



SNS COLLEGE OF ENGINEERING

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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

Topics – Definitions of Clauses, Essentials Elements and Types of Contract



Important Definitions under the Act

1) Proposal – Sec 2(a)

When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal.

2) Acceptance – Sec 2(b)

When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted, becomes a promise. Person making the proposal is called the “promisor”, and the person accepting the proposal is called the “promisee”

3) Agreement – Sec 2(e)

Every promise and every set of promises, forming the consideration for each other, is an agreement.

In simple words, **Agreement = Offer + Acceptance**



4) Void Agreement – Sec 2(g)

An agreement not enforceable by law is said to be void.

5) Contract – Sec 2(h)

An agreement enforceable by law is called as contract.

In simple words, **Contract = Agreement + Enforceability**

6) Voidable Contract (i)

An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others.

7. Consideration

Section 2(d) of the Indian Contract Act defines consideration as: ‘When, at the desire of the promisor, the promisee or any other person has done or abstained, from doing or does or abstains from doing, or promises to do or to abstain from doing something, such act or abstinence or promise is called a consideration for the promise.’



Essential elements of a valid contract





Offer + acceptance = Promise
+
consideration
=
Agreement
+
enforceability By Law
↓
Contract



Types of contracts

Types of contracts

On the Basis of creation

- a) Express contract
- b) Implied Contract
- c) Tacit Contract
- d) Quasi Contract
- e) E - Contract

On the Basis of Validity

- a) Valid contract
- b) Void Contract ↓
- c) Voidable Contract
- d) Unenforceable Contract
- e) Illegal Contract

On the Basis of Execution

- a) Executed Contract
- b) Executory Contract
- c) Partly executed and partly executory

On the Basis of Liability

- a) Bilateral Contract
- b) Unilateral Contract



I. On the Basis of Creation

A) Express contract :-

A contract made by word spoken or written. According to sec 9 in so for as the proposal or acceptance of any promise is made in words, the promise is said to be express.

Example : A says to B ‘will you purchase my bike for Rs.20,000?’ B says to A “Yes”.

B) Implied contract:-

A contract inferred by □

1. The conduct of person or □
2. The circumstances of the case.

By implies contract means implied by law (i.e.) the law implied a contract through parties never intended. According to sec 9 in so for as such proposed or acceptance is made otherwise than in words, the promise is said to be implied.

Example:

A stops a taxi by waving his hand and takes his seat. There is an implied contract that A will pay the prescribed fare.



C) Tacit contract: -

A contract is said to be tacit when it has to be inferred from the conduct of the parties.

Example : obtaining cash through automatic teller machine, sale by fall hammer of an auction sale.

D) Quasi Contracts

Quasi Contracts are contracts which are created -

- Neither by word spoken
- Nor written
- Nor by the conduct of the parties.
- But these are created by the law.

Example:

If Mr. A leaves his goods at Mr. B's shop by mistake, then it is for Mr. B to return the goods or to compensate the price. In fact, these contracts depend on the principle that nobody will be allowed to become rich at the expenses of the other.



E) E – Contract: An e – contract is one, which is entered into between two parties via the internet.

II. On the Basis of Validity

A) Valid contract:-

An agreement which satisfies all the requirements prescribed by law On the basis of creation

B) Void contract (2(j)):-

A contract which ceases to be enforceable by law because void when of ceased to be enforceable

When both parties to an agreement are:-

- Under a mistake of facts [20]
- Consideration or object of an agreement is unlawful [23]
- Agreement made without consideration [25]
- Agreement in restraint of marriage [26]
- Restraint of trade [27]
- Restrain legal proceeding [28].
- Agreement by wage of wager [30]



C) Voidable contract 2(i) :-

An agreement which is enforceable by law at the option of one or more the parties but not at the option of the other or others is a voidable contract.

Result of coercion, undue influence, fraud and misrepresentation.

D) Unenforceable contract: -

where a contract is good in substance but because of some technical defect i.e. absence in writing barred by imitation etc one or both the parties cannot sue upon but is described as unenforceable contract.

Example: Writing registration or stamping.

Example: An agreement which is required to be stamped will be unenforceable if the same is not stamped at all or is under stamped

E) Illegal contract:-

It is a contract which the law forbids to be made. All illegal agreements are void but all void agreements or contracts are not necessary illegal.

Contract that is immoral or opposed to public policy are illegal in nature. □

Unlike illegal agreements there is no punishment to the parties to a void agreement. □

Illegal agreements are void from the very beginning agreements are void from the very beginning but sometimes valid contracts may subsequently becomes void.



II. On the Basis of Execution :

A) Executed contract :-

A contract in which both the parties have fulfilled their obligations under the contract.

Example: A contracts to buy a car from B by paying cash, B instantly delivers his car.

B) Executory contract:-

A contract in which both the parties have still to fulfilled their obligations.

Example : D agrees to buy V's cycle by promising to pay cash on 15th July. V agrees to deliver the cycle on 20th July.

C) Partly executed and partly executory:-

A contract in which one of the parties has fulfilled his obligation but the other party is yet to fulfill his obligation.

Example : A sells his car to B and A has delivered the car but B is yet to pay the price. For A, it is executed contract whereas it is executory contract on the part of B since the price is yet to be paid.



II. On the Basis of Liability :

A) Bilateral contract:-

A contract in which both the parties commit to perform their respective promises is called a bilateral contract.

Example : A offers to sell his fiat car to B for Rs.1,00,000 on acceptance of A's offer by B, there is a promise by A to Sell the car and there is a promise by B to purchase the car there are two promise.

B) Unilateral contract:-

A unilateral contract is a one sided contract in which only one party has to perform his promise or obligation party has to perform his promise or obligation to do or forbear.

Example :- A wants to get his room painted. He offers Rs.500 to B for this purpose B says to A “ if I have spare time on next Sunday I will paint your room”. There is a promise by A to pay Rs 500 to B. If B is able to spare time to paint A's room. However there is no promise by B to Paint the house. There is only one promise.



RECAP

QUESTIONS???

THANK YOU