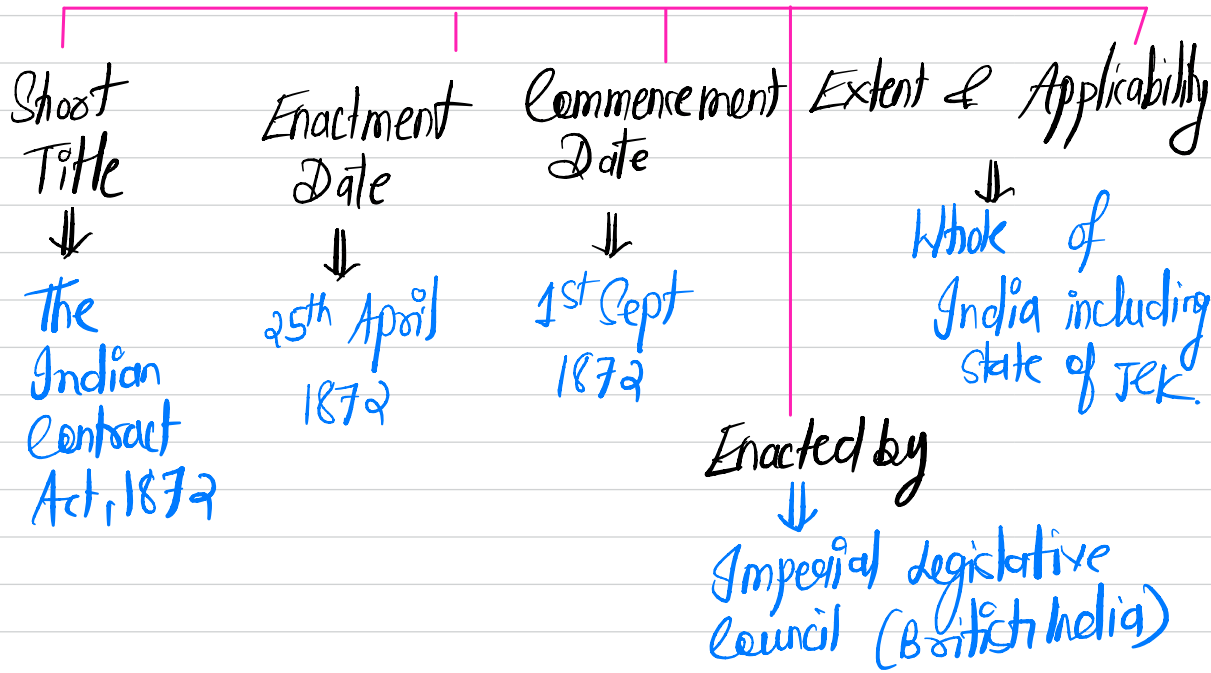
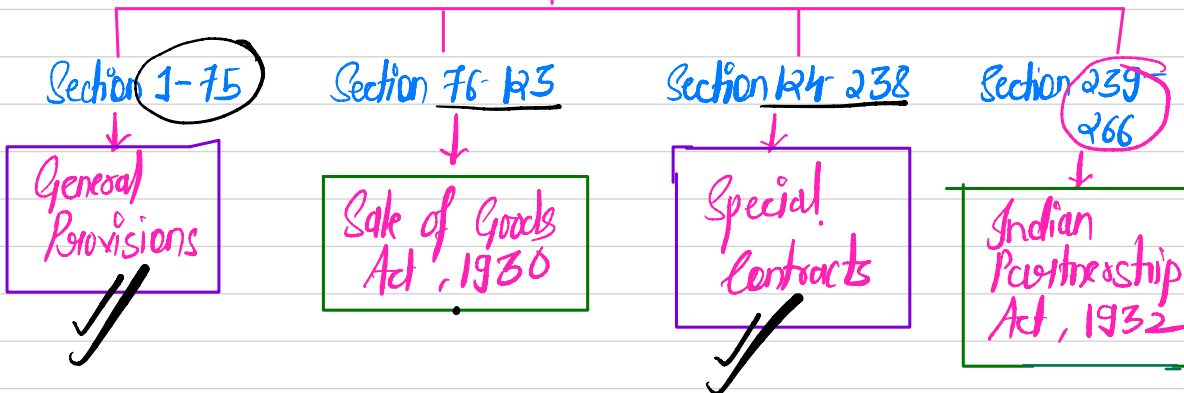


# THE INDIAN CONTRACT ACT

# THE INDIAN CONTRACT ACT, 1872



## Structure of the Indian Contract Act





Section 2(a)  $\Rightarrow$  Offer.

"When one person signifies to another his willingness to do or abstains from doing anything

with a view to obtain assent of that other to such act or abstinence"

Section 2(b). Acceptance / Promise.

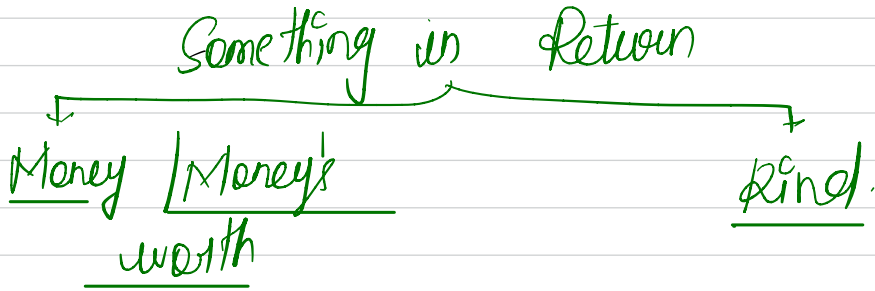
"When the person to whom proposal is made signifies his Assent, there to, the proposal is said to be Accepted. The proposal once accepted becomes promise"

offer + Acceptance = Promise.

