftarrow$

↓  
Prohibited by law

Legality

Not compulsory to be illegal

By nature - illegal  
Prohibited by law.

Punishment

No punishments as such

Legal penalties / criminal charges ✓

Example

Minor / impossible act etc.

Crime / murder / robbery etc.

Collateral Ag.

Additional / collateral may be VALID

collateral agreement - will be void & unenforceable.

# ★ Contracts on the basis of Formation :-

★ (1) Express :- When terms of the contract are expressed by words or writing

★ (2) Implied :- Such contracts come into existence by implication of law or conduct/action of parties. In such contract promise is made otherwise than words/writing.

TACIT = type of an implied contract. Tacit = silent

(3) Quasi :- A contract which is not an actual contract but resembles a contract. It is created by law hence it gives legal rights/obligation to parties. Contract is imposed by law even if no intention of parties.

(4) E-contract :- EDI contract  
Cyber contract  
E-commerce contract

When parties enter into contract electronically eg: via emails etc.

## ★ Contracts on the Basis of Performance :-

★ (1) Executed :- When consideration (Reciprocal promises) given in the contract of doing an act or forbearance is done or completed then it is an executed contract

★ (2) Executory :- When consideration (Reciprocal promises) is yet to be performed in the future

(a) Unilateral :- This is one sided contract where one party has performed but the other party's performance is pending / due.

(b) Bilateral :- Performance of both the parties are due or outstanding

## ★ Essentials / Rules of a Valid Offer:-

- ★ (1) Capable of creating legal Relationship. eg: Birthday / Diljit Paji
- ★ (2) offer must be certain / definite and Not vague. eg: oil
- ★ (3) offer must be communicated to offeree.
- (4) offer must be made with a view to obtain Assent
- (5) offer MAY be conditional but
- (6) offer cannot have a term whose non compliance would assume acceptance (automatic). eg: No reply in 48 hours.  
Silence does not amount to acceptance
- (7) offer can be General / Special and Express / Implied

## ★ Sheet 2 : Types of offer :-

★ (1) General offer :- When offer is made to public at large. means anyone can accept the offer. Acceptance can be done by performing the condition hence no legal or formal acceptance is required. This type of offer can be accepted by anyone until it is withdrawn or retracted.

Relevance case law - : CARLIL VS CARBOLIC SMOKE BALL CO.

★ (2) Special / Specific offer : When offer is made to a specific person. Acceptance must be received from that specified person only.

Relevance case law : Boulton vs Jones

## ★ Sheet 2 :- Types of offers :-

★ (3) CROSS OFFER :- When both the parties exchange identical offers and they are not-aware of it. Such offer does not create a binding contract. cross offer does not mean mutual acceptance

★ (4) Counter offer :- Qualified / Condition Acceptance  
When offeror offers qualified acceptance means it is subject to modification / variation in the original offer's terms.  
counter offer amounts to rejection of original offer

(5) Standing offer / open offer :- An offer which is open for a fixed period of time within which anyone can accept it. Eg could be tenders for a fixed period of time is a standing offer

## ★ Invitation to offer :-

★ ITO is different from an offer because ITO means it is a circulation of offer. It means ITO is an attempt to induce offers and that is why ITO precedes offer.

★ OFFER is different from the below :-

(1) Mere statement of Intention

(2) offer must be distinguished from an answer to a question.

(3) A statement of price is not an offer.

Rej. case law: Harvey vs Face

Quoting a price does not amount to an offer

(4) Few other examples :- Advertisement, Auction sale, Prospectus, display of goods



# OFFER

## Invitation to offer

DEF<sup>n</sup>  
Meaning

① offer is a final willingness which is definite & when accepted becomes a binding contract.

When a party shown an intention to negotiate means there is no final willingness it is called ITO

Sequence

② offer comes after ITO

ITO is precedent to an offer

I

③ Intention of an offeror is to be bound when accepted.

Intention just to invite other to give offers.

I

④ Impact → when accepted becomes binding contract & legal obligation

It is just to start negotiation  
No contract is formed.

