

1 (B) Offer and Acceptance

Subject : Commerce

Lesson : Offer and Acceptance

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1 (B) Offer and Acceptance

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1 (B) Offer and Acceptance

OFFER AND ACCEPTANCE

2.1 What is an Offer / Proposal?

An agreement consists of two parties where one party makes an offer to the other party and the other party either accepts the offer or rejects it. If the offer is accepted it becomes an agreement otherwise it doesn't.

Section 2(a) of The Indian Contract Act Defines an Offer / Proposal as Follows: "When a person signifies to another person his or her willingness to do or abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he or she is said to make a proposal."

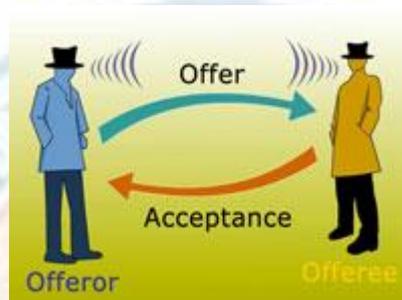


Figure 2.1 Offeror & Offeree

Illustration

Savita makes an offer to Priya. She says, "Priya would you like to buy my gold necklace?" Priya rejects the offer. Thus there is no agreement. If Priya had accepted the offer to buy the necklace then an agreement would have been formed.

An Offer Consists of Two Parties:

- Offeror- The person who makes an offer or a proposal.
- Offeree- The person to whom the offer or proposal has been made.

Illustration

Ram says to Raghu 'Will you buy my bicycle for Rs 3000?' In this case Ram is an offeror and Raghu is an offeree.

Illustration

Zeenat says to Shyama 'Will you come with me to Goa?' In this case Zeenat is an offeror and Shyama is an offeree.

An Offer Consists of Two Elements

1. An expression of willingness by the offeror to do or abstain from doing something. The offeror shows his readiness to the offeree to do something or not do something.

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Figure 2.2 Willingness

Illustration

Pradeep tells Pappu his son 'I will take you to Shimla in the summer holidays'. In this the offeror Pradeep is showing his willingness to take the offeree Pappu to Shimla for the summer holidays.

Illustration

Pappu tells Pradeep his father 'I will never smoke cigarettes'. In this the offeror Pappu is showing his willingness to the offeree Pradeep to abstain from smoking cigarettes.

2. The expression of willingness is made to obtain the assent of the other person to such act or abstinence. While making the offer to the offeree the offeror must show his intention to obtain the offeree's consent to the offer.

Illustration

Shyam has a car, which is worth rupees 20 thousand, but he doesn't want to sell his car to his neighbour Jhamu. So he makes an offer to Jhamu, 'Will you buy my car for rupees 50 thousand'. As the car was not worth rupees 50 thousand, Jhamu did not accept the offer. In this the offeror did not intend to obtain the offeree's consent to the offer.

Illustration

Nirmal told his father, 'I will leave smoking when I no longer have the urge for need it'. The offer was not acceptable to Nirmal's father.

2.1.1 How is an Offer Made?

An offer can be made in two ways:

1. Express – The offer is made orally or in writing.
2. Implied – The offer is made through the conduct of the parties or the circumstances of the case.

Express Offer can be of two types:

- 1 Oral Offer - The offer is made by words spoken.
- 2 Written Offer – The offer is made in writing

An oral offer can be made in person

An oral offer can be made through a telephone and mobile.

A written offer can be made through letters, telegrams and emails.

1 (B) Offer and Acceptance



Figure 2.3 An Oral Offer

Check your progress

Types of Offer

Types of Offer

| | | | |
|------------|---------------|-----------------------------------|-------------------------------------|
| Express | Implied | The offer is made in writing. | Offer is made orally or in writing. |
| Oral Offer | Written Offer | Offer through conduct of parties. | The offer is made by words spoken. |

Click the names of the type of an offer on the left hand side and then keep clicking

An Implied Offer is not made in words. It is implied from the conduct of the parties or the circumstances of the case. The offeror does not make the offer to the offeree in the usual mode. That is, he/she neither makes an oral offer nor a written offer. The offeror makes the offer silently by his/her conduct.

Illustration

A Metro train in Delhi runs on a particular route. There is an implied offer from the Metro authority to carry passengers on the route provided they pay the specified fare.

Illustration

A weighing machine kept on the platform of a railway station in Mumbai is making an implied offer to the passerby to use the machine by inserting the right coin.

Illustration

1 (B) Offer and Acceptance

A public telephone booth in a market place is making an implied proposal to the visitors to use the phone by inserting the right coin.

2.1.2 To whom Can Offer be Made?

An offer can be made to a definite person or to the public at large. In the former case it is called specific offer and in the latter it is called general offer.

Specific offer: In a specific offer the offer is made to a specific / particular person.