Section 2(c)  $\Rightarrow$  Promiser & Promisee.

"The person making the proposal is called promiser & the person accepting the proposal is called promisee"

Section 2(d)  $\Rightarrow$  Consideration [Quid Pro Quo]



Section 2(e)  $\Rightarrow$  Agreement

<sup>66</sup> Every promise & every set of promises forming consideration for each other, is an agreement."

Promise + Consideration = Agreement

Section 2(h)  $\Rightarrow$  Contract

"An Agreement Enforceable by Law"

Enforceability By law ⇒

⇒ All conditions of Section 10

⇒ legal obligation [Balfour v. Balfour]



Husband & Wife

↓  
England from Cytone.

→ wife got ill ⇒ admitted.

→ Husband and wife via domestic arrangement decided that husband will send 30 pounds as every month maintenance

⇒ Husband failed and Wife Sued

⇒ Decision: Suit not maintainable due to lack of legal obligation. It was mere domestic arrangement

# \* Conditions of Section 10 \*

- 1] Two Parties  $\Rightarrow$  Two diff parties (not Joint Owners)
- 2] Intention to create legal obligation.  
Social & Domestic type of agreements are not enforceable
- 3] Other formalities in certain cases-  
Writing, registered & stamped.  
 $\rightarrow$  Insurance contract.  
 $\rightarrow$  Immovable Property.
- 4] Certainty of Meaning
- 5] Possibility of Performance  $\Rightarrow$  agreement for impossible act is not enforceable.
- 6] Agreement
- 7] Consensus - act idem  $\Rightarrow$  consent  
+ meeting of minds "Agreeing to same thing in same sense."

## 8] Free Consent (Sec 14)

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Consent is free if it is not caused by

- a) Coercion (Sec 15)  $\Rightarrow$  Darnaana Dhumkaana
- b) Undue Influence (Sec 16)  $\Rightarrow$  Majboori ka Faayda Uthana
- c) Fraud (Sec 17)  $\Rightarrow$  Dhoka Deha
- d) Misrepresentation (Sec 18)  $\Rightarrow$  Galti se dhoka
- e) Mistake (Sec 20, 21 & 22)  $\Rightarrow$  Contract void  $\Rightarrow$  eg:-  
"Hum apke hai karn"

If consent is obtained by (a) (b) (c) (d) above the contract is voidable at option of aggrieved Party. If by mistake  $\Rightarrow$  void.

8] Consideration  $\Rightarrow$  Quid Pro Quo (Something in return)

9] Law ful consideration & Object

10] Not expressly declared to be void.

11] Capacity of Parties:

a) Major

b) Sound Mind

c) Not expressly declared to be void.

(convict, alien enemy, insolvent, foreign sovereign).

# Communication of Offer & Acceptance. $\Rightarrow$ Section 4

Communication of offer is complete ✓

When it comes to the knowledge of the offeree.

When the offeree put the acceptance in to the course of transmission.

Communication of Acceptance is complete ✓

As against the offeror

As against offeree

When it comes to the knowledge of the offeror.

Example: X (offeror) of Agra sends a letter by post to Y (offeree) of Delhi offering to sell his car for ₹ 1,00,000. The letter is posted on 1<sup>st</sup> January and this letter reaches Y on 7<sup>th</sup> January. Y sends his acceptance by post on 10<sup>th</sup> January but X receives this letter

# of Acceptance on 15th January?

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\* Communication of offer is complete on  $\Rightarrow$  7th January

\* Communication of Acceptance is complete as against the offeror  $\Rightarrow$  10th January.

\* Communication of Acceptance is complete as against the offeror  $\Rightarrow$  15th January

## Revocation of offer.

Section 5.

Offer/Proposal may be revoked at any time before the communication of acceptance is complete as against the proposer, but not afterwards.

X of Agra offer a letter dated 1st January sent by post to sell his car to Y of Delhi for  $\text{₹ } 1,00,000$ . Y accepts the offer on 7th January at 1 pm by letter sent by post. X may revoke his offer any time before 1 pm on 7th Jan. but not afterwards

# Revocation of Acceptance Section 5

- An acceptance may be revoked at any time before the communication of acceptance is complete against acceptor, but not afterwards. Hence acceptance can be revoked at any time before such acceptance comes to the knowledge of proposer.

- After posting letter of acceptance on 10<sup>th</sup> January Y can withdraw his acceptance by a speedier mode of communication (Speed Post) so that revocation notice reaches the proposer before the letter of acceptance.

X of Agra offers a letter dated 1<sup>st</sup> January sent by post to sell his car to Y of Delhi for ₹ 1,00,000. Y accepts the offer on 7<sup>th</sup> January at 1 pm by letter sent by post. X receives the letter of acceptance on 15<sup>th</sup> January at 3 pm. Here Y may revoke his acceptance at any time before 3 pm on 15<sup>th</sup> January but not afterwards.



