



# WHAT IS CONTRACT ?

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# INTRODUCTION TO LAW OF CONTRACT

- It is the most important and basic part of Mercantile law.
- It is mainly concerned with three questions:
  - \* Is there an agreement?
  - \* Can the parties to such agreement enforce it in a court of law?
  - \* How they can enforce it?



# OBJECT OF LAW OF CONTRACT

- It is to ensure that the rights and obligations created by a contract are honoured.

# ANSON says “ The law of contract is intended to ensure that what a man has been led to expect shall come to pass, that what has been promised shall be performed.



# NATURE OF LAW OF CONTRACT

- It determines the circumstances in which a promise or an agreement shall be legally binding on the person making it.
- It is concerned with “rights in personam” As distinguished from “rights in rem”.



# HISTORY OF INDIAN CONTRACT ACT, 1872

- This act came into force with effect from September 1, 1872.
- The act as enacted originally had 266 sections divided into following groups: -



# Original sections of INDIAN CONTRACT ACT 1872: -

- General principles of law of contract.
  - Contracts relating to sale of goods.
  - Special kinds of contracts { indemnity, guarantee, bailment & pledge }
  - Contracts relating to partnership.
- 1 – 75 sections
  - 76 – 124 sections
  - 125 – 238 sections
  - 239 – 266 sections

# DEFINITION OF CONTRACT

- The term “contract” is defined in section 2(h) of the Indian contract act, 1872, as follows: “ AN AGREEMENT ENFORCEABLE BY LAW IS A CONTRACT ”.

thus for the formation of a contract there must be

- \* An agreement,
- \* The agreement should be enforceable by law.

**CONTRACT = AGREEMENT+ ENFORCEABILITY**



# AGREEMENT

- According to section 2(e) :-

“ Every promise and every set of promises forming the Consideration for each other ”

- According to section 2(b), “ A proposal when accepted becomes a promise ”.

# promise is an ACCEPTED PROPOSAL.

Thus agreement = offer + acceptance





# CAPACITY TO CONTRACT

- According to section 11 of ICA, 1872: -
  1. Major
  2. Sound mind
  3. Not disqualified by law

All these persons have the capacity to enter into a contract.

Others are:-

4. Alien friend



# DON'T HAVE CAPACITY TO CONTRACT

1. Minor
2. Alien enemy
3. Unsound mind (lunatic, idiot)
4. Disqualified by law



All these persons don't have the capacity to enter into a contract.

# ESSENTIAL ELEMENTS OF A VALID CONTRACT

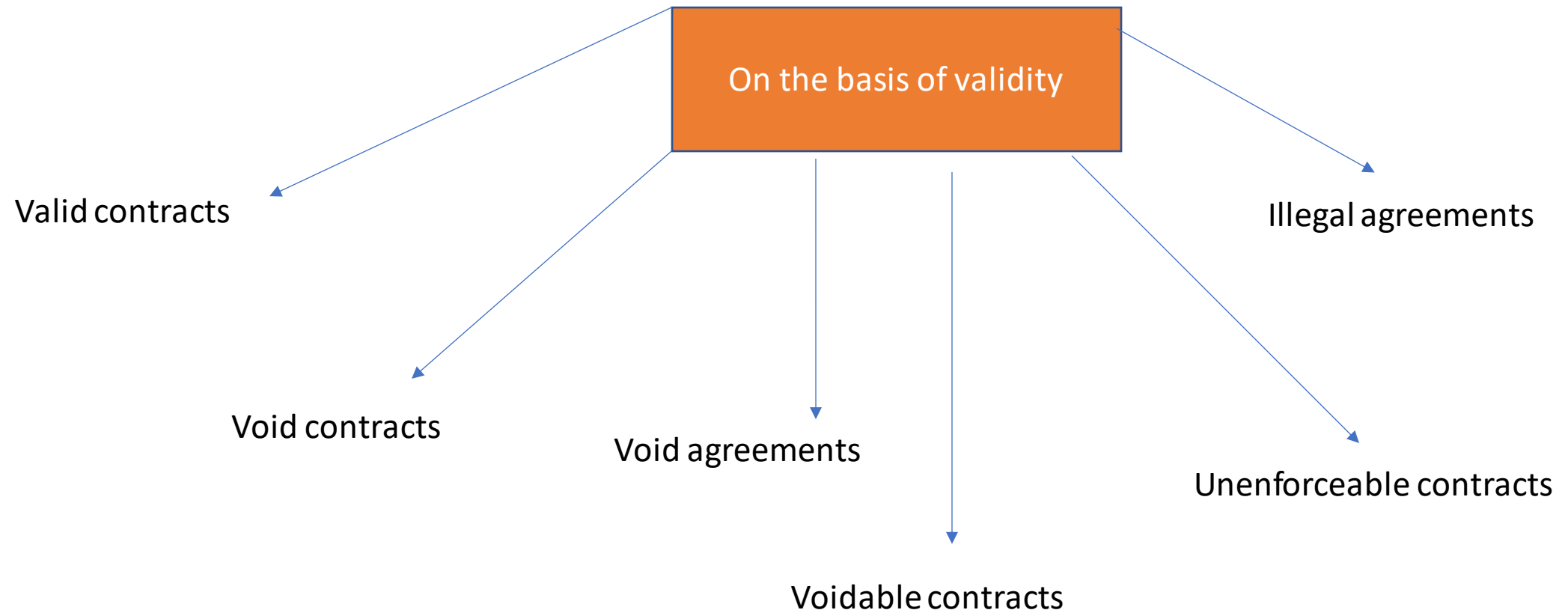
According to section 10 of ICA,1872

1. Offer and acceptance
2. Intention to create legal relationship
3. Lawful consideration
4. Capacity of parties
5. Free consent
6. Lawful object
7. Certainty of meaning
8. Possibility of performance
9. Not declared to be void
10. Legal formalities

