

Indian Contract Act, 1872

CA Foundation Ultimate Revision Guide

Welcome to your comprehensive, exam-focused revision companion for the Indian Contract Act, 1872! This handwritten-style guide is designed with CJ Sir's energetic teaching approach and packed with Devansh emojis to make your revision journey memorable and fun. Perfect for wall-printing, desk study, or quick mobile revision during those crucial last-minute cramming sessions!

The Indian Contract Act is the foundation of commercial law in India, governing all contractual relationships. Mastering these sections is non-negotiable for CA Foundation success. Let's dive into the world of offers, acceptances, consideration, and everything that makes a contract legally binding!

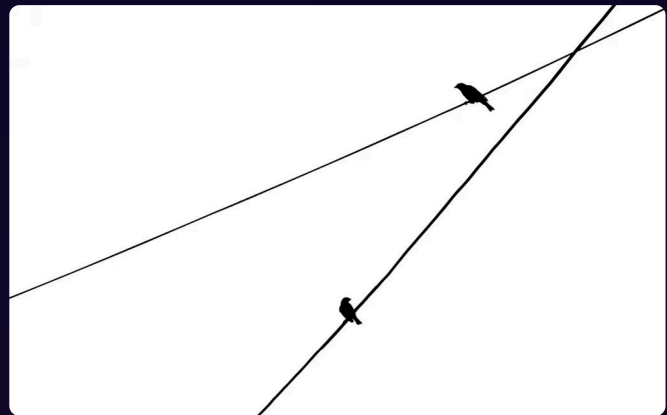
Introduction & Communication (Sections 1-8)

The Foundation Blocks

These opening sections set the stage for understanding contracts. Think of them as the **building blocks** of contract law - without these, nothing else makes sense!

CJ Sir's Memory Hook: "One to Eight, Communication's Great!"

Sections 1-2 give us the basics (title and definitions), whilst Sections 3-8 dive deep into how offers and acceptances actually work in the real world.



Sec 1-2: The Basics

Sec 1: Short Title - "Act of '72, binding all"

Sec 2: Interpretation - Defines offer, acceptance, promise, agreement, contract, consideration, and more!



Sec 3: Communication

How offers, acceptances, and revocations are communicated between parties

Mnemonic: "CAR" - Communication, Acceptance, Revocation



Sec 4: When Complete?

Proposer: Communication complete when it comes to knowledge of acceptor

Acceptor: Complete when it's put in transmission

Exam Alert: This distinction is crucial!



Sec 5-6: Revocation Rules

Revocation must be communicated and can be express or implied



Sec 7: Absolute Acceptance

"Mirror Image Rule" - Acceptance must match offer exactly!



Sec 8: Performance = Acceptance

Sometimes actions speak louder than words!

Formation of Contract (Sections 9-13)

Now we enter the heart of contract formation! These sections explain what transforms a simple promise into a legally binding contract. Remember CJ Sir's golden formula: **Agreement + Enforceability = Contract**

Contract defined

01

Sec 9: Promises Express & Sec 10: When Agreements

Implied

Promises can be spoken aloud or understood from conduct. Both are equally valid in the eyes of law!

Become Contracts

Essential Elements (Exam Favourite!):

- Agreement (Offer + Acceptance)
- Free Consent
- Competent Parties
- Lawful Consideration & Object
- Not Expressly Void
- Written & Registered (if required)

Mnemonic: "A Free Competent Lawyer Never Writes" - AFCLNW

03

Sec 11: Competent to

Contract

Who CAN contract?

- Age of Majority (18 years)
- Sound Mind
- Not disqualified by law

Remember: Minors' agreements are VOID ab initio!

04

Sec 12: Sound Mind Test

A person is of sound mind if they can:

1. Understand the contract
2. Form a rational judgement
3. Assess its effects on their interests

05

Sec 13: Consent Defined

"Consent means agreeing upon the same thing in the same sense" - The meeting of minds!

Latin: *Consensus ad idem*



Exam Pro Tip: Sections 10-13 form the backbone of contract validity. Questions on essential elements and capacity appear in every single exam. Master these and you've secured 15-20 marks easily!

Free Consent (Sections 14-19)

The Consent Spectrum

Not all consent is created equal! For a contract to be valid, consent must be **FREE** from any vitiating factors. Think of consent as a spectrum - from perfectly free to completely vitiated.

CJ Sir's Formula: **Consent - Defects = Free Consent** 0



Sec 15: Coercion

Forcing someone through threats, violence, or unlawful detention

Effect: Voidable at victim's option

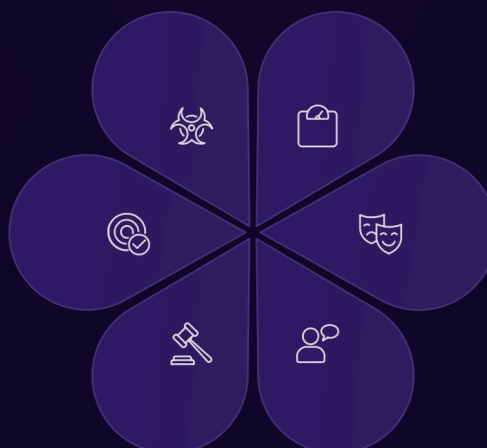
Sec 16: Undue Influence

Abusing position of power (parent-child, doctor-patient, lawyer-client)

Burden of proof: On the dominant party!