When communication of revocation is complete  
Section 4

The communication of revocation is complete

When does the communication of revocation is complete?

1] As against the person who makes it  $\Rightarrow$  When it is put in a course of transmission to the person to whom it is made as to be out of power of person who makes it.

2] As against the person to whom it is made  $\Rightarrow$  When it comes to his knowledge

If Mr X sends a telegram revoking his offer on 4<sup>th</sup> January and it reaches Y on 6<sup>th</sup> January

As against Mr X  $\Rightarrow$  communication of revocation is complete on 4<sup>th</sup> January.

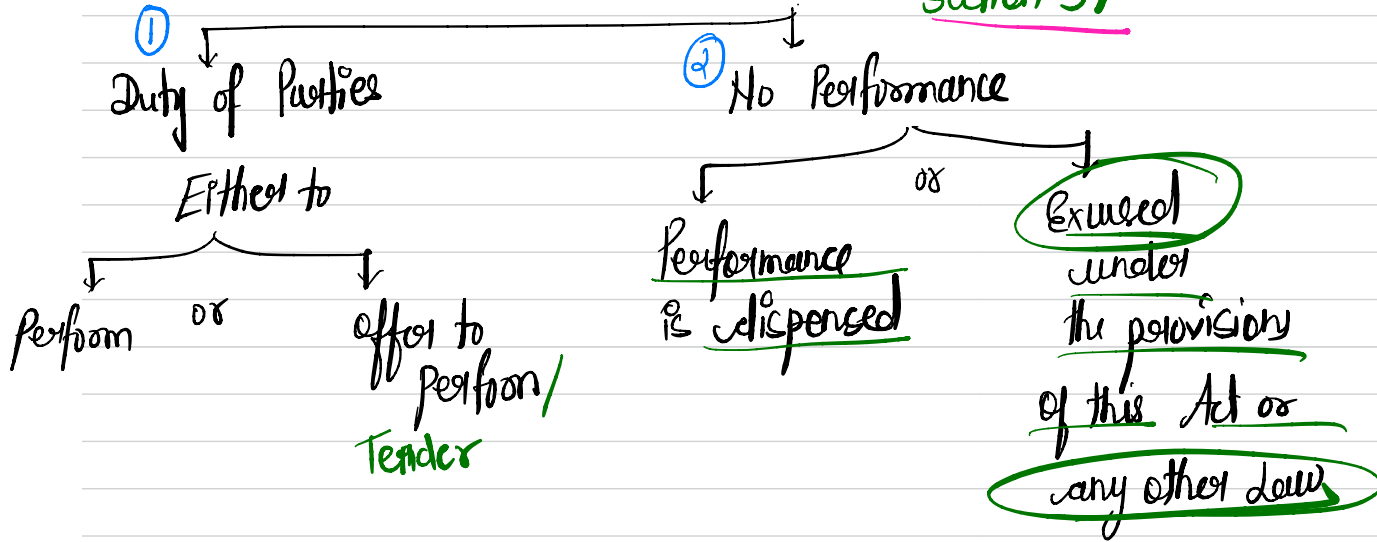
As against Mr Y  $\Rightarrow$  communication of revocation

is complete on 6th January.

Similarly if Mr. Y sends a telegram revoking his acceptance on 11th January & it reaches Mr. X on 14th Jan then,

- As against Mr. Y  $\Rightarrow$  communication of revocation is complete on 11th Jan
- As against Mr. X  $\Rightarrow$  communication of revocation is complete on 14th Jan.

# Performance of Contracts Section 37



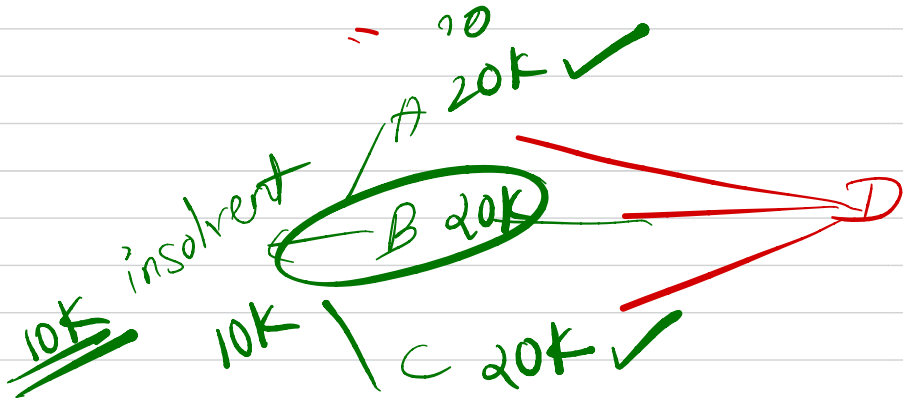
Section 38 Effect of Refusal to accept offer of performance

Section 39 Effect of Refusal of Party to Perform wholly.

Section 40 By whom contract may be performed.  
 ↓ Promisor      ↓ Agent      ↓ legal Representative

Section 41 ⇒ Performance by Third Person.

Section 42/43/44 ⇒ Joint Promisors



Performance of "Reciprocal Promise" [Sec 51-53]

Section 2(f)

Reciprocal Promises ⇒ "a promise in exchange for another promise"

Section 51 ⇒ Promiser not bound to perform, unless reciprocal promise ready & willing to perform.

