



# The Indian Contract Act, 1872

## Unit - 1

### ① Process of Contract

Step-1 Offer = Expression of willingness

+  
Intension to obtain the consent  
of another party.

Step-2 Promise = Accepted Offer

Step-3 Agreement = Promise + Consideration

↓  
(something in return)

Step-4 Contract = Agreement + Enforceable by law

Note: Valid in the eyes of law. ←

### ② Essential elements of a valid contract :

#### ① Two Parties

There must be at least two parties.

#### ② Certainty of Meaning

The meaning of the contract must be certain.

For example :

Mr. X agrees to sale some oil (1-tonne) to Mr. Y for ₹10,000. It is not a valid contract, because the type of oil is not certain.



### ③ Possibility of Performance

For example :- Mr. Senu promise to bring a star on Earth if Ms. Mona will marry him. It is not a valid contract because of impossibility.

### ④ Competent Parties

The parties of the contract must be competent i.e. -

- Major (not minor)
- Sound mind (unsound mind)
- Qualified (certified by law (not disqualified))

(insolvent, criminal)

### ⑤ Lawful Consideration

The consideration of the contract must be lawful i.e. - valid in the eyes of law.

For example :-

Purchase and Sale of drugs is not a valid consideration.

### ⑥ Intension to create legal Relation

(not social, domestic)

The intension of the parties must be to create legal relationship not social or domestic relation.

For example :-

Contract to attend a birthday party is not a valid contract.



## Types of Contract

Category (A) → On the basis of performance

### (i) Executed Contract

Where both the parties of a contract have performed their promises then it is called as executed contract.

For example →

Sales of goods for cash.

### (ii) Executory Contract

Where one party or both the parties of the contract has to perform their promises in near future then it is called as executory contract.

Executory contract can be in following two ways:-

a) Unilateral Contract ÷ Where one party has performed his obligation but another party has to perform the obligation in near future, then it is called as unilateral contract.

b) Bilateral Contract ÷ Where both the parties has to perform their obligation in near future then it is called as bilateral contract.

(iv) E-Contract +

In case of E-Contract data is transferred electronically and contract is made electronically.

For examples:

Contract with flipkart, amazon, etc.

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Category (C) → On the basis of Validity(i) Valid Contract ÷

It is enforceable by law.

Contain all the elements of a valid contract.

(ii) Void Contract ÷ It is not enforceable under law.

For example → Contract entered by minor, uncertain contract, impossible contract, etc.

\*Imp.

(iii) Voidable Contract ÷ It is enforceable at the option one or more party, but not at the option of another party. Voidable Contract comes into existence when contract is influenced by:

- Coercion (It involves threat or physical force.)
- Undue Influence (Moral and Mental pressure.)
- Fraud
- Misrepresentation

Note ÷ Cont Voidable contract is enforceable at the option of aggrieved party. Voidable contract is not enforceable at the option of defaulting party.

- 2) Void Contract is not at all enforceable.  
 3) Void contract is not enforceable at the option of any party but voidable contract is enforceable at the option of aggrieved party.

(iv) Illegal Contract :- Illegal contract is prohibited/forbidden by law. It is punishable under law.  
 For example  $\Rightarrow$  Contract to commit crime, purchase and sale of drugs, etc.

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(v) Unenforceable Contract :- It is a contract which is good in substance i.e., subject matter is not defective, but contract is not enforceable due to some technical defects.  
 For example  $\Rightarrow$  Contract is not properly stamped or not properly in writing, etc.

\*Imp.

Difference between void and illegal contract.

<u>Void Contract</u>	<u>Illegal Contract</u>
1. Void contract is not necessarily an illegal contract.	Illegal contract is always void.
2. Not Punishable.	Punishable.
3. Not prohibited/forbidden.	Prohibited/Forbidden.
4. Collateral agreements of void contract are not void.	Collateral agreements of illegal contract is not void.



## Offer / Proposal

### Types of Offer

↓  
General Offer

↓  
Special / Specific Offer

↓  
Counter Offer

↓  
Cross Offer

↓  
Standing Offer

#### 1) General Offer

It is given to general public and anyone can accept it.  
For example →

X agrees to give ₹500 to any person who will bring back his lost child.

