

Business & Labor Law

Q1. What is contract? What are the essentials of contract?

Ans. Contract

A formal arrangement between two or more parties, by its terms and elements, is legally binding and legally enforceable.

Essentials of Contract

- Agreements
A and B entered into an agreement that A offered to sell his land for a consideration of 20 lac and B accepted the offer by paying the consideration to A.
- Lawful consideration
Ammar sells his house to Akbar for 1 crore. Akbar promise to pay the sum is consideration for ammar's promise to sell his house and vice-versa.
- Capacity to contract
M, a person of unsound mind, enters into an agreement with S to sell his house for 15 lac. They can make contract because M is not competent to contract.
- Consent to contract
Usman threatens to kill Ahmad, if he does not sell his property to him. Ahmad's consent was obtained by physical force and therefore it cannot be regarded as free consent. Hence the contract is voidable.
- Legal objective
Ammar offer to pay Hurr 1 lac if Hurr kidnaps Umar. The agreement is unlawful as the objective is unlawful.
- Certainty
A agrees to sell B a hundred tons of oil. It is not clear what is the kind of oil. The agreement is void because of uncertainty.
- Possibility of performance
A agrees with B to put life into B's dead brother. The agreement is void as it is impossible of performance.
- Legal formalities
A verbally promises to sell his book to Y for Rs.200 this contract is valid because the law does not require it to be in written form.
- Not expressly declared as void
A man promise to pay 50 thousand to Akbar if Akbar does not marry at all. This agreement is void as marriage is right of every individual. Restrain of marriage is expressly declared as void by law.

Q2. Define valid contract and its essentials?

Ans. Valid Contract

A contract which can be enforced by either of the parties is called a valid contract. In a valid contract all the parties to the contract are legally responsible for the performance of a contract.

Example: A agrees to sell a car to B. If it fulfills all the essentials of a contract, it is a valid contract. If A fails to deliver the car, B can sue him. If B fails to pay, A can sue him.

Essentials of Valid Contract

- **OFFER AND ACCEPTANCE**

In a contract there must be at least two parties, one of them making the offer and the other accepting it. There must thus be an offer by one party and its acceptance by the other. The offer when accepted becomes an agreement.

EXAMPLE: A says to B that he will sell his cycle to him for Rs.2000. This is an offer. If B accepts this offer, there is an acceptance.

- **LEGAL RELATIONSHIP**

Parties to a contract must intend to constitute a legal relationship. It arises when the parties know that if any one of them fails to fulfil his part of the promise, he would be liable for the failure of the contract.

EXAMPLE: A offers to sell his watch to B for Rs.200 and B agrees to buy it at the same price, there is a contract as it creates a legal relationship between them.

- **FREE CONSENT**

Another essential of a valid contract is the consent of parties, which should be free. Two or more parties are said to consent, when they agree upon the same thing in the same sense.

EXAMPLE: A compels B to enter into a contract on gun point. It is not a valid contract as the consent of B is not free.

- **LAWFUL CONSIDERATION**

Consideration is known as something in return. It is also essential for the validity of a contract. A promise to do something or to give something without anything in return would not be enforceable at law and therefore would not be valid.

EXAMPLE: A agrees to sell his house to B for Rs.10 Lac is the consideration for A's promise to sell the house, and A's promise to sell the house is the consideration for B's promise to pay Rs.10 Lac. These are lawful considerations.

- **LAWFUL OBJECT**

An agreement becomes a valid contract only, if it is for a lawful consideration and a lawful object.

EXAMPLE: A promise to pay B Rs.5 thousand if B beats C. The agreement is illegal as its object is unlawful.

- **AGREEMENT NOT EXPRESSLY DECLARED VOID**

An agreement to become a contract should not be an agreement which has been expressly declared void by any law in the country, as it would not be enforceable at law.

EXAMPLE: A promise to close his business against the promise of B to pay him Rs.2 lac is a void agreement because it is a restraint of trade.

- **CERTAINTY AND POSSIBILITY OF PERFORMANCE**

Agreements to form valid contracts must be certain, possible and they should not be uncertain, vague or impossible. An agreement to do something impossible is void.

EXAMPLE: A agrees with B to discover treasure by magic, the agreement is not enforceable.

- **LEGAL FORMALITIES**

The agreement may be oral or in writing. When the agreement is in writing it must comply with all legal formalities as to attestation, registration. If the agreement does not comply with the necessary legal formalities, it cannot be enforced by law.

EXAMPLE: A verbally promises to sell his house to B it is not a valid contract because the law requires that the contract of immovable property must be in writing.

- **COMPETENCY OF PARTIES**

The parties to an agreement must be competent to contract. In other words, they must be capable of entering into a contract.

EXAMPLE: A, aged 20 promises to sell his car to B for Rs.3 Lac. It is a valid contract because A is competent to contract.

Q3. According to contract law what is offer and acceptance? And how can we revoke offer?

Ans. Offer and Acceptance

An offer is an open call to anyone wishing to accept the promise of the offeror and generally, is used for products and services. Acceptance occurs when an offeree agrees to be mutually bound to the terms of the contract by giving consideration, or something of value like money, to seal the deal.

Revocation of Offer

If we follow the below six essentials, we can legally reject or cancel the contract.

- **NOTICE OF REVOCATION**

The offeror can revoke his offer at any time by sending a notice of revocation to the offeree, before its acceptance. The offeror can reject the offer before its acceptance.

- **BY LAPSE OF TIME**

When the offer states that it is open until a particular date, the offer terminates on that date if it is not accepted by that time. Notification time must be completed.

- **FAILURE TO FULFILL THE CONDITION**

An offer stands revoked if the offeree fails to fulfill the conditions given therein. If an offer contains some conditions and the offeree has taken responsibility to fulfill such conditions, the offer terminates.

- **REVOCATION OF OFFER BY OFFEREE**

If offeree rejects the offer and communicates the rejection to the offeror, the offer shall terminate even though the period for which the offer was kept open may not have yet expired. The rejection may be by words spoken or written or implied. You must have a valid reason to stop the business.

- **DEATH OR INSANITY OF THE OFFEROR OR THE OFFEREE**

If the offeror dies or becomes insane before the acceptance, the offer lapses provided that the fact his death or insanity comes to the knowledge of the acceptor before acceptance. If the person to whom a proposal is made dies before the acceptance of the proposal will come to an end. But if he dies after the proposal is accepted, then his legal representative will be responsible for the contract.

- **SUBSEQUENT ILLEGALITY**

An offer may also terminate, when it becomes illegal due to change in law, before its acceptance by the offeree. In starting it was legal but later illegal changes occur, so you can cancel the contract.