Section 52 ⇒ Order of Performance of Reciprocal Promises. "Restaurants, Flights"

Section 53 ⇒ Liability of Party preventing event on which contract is to take effect.

Section 54  $\Rightarrow$  Effect of default as to that promise which should be first performed.

Section 55  $\Rightarrow$  Effects of failure to perform at the time fixed in a contract in which "Time is Essential."

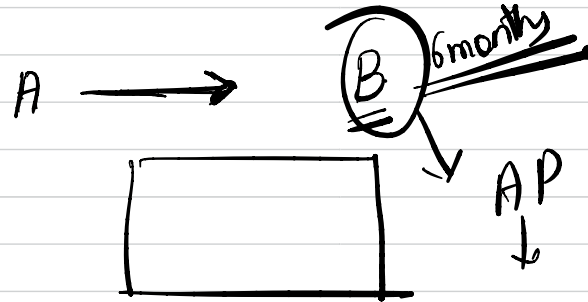
$\downarrow$   
voidable at the option of Aggrieved Party.

Section 56  $\Rightarrow$  Agreement to do impossible Act

Section 57  $\Rightarrow$  Reciprocal promise to do certain things that are legal, and <sup>16</sup> also some other things that are

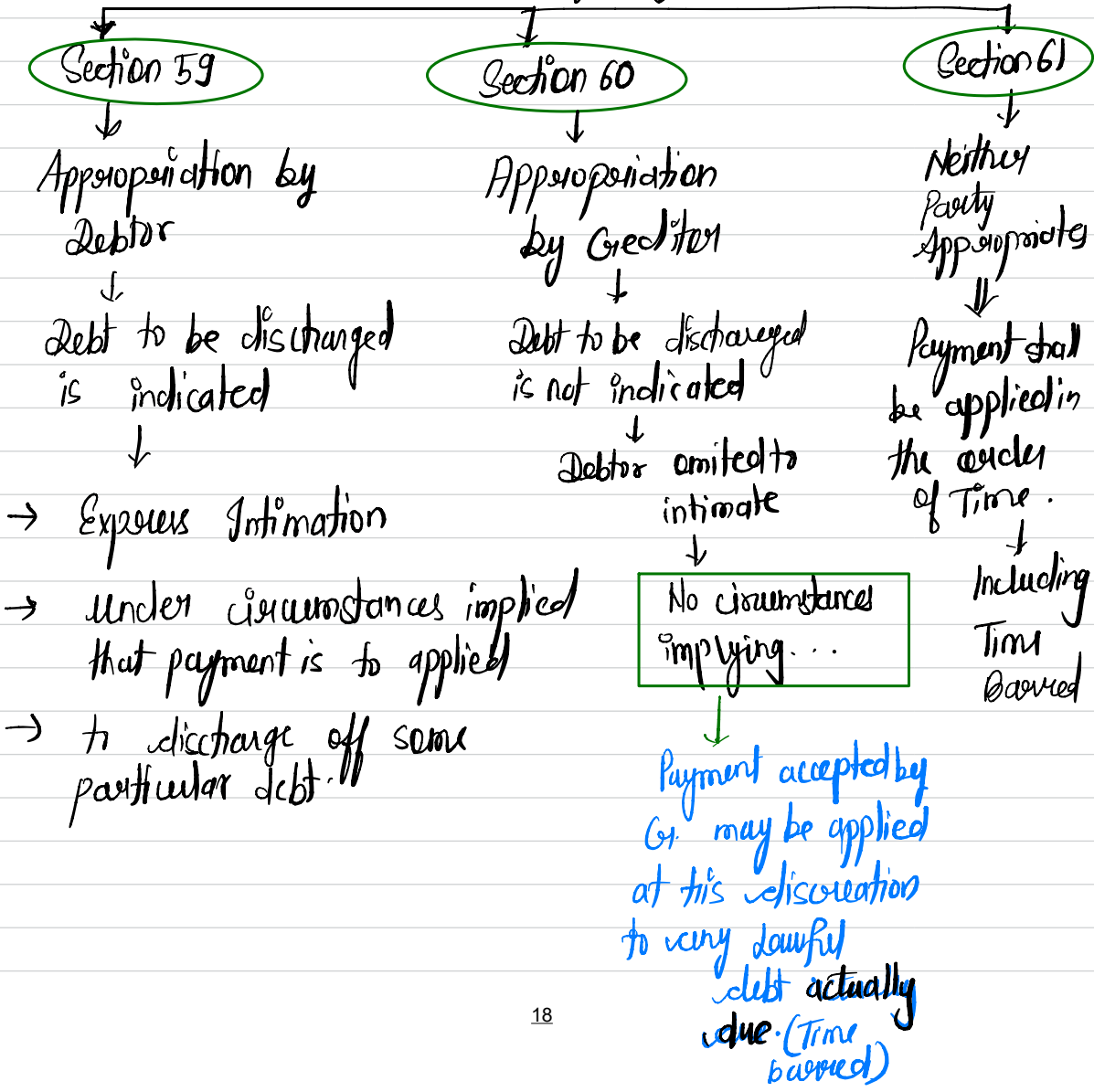
illegal.

Section 58 ⇒ Alternative Promise one branch being illegal.



Situation:- When a debtor owes several distinct debts to one creditor and make a payment to that creditor.

