**IQRA NATIONAL UNIVERSITY**

***MID TERM ASSIGNMENT***

**business and labor law**

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**Q1. What is contract and what are essentials of contract?**

**Contract.**

**Definition.**

A contract is a written or verbal legal agreement between two or more parties or people. A contract is enforced by law.

* **Example.**

An agreement between two parties [buyer and seller] for a house is an example of contract.

**Entities of Contract.**

The entities who enter in a contract are;

* Individuals
* Companies
* Organization
* Corporation

**Verbal Contract.**

A verbal or oral contract is a contract in which parties agreed upon something through spoken communication and without written documentation.

* **Example.**

For example if you want to design furniture for your bedroom and carpenter says it will take 300000 rupees. You and the carpenter agree to the terms and enter in a contract but it has no written arrangement. This type of contract is called as verbal or spoken contract.

**Written Contract.**

Written contract are those contract in which there is written documentation. It can be in different form like handwritten, printed or typed. These contract are legally valid and can be challenged.

* **Example.**

For example if a person wants to buy a land from another person. He will make a written agreement about its sale to avoid any problem in future.

**Essentials of Contract.**

The essential elements of are contract are;

CONTRACT

AGREEMENT ENFORCEABILITY BY LAW

1. **Agreement (Offer and Acceptance):**

Agreement involves offer and acceptance. It is the most important element of contract. Agreement is a promise or set of promises that forms consideration for each other. According to Pakistan contract Act Section 2[e] “All of the contracts are agreements but every agreement is not a contract.”

**Characteristic of an agreement;**

The two important characteristic of an agreement are;

1. Plurality of persons
2. Consensus –ad-idem
3. **Plurality of Persons.**

For an agreement there should be at least two persons. This is called as plurality of persons.

1. **Consensus-ad-adem.**

It is a Latin words. It means for an agreement to be made, there should be common understanding between two or more parties.

**Element of Agreement.**

There are two elements of an agreement.

1. **Offer [Proposal]:**

In an agreement one party make an offer. If the other party is writing, it will accept the offer.

* **Offeror/Proposer.**

A person or party who make an offer is called offeror or proposer.

* **Offeree.**

A person or party to whom offer is made is called offeree.

1. **Acceptance**.

When an offeror proposes an offer to offeror and he or she agree on its terms and condition then it is called as acceptance. The offer should be in prescribed mode and made in appropriate time.

* **Example.**

Ali offers to sell his car to Rizwan for Rs.700000. If Rizwan accepts this offer, than this becomes agreement.

**Promise.**

According to Contract Act Section 2[b] promise can be define as. When a proposal is accepted it became a promise.

1. **Legal Enforceability.**

The second important element of a contract is enforceability. Enforceability refers to the legal obligation imposed by law. Legal enforceable contract is important in order to protect interest of the parties within a contract. It is also important to prevent the misunderstanding and disputes between the parties. For a contract to be legally imposed there should be on offer, acceptance and consideration. A legal contract can have written or oral form. But written form. But written form of a contract is more preferable.

**Requirements:**

Parties who are entering in a legal contract must have to fulfill following requirements.

* Both the parties should be mentally capable for signing a contract.
* Parties should be legally old enough to enter a contract.
* Any kind of impairment and influence.
* **Example.**

For example contracts about purchase order and employment agreements.

**Consideration:**

Consideration means the benefit each party will get from a contrast. It is an essential requirement of contract. Exchange of consideration is necessary for legal enforceability of a contract.

* **Example.**

You get money from Ali, and he got a mobile phone from you.

**Contractual Capacity.**

The other essential element of contract is contractual capacity. Contractual capacity means that both the parties have equal and full capacity for contractual duties.

**Free Consent.**

Free consent is another important requirement of a contract. Free consent means that the two parties who are entering in a contract must agree on same things.

**Conclusion.**

All the essentials of contract should be considered in order to completely understand the term contract. A contract is an agreement between two parties or persons. There should be legal enforceability of a contract. Exchange of consideration, contractual capacity and free consent of a contract should be considered.

**Q2. Define Valid Contract and its essentials?**

**Ans: Valid Contract.**

An important type of contract is valid contract. At is based on legal enforceability. An agreement which is in written form and have legal enforceability and binding is called as valid contract.

**Essentials of Valid Contract.**

There are different essential conditions enforced by law and parties involved in a contract should follow the law.

1. **Agreement [offer and acceptance]:**

The essential element of valid contract is agreement. Agreement involves offer and acceptance. An agreement is a promise or set of promises that forms consideration for each other. All of the contract are agreements but every agreement is not always a contract.

* **Example.**

For example two parties wants to make an agreement. One party want to sell a car for consideration of Rs.700000. The other party accepts the offer. In this way contract is valid.

1. **Legal Purpose.**

The second element of valid contract is legal purpose. It means there must be a legal purpose of contract. In other words for a contract there must be a legal relationship between two parties. Some type of agreement i-e those of social and domestic nature do not have legal purpose.

* **Example.**

For example one person sell his land to another and parties agrees on the condition, so they develop a legal relationship. Any arrangement between brother and sister is not considered as contract because they don’t have legal arrangement.

1. **Lawful Consideration.**

Consideration means the benefit each party will get from a contract. It is an important requirement of valid contract. The consideration should be lawful. If there is no legal consideration the contract is not considered valid.

