



# **SNS COLLEGE OF ENGINEERING**

**Kurumbapalayam (Po), Coimbatore - 641 107**

**An Autonomous Institution**

**Accredited by NBA - AICTE and Accredited by NAAC - UGC with 'A' Grade**

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## **DEPARTMENT OF MANAGEMENT STUDIES**

**COURSE NAME : 19BA104- LEGAL ASPECTS OF BUSINESS**

**I YEAR / I SEMESTER**

**Unit 1 – THE INDIAN CONTRACT ACT 1872**

**Law of Contract, Meaning and Essentials of a Valid Contract, Formation of a contract,  
performance of contracts, breach of contract and its remedies.**



# THE INDIAN CONTRACT ACT 1872

## Introduction :

- 1) **INDIAN CONTRACT ACT, 1872** governs law relating to contracts in India.
- 2) The Act was passed by British India and is based on the principles of English Common Law.
- 3) This Act is applicable to whole of India including Jammu and Kashmir.
- 4) The Act came into effect from 1st September, 1872 and applies to all contracts in India.

It affects everybody, more so, trade, commerce and industry. It may be said that the contract is the foundation of the civilized world.



Indian Contract Act frames and validates the contracts or agreements between various parties. Contract Act is one of the central laws that regulate and oversee all the business wherever there is a case of a deal or an agreement.

## **Contract Act**

The Indian Contract Act, 1872 defines the term “Contract” under its section 2 (h) as “An agreement enforceable by law”. In other words, we can say that a contract is anything that is an agreement and enforceable by the law of the land.

**Contract = Agreement (Offer + Acceptance) + Enforceable by Law**



This definition has two major elements in “agreement” and “enforceable by law”. So in order to understand a contract in the light of The Indian Contract Act, 1872 we need to define and explain these two pivots in the definition of a contract.

### **Agreement (Agreement = Offer + Acceptance.)**

In section 2 (e), the Act defines the term agreement as “every promise and every set of promises, forming the consideration for each other”.

### **Promise**

The Act in its section 2(b) defines the term “promise” here as: “when the person to whom the proposal is made signifies his assent thereto, the proposal becomes an accepted proposal. A proposal when accepted, becomes a promise”.



## The two main features of an agreement are:

- **Two or more parties:** A minimum of two persons or entities should be there to get into an agreement. A single person or entity cannot get into an agreement.
- **Consensus ad-idem:** It is a Latin word that means ‘Meeting of Minds’. It further implies that all the parties involved in an agreement should agree upon the same thing in the same way as it meant.

Example: Bijay offers to sell his Car to Kashish for ₹ 2,00,000. So, when Kashish accepts the offer, it becomes an agreement.



## The two main features of a contract are:

- **An agreement:** An acceptance of an offer given by one party to another is called an Agreement.
- **Abided by law:** A contract should create some legal obligation or duty.

Example: A multiplex sells a ticket on 1st January 2022 to Gaurav for a movie show. The Multiplex is under an obligation to organize a movie show on the given date. In case, the Multiplex fails to fulfill its promise, Gaurav can take legal action against the multiplex owners. Thus, Gaurav has a right against the Multiplex, and a corresponding duty is imposed on the Multiplex.



## Difference Between Agreement And Contract

Basis	Agreement	Contract
Meaning	The meaning of agreement can be understood as an acceptance of an offer given by one party to another.	A contract can be defined as an agreement that is enforced by law.
Definition	Section 2(e) of the Indian Contract Act, 1872 defines an agreement as, “Every promise and every set of promises, forming the consideration for each other, is an agreement.”	Section 2(h) of the Indian Contract Act, 1872 defines a contract as, “an agreement enforceable through the law.”
Elements	Agreement = Offer + Acceptance	Contract = Agreement + Enforceable by Law



Basis	Agreement	Contract
Written Form	The agreement can not necessarily be in written form.	A contract is normally written and registered.
Scope	An agreement has a wider scope than a contract.	A contract has a narrower scope as compared to an agreement.
Risk	It involves a higher risk factor because it is not enforceable by law.	A contract is abided by the law, so it ensures a low-risk factor.
One in Another	All agreements cannot be considered a contract.	All contracts can be considered an agreement.
Legal Obligation	An agreement does not create a legal obligation.	Contracts are meant to create a legal obligation.
Consideration	Agreements can be formed without consideration.	There should be some consideration to form a contract.





**RECAP**

**QUESTIONS???**

**THANK YOU**

