

CHAPTER	
1	The Indian Contract Act, 1872
Unit : 1	Nature of Contracts

- [1] (b) Agreements to form valid contract must be certain and possible, it should not be uncertain vague or impossible. Therefore, an agreement to do something impossible is void under Section 56 of the Indian Contract Act, 1872.
Hence in the above case the contract between P and Q is a void contract since P and Q agree to do an impossible Act, i.e. P agrees to pay Q a certain sum if Q brings on earth a star from sky which is an impossible task to be performed.
- [2] (a) Indian Contract Act, 1872 was passed by the Indian Parliament, of Pre-independent India.
- [3] (b) An implied acceptance is one which is made otherwise than in words. In other words, it is inferred from the conduct of the person or the circumstances of the particular case.
Hence, in this case in an auction sale, 'X' is the highest bidder. The auctioneer accepts the offer by not speaking but striking the hammer on the table. This amounts to imputed acceptance.
- [4] (b) Upon receipt of an offer from an offeror, if the offeree instead of accepting it straight way, imposes conditions which have the effect of modifying or varying the offer, he is said to have made a counter offer. Counter offers amounts rejection of the original.
In this case A enquires from B that will he purchase his cow for \$100, Instead of accepting the offer B makes a counter offer stating that he shall purchase A's cow for \$100 provided A purchases his parrot for \$120.
- [5] (a) The promise by X to pay Y who saved him from drawing is enforceable as there is completion of "quid pro quo" i.e. something in return of. In this case X's life was saved hence he is held liable to pay the amount to Y.
- [6] (a) According to Section 10 of the Indian Contract Act, 1872 an offer is valid if.
(a) It is intended to create a legal relationship an invitation to join a friend for dinner in a social activity. This does not create a legal relationship or right or obligation.

- (b) The offer must be certain and unambiguous i.e. (definite). It must not be vague. If the terms are vague, it is not capable of being as the vagueness would not create any contractual relationship.
- (c) The offer must be communicated to the person to whom it is made other wise the offeree cannot accept the offer. He cannot accept the offer because he is not aware of existence of the offer. Such a situation does not create any legal obligation or right on any one.

[7] (c) According to Section 2 (g), "An agreement not enforceable by law is said to be void." Such agreement are void *ab initio* which means that they are unenforceable right from the time they are made.

Similarly according to Section 30 of the Indian Contract Act, 1872, a wagering agreement is an agreement between two persons under which money or money's worth is payable, by one person to another on the happening or non happening of a future uncertain event is called a wagering agreement.

Hence, in this case where A agrees to sell to B a horse for ₹ 25,000 if it wins a race and for ₹ 15,000 if does not. The horse wins the race. The agreement between A and B is void and wagering as the agreement between them is unenforceable and wagering because money is payable on the horse winning the race.

[8] (b) The Law relating to contracts is contained in the Indian Contract Act, 1872. The Act came into force on the first day of September 1872, and it applies to the whole of India except the State of Jammu and Kashmir.

[9] (a) Under Section 5, of the Indian Contract Act, 1872, a proposal or offer may be revoked at any time, before the communication of its acceptance is complete as against the proposer /offeror.

So in this case on the 5th of a month X makes an offer to Y, by a letter, which reaches Y on 6th and on the 7th, Y posts his letter of acceptance.

Meanwhile, on the 6th, X posts a letter to Y revoking the offer, so as a result of X's revocation on 6th, the offer made by him earlier is revoked and there is no contract between X an Y.

[10] (d) Unenforceable contract is good in substance but suffers from some technical defect (such as not in writing, under stamped). Such contracts can be enforced if the technical defect involved is removed.

Example: An oral agreement for arbitration is unenforceable because the law requires that an arbitration agreement must be in writing. If the oral agreement for arbitration is reduced to writing, it will become enforceable.

- [11] (b) According to Section 56 of the Indian Contract Act, 1872, "**An agreement to do an impossible Act is void**".

Hence in this case X promises to pay Z ₹ 5,00,000 if Z can Make his dead wife alive, such a contract is also void as X Makes a promise to pay money's worth of ₹ 5,00,000 if he makes his dead wife alive which is an impossible task to be performed.

- [12] (a) Agreement is defined in Section 2 (e) of the Indian Contract Act, 1872.