#### 2) Special / Specific Offer

It is given to a specific person and only that person can accept the offer.

#### 3) Counter Offer

In case of counter offer the offerer accept the offer but he accept the offer with modification or variation.

Note: In case of counter offer, original offer is rejected or lapsed.

For example → Mr. Ram offers to sale his house to Mr. Hanuman for ₹ 2 crore and Hanuman agreed to purchase the house for ₹ 50 lakh. Here Hanuman made a counter offer to Mr. Ram.



4) Cross Offer (It is not a contract till both the parties <sup>have given their</sup> ~~accept~~ <sup>accept</sup> ~~price~~ <sup>price</sup>.  
In this case both the parties exchange the identical (similar) offer with each other because of ignorance of each other offer.

For example  $\rightarrow$  Mr. P agrees to sale a book to Mr. Q and at the same time Q offer to P for the purchase of same book.

5) Standing/Open/Continuing Offer

It is an offer which remains open for a period of time.

For example  $\rightarrow$  Tender of govt.

## Definition of Offer

When a person expresses his ~~of~~ willingness to do or not to do a work with an intention to obtain the consent of another party, then such person is said to have made an offer.

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## Essential elements of Offer

- 1.) Expression of willingness
- 2.) Intention to obtain the consent of another party.
- 3.) Offer can be for doing or not doing the work.



## Notes

Date

### Essential elements / rules relating to Valid Offer

1. Offer must be for creating legal relation.

2. Offer must be certain: Offer should not be uncertain.  
For example  $\rightarrow$  X offer to sell 100 tonnes of oil to Y for ₹10,000. It is not a valid offer because of uncertainty.

Note: But if offer is capable of being made certain than offer will be valid.

For example  $\rightarrow$  If in above example X deals only in coconut oil, than offer will be valid.

3. Offer can General or Special

\*Imp.  
4. Offer must be communicated to the person to whom it is communicated/given

For example  $\rightarrow$  Mr. Ram gives an advt. in newspaper that he will pay ₹ 10,000 to the person who will bring back his lost son. Later on he sent Hanuman to find out the missing child. Hanuman came with missing child but he was not aware about that offer of Ram. Whether Hanuman can demand the reward from Ram. No  
No, because offer was not communicated to the Hanuman





## Notes

Date \_\_\_\_\_

7. Offer can be express or implied.

by words

by conduct/behaviour

8. Offer should not contain a term the Non-compliance of which would amount to acceptance.

For example :

Mr. Ram offered to Hanuman to sell his mobile phone for ₹50,000. If Mr. Ram-Hanuman does not accept the offer within two days than offer will be deemed to be accepted by Mr. Hanuman. It is not a valid offer.

### Acceptance :

When an offer is consented or when offeree gives his consent than such consent is called as acceptance.

### Rules relating to Acceptance

1. Acceptance must be given by the person who has authority to accept.

For Example : Any person in case of general offer and particular person in case of special offer.

### 2. Time

Acceptance must be given within ~~reasonable~~ <sup>prescribed</sup> time if the time is prescribed or fixed. But if time is not specified or prescribed than acceptance must be given within reasonable time.

\* Note : Reasonable time depends upon the facts & circumstances in a particular case.



## Notes

Date: \_\_\_\_\_

3. Mode : If mode of acceptance is prescribed than ~~valid~~ acceptance must be given within prescribed mode. If offeror gives the acceptance in any other mode and if offeror does not object on it than such acceptance will be deemed as valid acceptance.

4. Acceptance must be absolute and unqualified (unconditional). Acceptance must be unconditional, For example →

Mr. X proposed to Mr. Y to sell his scooter for ₹ 40,000. Mr. Y agreed to purchase the scooter if Mr. X will purchase his motorcycle for ₹ 50,000. This is not a valid acceptance.

5. Acceptance is complete when it is communicated to the offeror.

Acceptance is said to be completed when it comes to the knowledge of offeror and when it is communicated to the offeror.

6. Acceptance can be given by expressed or implied.

Acceptance can be through words or through conduct.

7. Mere silence is not acceptance.

Mere silence is not said to be acceptance unless the previous conduct of offeror show such silence as an acceptance.