## Appropriation of Payment





Date	Amount	%	Remark
15 <sup>th</sup> June 2016	5000	6%	Time Based
20 <sup>th</sup> June 2021	3000	14%	
21 <sup>st</sup> July 2021	2000	12%	
20 <sup>th</sup> Feb 2022	7000	15%	

↓  
Payment of ₹ 5000 on  
20<sup>th</sup> May 2022

The Indian Contract Act- 1872			
Short Title	Extent And Applicability	Commencement	Enacted by
The Indian Contract Act, 1872	Whole of India	-Enacted on 25th April 1872 -Came into force on the 1 st September, 1872	Imperial Legislative Council

Essentials of Valid Contract, Agreement & Offer		
<p><b>Contract-</b> "an agreement enforceable by law" (<b>sec 2(h)</b>)</p>	<p><b>Acceptance-</b> "When the person to whom the proposal is made signifies his assent thereto, proposal is said to be accepted. The proposal, when accepted, becomes a promise". (<b>Sec 2(b)</b>)</p>	<p><b>Offer-</b> "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>Sec 2(a)</b>)</p>
1. Agreement	1. Acceptance can be given only by the person to whom offer is made	1. Capable of creating legal relations
2. Free Consent	2. Acceptance must be absolute and unqualified	2. Certain, definite and not vague:
3. Competency of Parties	3. The acceptance must be communicated	3. Communicated to the offeree
4. Lawful Consideration	4. Acceptance must be in the prescribed mode	4. with a view to obtaining the assent of the other party
5. Legal Object	5. Acceptance must be made within specified time	5. May be conditional
6. Not expressly declared to be void	6. Mere silence is not acceptance	6. Offer should not contain a term the non-compliance of which would amount to acceptance
7. Two Parties	7. Acceptance by conduct/Implied Acceptance	7. offer may be either specific or general
8. Intention to create legal relationship <b>Case law: (Balfour V/s Balfour)</b>	8. A counter offer operates as a rejection of the offer and causes it to lapse	8. Offer is Different from a mere statement of intention, an invitation to offer
9. Fulfillment of legal formalities		
10. Certainty of meaning		
11. Possibility of performance		

Types	Revocation
1. General Offer <i>Case Law: (Carlill v. Carbolic Smoke Ball Co.).</i>	1. By Notice of Revocation
2. Specific Offer	2. By Lapse of time
3. Counter Offer	3. By non-fulfillment of condition precedent
4. Cross Offer	4. By death or insanity
5. Standing Offer	5. By counter offer
	6. By non-acceptance of offer according to usual mode
	7. By subsequent illegality

## Offer vs Invitation to Offer

Basis of Distinction	Offer	Invitation to Offer
1. Meaning	Where a person shows his willingness to enter into a contract, it is called as an offer.	Where a person invites others to make an offer to him, it is called as an invitation to offer.
2. Purpose	An offer is made by a person with the purpose of entering into a contract.	The purpose of making an invitation to offer is to receive the offers or to negotiate the terms on which the person making the invitation is willing to contract.
3. Legal effect	An offer, if acted upon (i.e., accepted), results in a contract.	An invitation to offer, if acted upon, only results in making of an offer.

Sir William Anson's saying – "Acceptance is to a proposal what a lighted matchstick is to a train of gun-powder"

## Communication of Offer and Acceptance [Section 4]

Communication of offer is complete	Complete when it comes to the knowledge of the person to whom it is made (offeree)
Communication of acceptance is complete	As against the Offeror- When letter of acceptance is posted by acceptor As against the Acceptor- When the letter of Offer comes to the knowledge of the proposer

## Revocation of Offer and Acceptance (Section 5)

Time for revocation	Offer - before communication of its acceptance is complete, as against the proposer/Offeror. Acceptance - before communication of its acceptance is complete, as against the acceptor/Offeree.
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## Types of Contract

On the basis of the Enforceability:	On the basis of the formation of contract	On the basis of the performance of the contract
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<b>Valid Contract</b> -binding and enforceable	<b>Express Contracts</b> -words or in writing.	<b>Executed Contract</b> - Executed means that which is complete <b>WHICH IS COMPLETE – BUSINESS LAWS &amp; ETHICS</b>	
<b>Void Contract</b> -one which ceases to be enforceable by a court of law.	<b>Implied Contract</b> - by implication. Most often the implication is by law and or by action (otherwise than in words)	<b>Executory Contract</b>	
<b>Void agreement</b> -(Void Ab Initio)	<b>Tacit Contracts</b> -The word Tacit means silent.	<b>Bilateral Contract:</b>	<b>Unilateral Contract:</b>
<b>Voidable Contract</b> -A Voidable Contract is an agreement that can be enforced by the law by one party but not at the other parties' option.	<b>Quasi-Contract</b> - not an actual contract but it resembles a contract.	Obligation or promise is outstanding on part of both the parties.	one party has performed his duty or obligation and the other party's obligation is outstanding
<b>Illegal Contract</b> -It is a contract which the law forbids to be made.	<b>E-Contracts</b>		
<b>Unenforceable Contract</b>			

