

Chapter – 29

Elements of Contract

I. Choose the Correct Answer

Question 1.

An agreement enforceable by law is a

- (a) Enforceable acceptance
- (b) Accepted offer
- (c) Approved promise
- (d) Contract

Answer:

- (d) Contract

Question 2.

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

- (a) Agreement
- (b) Contract
- (c) Offer
- (d) Acceptance

Answer:

- (a) Agreement

Question 3.

Void agreement signifies

- (a) Agreement illegal in nature
- (b) Agreement not enforceable by law
- (c) Agreement violating legal procedure
- (d) Agreement against public policy

Answer:

- (b) Agreement not enforceable by law

Question 4.

Acceptance to be valid must

- (a) Be absolute
- (b) Be unqualified
- (c) Both be absolute & unqualified
- (d) Be conditional

Answer:

- (c) Both be absolute & unqualified

Question 5.

A contract with or by a minor is a

- (a) Valid contract
- (b) Void contract
- (c) Voidable contract
- (d) Voidable at the option of either party

Answer:

- (b) Void contract

II. Very Short Answer Questions

Question 1.

What is law?

Answer:

Law is a set of rules which governs our behaviour and relating in a civilized society.

Question 2.

Why should one know the law?

Answer:

One should know the law to which he is subjected because ignorance of the law is no excuse.

Question 3.

Can a minor enter into a Contract?

Answer:

As per the Indian Contract Act 1872, a contract entered by or with a minor is void as well as void-abinitio. Which means it has no legal effect from the very beginning.

Question 4.

Who can enter into a Contract?

Answer:

The Indian Contract Act specifies that every person is competent to contract provided he is of the age of majority according to the Law which he is subject to and who is of sound mind.

Question 5.

Define Contract.

Answer:

As per the Indian Contract Act, 1872, a “contract” is an agreement enforceable by law. The agreements not enforceable by law are not contracts.
Contract = Agreement + Enforceability by law.

III. Short Answer Questions

Question 1.

Define Offer.

Answer:

Offer (i.e. Proposal) [section 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 person either to such act or abstinence, he is said to make a proposal.

Question 2.

What do you mean by Agreement?

Answer:

According to section 2(e) of the Indian Contract Act, Agreement is every

promise and a set of promises forming consideration for each other is an agreement. In short, Agreement = Offer + Acceptance.

Question 3.

Define a Voidable Contract.

Answer:

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other- or others is a voidable contract. This is the result of coercion, undue influence, fraud, and misrepresentation.

Question 4.

What do you mean by Revocation?

Answer:

Revocation refers to the canceling or annulment of something by some authority. When revocation happens, a privilege, title, or status is removed from someone.

Question 5.

Who is a promisor, promisee?

Answer:

1. A promisor – Contract law – a person who makes a promise.
2. A promisee – Contract law – a person to whom a promise is made.

IV. Long Answer Questions

Question 1.

Explain the essentials of a Valid Contract

Answer:

Offer and Acceptance:

There must be two parties to an agreement namely one party making the offer and the other party accepting it.

Legal Relationship:

The parties must have the intention to create legal relations between them. An agreement of Social or domestic nature is not at all a contract.

Lawful Consideration (quid pro quo):

As per Contract Act under Sec.2 (d) Consideration means something in return. A contract without consideration becomes invalid It may be in cash or kind or in any form as specified in the act. Consideration must not be unlawful, immoral or opposed to the public policy.

Lawful Object (Section 23):

The object of the agreement should be lawful and legal. It must not be immoral, illegal or opposed to public policy. Two persons cannot enter into an agreement to do a criminal act.

Free Consent (Section 13 & 14):

Consent of the parties must be free and genuine. Consent means agreeing upon same, thing in the same sense at the same time i.e. there should be a consensus – ad – idem. Consent is said to be free when it is not caused by coercion, undue influence, fraud, misrepresentation, or mistake.

Capacity of Parties (Section 11):

The parties to a contract must have the capacity (legal ability) to make valid contract.

Certainty of Terms (Section 29):

The agreement should be clear to the parties of the agreement. The agreement must be precise.

For example, X informs Y "I agree to sell my car". X has four cars. Here nothing is stated about which car he is going to sell. There is no clarity of terms.

