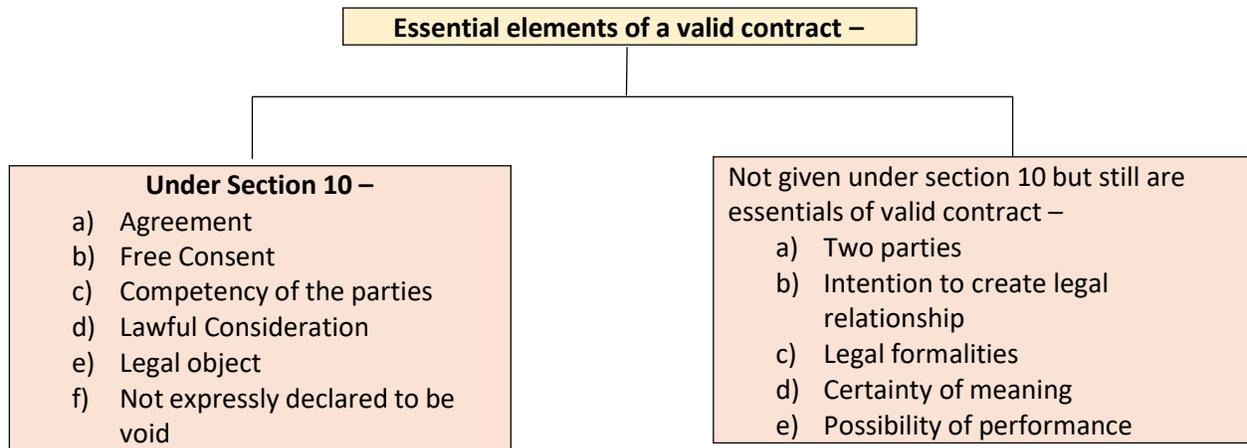


Business law

Lecture-2



1) Two parties –

There should be at least 2 parties for a contract.

2) Offer –

There shall be an offer or proposal by one party

3) Acceptance –

Offer made should be accepted by the other party

4) Lawful consideration –

The agreement shall be supported by lawful consideration

5) Lawful object –

The object and consideration of the contract shall be legal

6) Competent (capacity) to contract – Section 11

- a) The parties to the contract shall be competent to contract
- b) For a person to become competent to contract –
 - Such person should be major (18+)
 - Such person should be of sound mind (Section 12)
 - Such person should not be disqualified by law

7) Free consent –

- a) There shall be free consent between the parties to the contract
- b) Consent is said to be free when the following elements are absent (Section 14)
 - Coercion (Section 15)
 - Undue influence (Section 16)
 - Fraud (Section 17)
 - Misrepresentation (Section 18)
 - Mistake (Section 20, 21, 22)



**ESSENTIAL ELEMENTS
OF A
VALID CONTRACT**

Business law

Lecture-2

8) Intention to create legal relationships –

The intention of the parties to a contract must be to create a legal relationship between them.
Example: A husband promising his wife to buy her a 'necklace' on occasion of her birthday is not a contract.

9) Possibility of performance –

The agreement should be capable of being performed
Example - if A promises B to bring rainfall through magic. Such agreement cannot be enforced

10) Legal formalities –

Legal formalities if any required for particular agreement such as registration, writing, they must be followed

➤ Offer –

A) Definition – Section 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

B) Types of offer –

- 1) **General Offer** - It is an offer to the whole world.
- 2) **Specific offer** - It is an offer made to a particular person or group of persons.
- 3) **Express offer** - It is an offer which is made by words either oral or in writing.
- 4) **Implied offer** - It is an offer which is made by conduct or gesture of the parties.
- 5) **Counter offer** - When a person to whom the offer is made does not accept the offer [as it is] he counters the condition. This is called counter offer.
- 6) **Cross offer** - When two offers of same terms and conditions cross each other at same time, it is called cross offer.
- 7) **Standing offer** - An offer is a standing offer if it is intended to remain open for a specified period