- [13] (a) According to Section 5 of the Indian Contract Act, "An acceptance may be revoked at any time before the communication of the acceptance is complete as against the acceptor, but not afterwards" As we know that communication of acceptance is complete as against the acceptor when the letter of acceptance is actually received by the proposer.

Hence, in this case X makes a proposal to Y, which Y accepts. But before the acceptance came to the knowledge of X, Y revokes his acceptance by telegram. The revocation is complete when the telegram is received by X.

- [14] (b) Two offers which are similar in all respects made by two parties to each other, in ignorance of each other's offer are known as cross offers.

Cross offer do not amount to acceptance of one's offer by the other. Hence, no contract is entered. into on cross offers.

- [15] (c) According to Section 2(i) of the Indian Contract Act, 1872, "an agreement which is enforceable by law at the option of one or more of the parties thereon but not at the option of the other or others", is voidable contract.

Example: A contract is treated as voidable at the option of the party whose consent has been obtained by coercion or undue influence or fraud or misrepresentation.

- [16] (b) According to **Section - 10** of the Indian Contract Act, 1872, a contract to be valid must be made with an intention to create legal relationship.

In the instant case, X invited Y for his son's wedding. Y accepted the invitation. Here, in this case, there is an agreement but not contract since one of the essential element of **Section - 10** viz. intention to create legal relationship is not present. Therefore, there is no contract.

- [17] (c) The offer/proposal must not contain a term the non-compliance of which would amount to acceptance. It means that while making the offer, the offerer can not say that if offer/proposal is not accepted before a certain date, it will be presumed to have been accepted.

Hence, in this case X offers to sell his house to Y for ₹ 10 lacs and states in his letter that the offer would be considered as accepted if acceptance is not communicated within a certain time Here, the letter of X would not amount to a proposal.

- [18] (b) According to Section 29 of the Indian Contract Act, 1872, "agreements the meaning of which is not certain or capable of being made certain are void." Hence, in this case L says to J, "T shall sell my house, will you buy?" A says "Yes, I shall buy." The agreement is void due to uncertainty of price.
- [19] (c) A consideration which consists of the performance, it is "executed" i.e. an act done in response to a positive promise. Where it consists only of a promise it is executory.
For example where A pays ₹ 5,000/- to 'B' requesting 'B' to deliver certain quantity of rice, to which B, agrees here consideration for B is executed by 'A' as he has already paid ₹ 5,000/- where as 'B's promise is executory as he is yet to deliver the rice.
- [20] (a) Picking up an article and approaching the cashier's desk for payment is an example which constitutes an offer in a self service store.
- [21] (c) An illegal agreement is one the object of which is unlawful. Such an agreement cannot be enforced by law.
Effect on collateral agreements: Incase of illegal agreements, even the collateral agreements become void.
- [22] (d) A bilateral contract is one in which both the parties have to perform their respective promises or obligations to do or forebear.
Hence in this case S agrees to sell his DVD player to R promising to deliver it on the date of payment. R promises to pay the amount, one month hence. This is an example of bilateral contract where both S and R have to perform their promise.
- [23] (c) Goods displayed of a shop window with a price label will amount invitation to offer since the shopkeeper making an invitation invites others to make an offer to him. It is prelude to an offer inviting negotiations or preliminary discussions.
- [24] (b) The communication of an acceptance is complete as against the acceptor when it comes to the knowledge of the proposer.
In case of acceptance made by post, the acceptor becomes bound by the acceptance only when the letter of acceptance is actually received by proposer.
- [25] (c) According to Section 10, of the Indian Contract Act, 1872, the juristic concept of contract consists of in **proper offer and Acceptance:** There must be at least two parties one making the offer and the other accepting it such offer and acceptance must be valid.
An offer to be valid must fulfill certain conditions, such as it must intend to create legal relations, its terms must be certain and unambiguous, it must be communicated to the person to whom it is made, etc. An acceptance to

be valid must fulfill certain conditions, such as it must be absolute and unqualified, it must be made in the prescribed manner, it must be communicated by an authorised person before the offer to lapses.