Possibility of Performance (Section 56):

The terms of the agreement should be capable of performing. An agreement to do an act, impossible in itself cannot be enforced. For example, A agrees to B to discover a new planet. The agreement is void because the act in itself is impossible to be performed from the very beginning.

Not declared Void:

The agreement should be such that it should be capable of being enforced by law. Certain agreements have been expressly declared illegal or void by the law.

Necessary Legal Formalities:

A contract may be oral or in writing. Where a particular type of contract is required by law to be in writing and registered, it must comply with necessary formalities as to writing, registration, and attestation. If legal formalities are not carried out then the contract is not enforceable by law.

Question 2.

Difference between Contract and Agreement.

Answer:

S.No	Basis	Contract	Agreement
1	Definition	A contract is an agreement enforceable by law.	An Agreement is every promise or every set of promises forming consideration
2	Enforceability	Every contract is enforceable	Every promise is not enforceable.
3	Inter relationship	A contract includes an agreement.	An agreement does not include a contract.
4	Validity	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
5	Legal Obligation	Every contract contains a legal obligation.	It is not necessary for every agreement to have legal obligation.

Question 3.

Explain the classification of Contract on the basis of the Validity.

Answer:

1. Valid Contract:

An agreement which fulfills all the essentials prescribed by law on the basis of its creation. For example, S offers to sell his car for Rs.2,00,000 to T. T agrees to buy it. It is a Valid Contract.

2. Void Contract (2(j)):

A contract which ceases to be enforceable by law. A contract which does not satisfy any of the essential elements of a valid contract is said to be Void. For example, A contract between drug dealers to buy and sell drugs is a void contract.

3. Voidable Contract 2(i):

An agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others is a voidable contract. This is the result of coercion, undue influence, fraud, and misrepresentation.

4. Illegal Contract:

It is a contract which is forbidden by law.

All illegal agreements are Void but all void agreements or contracts are not necessarily illegal. A contract that is immoral or opposed to public policy is illegal in nature, i. Unlike illegal agreements, there is no punishment to the parties to avoid agreement, ii. Illegal agreements are void from the very beginning but sometimes valid contracts may subsequently become void.

5. Unenforceable Contract:

Where a contract is unenforceable because of i some technical defect i.e. absence in writing j barred by imitation etc. If the parties perform j the contract it will be valid, but the court will j not compel them if they do not.

Question 4.

Explain the classification of Contract on the basis of the Formation.

Answer:

1. Express Contract: A contract made by word spoken or written. According to Section. 9, in so far as the proposal or acceptance of any promise is made in words, the promise is said to be express. For example, P says to Q 'will you buy my bicycle for Rs. 1,000?' Q says to P "Yes".

2. Implied Contract: The implied contract is one, which is not expressly written but understood by the conduct of parties. Where the proposal or acceptance of any promise is made otherwise than in words, the promise is

said to be implied. For example, A gets into a public bus, there is an implied contract that he will pay the bus fare.

3. Quasi Contract: It is a contract created by law. Actually, there is no contract. It is based on the principle that “a person shall not be allowed to enrich himself unjustly at the expense of the other”. In other words it is an obligation of one party to another imposed by law independent of an agreement between the parties.

4. Tacit Contract: A contract is said to be tacit when it has to be inferred from the conduct of the parties. For example, obtaining cash through an automatic teller machine, sale by fall of the hammer of an auction sale.

Question 5.

Explain the classification of Contract on the basis of the Performance.

Answer:

Executed Contract:

A contract in which both the parties have fulfilled their obligations under the contract. For example X contracts to buy a car from Y by paying cash, Y instantly delivers his car.

Executory Contract:

A contract in which both the parties are yet to fulfill their obligations, it is said to be an executor contract. For example, A agrees to buy B’s cycle by promising to pay cash on 15th June. B agrees to deliver the cycle on 20th June.

Unilateral Contract:

A unilateral contract is a one-sided contract in which only one party has performed his promise or obligation, the other party has to perform his promise or obligation. For example, X promises to pay Y a sum of Rs. 10,000 for the goods to be delivered by Y. X paid the money and Y is yet to deliver the goods.

Bilateral Contract:

A contract in which both the parties commit to performing their respective promises is called a bilateral contract. For example, R offers to sell his fiat car

to S for Rs. 10, 00,000 on acceptance of R's offer by S, there is a promise by R to sell the car and there is a promise by S to purchase the car, there are two promises.