Sec 14: Free Consent

Centre of the flower! Consent free from coercion, undue influence, fraud, misrepresentation, and mistake



Sec 17: Fraud

Intentional deception with 5 elements:

1. Suggestion of false facts
2. Active concealment
3. Promise without intention
4. Deceptive act
5. Act declared fraudulent

Mnemonic: "SAPDD"

Sec 19: Lawful Consideration

Consideration must be:

Sec 18: Misrepresentation

Innocent false statement (no intention to deceive)

- Not forbidden by law
-

Consideration (Sections 25, 23-30)

Consideration is the "**price paid for a promise**" - the reason why courts will enforce your agreement. In India, even a peppercorn can be valid consideration! The law doesn't measure adequacy, only presence. Let's decode this crucial concept!

Sec 25: Exception Alert!

Agreements WITHOUT consideration are valid if:

1. Love & Affection (in writing, registered, near relation)
2. Voluntary Services (past, promise to compensate)
3. Time-Barred Debt (in writing, signed by debtor)

Mnemonic: "LVT" - Love, Voluntary, Time-barred

Sec 23-30: Void Agreements

Sec 23: Unlawful consideration/object

Sec 24: Agreement unlawful in part

Sec 26: Agreement in restraint of marriage

Sec 27: Agreement in restraint of trade

Sec 28: Agreement in restraint of legal proceedings

Sec 29: Agreements by way of wager (betting)

Sec 30: Agreements by way of wager (continued)



Past Consideration

Act done before promise

Valid in India!

1

Future Consideration

Promise for future act

Executory contract

3

2

Present Consideration

Act and promise simultaneous

Most common type



Exam Hot Topic: Section 25 exceptions appear in EVERY exam! Be ready to explain when consideration is NOT required. Also, know Section 27 (restraint of trade) inside-out - it's a guaranteed 5-marker! Past papers show this comes up 80% of the time!

Privity of Contract

Only parties to a contract can sue upon it. Stranger to a contract cannot sue, even if consideration moves from them.

Privity of Consideration

Consideration may move from the promisee or any other person - it need NOT move from the promisee alone!

Performance & Discharge (Sections 37-67)

Once a contract is formed, the journey isn't over - it must be performed! These sections detail who must perform, when, where, how, and what happens when things go wrong. This is where theory meets practical reality!

Sec 37-39: Who Performs?

Generally the promisor or their legal representative. Joint promisors perform jointly.

Reciprocal Promises

Promises forming consideration for each other - perform simultaneously or in order



Sec 40-50: Time & Place

Performance within reasonable time, at promisor's request, in proper manner
Sec 51-67: Discharge

Methods

By performance, agreement, impossibility, breach, or lapse of time

Sec 51-52: Contingent Contracts

Contracts dependent on happening or non-happening of uncertain future events

Example: Insurance contracts! "If fire happens, pay ₹10 lakhs"

Event must be collateral to contract, not part of it

Sec 53-54: Performance Exceptions

Sec 53: Promisee may dispense with performance

Sec 54: Promisee may extend time or accept partial/different performance

Key Point: No consideration needed for these waivers!

Sec 56: Impossibility of Performance

Supervening Impossibility: Contract becomes void when performance impossible after formation

Categories: Destruction of subject matter, change of law, death/incapacity, war

Doctrine of Frustration - Ultra-important!

Sec 62-67: Novation & Alteration

Novation (62): Substituting new contract for old one

Alteration (63): Material alteration voids contract unless all parties consent

Rescission (64): Mutual cancellation of contract

Breach & Remedies (Sections 73-75)

When Promises Break...

Not every contract ends happily. When one party fails to perform their obligations, we have a **breach of contract**. The law provides remedies to compensate the injured party - after all, justice must be served! 🏛️

CJ Sir's Truth: "Remedy without breach is meaningless; breach without remedy is injustice!" 🗣️



Types of Breach

Actual Breach: Failure to perform on due date
Anticipatory Breach: Repudiation before due date

In anticipatory breach, injured party can sue immediately!



Sec 74: Liquidated Damages

When sum specified in contract as compensation - this is the limit of recovery

Important: Court may award less but NOT more than stipulated amount

Penalty vs Liquidated Damages - know the difference!



Sec 73: Compensation for Loss

Party who suffers loss due to breach is entitled to compensation for:

- Loss naturally arising in usual course
- Loss which parties knew would probably result

Test: Was loss in contemplation of parties? Remoteness matters!