**What are the Elements of a Contract?**



# CLASSIFICATION OF CONTRACTS



On the basis of formation

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graph TD; A[On the basis of formation] --> B[Express contracts]; A --> C[Implied contracts]; A --> D[Quasi contracts]; A --> E[E. Com contracts];
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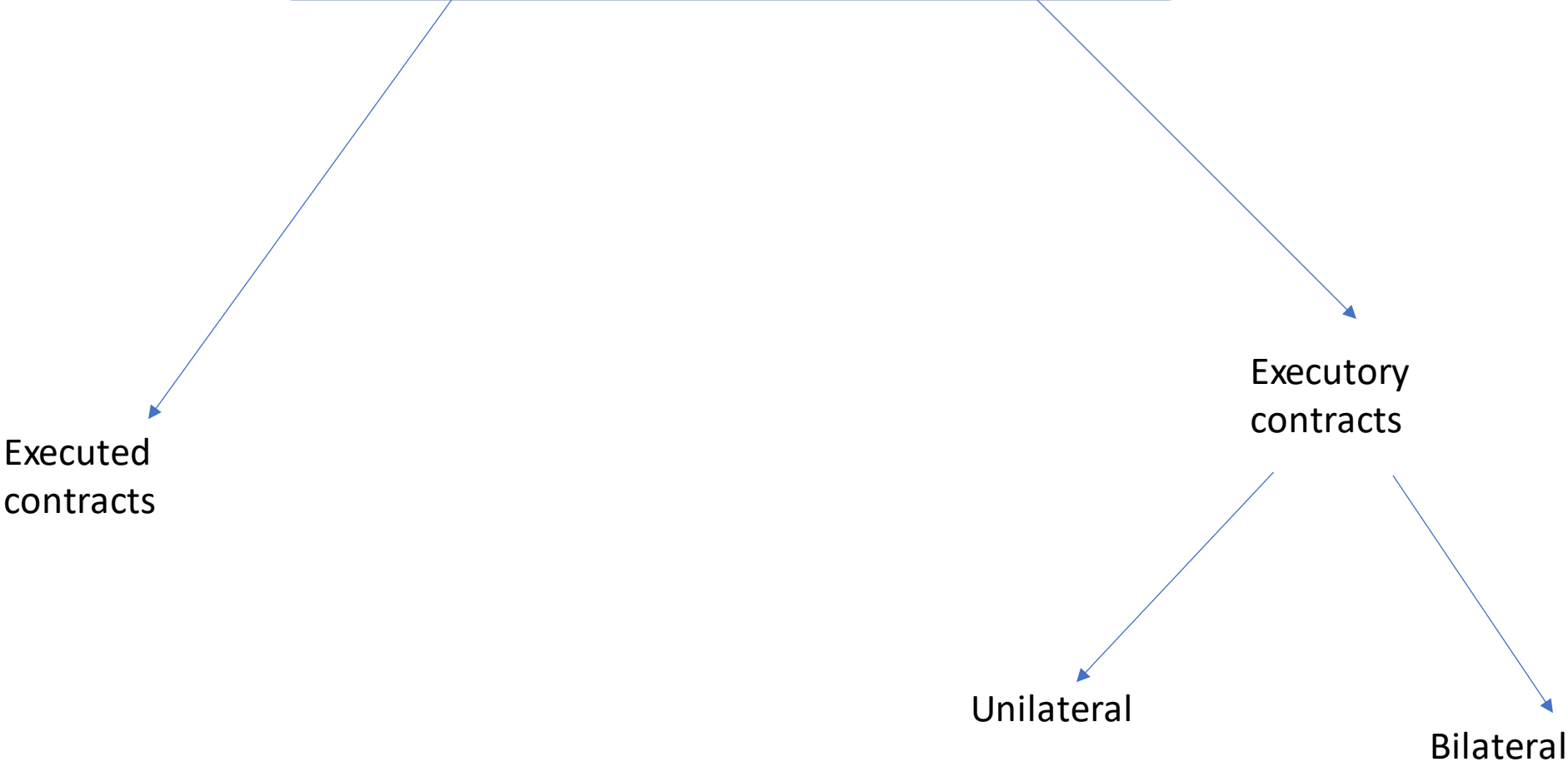
Express contracts

Implied contracts

Quasi  
contracts

E. Com contracts

On the basis of performance



**“Thoroughly read all your contracts.  
I really mean thoroughly”**

*THANK YOU*