



SNS COLLEGE OF ENGINEERING

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DEPARTMENT OF MANAGEMENT STUDIES

SUBJECT NAME & CODE : 23BAT104 - LEGAL ASPECTS OF BUSINESS

YEAR/ SEMESTER : I MBA / I SEMSTER

UNIT 1 : THE INDIAN CONTRACT ACT 1872

Topic : Introduction to Law of Contract



History of Contract



- The Law of Contract is a branch of law that deals with the formation, performance, and enforcement of contracts.
- A contract is an agreement between two or more parties that creates legally enforceable obligations.



Meaning of Contract



A contract is an agreement between two or more parties that creates legally enforceable obligations. It is a voluntary agreement between parties that is binding and enforceable by law.





Classification of Contract



Based on Validity

- **Valid Contracts:** Legally binding and enforceable by law.
Example: A contract to sell a car for \$5,000.
- **Void Contracts:** Not enforceable by law.
Example: A contract to carry out illegal activities.
- **Voidable Contracts:** Valid until one party cancels it.
Example: A contract signed under duress.
- **Unenforceable Contracts:** Cannot be enforced due to technical reasons.
Example: An oral contract where written form is required by law.
- **Illegal Contract:** A contract involving illegal acts and is unenforceable from the outset.
Example : An agreement to sell illegal drugs.



Classification of Contract



Based on Formation

- **Express Contracts:** Terms explicitly stated.
Example: A written employment contract.
- **Implied Contracts:** Terms inferred from actions.
Example: Visiting a doctor and receiving treatment implies agreement to pay.
- **Quasi-Contracts:** Imposed by law to prevent unjust enrichment.
Example: Receiving emergency medical care without initially agreeing to pay.
- **Tacit Contracts:** Inferred from silence or actions, not explicit terms.
Example : Paying for goods at a vending machine.



Classification of Contract



Based on Performance

- **Executed Contracts:** Fully performed by both parties.
Example: A contract where goods are delivered and payment is made.
- **Executory Contracts:** Yet to be fully performed by one or both parties.
Example: A contract for future delivery of goods.
- **Partly Executed and Partly Executory:** When one party has completed their obligations, but the other party still has outstanding duties.
Example: A service provider has completed their work, but the client is yet to make the payment.



Classification of Contract



Based on Nature of Consideration

- **Bilateral Contracts:** Mutual exchange of promises.

Example: A contract to buy a house where one party promises to sell and the other promises to pay.

- **Unilateral Contracts:** One party promises something in return for the act of another.

Example: A reward contract for finding a lost pet.



Classification of Contract



Based on Obligation

- **Conditional Contracts:** Performance depends on the occurrence of an event.
Example: An insurance contract.
- **Contingent Contracts:** Performance depends on a future uncertain event.
Example: A contract for the sale of goods contingent on the goods passing inspection.



Elements of a Contract



- **Offer:** One party proposes terms for an agreement.
- **Acceptance:** The other party agrees to the offer's terms.
- **Consideration:** Something of value exchanged between the parties.
- **Intention to Create Legal Relations:** Both parties intend the agreement to be legally binding.
- **Capacity:** Parties are legally able to enter into a contract (age, sound mind).
- **Free Consent:** Agreement made voluntarily without coercion, fraud, or mistake.
- **Legality of Object:** The contract's purpose must be lawful.



Example



- John sees an advertisement from Sarah, a car dealer, offering a used car for sale at \$10,000. He visits her dealership and agrees to purchase the car under specific conditions.



Persons Involved In a Contract



- Offeror: The person who makes the offer to enter into a contract.
- Offeree: The person who receives the offer and has the option to accept or reject it.
- Promisor: The party who makes a promise in a contract.
- Promisee: The party to whom the promise is made.
- Guarantor: A third party who agrees to assume responsibility for the debt or obligation if the primary party defaults.
- Agent: A person authorized to act on behalf of another (the principal) in contract matters.
- Principal: The person on whose behalf the agent acts.
- Third Party: Any person who is not directly involved in the contract but may have rights or obligations due to its terms.



Real World Contracts



- Sales Contracts - Agreements for the sale of goods or services.
- Lease Agreements - Contracts that allow one party to use property owned by another for a specified time.
- Employment Contracts - Agreements between an employer and employee detailing job responsibilities, salary, and benefits
- Service Contracts - Agreements for the provision of services rather than goods
- Loan Agreements - Contracts outlining the terms of borrowing money, including interest rates and repayment schedules.
- Partnership Agreements - Contracts between business partners outlining their roles, contributions, and profit-sharing.
- Confidentiality Agreements - Contracts that protect sensitive information from being disclosed.



Real World Contracts



- Construction Contracts - Agreements outlining the terms for construction projects, including timelines and payment schedules.
- Franchise Agreements - Contracts that allow one party to operate a business under the branding and operational model of another.
- Settlement Agreements - Contracts that resolve disputes outside of court, often involving compensation.



Aspect	Void Contract	Voidable Contract
Definition	A contract that is unenforceable from the beginning.	A contract that is valid until one party chooses to void it.
Legality	Lacks legal effect and cannot be enforced by either party.	Legally valid until one party opts to declare it void.
Consent	Consent may be absent or invalid (e.g., illegal subject matter).	Consent is present but may be flawed (e.g., misrepresentation).
Parties' Rights	No rights or obligations arise for either party.	Rights and obligations exist until the contract is voided.
Example	A contract for illegal activities (e.g., selling drugs).	A contract signed under duress or undue influence.
Repercussions	Cannot be ratified or made valid; it remains void.	Can be ratified if the party chooses to do so.
Duration	Always void; does not change status.	Remains valid until one party exercises the option to void it.
Enforcement	Cannot be enforced in a court of law.	Can be enforced unless the party chooses to void it.



RECAP

QUESTIONS???

THANK YOU