## *Difference between Offer and Invitation to Offer*

<b>Basis</b>	<b>Offer</b>	<b>Invitation to Offer</b>
<b>Definition</b> ✓	A definite proposal that, if accepted, creates a binding contract.	A preliminary statement that seeks to induce offers.
<b>Intention</b> ✓	The offeror intends to be bound by the terms of the offer upon acceptance.	The intention is to invite others to make offers or proposals.
<b>Nature of Statement</b> ✓	Final expression of willingness to enter into a contract.	An attempt to start negotiations or receive offers.
<b>Effect of Acceptance</b> ✓	Acceptance of the offer results in a contract.	Acceptance does not create a contract; it leads to further negotiation.
<b>Examples</b> ✓	A specific proposal to sell a product at a particular price.	An advertisement of books for sale or houses to let.
<b>Legal Position</b> ✓	Creates a legal obligation upon acceptance.	Does not create a legal obligation; it only leads to a request for offers.
<b>Test for Determination</b> ✓	Whether the person making the statement intends to be bound immediately upon acceptance.	Whether the statement is meant to induce negotiation rather than bind immediately.
<b>Acceptance Impact</b> ✓	Directly results in the formation of a contract.	Leads to negotiation; no contract is formed by mere acceptance.



## ★ Rules for valid acceptance :-

★ (1) Same Person :- In case of specific offer.

★ Acceptance can be given only by the person to whom offer was made - Rej. case law = Boulton vs Jones

★ In case of general offer :- Acceptance can be given by performing the condition as required [CARLIL] case law

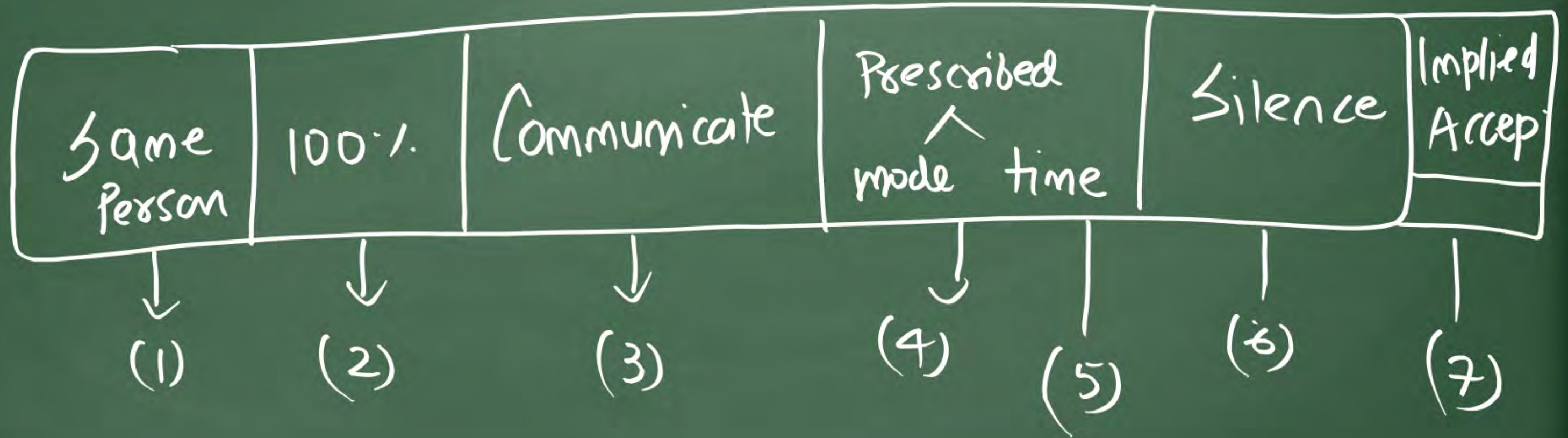
(2) 100% = Acceptance must be absolute and unqualified.