<b>Consideration- Quid Pro Quo (Something in return) (sec 2(d))</b>		
<ul style="list-style-type: none"> <li>&gt; When at the desire of the promisor,</li> <li>&gt; the promisee or any other person, (Case law 'Chinnaya V. Ramaya')</li> <li>&gt; has done or abstained from doing, or [past consideration]</li> <li>&gt; does or abstains from doing, or [present consideration]</li> <li>&gt; promises to do or abstain from doing, [future consideration]</li> <li>&gt; something.</li> <li>&gt; Such act/ abstinence/ promise is called a consideration for promise.</li> </ul>		
<b>Essentials/ Rules</b>	<b>Validity of an Agreement without Consideration (Sec 25)</b>	<b>Privity of Contract: The law does not allow a stranger to file a suit on the contract.</b>
It must move at the desire of the promisor	<b>Natural Love and Affection:</b> writing and registered natural love and affection in a near relation	<b>Exception:</b> A stranger or a person who is not a party to a contract can sue on a contract in the following cases:
It may move from the promisee or any other person	Compensation for past voluntary services:	Trust
Consideration must be something of value.	Promise to pay time barred debt:	Family Settlement
It may be an act, abstinence or forbearance or a return promise.	Completed gift:	Marriage Contracts
It may be past, present or future	Charity & Donations	Assignment of Contracts
not be unlawful.	Bailment (Gratuitous):	Acknowledgement or estoppel
need not be adequate.	Agency:	In the case of covenant running with the land:
must not be illusory.		Contracts entered into through an agent:
not be opposed to public policy		

**Capacity to Contract**

Who is Competent to Contract (Sec 11)		Who is Not competent to contract	
1	The age of majority	1	The age of Minority
2	Who is of sound mind	2	Who is of Unsound mind
3	Is not disqualified	3	Is disqualified from contracting
		<i>Alien enemy</i>	<i>Convicts</i>
		<i>Insolvent</i>	<i>Foreign sovereign</i>
		<i>Body corporate:</i>	

**Effects of Minor's Agreements**

Non enforceable	Enforceable
1. Void-ab-Initio (case law mohori bibi vs. Dharmo das ghose)	1. Contracts by Parents or Guardian for Minor's Benefit is Valid
2. No Ratification After attaining majority	2. Minor's property is liable for necessaries (Sec 68)
3. Minor can be a beneficiary or can take benefit out of a contract:	3. Minor as partner
4. A minor can always plead minority( no Rule of estoppel)	4. Right to hold property
5. No specific performance	
6. No insolvency	
7. Minor's Surety is not liable	
8. Minor as Agent	

**Consent- "two or more persons are said to consent when they agree upon the same thing in the same sense. "identity of minds "Consensus ad idem" (Section 13)**

**Free Consent (Section 14)**

**Coercion (Sec 15)** (a) the committing, or threatening to commit any act forbidden by the Indian Penal Code, or (b) the unlawful detaining or threatening to detain, any property, of any person, With the intention of causing any person to enter into an agreement.

**Contract induced by coercion is voidable at the option of the party whose consent was so obtained.**

**Undue Influence [Section 16]** A Contract is said to be induced by undue influence where the relations subsisting between the parties are such that -  
 (a) one of the parties is in a position to dominate the will of the other and  
 (b) uses that position to obtain an unfair advantage over the other.

**Deemed dominating position**

1. Real or apparent authority
2. Fiduciary relation
3. Mental capacity is temporarily or permanently affected by reason of age, illness, or mental or bodily distress

**Consequences [Section 19A]**

(a) The Contract is Voidable at the option of the party whose consent was so obtained.

(b) Any such Contract may be set aside

- either absolutely, or
- if the party has received any benefit under the Contract, upon such terms and conditions as the Court may deem fit.

**Fraud (sec 17)**

Fraud' means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with an intent to deceive another party thereto or his agent, or to induce him to enter into the contract:

- the suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
- the active concealment of a fact by one having knowledge or belief of the fact;
- a promise made without any intention of performing it;
- any other act fitted to deceive;
- any such act or omission as the law specially declares to be fraudulent

**Silence Not Fraud**

- (a) Mere silence as to facts, likely to affect the willingness of a person to enter into a Contract is not Fraud.
- (b) Exceptions i.e., Silence Fraud, in the following circumstances - Contracts of uberrimae fidei (contracts of utmost good faith)-
- if it is the duty of the person (keeping silence) to speak,
  - Silence by itself is equivalent to Speech.

<b>Fiduciary Relationship</b>	<b>Contracts of Insurance</b>	<b>Contracts of marriage:</b>	<b>Share Allotment contracts:</b>
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*Note: In case of fraudulent silence, contracts are not voidable if the party whose consent was so obtained had the means of discovering the truth with ordinary diligence. (Exception to section 19)*

<b>Misrepresentation [Sec 18]</b>	<ol style="list-style-type: none"> <li>1. Positive false statement made without any basis for info</li> <li>2. a breach of duty which brings advantage to person committing it</li> <li>3. inducement of mistake about subject matter</li> </ol>
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<b>Void ability of agreements without free consent [Section 19]</b>	The Contract is Voidable at the option of the party whose consent was so obtained. (Aggrieved Party)
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**Types of Mistake**

Mistake of Law (Sec 21)		Mistake of Fact	
Indian Law	Foreign Law	Unilateral (Sec 22)	Bilateral (Sec-20)
VALID	VOID	VALID	VOID

**Legality of object and consideration**

The consideration or object of an agreement is lawful, unless	<b>Agreements opposed to public policy</b>	
It is forbidden by law; or	1. Trading with enemy	2. Stifling Prosecution:
Is of such a nature that, if permitted, it would defeat the provisions of any law; or	3. Maintenance and Champerty	4. Traffic relating to Public Offices:
Is fraudulent; or	5. Agreements tending to create monopolies:	6. Marriage brokerage agreements:
Involves injury to the person or property of another; or	7. Consideration Unlawful in Part:	8. Interference with the course of justice:
The court regards it as immoral;	9. Agreement in Restrain of Trade	10. Agreement in restraint of marriage:
Opposed to public policy		

**Agreements expressly declared void by the Indian Contract Act**

1. Agreement to enter into an agreement in future.	2. Agreement that gives rise to social obligations.
3. <b>Sec. 11:</b> Agreements entered into by incompetent parties.	4. <b>Sec. 20:</b> Agreements entered into through a mutual mistake of fact between the parties.

