



## ★ 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.

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## ★ 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 necessaries

**Example:**

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

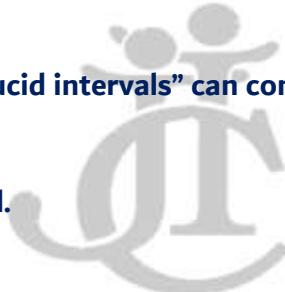
## B. Person of Unsound Mind

**✓ 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)

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## ★ 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.

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## 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**

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**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)

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### 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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