



★ INDIAN CONTRACT ACT, 1872

[ONE SHOT REVISION BEFORE EXAM]

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1. Definition of Contract (Sec 2(h))

A contract is an "agreement enforceable by law".

To understand contract:

Agreement = Offer + Acceptance

Contract = Agreement + Enforceability

An agreement becomes a contract only when the law recognizes and can enforce it.

Example:

A agrees to sell his mobile to B for ₹12,000 and B agrees. → **Agreement.**

Since both intend legal consequences → **Contract.**

Non-contract example:

A promises to take B to Goa for fun.

Even if A refuses → B cannot sue.

→ **Social agreement** → **Not contract.**

2. Essential Elements of a Valid Contract (Sec 10)

A contract must satisfy ALL of the following:

★ 2.1 OFFER (PROPOSAL)

An offer is an expression of willingness to do or not to do something, intending the other person to accept it.

A. Types of Offer (With Full Examples)

1. Express Offer

Made by words – oral or written.



Example:

A writes a letter offering to sell his laptop for ₹30,000.

2. Implied Offer

Made by conduct.

Example:

A bus stops at a bus stand → It implies the bus company offers to carry passengers.

Passenger boards → acceptance by conduct.

3. General Offer

Made to public at large.

Example:

A company advertises:

"Reward ₹50,000 for anyone returning our lost dog."

Person who finds dog accepts by performance even if company does not know him.

4. Specific Offer

Made to a specific person.

Example:

A offers to sell his TV to B only.

Only B can accept; C cannot.

5. Cross Offer

Two persons make identical offers to each other without knowing the other's offer.

Example:

A posts letter to sell bike to B.

B posts letter to buy same bike at same time.

Letters cross in post.

→ No contract.



6. Counter Offer

When offeree changes the terms of the offer.

Example:

A: "I'll sell my car for ₹5 lakh."

B: "I can give ₹4.5 lakh."

→ Counter offer; original offer terminated.

7. Standing/Continuing Offer

Offer remains open for a period.

Example:

A government tender:

A agrees to supply stationery whenever required for the next 12 months.

Each supply order = separate acceptance.

Rules of a Valid Offer (with examples)

✓ Must be communicated

If A writes offer letter but does not mail it → No offer.

✓ Terms must be definite

A says "I may sell my car if I feel like it" → vague → not offer.

✓ Cannot assume silence as acceptance

A: "If you don't reply, it means you accept."

→ Invalid.

☆ 2.2 ACCEPTANCE (Sec 2(b))

Acceptance must be an unconditional assent to the offer.

Rules of Valid Acceptance

1. Acceptance must be absolute & unconditional.

Example:



B says, "I accept your offer but reduce price."

→ **Not acceptance; this is counter offer.**

2. Must be communicated.

Writing acceptance letter and putting in drawer is not acceptance.

3. Acceptance in prescribed manner.

If offeror says "Reply by WhatsApp,"

and B sends acceptance by email → A may reject.

4. Silence ≠ Acceptance

A tells B:

"If you don't reply by tomorrow, I'll assume you accepted."

→ **Not valid.**

5. Postal Rule (Acceptance complete on posting)

Example:

B posts acceptance letter at 10 AM.

Even if letter gets delayed or lost → Acceptance valid from 10 AM.

☆ 2.3 CONSIDERATION (Sec 2(d))

Consideration = "something in return".

It is the price for a promise.

Can be past, present, or future.

Types of Consideration (Detailed)

A. Past Consideration

Given before the promise is made

(Valid in India; invalid in England)

Example:



A saves B's horse during fire.

Later B promises to pay ₹2,000.

→ **Valid past consideration in India.**

B. Present (Executed) Consideration

Both parties perform at same time.

Example:

Buying vegetables from vendor → you pay money, vendor gives goods → simultaneous exchange.

C. Future (Executory) Consideration

A promise for a promise.

Example:

A agrees to deliver furniture next week.

B agrees to pay after delivery.

→ **Valid future consideration.**

Exceptions: No Consideration → Contract Valid

1. Natural Love & Affection

Must be written & registered.

Example:

A (father) promises to pay B (son) ₹1 lakh in writing & registered.

→ **Valid even without consideration.**

2. Past Voluntary Services

Example:

A repairs B's broken wall without asking.

Later B promises to pay ₹3,000.

→ **Valid.**



3. Time-Barred Debt

Debt older than 3 years can be revived.

Example:

A writes: "I will pay my old debt of ₹10,000."

→ Binding promise.

4. Completed Gift

Gift once delivered → valid.

☆ 2.4 CAPACITY TO CONTRACT (Sec 11)

Parties must be:

1. Major (18 years)
2. Of sound mind
3. Not disqualified by law

A. Minor

1. Minor's contract is void ab initio

Example:

Minor buys bike for ₹50,000 → Void.

2. Minor can accept benefits

Example:

Minor receives scholarship → Valid.

3. No ratification

A minor borrows money at 17.

At 18 he says "I ratify the agreement."

→ Still void.

4. Minor cannot be estopped



Minor lies about age.

Still cannot be forced to repay.

5. Minor liable for necessities

Example:

Food, clothes, education → Supplier can recover from minor's property, not from minor personally.

B. Person of Unsound Mind

✓ Valid when he is sane

Example: A lunatic person during "lucid intervals" can contract.

✓ Void when not sane

Drunk person signs contract → void.

C. Disqualified Persons

1. Alien enemy
2. Convict
3. Insolvent
4. Foreign sovereigns (limited contracts)

☆ 2.5 FREE CONSENT (Sec 13 & 14)

Consent = Parties agree on same thing in same sense.