- [26] (c) All innocent promises collateral to the main illegal promise contained in a contract will be regarded as illegal.
- [27] (b) An offer must be communicated to the person to whom it is made. One can accept the offer only when he knows about it thus, an offer accepted without its knowledge does not confer any legal right on the acceptor. Hence in this case it was held that F was not entitled to the reward because F cannot be said to have accepted the offer which he did not know.
- [28] (c) The communication of offer is complete when it comes to the knowledge of the person to whom it is made. In case an offer is made by post, its communication will complete when the letter containing the offer reaches the offeree.
Hence, in this case, the communication of offer is complete on 17-01-2008 when the reaches B.
- [29] (b) The communication of acceptance is complete as against the acceptor when it comes to the knowledge of the proposer. In case of acceptance made by post, the acceptor becomes bound by the acceptance only when the letter of acceptance is actually received by proposer.
Hence, in this case, the communication of acceptance is complete against A on 18th January, 2008 and against B on 30.01.2008 when the letter reaches to A.
- [30] (d) An offer that is allowed to remain open for acceptance over a period of time is known as standing, open or continuing offer. Tender for supply of goods is a kind of standing offer.
- [31] (c) If an offer is made to the public in general and hence anyone can accept and do the desired act. Section 8 of the Indian contract Act points out that performance of the conditions of a proposal is an acceptance of the proposal.
- [32] (a) According to **Section - 10** of the Indian Contract Act, 1872 a contract to be valid must be made with an intention to create legal relationship. In the instant case, A invited B for a dinner at his house. B did not come on the appointed day. A cannot sue B because there was no valid contract between A and B as the intention of creating legal relationship is not present. Here, the agreement is merely a domestic arrangement.
- [33] (c) According to **Section - 2 (b)** of the Indian Contract Act, 1872, "When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. Proposal when accepted becomes a promise."
In other words, when an offer is accepted it becomes a promise. Therefore, promise is an accepted proposal.
- [34] (a) As per **Section - 2 (e)** of the Indian Contract Act, 1872, an agreement is

defined as:-

“every promise and every set of promises, forming the consideration for each other.”

Section - 2 (h) of the Indian Contract Act defines the term contract as “an agreement enforceable by law.”

In other words,

OFFER + PROPOSAL = PROMISE

PROMISE + CONSIDERATION = AGREEMENT

AGREEMENT + ENFORCEABILITY BY LAW = CONTRACT

Therefore, all contracts before resulting into a contract are agreements.

Hence, we can say that,

“All contracts are agreements, but all agreements are not contracts.”

[35] (b) **Same as Ans. 8**

[36] (b) Illegal agreements are void-ab-initio. If an agreement is illegal, the collateral transactions to the agreement get tainted with illegality and hence cannot be enforced.

[37] (d) As per **Section - 2 (h)** of the Indian Contract Act, 1872 the term contract is defined as :

“an agreement enforceable by law.”

[38] (b) **Same as Ans. 16**

[39] (b) As per **Section - 2 (a)** of the Indian Contract Act, 1872, an offer to be complete, must be communicated to the person to whom it is made. Unless an offer is communicated there can be no acceptance. An acceptance of an offer, in ignorance of the offer, is not acceptance and does not create any right on the acceptor.

In the given case, A has accepted an offer in ignorance of the offer. It will not be treated as an acceptance and will not create any right on A. Therefore, A cannot claim ₹ 1,000 from B as he had no knowledge of the offer.

[40] (a) As per **Section - 4** of the Indian Contract Act, 1872, communication of revocation is complete as against the person to whom it is made, when it comes to his knowledge.

As per **Section - 5** of the contract Act, a proposal may be revoked at any time, before the communication of its acceptance is complete as against the proposer.

In the instant case, B has sent the letter of revocation of offer which has reached B before the letter of offer has reached B. Therefore contract is valid.

[41] (d) As per **Section - 2 (i)** of the Indian Contract Act, “an agreement which is enforceable by law at the option of one or more parties but not at the option

of other or others is a Voidable Contract”.

- [42] (b)** According to **Section - 4 and 5** of the Indian Contract Act, 1872 the communication of acceptance is complete as against the offeror, when it is put in the course of transmission to him, so as to be out of the power of the offeree.

Thus the offeror is bound by acceptance as soon as the letter of acceptance is duly posted by the offeree

The words “duly posted” means correctly addressing the letter, sufficiently stamping it and posting it properly.

