

# BUSINESS LAW

UNIT 1: The Indian Contract Act, 1872

TOPIC- OFFER AND ACCEPTANCE

# Offer and Acceptance

Definition of offer- Under Sec.2(a) of ICA,1872, “When one person signifies to another, his willingness to do or abstain from doing something with a view to obtain assent of that another to such an act or abstinence ,he is said to make a proposal”.

Definition of Acceptance-As per Sec.2(b), " When the person to whom proposal is made signifies his assent thereto, the proposal is said to be accepted“. A proposal when accepted becomes a promise .

As per Sec. 2(c), the person making proposal is called offeror /proposer and the person to whom proposal is made is called offeree.

- Offer must be distinguished from a casual inquiry
- Offer must be distinguished from a mere statement of intention
- Offer must be distinguished from an invitation to offer

valid offer	valid acceptance	lapse of offer
Offer may be express or implied Express means by words spoken or written Implied means inferred from conduct of a person	Acceptance may be express (in prescribed mode or otherwise in reasonable mode) or implied (by doing required act or by accepting some benefit or service).Silence cannot be prescribed as mode of acceptance( <b>Felthouse vs Bindley</b> )	Offer lapses when not accepted in stipulated or reasonable time. ( <b>Ramsgate Victoria Hotel Co. vs Montefiore</b> )
Offer may be specific or general..( <b>Carlill v Carbolic Smokeball Co.</b> )	Acceptance must be given by the offeree i.e. particular person if specific offer and anyone from public who satisfies conditions if general offer( <b>Bolton v Jones</b> )	Offer lapses when not accepted in prescribed mode or reasonable manner
Offer can be subject to any term and conditions . Communication of special terms ( <b>Handerson v Stevenson</b> )	Acceptance must be absolute and unqualified . Any deviation from the terms of the offer ,makes the acceptance invalid.	Offer lapses when stipulated precondition is not fulfilled
Offer must be communicated to the offeree.( <b>Lalman Shukla v Gauri Dutt</b> )	Acceptance must be communicated by the acceptor.( <b>Powell v Lee</b> ). Further, it must be given within stipulated time or otherwise reasonable time .	Offer lapses on rejection by offeree. I.e. counter offer or conditional acceptance ( <b>Hyde v Wrench</b> )
Offer must be certain and not vague Terms of offer must be definite ( <b>Taylor vs Portington</b> )	Acceptance must succeed offer but be made before the offer lapses/is revoked	Offer lapses on revocation by offerer Revocation of offer must always be express and be done before its acceptance by the other party.
Invitation to offer is not offer( <b>eg. display of goods with price tags, advertisement for auction, issue of prospectus, catalogues of prices, display of pricelists</b> )	Mental acceptance no acceptance ( <b>Broaden v Metropolitan Rly Co.</b> )	Offer lapses on death or insanity of offeror or offeree before acceptance
Two cross offers do not make a contract	Rejected offers can be accepted only if renewed  Monika Arya, Associate Professor, Bharati College , Delhi University	Offer lapses on subsequent illegality or destruction of subject matter before acceptance

# Communication of Offer, Acceptance and Revocation

1. Where parties contract face to face in person. There is instantaneous communication of offer and acceptance and a valid contract comes into existence the moment the offeree gives his absolute acceptance. There is no question of revocation of offer or acceptance as contract has been formed.
2. Where parties are at a distance and communicate through post
  - ✓ The communication of the offer is complete when it comes to the knowledge of the offeree i.e. when the offer letter reaches the offeree.
  - ✓ The communication of acceptance is complete :
    - a) As against the offeror, when the letter of acceptance is put in the course of transmission to him, so as to be out of the power of the acceptor, and
    - b) As against the acceptor, when it comes to the knowledge of the offeror i.e. when the acceptance letter reaches the offeror
  - ✓ An offer can be revoked at any time before the communication of acceptance is complete as against the offeror but not afterwards. An acceptance can be revoked at any time before the communication of acceptance is complete as against the acceptor but not afterwards.
3. Where parties contract over telephone. There is instantaneous communication of offer and acceptance, just like in a face to face situation. But here the parties must ensure that they are able to hear each other clearly. If there is disturbance in the communication line, the parties must repeat and confirm that their words were duly heard by the other. Here also there is no question of revocation of offer or acceptance as the contract gets formed immediately when offer is accepted .