

Contract

What Is a Contract?

A contract is a legal agreement between two or more parties that specifies actions they will or will not take. Enforceable by law, a contract binds both parties to the terms of the agreement and may specify the consequences if these terms are violated. Not all contracts are written. Any agreement in which both parties are expected to fulfill certain obligations is considered a contract.



Contract must include:



- Mutual assent, which includes a valid offer and acceptance of that offer.



- Adequate consideration, indicating that the terms of the agreement are fair for both parties.



- Legality, meaning that all terms in the contract are lawful within the given jurisdiction.



The Parts of a Contract

- An offer.
- Acceptance of the offer.
- Capacity.
- Valuable consideration.
- Competent parties.
- Agreement.
- Legality.
- Mutuality of obligation.

A written business contract always includes:

Document title: The title at the top of the contract states the purpose of the document.

Preamble: The preamble summarizes the important features of the document.

Recitals: Recitals are options, but they may provide valuable details that add background information regarding the contract.

Agreement: Also known as the consideration, the agreement states what is expected of the provider under the terms of the contract.

Representations and warranties: Warranties and representations assert the truth of the terms specified within the contract, such as the value of a product.

Conditions: Conditions specify instances in which the terms of the contract would change, such as an incident that would prevent one party from upholding all of their contractual obligations.

Signatures: The final part of the contract is the signature block. The contract isn't binding until signed by both parties.



Financial Contracts

It's important to execute detailed contracts anytime you're dealing with finances. This is a potentially complex area and one where you could be more likely to encounter complaints or lawsuits. A contract provides a valuable means of protection for yourself and your financial assets. Some examples of helpful financial contracts include:

- Personal loan contract
- Investment contract
- Business termination contract
- Franchise contract
- Business purchase contract

Types of Contracts



Breach of Contract



- **A fundamental breach:** This occurs when one party clearly fails to uphold their part of the agreement. The other party can seek damages in court.
- **A minor breach:** A minor breach occurs when only part of the contract is violated. This might happen if work is completed but falls short of the expectations included in the contract.
- **An anticipatory breach:** If it seems evident that one party does not intend to hold up their end of the contract, one can file an anticipatory breach of contract.

Requirements of a contract

Offer

There must be a clear and definite offer to contract. The offer cannot be vague.

An offer can be communicated in a number of ways:

1. In person
2. By letter
3. By publication
4. By email



Requirements of a contract

Acceptance

An offer must be accepted unambiguously through words, actions, or performance. The means of acceptance should be laid out in the offer. If not, the acceptance must be through reasonable means.

The default rule in contracts that are not for the sale of goods, is that the acceptance must mirror the terms of the offer. This is called the mirror image rule. If the acceptance is not mirror image and the offeree tries to add terms, this will not be viewed as acceptance, but rather as a rejection of the original offer and a counteroffer.



Requirements of a contract

Consideration

Consideration is required to have a valid contract. Without it, there is no contract. If each party gives or promises to give the other party something of value, then there is consideration. Consideration can be money, services, a promise to perform, or a promise to not do something. Usually the value of the consideration is what induced one or both parties to enter into the contract in the first place.



Thank you for your attention!