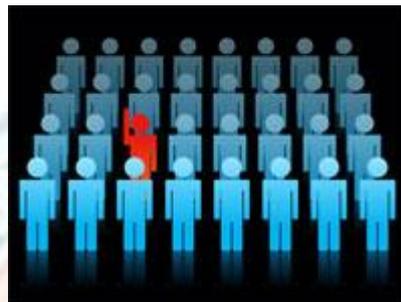


Figure 2.5 Specific Person

Illustration

Devendra says to Chaitali 'will you buy my Laptop for 40 thousand rupees?' In this case Devendra has made a specific offer and only Chaitali can accept the offer.

General Offer

An offer is made to the public in general and anyone in the public can accept the offer.



Figure 2.6 General Offer

1 (B) Offer and Acceptance

Illustration

Gangadhar's son Pankaj was missing from school. He placed an advertisement in the Hindustan Times, which said that anyone who found his son would be rewarded with 5 lakh rupees. This is a case of general offer wherein anyone who reads the paper and finds Gangadhar's son is entitled to the reward.

Case Law 1

Carlill vs. Carbolic Smoke Ball Co. [(1893) 1 Q.B. 256]

A Company by the name of Carbolic Smoke Ball Company prepared a medicine for influenza. The medicine was called 'The Carbolic Smoke Ball' and an advertisement was placed in a newspaper and magazines saying that anyone who contracted influenza after having used the medicine according to the printed directions would be given a hundred pounds. A lady Mrs Carlill bought the medicine and used it according to the printed directions but she was attacked by influenza.

She sued for hundred pounds and won the case. She won the case because the offer made by the company was a general offer and anyone who read the advertisement could accept the offer. As the medicine did not fulfill the condition offered, the company was bound to compensate Mrs Carlill

Case Law 2

Harbhajan Lal vs. Harcharan Lal (AIR 1924 A11. 539)

In this case the son of Harcharan Lal ran away from home and the father issued a pamphlet offering a reward of rupees five hundred to anybody who would bring his boy home. Harbhajan Lal saw the boy at a railway station and sent a telegram to the boy's father.

Thus he was entitled for the reward because he managed to find the boy. The offer made by Harcharan Lal was a general offer made to the world at large and anybody who read the offer was capable of accepting it.

1 (B) Offer and Acceptance

2.2 Conditions for Valid Offer

There are various rules for valid offer. These rules are mentioned below:

1. The Offer Must Give Rise to Legal Relations : The intension of the offeror must be to create a legal relationship with the offeree. An offer which does not create legal obligation does not form a contract. For instance a social invitation even if accepted will not result in a contract.



Figure 2.7 Legal Relations

Case Law 3

Balfour vs. Balfour Ibid lesson 1 Case Law 1

Mr. Balfour went for a vacation with his wife to England. He was directed by his employer to return to Ceylon. Due to illhealth his wife could not accompany him back to ceylon. Mr. Balfour promised to his wife a monthly maintenance amount. He stopped sending the maintenance after sometime. Thereafter Mrs. Balfour filed a case against her husband to recover the amount promised. The case was dismissed by court as it considered it to be a domestic matter which did not create a legal relationship and therefore could not be considered as a valid contract.

Illustration

Sati invited Rati on her birthday party and Rati accepted the invitation. This is not a valid offer because if Rati fails to attend the birthday party sati cannot take any legal action of breach of contract.

2. The Offer Must be Definite and Certain: The terms of an offer must not be ambiguous and vague.

Case Law 4

Taylor vs. Portington [(1985) All E.R. 128]

In this case the offeror offered to take a house on lease for three years at 285 pounds per annum provided the house was repaired and the drawing rooms handsomely decorated according to the fashion prevailing. The offer does not result in a legal relation because some terms of offer are quite vague.

Case Law 5

Gould Vs Gould

1 (B) Offer and Acceptance

[(1970) 1 Q.B. 275]

A husband while breaking up his marriage promises his wife to pay her fifteen pounds a week so long as he can manage. Here again the terms of offer are vague and discretionary.

Illustration

Shyam asks Geeta, 'Will you buy my laptop for rupees 35,000 or 40,000'. This cannot be a valid offer because the offer is not definite. Shyam has quoted two prices for the laptop rupees 35,000 and 40,000.

3. An Offer is Different from a Mere Declaration of Intension: A declaration of intension is a statement made by a person indicating his or her willingness to make an offer in the future.

Case Law 6

Farina vs. Fickus [(1900) 1 Ch 331]

A person wrote to his would be son-in-law that his daughter would have a share of what he left after his wife died. The letter is a statement of intension and not an offer.

Illustration

Shobha a student doing her bachelor's degree in commerce met Nirmalya, a Director of a Management Institute, and told him that after completing her graduation degree she would like to join his institute for an MBA degree. Shobha has just put across her intension to Nirmalya of pursuing a degree course in MBA from his institute.