5. <b>Sec.23:</b> Agreements, the object or consideration of which is unlawful. STUDY CIRCLE    82868 81716   77383 05533	6. <b>Sec.24:</b> Agreements, part of the consideration or object of which is unlawful and the unlawful object, cannot be separated from the lawful objects. CMA INTERMEDIATE – BUSINESS LAWS & ETHICS
7. <b>Sec.25:</b> Agreements, made without consideration.(other than exceptions)	8. <b>Sec.26:</b> Agreements in restraint of marriage.
9. <b>Sec.27:</b> Agreements in restraint of trade.	10. <b>Sec.28:</b> Agreements in restraint of legal proceedings.
11. <b>Sec.29:</b> Uncertain Agreements.	12. <b>Sec.30:</b> Wagering Agreements.
13. <b>Sec.36:</b> Agreements contingent upon impossible events.	14. <b>Sec.56:</b> Agreements to do impossible acts.
15. <b>Sec.57:</b> Agreements to do reciprocal promises, one set of which is legal, and the other set is illegal.	

**Wagering Agreements (Sec 30)**

Meaning	Essentials of Wagering Agreement
The literal meaning of the word "wager" is a "bet". Wagering agreements are nothing but ordinary betting agreements. An agreement by way of a wager is void. It is an agreement involving payment of a sum of money upon the determination of an uncertain event. The essence of a wager is that each side should stand to win or lose, depending on the way an uncertain event takes place in reference to which the chance is taken and in the occurrence of which neither of the parties has legitimate interest	i) There must be a promise to pay money or money's worth. ii) Promise must be conditional on an event happening or not happening. iii) There must be uncertainty of event. iv) There must be two parties, each party must stand to win or lose. v) There must be common intention to bet at the timing of making such agreement. vi) Parties should have no interest in the event except for stake.

**In India except Mumbai, wagering agreements are void. In Mumbai, wagering agreements have been declared illegal**

**What is performance (sec 37): The parties to a contract must either perform, or offer to perform, their respective promises unless such performance is dispensed with or excused under the provisions of the Contract Act or of any other law**

**Types of performance**

<b>Actual performance:</b> Where a party to a contract has done what he had undertaken to do or either of the parties have fulfilled their obligations under the contract within the time and in the manner prescribed.	<b>Attempted Performance:</b> It may happen sometimes, when the performance becomes due, the promisor offers to perform his obligation but the promisee refuses to accept the performance.
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<b>Effect of refusal to accept offer of performance (sec 38)</b>	<b>Effect of refusal of party to perform wholly (Sec39)</b>
Where a promisor has made an offer of performance to the promisee, and the offer has not been accepted, then the promisor is not responsible for non-performance,	Sec 39 provides that when a party to a contract has refused to perform or disabled himself from performing his promise in its entirety, the promisee may put an end to the contract unless he had signified, by words or conduct his acquiescence in its continuance
<u>Every such offer must fulfill certain conditions which are as follows, namely:</u> -it must be unconditional; -it must be made at a proper time and place, -if the offer is an offer to deliver anything to the promisee, then the promisee must have a reasonable opportunity of seeing that the thing offered is the thing which the promisor is bound by his promise to deliver.	<u>The following two rights accrue to the aggrieved party, namely,</u> (a) to terminate the contract; (b) to indicate by words or by conduct that he is interested in its continuance

**By whom a contract may be performed (sec 40, 41 and 42)**

Sec 40-		Sec-41	Sec-41
Promisor Himself	Agent	Legal Representatives:	Third persons:      Joint promisors

**Time and place for performance of the promise (sections 46 to 50)**

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Time for performance of promise, where no application is to be made and no time is specified - Section 46  
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**the engagement must be performed within a reasonable time**

Time and place for performance of promise, where time is specified and no application to be made - Section 47

**the promisor may perform it at any time during the usual hours of business, on such day and the place at which the promise ought to be performed.**

Application for performance on certain day to be at proper time and place - Section 48

**it is the duty of the promisee to apply for performance at a proper place and within the usual hours of business**

Place for the performance of promise, where no application to be made and no place fixed for performance - Section 49

**it is the duty of the promisor to apply to the promisee to appoint a reasonable place for the performance of the promise, and to perform it at such a place**

Performance in manner or at time prescribed or sanctioned by promisee - Section 50

**in any such manner, or at any time which the promisee prescribes or sanctions**



Promisor not bound to perform, unless reciprocal promise ready and willing to perform -Section 51

Example: A and B contract that A shall deliver the goods to B to be paid for by B on delivery. A need not deliver the goods, unless B is ready and willing to pay for the goods on delivery.

