

# Business law

## Lecture-1

### Indian Contract Act, 1872



#### ➤ Introduction –

- 1) **INDIAN CONTRACT ACT, 1872** governs law relating to contracts in India.
- 2) The Act was **passed by British India** and is based on the principles of English Common Law.
- 3) This Act is applicable to **whole of India including Jammu and Kashmir**.
- 4) The Act came into effect **from 1st September, 1872** and applies to all contracts in India.

#### ➤ Important Definitions under the Act –

##### 1) **Proposal – Sec 2(a)**

When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal.

##### 2) **Acceptance – Sec 2(b)**

When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. **A proposal, when accepted, becomes a promise**

Person making the proposal is called the “**promisor**”, and the person accepting the proposal is called the “**promisee**”.

##### 3) **Agreement – Sec 2(e)**

Every promise and every set of promises, forming the consideration for each other, is an agreement.

**In simple words, Agreement = Offer + Acceptance**

##### 4) **Void Agreement – Sec 2(g)**

An agreement not enforceable by law is said to be void.

##### 5) **Contract – Sec 2(h)**

An agreement enforceable by law is called as contract.

**In simple words, Contract = Agreement + Enforceability**

##### 6) **Voidable Contract –**

An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others.



#### ➤ Is every agreement contract?

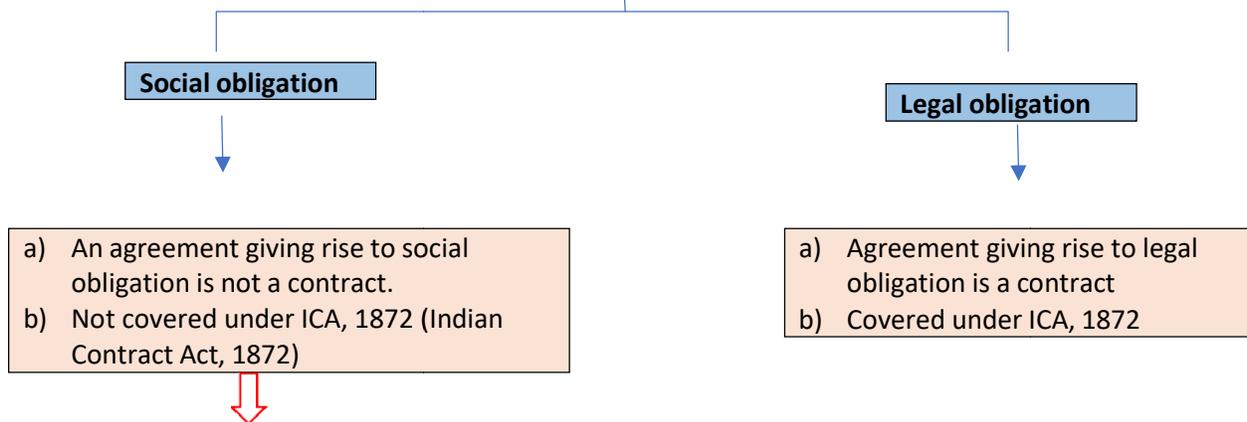
- 1) **No**, every agreement is not a contract.
- 2) An agreement to become a contract must give rise to a **legal obligation (duty)**

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3)

An agreement can be –



### Example –

- a) An agreement between two persons to go together to the cinema, or for a walk, or for a dinner is an agreement of social nature and not covered under Indian Contract Act, 1872.
- b) Domestic agreement between husband and wife is also not a contract.

**4) Every contract is an agreement, but every agreement is not a contract**

### ➤ Difference Between Agreement and Contract –

BASIS FOR COMPARISON	AGREEMENT	CONTRACT
Meaning	When a proposal is accepted by the person to whom it is made, with requisite consideration, it is an agreement.	When an agreement is enforceable by law, it becomes a contract.
Elements	Offer and Acceptance	Agreement and Enforceability
Defined in	Section 2 (e)	Section 2 (h)
In writing	Not necessarily	Normally written and registered
Legal obligation	Does not creates legal obligation	Creates legal obligation
One in other	Every agreement need not be a contract.	All contracts are agreement
Scope	Wide	Narrow