Even if the letter of acceptance is lost in the course of transmission, the offer cannot be revoked and a valid contract emerges

Thus in the given case letter of acceptance has been misplaced due to the carelessness of postman i.e. it was duly stamped and delivered by offeree. Hence a valid contract emerges.

- [43] (d)** As per **Section-10** of the Indian Contract Act, 1872, following essential elements must co-exist in order to make a valid contract:

- (i) Proper offer and proper acceptance with intention to create legal relationship.
- (ii) Lawful consideration
- (iii) Capacity
- (iv) Free consent
- (v) Lawful agreement
- (v) Consensus-ad-idem

- [44] (b)** A contract is said to be tacit when it has to be inferred from the conduct of the parties. Obtaining cash through automatic teller machine is an example of the tacit contract.

- [45] (c)** According to Section 2 (h) of the Indian Contract Act, 1872 a contract is an agreement enforceable by law.

- [46] (a)** A valid offer/proposal must not contain a term the non-compliance of which would amount to acceptance. It means that while making the offer, the offeror cannot say that if offer/proposal is not accepted before a certain date, it will be presumed to have been accepted.

According to Section 10 of the Indian Contract Act, 1872 an offer is valid if–

- (i) It is intended to create legal relationship.
- (ii) The offer must be certain and unambiguous i.e. definite. It must not be vague.
- (iii) The offer must be communicated to the person to whom it is made otherwise the offeree cannot accept the offer.

- [47] (b) An implied contract is one which is made otherwise than in words. In other words, it is inferred from the conduct of the person or the circumstance of the particular case.
Hence in this case when A asks B, a watch repairer to repair his watch. The repairer accepts the offer and in return A will pay the price for the repair. Thus rights and obligations are created on the parties, therefore it, amounts to implied contract.
- [48] (b) A price list will amount to invitation to offer since the shopkeeper making an invitation invites others to make an offer to him. It is prelude to an offer inviting negotiations or preliminary discussions.
- [49] (a) Illegal contracts are contract which the law forbids to be made. e.g. selling smuggled goods.
All illegal agreements are void. The court will not enforce such a contract. Hence, when A sells smuggled goods at ₹ 100, it void on the ground of being illegal.
- [50] (c) A one-sided contract in which only one party has to perform his promise or obligation to do or forbear, is called an unilateral contract.
- [51] (b) **Same as Ans. 16**
- [52] (d) A contract is said to be tacit when it has to be inferred from the conduct of the parties. Example-obtaining cash through ATM (Automatic Teller Machine), sale by fall of hammer at an auction sale.
- [53] (a) If an agreement is merely void and not illegal, the collateral agreement to the agreement may be enforced for execution but collateral agreement to an illegal agreement also becomes illegal, and cannot be enforced, hence void.
- [54] (b) According to Section 10, "All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.
- [55] (a) When the offeree offers to qualified acceptance of the offer subject to modifications and variations in the terms of original offer, he is said to have made a counter offer. A counter offer amounts to rejection of the original offer i.e. original offer ends or lapses.
- [56] (a) An invitation to an offer is only a circulation of an offer, it is an attempt to induce offers and precedes a definite offer. Example– Company issuing a prospectus for subscription of share and debentures. Acceptance of an invitation to an offer does not result to contract and only an offer emerges in the process of negotiation.
- [57] (a) A unilateral contract is one sided contract in which only one party has to perform his promise or obligation to do or forbear.