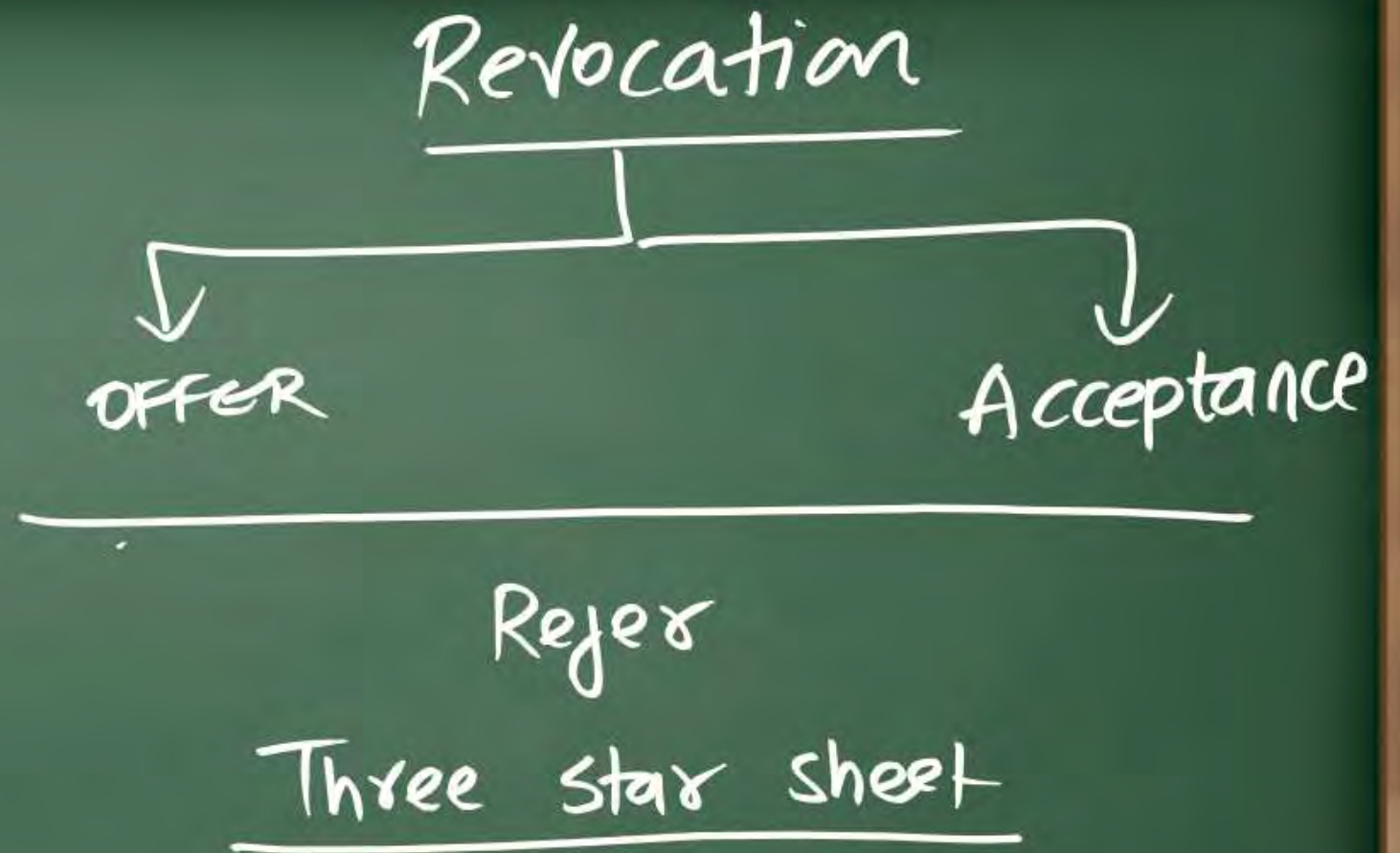
(3) Communicated :- Acceptance must be communicated

(4) (5) Prescribed :- Acceptance must be prescribed mode & time

     If not prescribed then reasonable mode & time.