Consent must be free from:

1. Coercion
2. Undue influence
3. Fraud
4. Misrepresentation
5. Mistake



1. Coercion (Sec 15)

Use of force/threat to obtain consent.

Examples:

- Threatening to kill
- Threat to destroy property
- Threat to commit suicide
- Unlawful detaining goods

Effect: Contract is voidable.

2. Undue Influence (Sec 16)

One party dominates the will of another.

Dominating Relationships

- Doctor–Patient
- Lawyer–Client
- Teacher–Student
- Guru–Disciple

Example:

Doctor forces patient to buy expensive medicine from his shop.

→ Undue influence → voidable.

3. Fraud (Sec 17)

Intentional false statement.

Examples:

- Selling fake gold as real
- Suppressing defects in car
- Rolling back odometer
- Giving false quality certificates

Effect → Voidable contract.

4. Misrepresentation (Sec 18)



Innocent false statement.

Examples:

- Seller says engine is new believing mechanic's words (but it's not).
- A says house is earthquake-proof based on mistaken belief.

Effect → Voidable.

5. Mistake

A. Bilateral Mistake (both mistaken)

→ VOID

Example:

A agrees to buy B's horse.

They both think horse alive.

Horse already dead → Contract void.

B. Unilateral Mistake (one party mistaken)

→ Contract valid normally.

Example:

A sells watch for ₹500 thinking it's fake.

B knows it's real gold but says nothing.

→ Contract valid.

Except: identity or nature of contract.

☆ 2.6 LEGALITY OF OBJECT (Sec 23)

Object must be lawful.

Agreement is void if:

✓ Forbidden by law

Example: Drug selling contract.

✓ Defeats law

Example: Agreement to hide evidence.



✓ **Fraudulent**

Example: Smuggling.

✓ **Immoral**

Example: Prostitution.

✓ **Opposed to Public Policy**

Example:

- Selling government job
- Bribing officials
- Marriage brokerage agreements

☆ **2.7 VOID AGREEMENTS**

1. Restraint of Marriage (Sec 26)

Example:

A promises B ₹1 lakh if B does not marry till 30.

→ Void.

2. Restraint of Trade (Sec 27)

Example:

Employer says:

"You can never work in India after leaving job."

→ Void.

3. Restraint of Legal Proceedings (Sec 28)

Example:

Contract says "you cannot file case in court."

→ Void.

4. Wagering Agreements



Example:

Betting on cricket match.

→ Void (except in Goa, Sikkim).

☆ 2.8 PERFORMANCE OF CONTRACT

A. Actual Performance

Example:

A delivers 100 chairs exactly as agreed → Contract performed.

B. Attempted Performance

Example:

A comes to deliver goods but B refuses → A discharged.

☆ 2.9 DISCHARGE OF CONTRACT

1. Discharge by Performance

Work done → contract over.

2. Discharge by Mutual Agreement

✓ Novation

Old contract replaced.

Example:

A owes B ₹20,000.

They agree A will instead provide laptop.

→ **New contract.**

✓ Alteration

Terms changed.

Example:

Interest rate increased from 10% to 12%.



✓ **Rescission**

Contract cancelled.

✓ **Remission**

Creditor accepts lesser amount.

Example:

B accepts ₹3,000 instead of ₹5,000 full amount.

3. Discharge by Impossibility

Examples:

- Singer dies before performance.
- Building burns before event.

4. Discharge by Operation of Law

Examples:

- Insolvency
- Merger
- Death (if personal skill needed)

5. Discharge by Breach

✓ **Actual breach**

Failure on due date.

✓ **Anticipatory breach**

Party refuses before due date.

☆ **2.10 REMEDIES FOR BREACH**

1. Damages

✓ **Ordinary Damages**

Example:

Contract price ₹100/unit



Market price ₹120/unit

Loss = ₹20 × quantity

✓ Special Damages

Special loss informed.

Example:

A delays transport → B loses foreign order → A liable.

✓ Nominal Damages

Small amount when no real loss.

✓ Exemplary/Punitive Damages

Example:

Bank wrongfully dishonors cheque.

2. Specific Performance

Court orders actual performance (mostly for land/property).

3. Injunction

Stopping person from doing something.

Example:

Court stops singer from singing for another company.

4. Quantum Meruit

Payment for part work done.

Example:

A paints half house; B stops him → A entitled for half payment.

☆ 2.11 QUASI CONTRACTS (Sec 68–72)

These obligations are "as if" a contract exists.



1. Supply of Necessaries to Minor

Supplier can recover from minor's property.

2. Payment by Interested Person

A pays B's house tax to prevent auction → A can claim.

3. Non-Gratuitous Act

A delivers goods by mistake, B uses → B must pay.

4. Finder of Goods

Finder can claim expenses (not reward).

5. Money Paid by Mistake

Example:

Bank mistakenly credits ₹15,000 → Must return.

☆ **2.12 SPECIAL CONTRACTS**

A. INDEMNITY (Sec 124)

A promises to save B from loss.

Example:

Car insurance.

B. GUARANTEE (Sec 126)

Three parties: Creditor, Principal Debtor, Surety.

Example:

A gets loan from bank, B guarantees.

A defaults → B must pay.

C. BAILMENT (Sec 148)



Delivery of goods for specific purpose.

Example:

Giving laptop for repair.

D. PLEDGE (Sec 172)

Bailment for security.

Example:

Gold loan.

E. AGENCY (Sec 182)

Agent represents principal.

Example:

Broker buys shares for client.



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