- [58] (a)** Communication of acceptance is complete as against the acceptor when it comes to the knowledge of the proposer. In case of telephonic conversation, communication is complete when the words are heard by the offeror.
- [59] (a)** When offer is made to a definite person, it is known as specific offer and such offer can be accepted by that specified person only.
- [60] (d)** Implied offer means an offer which is not made in words but in which terms are inferred from the circumstances of the case or conduct of the parties. Thus, the bus standing at the bus stop waiting for passengers and ready for departure gives an implied offer to the passengers to board the bus.
- [61] (b)** As per Section 2(i), voidable contract, "is an agreement which is enforceable by law at the option of one or more of the parties but not at the option of the other or others."
Contract as a result of coercion, undue influence etc would be voidable at the option of the person whose consent was caused by one of these factors.
- [62] (d)** As per Section 2(i), voidable contract, "is an agreement which is enforceable by law at the option of one or more parties but not at the option of the other or others."
- [63] (c)** In the given case, B agrees to the proposal but puts a qualification that he will purchase the house only if his solicitor approves it. Hence B's statement is absolute but qualified.
- [64] (a)** As per Section 13, "two or more persons are said to have consented when they agree upon the same thing in the same sense i.e. consensus – ad – idem". It is an essential element that is required to make a valid contract. Putting the offers and counter offer results in rejection of the original offer.
- [65] (a)** To create a valid contract, the parties should have the intention to create a legal obligation between them which must not be only moral but also legal i.e. a duty enforceable by law.
- [66] (c)** As per Section 2(h) of the Indian Contract Act, 1872, "Contract is an agreement enforceable by law."
Moreover, the agreement must not be one, which the law declares to be either illegal or void. Thus, the agreements which are legally enforceable are contracts.
- [67] (c)** If an offer contains a condition that offeree has to perform that condition as a token of acceptance and the offeree fails to fulfill the condition then, it amounts to non-acceptance on the part of offeree.
In such a case, offer is said to have been lapsed.
- [68] (d)** Implied contract means the contracts implied by law though the parties

never intended it. Thus, these contracts are situation specific i.e. depends upon situations.

- [69] (c) Executed contract refers to the contract in which the consideration for the promise in a contract i.e. any act or forbearance is already given or executed.
Since, in the given case the book has been sold on cash basis, it is an executed contract.
- [70] (b) Specific offer refers to the offer made to a definite person or group of persons. Such an offer can be accepted by that specified person or group of persons only.
Here, in the given case the Law Book is offered to be sold only to members of Bar Council, hence it is a specific offer.
- [71] (d) Illegal contracts are the contracts which are forbidden by law. These are the contracts which are without any legal effect, thus the court will not enforce such contracts.
A match fixing contract is against the public policy, thus illegal.
- [72] (a) Since the coolie was in uniform, therefore it is clear that he is performing a service by carrying the luggage of the passenger from the platform to the taxi stand.
Although, Z has not asked the coolie to carry his luggage but he also did not try to stop him. Thus, it is a case of implied acceptance; and therefore, he is bound to make a reasonable payment to coolie.
- [73] (c) Invitation to an offer is only a circulation of an offer as distinguished from offer. It is an attempt to induce people and precede a definite offer. Eg : - an advertisement given to sell something.
Similarly, an advertisement of holiday packages is an invitation to offer and not an offer.
- [74] (d) Illegal contracts are forbidden by law. These are immoral and opposed to public policy **E.g.** an agreement to put a fire on a person's car. Such agreements are not enforced by court and thus, are void.
- [75] (c) When offer is made to a definite person, it is known as **specific offer** and such offer can be accepted by that specified persons only.
- [76] (c) As per Section 9 of Indian Contract Act, in so far as such proposal or acceptance is made otherwise than in words, the promise is said to be implied. Thus, an implied contract even if not in writing or express words is perfectly **valid** if all the conditions are satisfied.
- [77] (c) An offer made to the public in general can be accepted by anyone to do the desired act is known as **General Offer**. Section 8 of the Indian Contract Act points out that performance of the conditions of a proposal is an acceptance of the proposal.
- [78] (b) An illegal agreement is one the object of which is unlawful. Such an

agreement cannot be enforced by law. In this case, even the collateral agreements become **void**.

[79] (a) As per Section 10 of the Indian Contract Act, "All agreements are contracts if they are made by the free consent of **parties competent to contract**, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void".

[80] (d) As per Section 10 of the Indian Contract Act, the enforceability at law of an agreement required following essential elements:

- (i) Proper offer and proper acceptance with intention to create legal relationship
- (ii) Lawful consideration
- (iii) Capacity
- (iv) Free consent
- (v) Consensus-ad-idem
- (vi) Lawful agreement

Thus, **all of the above** are required for the enforceability.

[81] (a) Invitation to offer is an attempt to induce offer and precedes a definite offer, example an advertisement given to sell something. Such advertisements are offers to negotiate offers to receive offers. Hence, an offer made with an intension to have negotiation from other party is an **invitation to offer**.

