

LAW CAPSULE

For Law Competitive Exams



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Formation of Contract

An agreement enforceable by Law is a Contract¹. The three main types of Contract are as follows:-

1. Contract by Agreement – by mutual negotiations
2. Standard Form Contract – by pre-drafted terms
3. Contract by Promissory Estoppel – by doctrine of estoppel

1. Contract by Agreement

All agreements are not contract. Some of the types of agreements are:-

- Valid contract – An agreement enforceable by law
- Voidable contract – can be avoided at the option of one of the parties
- Void agreement – Agreement not enforceable by law
- Illegal agreement – Agreement contrary to law

Validity of Contract² has the following ingredients:-

- An agreement between two parties
- Parties should be competent
- Lawful consideration and lawful object
- Free consent
- Agreement must not be declared void by law
- Agreement must be certain

Proposal (India)/ Offer (England)

"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"

Sl. No.	Terms	Meaning / Authority
1.	Offer and invitation to offer.	<ul style="list-style-type: none"> • Mere information for inviting • <i>Pharmaceutical Society of Great Britain v. Boots Cash Chemicals (Southern) Ltd.</i> • <i>Harvey v. Facey (Bumper Hall pen – Counter Offer)</i>
2.	Intention to create Legal relationship.	<ul style="list-style-type: none"> • No intention- no contract • <i>Balfour v. Balfour</i> • <i>Meritt v. Meritt (Husband- wife house case)</i>
3.	Communication of offer necessary.	<ul style="list-style-type: none"> • <i>Lalman Shukla v. Gauri Datt</i>
4.	Cross offer.	<ul style="list-style-type: none"> • Offer containing similar terms cross each other in post
5.	Counter offer.	<ul style="list-style-type: none"> • Offer containing different prices
6.	Specific offer and general offer.	<ul style="list-style-type: none"> • To a particular person • Public at large • <i>Carlill v. Carbolic Smoke Ball Co.</i>
7.	Standing open or continuing offer.	<ul style="list-style-type: none"> • Remains open for a period of time (tender)

Acceptance³

"When the person to whom the proposal is made signifies his assent, the proposal is accepted" and after acceptance both parties are bound.

Essentials of Acceptance are as follows:

¹ Section 2(h) of the Indian Contract Act, 1872
² Section 10 of the Contract Act, 1872
³ Section 2(b) of the Contract Act, 1872