Sec 75: Non-performance & Compensation

Party rightfully rescinding contract entitled to compensation for damages sustained

Applies when contract broken through impossibility or wrongful prevention

Hadley v Baxendale Rule

Damages recoverable only if loss was:

1. In natural course of things, OR
2. In reasonable contemplation of parties

Landmark principle!

Quantum Meruit

"As much as earned" - claim for reasonable remuneration when:

- Work done under void contract
- Contract divisible & party not at fault

Special Contracts Overview (Sections 124-238)

Beyond general contract principles, the Indian Contract Act dedicates extensive sections to specific types of contracts that deserve special treatment due to their unique characteristics. These are the **rockstars** of contract law!

Indemnity (Sec 124-125)

Contract by which one party promises to save another from loss

Parties: Indemnifier (promises) & Indemnity Holder (protected)

Rights of Holder:

- Recover damages paid in suit
- Recover costs incurred
- Recover sums paid under compromise

Guarantee (Sec 126-147)

Contract to perform promise if another defaults

Parties: Surety, Principal Debtor, Creditor

Nature: Collateral to main contract

Tripartite agreement!

Discharge: By revocation, creditor's conduct, variance, loss of security

Bailment (Sec 148-181)

Delivery of goods for specific purpose, to be returned after purpose accomplished

Parties: Bailor (delivers) & Bailee (receives)

Types: Gratuitous or for reward

Includes: Pledge, lien concepts

Agency (Sec 182-238)

Relationship where agent represents principal in dealings with third parties

Creation: Express, implied, necessity, estoppel, ratification

Rights & Duties: Both for principal and agent

Largest chapter!

Indemnity vs Guarantee

Indemnity: Two parties, primary liability, contingent on loss

Guarantee: Three parties, secondary liability, contingent on default

Pledge vs Mortgage

Pledge: Movable property, possession with creditor, Part of Bailment

Mortgage: Immovable property,

Bailment vs Agency

Bailment: Delivery of goods, possession transfers, temporary custody

Agency: Authority to represent, contracts on behalf, creates legal relations

Exam-Focused Quick Recall Table

Here's your ultimate last-minute revision weapon! This table consolidates the MOST frequently examined sections with memory hacks, emojis, and CJSir's signature mnemonics. Print this page and stick it everywhere!

Section	Topic	Quick Memory Line	Exam Weight
2	Definitions	Offer, Acceptance, Promise, Agreement, Contract - "OAPAC"	
10	Valid Contract Elements	"A Free Competent Lawyer Never Writes" - AFCLNW , 18+ years, Sound Mind, Not	
11	Capacity	Disqualified (No COUFRAM - Coercion, Undue influence, Fraud, Misrepresentation	
14	Free Consent	Forbidden, Defeats law, Fraudulent, Immoral, Public policy \	
23	Unlawful Object	"LVT" - Love & Affection, Voluntary Service, Time-barred Debt @	
25	No Consideration	Frustration doctrine - Performance becomes impossible	
56	Impossibility	Compensation for loss - Natural + Contemplated X Tripartite - Surety, Principal	
73	Damages	Debtor, Creditor Agent acts for Principal - Creates legal relations }	
126	Guarantee		
182	Agency		

Red Alert Sections

Rights & Duties Hub

Benefits & Protections

Penalty/Liability Focus:

Core Responsibilities:

Final Exam Mantras & Success Blueprint

You've Got This!

Congratulations! You've journeyed through the entire Indian Contract Act, 1872. Now it's time to seal this knowledge with CJ Sir's proven exam strategies and memory techniques. Remember, **consistency beats intensity** - revise this sheet daily for maximum retention!

1

The 3-Day Revision Cycle

Day 1: Sections 1-30 (Formation & Consent)

Day 2: Sections 37-75 (Performance & Breach)

Day 3: Sections 124-238 (Special Contracts)

Repeat this cycle until exam day!

2

Section Number Memory Hack

Associate sections with visual markers:

- **10:** Perfect 10 = Perfect Contract
- **14:** Valentine's Day = Free Consent (love)
- **56:** Highway 56 = Road blocked (Impossibility)
- **73:** Lucky 7+3 = Damages Fortune

3

Answer Writing Formula

LUDA Method:

Law - State the section number

Understand - Define/explain the concept

Distinguish - Compare with related concepts

Apply - Give example or case law

4

Time Management Matrix

4-mark question: 6 minutes

6-mark question: 9 minutes

10-mark question: 15 minutes

Always save 15 mins for final review!

CJ Sir's Golden Rules

Never leave a question unanswered - even a basic definition earns 1-2 marks

Devansh's Wisdom

Use flowcharts and diagrams in descriptive answers - examiners love visual learners

The Underlining Technique

Underline section numbers, key terms, and case names - makes your answer scannable

Last 24 Hours Focus

Revise ONLY highlighted sections: 10, 14, 25, 56, 73, 126, 182 - These are non-negotiable!