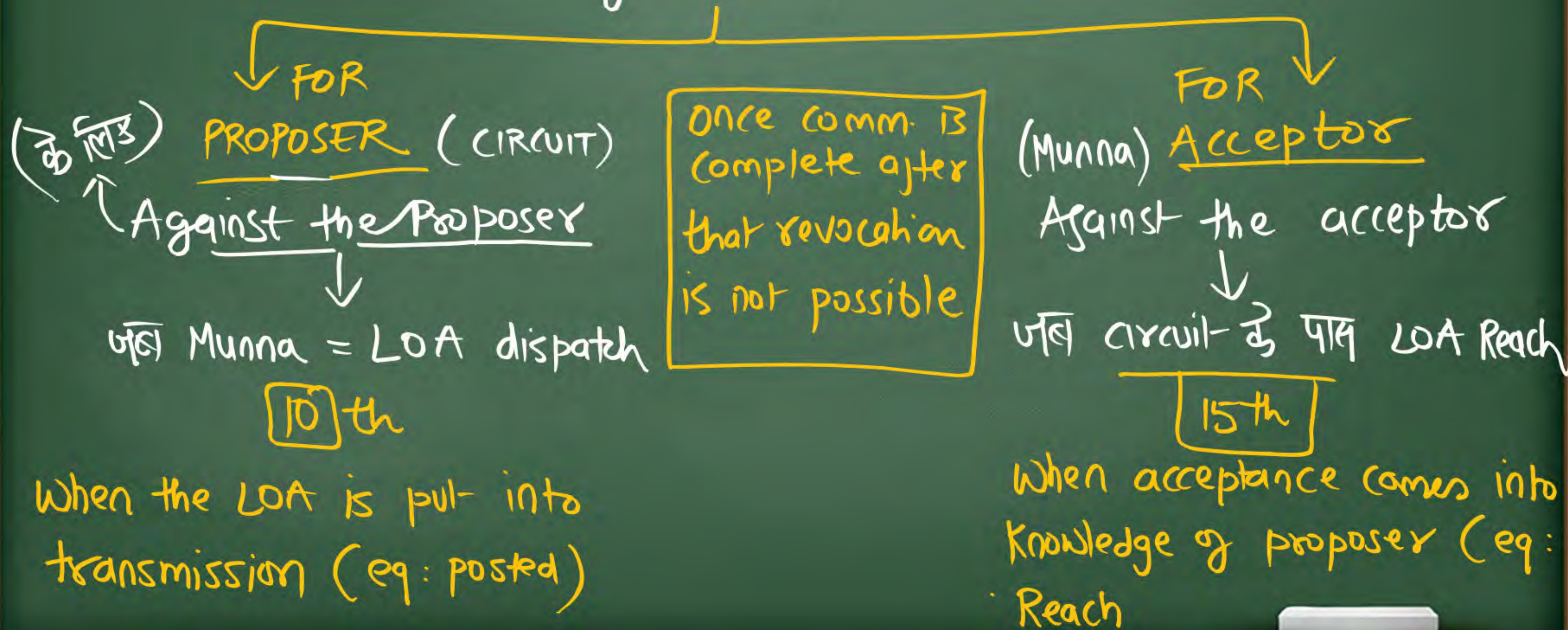
- ★ (6) Mere silence is not acceptance
- ★ (7) Implied Acceptance :- This is acceptance by conduct
- ★







# Completion of Communication of Acceptance





## REVOCAATION :-

### ① PROPOSAL / OFFER :-

An offer can be revoked **BEFORE** it is accepted [eg. Date of dispatch of letter of Acc.]

### ② ACCEPTANCE :-

An acceptance can be revoked **BEFORE** it comes to the knowledge of proposer [eg. Date when LOA reaches].



Modes of Revocation of Offer



- 1 By notice of revocation *Circuit* { letter of offer, letter of Revocation
- 2 By lapse of time *1 week / 1 month | No time = Reasonable*
- 3 By non fulfilment of condition precedent
- 4 By Death or Insanity *Advance = 20 l.*
- 5 By Counter Offer (conditional Acceptance)
- 6 By the non acceptance of the offer according to the prescribed or usual mode *X*
- 7 By subsequent illegality *Impossibility*

*Advance = 20 l.*

*Gov Ban 05/06 Diesel Car 25/06 Accept*