[82] (b) Specific offer refers to the offer made to a definite person or group of persons such an offer can be accepted by that specified person or group of persons only.

Here, in the given case the Law Book is offered to be sold only to members of BAR council, hence it is a **specific offer**.

[83] (d) **Unenforceable contract:** Where a contract is good in substance but because of some technical defects, i.e. absence in writing, barred by limitation etc., one or both the parties cannot sue upon it.

[84] (a) When two parties exchange identical offers in ignorance at the time of each other's offer, the offers are called **Cross offers**. There is not biding contract in such a case, as one's offer cannot be constructed as acceptance by other.

[85] (d) General offer is an offer made to the public in general and hence anyone can accept and do the desired act. So, in the given question, the advertisement for sale of an old flat is published in leading newspaper and anyone can buy that flat. Hence, this kind of offer is **general offer**.

[86] (c) Wagering Contract 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. Hence, we can say that wagering contract is a **game of chance**.

- [87] (a) When offeree offers to qualified acceptance of the offer subject to modifications and variations in the terms of original offer, he is said to have made a counter offer. So, in the given question A offers B to supply books @ ₹ 100 each but B accepts the same with the condition of 10% discount. Hence, we can say that this is a case of **counter offer**.
- [88] (b) **Completed** contracts are also called contracts with executed consideration i.e. the consideration for the promise in a contract is given or executed.
- [89] (b) If entire specified goods is perished before entering into contract of sale, the contract is void. This contract cannot be enforced by law. Such contract which cannot be enforced becomes **void**.
- [90] (b) Where a contract is good in substance but because of some technical defect i.e., absence in writing, barred by limitation etc. one or both the parties **cannot sue upon it**, it is described as unenforceable Contract.
- [91] (a) When the offeree offers to qualified acceptance of the offer subject to modification and variations in the terms of original offer, he is said to have made a counter offer. It amounts to **rejection of the original offer**.
- [92] (a) General offer is an offer made to the public in general and hence, anyone can accept and do the desired act. So, in the given question, the advertisement for sale of an old car is published in a newspaper and anyone can buy that car. Hence, this kind of offer is **general offer**.
- [93] (b) According to Section 2(j), void contract is defined as, "a contract **which ceases** to be enforceable by law becomes void when it ceases to be enforceable".
- [94] (d) Following are the rules regarding acceptance :
- (i) Acceptance must be absolute and unqualified.
 - (ii) It must be communicated to offeror
 - (iii) It must be in the mode prescribed
 - (iv) It must be given within the reasonable time
 - (v) Here silence is not acceptance
 - (vi) Acceptance by conduct
- Thus, acceptance cannot be given in any manner, thus **option (d)** is the right answer.
- [95] (d) When the offeree offers to qualified acceptance of the offer subject to modifications and variations in the terms of original offer, he is said to have made a counter offer. **Counter offer** amounts to rejection of the original offer. Thus **Option d** is the correct answer.
- [96] (a) The Indian Contract Act contains essential principles for formation of contract. The law of contract does not involve or bind the state or persons

who are not parties to the contract. It is therefore, said to be a part of “Private Law”. It contains a number of principles subject to which the parties may create rights and duties for themselves. Hence, a contract is voluntary and requires an exercise of will of the parties.

Thus, **Indian Contract Act is a “Private law”**.