* **Example.**

Qaiser want to sell his watch for Rs.5000. Asim agree to buy watch and promise to pay money. The money is consideration for Qaiser and watch is consideration for Asim.

1. **Capacity to Contract.**

The capacity to contract means that parties involved in a contract or agreement have legal capacity to do the agreement. The major age for any contract is said to 18 years of age.

**Exception.**

There are certain exception that could be considered certain people cannot enter a legal contract.

* Minor
* Insane people or people with unsound mind.
* Any one disqualified by law.

**Example.**

If a person is of fifteen years of age, any contract made with him by major person would not be considered legal.

1. **Consent to Contract.**

Consent to contract is an important element of a valid contract. Consent means both parties involved in contract agreed on same thing. The consent should be free consent.

**Exception.**

There are certain situations under which consent is not considered free. These are;

* coercion
* undue influence
* fraud
* misrepresentation
* mistake

**Example.**

Asim threatens Ali if he does not agree to sell his land, he will kill him. This is coercion, and the consent is not considered free. This type of contract is not valid.

1. **Lawful Object.**

There must be a legal or lawful objective of an agreement. The agreement should not be a fraud, immoral or unlawful. It should opposed any public policy

* **Example.**

If one party offer 200000 to other person in order to molest someone than the contract is not valid because of unlawful and immoral objection.

1. **Certainty.**

The important element of valid contract is certainty. According to this element the meaning of any agreement should be certain. If the meaning of agreement is not certain and is vague, then the contract is not legal enforceable.

* **Example.**

If two parties agree on making a contract of buying and selling there is uncertainty of price, the contract will not be valid.

1. **Possibility of Performance.**

The agreement should have the possibility of performance. If a contract is made on the basis of promise and there is no possibility to carry out in real life, the agreement will be valid.

* **Example.**

Ali agrees Asim to find gold with the help of magic. This type of agreement is not valid and legal.

1. **Not expressly declared void.**

There are certain agreement which are expressly declared void. These kind of agreements have no public interest. If such agreement have necessary component of valid contract, they should not be enforced by law.

* **Example.**

If a person promises to pay certain amount to another person. If he reject a marriage proposal then it is not a legal and valid contract.

1. **Legal formalities.**

Legal formalities should always be fulfilled for all contracts. It is statutory for a contract to be in written form, it should be in that form otherwise the contract shall not be valid and legal.

* **Example.**

If a person made an oral agreement but the requirement is of written and registered agreement then the agreement will be invalid and not legally enforceable.

**Conclusion.**

A contract to be legally enforceable and valid all of the essential element should be met otherwise there would legal complications and contract will not be considered valid.

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

**Contract Law**.

The contract law in Pakistan is called as contract Act 1872. According to the contract Act agreement which has legal enforceability is called as contract.

**Offer and Acceptance.**

The important element of any contract are offer and Acceptance.

**Offer.**

The offer is the first step contract formation. If a party wants to enter in contract with another party, it will first make an offer.

**Types of offers.**

There are different types of offers.

1. **Specific offer.**

Any offer which is made for a specific person is called as specific offer.

1. **General offer.**

An offer made for general population is called as general offer.

1. **Express offer.**

Express offers are offers which are expressed by written or oral words.

1. **Implied offers.**

The offers which are made by conduct are called implied offers.

**Offeror.**

A person who make an offer is called as offeror.

**Offeree.**

Offeree is the person to who offer is presented.

**Concept of offers.**

An offer is also called as a proposal. An offer has no legal definition. An offer is when one express interest to enter in a contract, it is considered as an offer.

**To whom offer is made;**

An offer can be made to one specific person, to a group or to whole world.

**Exceptions to offers.**

There are certain statements which are not considered as offers. These are;

* Those statement which are made during discussion, without identifying the intention of making an offer.
* Inviting other people to make offers.

**Valid offers.**

The valid offers might be implied offers or expressed offers. For a valid offers there must be a legal relationship.

**Termination of an offer.**

Termination or terminating an offer means to end an offer. There are different ways through which offers can be terminated.

* Through Revocation
* Rejecting the offer and making counter offer.
* Due to the demise of offeror.
* Due to time lapse which means the specific time limit has passed.

**Offer Revocation.**

1. Revocation of an offer means with drawing an offer. Before accepting, an offer can be withdrawn any time.
2. The decision to revoke or withdraw an offer should be conveyed to the offeree.
3. The revocation should be conveyed through third party.
4. Due to the death of the offeror.
5. An offer can be revoked if there is any kind of illegality in the offer.
6. An offer can be revoke due to time lapse or if there is no time limit.
7. Due to the failure in the conditions of the offer.
8. Due to insanity of the offeror.

**Acceptance.**

When a person to whom offer is made is willing to agree to the terms and conditions of an offer, it is called as acceptance of an offer.

**Elements of Acceptance.**

There are many essential element of communication.

1. **Communication Acceptance.**

If an offer he or she should communicate it to the offeror.

1. **Time.**

The acceptance of an offer should be made in described period of time.

1. **Mode.**

Acceptance should be in stated mode either written or oral.

1. **Express Acceptance.**

Acceptance should be expressed openly. Silence acceptance cannot be considered.

**Revocation of Acceptance.**

An accepted proposal can be revoked before it reaches to the offeror. Once an acceptance is reached to offeror the revocation can be made. Revocation might be in written or oral form.