Order of performance of reciprocal promises- Section 52

Example: A and B contract that A shall build a house for B at a fixed price. A's promise to build the house must be performed before B's promise to pay for it.

Liability of party preventing event on which the contract is to take effect - Section 53

Example: A and B contract that B shall execute some work for A for a thousand rupees. B is ready and willing to execute the work accordingly, but A prevents him from doing so. The contract is voidable at the option of B; and if he elects to rescind it, he is entitled to recover from A compensation for any loss which he has incurred by its non-performance.

Effect of default as to that promise which should be first performed, in contract consisting of reciprocal promises - Section 54

Example: A hires B to make a shoe rack. A will supply the plywood, fevicol and other items required for making the shoe rack. B arrived on the appointed day and time but A could not arrange for the required materials. A cannot claim the performance of B's promise, and must make compensation to B for the loss which B sustains by the non-performance of the contract

Effects of Failure to Perform at a Time Fixed in a Contract in which Time is Essential - Section 55

Effect of such failure when time is not essential:

Where time is not essential, the contract **cannot be avoided** on the ground that the time for performance has expired

Effect of acceptance of performance at time other than agreed

upon: he may accept performance at any time other than that agreed. In such an event, **he cannot claim compensation** for any loss occasioned by the non-performance of the promise at the time agreed

Agreement to do Impossible Act - Section 56- "An agreement to do an act impossible in itself is void".

(a) Initial Impossibility (Impossibility existing at the time of contract):

If known to the parties: Void	If unknown to the parties: Void	If known to the promisor only: the promisee is entitled to claim compensation for any loss he suffered on account of non-performance.
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(b) Subsequent or Supervening impossibility (Becomes impossible after entering into contract):

When performance of promise become impossible or illegal by occurrence of an unexpected event or a change of circumstances beyond the contemplation of parties, the contract becomes void e.g. change in law etc. Such impossibility is called the subsequent or supervening.

Reciprocal promise to do certain things that are legal, and also some other things that are illegal (Section 57)

Example: A and B agree that A will sell a house to B for Rs. 500,000 and also that if B uses it as a gambling house, he will pay a further sum of Rs. 750,000. The first set of reciprocal promises, i.e. to sell the house and to pay Rs. 500,000 for it, constitutes a valid contract. But the object of the second, being unlawful, is void

'Alternative promise' one branch being illegal- Section 58

Example: A and B agree that A shall pay B Rs. 1,00,000, for which B shall afterwards deliver to A either rice or smuggled opium. This is a valid contract to deliver rice, and a void agreement as to the opium

**Appropriation of payments- Sec 59 to 61 of the Indian Contract Act.**

<b>Application of payment where debt to be discharged is indicated (Section 59):</b>	<b>Application of payment where debt to be discharged is not indicated (Section 60):</b>	<b>Application of payment where neither party appropriates (Section 61):</b>
must be applied accordingly	the creditor may apply it at his discretion to any lawful debt actually due and payable to him from the debtor, including time barred debt, but not to the disputed debt.	the payment shall be applied in discharge of the debts in order of time, including time barred debt.

**Discharge of contract**

<b>1. Performance of Contracts (Sec 37)</b>					
<b>2. Discharge by Mutual Agreement or Consent (Sec 62 &amp; 63)</b>					
Novation	Alteration	Rescission	Remission	Waiver	Accord and Satisfaction
<b>3. Discharge by Lapses of Time:</b>					
<b>4. Discharge by Operation of the Law</b>					
By merger	By the unauthorized alteration		By insolvency	By Death of either party	
<b>5. Discharge by Impossibility or Frustration (Sec 56)</b>					
<b>6. Discharge by Breach (Sec 37)</b>					
Actual breach			Anticipatory breach		

**Remedies for Breach of contract**

<b>1. Rescission of contract</b>		
Mutual Agreement	Breach of contract	By Law
<b>2. Suit for damages:</b>		
<b>Liquidated damages:</b>	<b>Un liquidated damages:</b>	
	General or Ordinary damages	
	Special Damages	
	Exemplary or Punitive damages	
	Nominal damages	
<b>3. Specific Performance</b>		
<b>4. Injunction</b>		
<b>5. Quantum Meruit</b>		

**Contingent Contract- Contract to do or not to do something if some event, collateral to such contract, does or does not happen.**

Contingent contract-Essentials	Contingent Contracts- Rules
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1. Contract contingent on happening of event	1. Enforcement of contracts contingent on an event happening - Section 32:
2. Enforcement of contracts contingent on an event not happening	2. Enforcement of contracts contingent on an event not happening - Section 33:
3. The event referred to is collateral to the contract	3. A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening - Section 34:
4. The contingent event should not be a mere 'will' of the promisor	4. Contingent on happening of specified event within the fixed time - Section 35
5. The even must be uncertain	5. Contingent on specified event not happening within fixed time - Section 35:
	6. An impossible event - Section 36:

**Quasi contracts are based on principles of equity, justice and good conscience. A quasi or constructive contract rest upon the maxims, "No man must grow rich out of another person's loss".**

Claim for necessaries supplied to persons incapable of contracting (Section 68):

Payment by an interested person (Section 69):

Obligation of person enjoying benefits of non-gratuitous act (Section 70)

Responsibility of finder of goods (Section 71):

Money paid by mistake or under coercion (Section 72):