- [97] (c) When an offer is made to a definite person, it is known as specific offer and such offer can be accepted only by that **specified person**.
- [98] (c) **Standing open or continuing offer** is an offer allowed to remain open or acceptance over a period of time. Tender for supply of goods is a kind of **standing offer**.
- [99] (b) Where a contract is good in substance but because of some **technical defect** i.e., absence in writing, barred by limitation etc. one or both the parties cannot sue upon it, it is described as an unenforceable contract.
- [100] (c) Communication of an acceptance is complete as against the acceptor, when it comes to the knowledge of the proposer.
Therefore, communication of acceptance shall be complete against Bheem when **Amar receives the letter of acceptance**.
- [101] (c) Status obligations **are out of the scope of Indian Contract Act, 1872** as it cover those rights and obligations which arise out of mutual agreement between the partners i.e. they are contractual obligations.
- [102] (d) The liability of the minor is confined only to the extent of his share in the profits and property of the firm. Minor has no personal liability for the debts of the firm incurred during his minority.
- [103] (d) An agreement is the result of a proposal made by one party to the other party and that other party gives acceptance thereto. An agreement to become a contract must give rise to a legal obligation which means a duty enforceable by law.
Intention to create legal relationship is an essential element to create a valid contract. It must not be merely a moral one but it must be legal. If such an intention on the part of the parties is lacking at the time of making the contract, there will be no valid contract between them.
Hence, contract between Mohan and Sohan is void.
- [104] (d) An offer which is inferred from the conduct of a person or the circumstances of the particular case. For e.g. when a coolie picks up your luggage to carry it from railway platform to the taxi, it means that the coolie is offering his services for some payment. This is an implied offer by coolie.
Similarly when bus is waiting for passengers, then there is an **implied offer** to carry the passengers for a payment.
- [105] (c) In case of gratuitous contract (i.e. where there is no *quid pro quo*) the promisee can recover from the promisor an amount to the extent of liabilities incurred by him and not further.

It is so because on the faith of such contract the promised did incur the liabilities.

- [106](b) The rule says 'no stranger to a contract can sue upon the contract'. Thereby there is no privity of contract between the manufacturer and the retailer and therefore A cannot take any legal action on B.
- [107](a) The offer must be communicated to the offeree. An offer to be complete, must be communicated to the person to whom it is made. Unless an offer is communicated, there can be no acceptance to it. An acceptance of an offer, in ignorance of the offer, is not acceptance and does not create any right on the acceptor. Hence, servant is not entitled to reward.
- [108](b) The parties ought to have the intention to create a legal obligation between them through the form of offer and acceptance. They should have intention to impose duty on the promisor to fulfil the promise and bestow a right on the promisee to claim its fulfilment. It must not be merely a moral one but a legal one.
Thus, invitation for son's wedding even if accepted does not create any legal obligation on the promisor.
- [109](a) When a proposal is accepted by a letter sent by the post the communication of acceptance will be complete as against the proposal when the letter of acceptance is posted and it amounts to a **valid acceptance**.
- [110](c) A contract where the reciprocal promises or obligation is to be performed in future is known as an **executory contract**.
- [111](a) This is a case of **implied offer** as the bus standing in wait of passenger's shows that whosoever boards the bus will be travelled from Jaipur to New Delhi.
- [112](d) A **unilateral contract** is a one-sided contract in which only one party has to perform his promise or obligation to do or forbear.
- [113](d) An offer should be distinguished from an invitation to offer. An offer must be definite and capable of converting an intention into a contract. Acceptance of an invitation to an offer does not result in the contract and only an offer emerges in the process of negotiation. In this case, there is no offer to be bound by any contract. Such advertisement are offers to negotiate offers to receive offers.
- [114](b) An agreement where the consideration is unlawful is **void**. It is a contract without any legal effect and cannot be enforced in a court of law.
- [115](c) The offer may be expressed or implied i.e. may be made either by words or but conduct. A bus waiting at the terminal for passengers is an implied offer to convey the passengers at the designated route.
- [116](b) Communication of acceptance is complete, as against the acceptor, when it comes to the knowledge of the proposer.

- [117](a)** A Quasi-contract is not an actual contract but it resembles to contract. It is created by law under certain circumstances and law creates and enforces legal rights and obligations when no real contract exists. Such obligations are known as quasi-contracts.
- [118](d)** An invitation to offer is only a circulation of an offer, it is an attempt to induce offers and precedes a definite offer. Acceptance of an invitation to an offer does not result in the contract and only an offer emerges in the process of negotiation.
Thus, newspaper advertisement, display of goods by shopkeeper and advertisement for concert, all are invitation to offer whereas, announcement of reward to public is an offer.
- [119](a)** A voidable contract is one which is enforceable at the option of the aggrieved party but not the other contract becomes voidable when it is caused by coercion, undue influence, fraud and misrepresentation.
The aggrieved party gets a right to rescind the contract and declare it void, otherwise it will remain valid.
- [120](c)** Tacit contract is said to be tacit when it has to be inferred from the conduct of the parties.
Eg: obtaining cases through automatic teller machine (ATM), sale by fall of a hammer at an auction sale.