4. An Offer is Different From an Invitation to Offer: In an invitation to offer a person proposes certain terms for negotiation with the other party and thereby invites the other party to make an offer on those terms.

Case Law 7

Pharmaceutical Society of Great Britain vs. Boots Cash Chemists [(1953) 1 Q.B. 40 331]

Goods were displayed with price tag attached to it in a shop. A customer selected the goods to buy. In this case the display of goods is an intension to make offer and the selection of goods made by the customer is an offer to the cashier to buy the goods. The contract is made only when the cashier accepts the offer made by the customer to buy.

Illustration

A vegetable vendor sitting at a corner on the street is inviting the passerby to make an offer to him for buying his vegetables.

5. The Offer Should Not Contain a Term The Non-compliance of Which Would Amount to Acceptance: The person who makes an offer cannot say to the offeree that if he or she does not communicate acceptance by a certain time the offer will be considered as accepted.

1 (B) Offer and Acceptance

Illustration

Sati who stays in Kerala makes an offer through a letter to sell her house in Cochin to Revathi who stays in Madhya Pradesh. She mentions in the letter that if Revathi does not reply in two weeks time she would consider the offer to be accepted. This offer is invalid.

Check your Progress

Conditions for Valid Offer

Select which one of the following is not a condition for a valid offer?

- A statement of price is not an offer.
- The offer must be definite and certain.
- An offer is different from a mere declaration of intension.
- An offer is the same as an invitation to offer.
- The offer should not contain a term the non-compliance of which would amount to acceptance.

Submit

6. An Offer Must be Communicated: An offer must be communicated to the offeree because acceptance by the offeree can be given only after he or she has come to know of the offer.



Figure 2.8 Communication of Offer

1 (B) Offer and Acceptance

Case Law 8

Lalman Shukla vs. Gauri Dutt [(1913) ALL. L.J. 389]

A person sent his servant to trace his missing nephew. After the servant left he announced a reward for tracing his missing nephew. He announced a reward of rupees five hundred and one. The servant traced the nephew but was ignorant of the reward offered. Later he claimed the reward.

The Court held that there can be no acceptance unless there is knowledge of the offer and since the servant did not know about the reward when he found the boy, he was not entitled to the reward.

Illustration

Saraswati made an offer to sell her Mercedes Benz to Shweta through a letter. She put the letter in an envelope and kept it in the drawer. She forgot posting the letter. Hence the offer never reached the offeree.

7. A Statement of Price is Not an Offer: A statement of price is just information and not an offer.

Animation

Case Law 9

Harvey vs. Facey [(1893) App. Cas 552]

Harvey sent a telegram to Facey which said 'Will you sell us your Bumper Hall Pen? Telegraph lowest cash price.' To this Facey sent a telegram which said 'Lowest price for Bumper Hall Pen is Nine hundred pound.' Harvey again sent a telegram to Facey, which said, ' We agree to buy Bumper Hall Pen for the sum of nine hundred pound asked by you.' It was held that there was no contract because the first telegram sent by Harvey to Facey had two questions out of which Facey replied to only one question regarding the price. He did not reply to the other question, which was for his acceptance to sell. Thus Facey in his telegram only gave information to Harvey regarding the price of the product he neither made an offer nor accepted the offer made by Harvey.

1 (B) Offer and Acceptance

2.3 What is an Acceptance?

Section 2 (b) defines acceptance as, ' When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted.' Thus acceptance is the expression of assent for the offer/ proposal. The proposal when accepted becomes a promise ⁶.



Figure 2.9 Offer and Acceptance

2.3.1 Who Can Accept?

Only the person to whom the offer has been made has the right to accept. Thus it is only the offeree who can accept the offer made by the offeror. The person to whom specific offer is made can only accept the offer. On the other hand a general offer made to the public at large can be accepted by anyone having knowledge of the offer.

Case Law 10

Boulton vs. Boulton [(1957) 157 E.R. 232]

A sold his business to B without disclosing this fact to his customers. J, a customer of A was not aware of the sale and in ignorance placed an order for the supply of goods. B supplied the goods. J refused to pay for the goods and so B sued him. It was held by the Court that J was not liable since J had made an offer to A and not to B and B knew very well that the offer was not made to him and therefore he was not capable of accepting the offer.

1 (B) Offer and Acceptance

2.4 Conditions for Valid Acceptance

There are various rules for valid acceptance. These rules are mentioned below:

1. Acceptance Must be Absolute and Unqualified : The offeree should accept the whole of the offer. Accepting a few terms of an offer is not a valid acceptance. The offeree must accept the offer without putting any conditions. Conditional acceptance is not a valid acceptance. If acceptance is conditional it leads to a counter-offer which may or may not be accepted by the original offeror.



Figure 2.10 Valid Acceptance

Case Law 11

**Vishwa Industrial Comp. Pvt. Ltd. vs. Mahanadi Coalfields Ltd & others
(2007) A.I.R. Orissa 171**

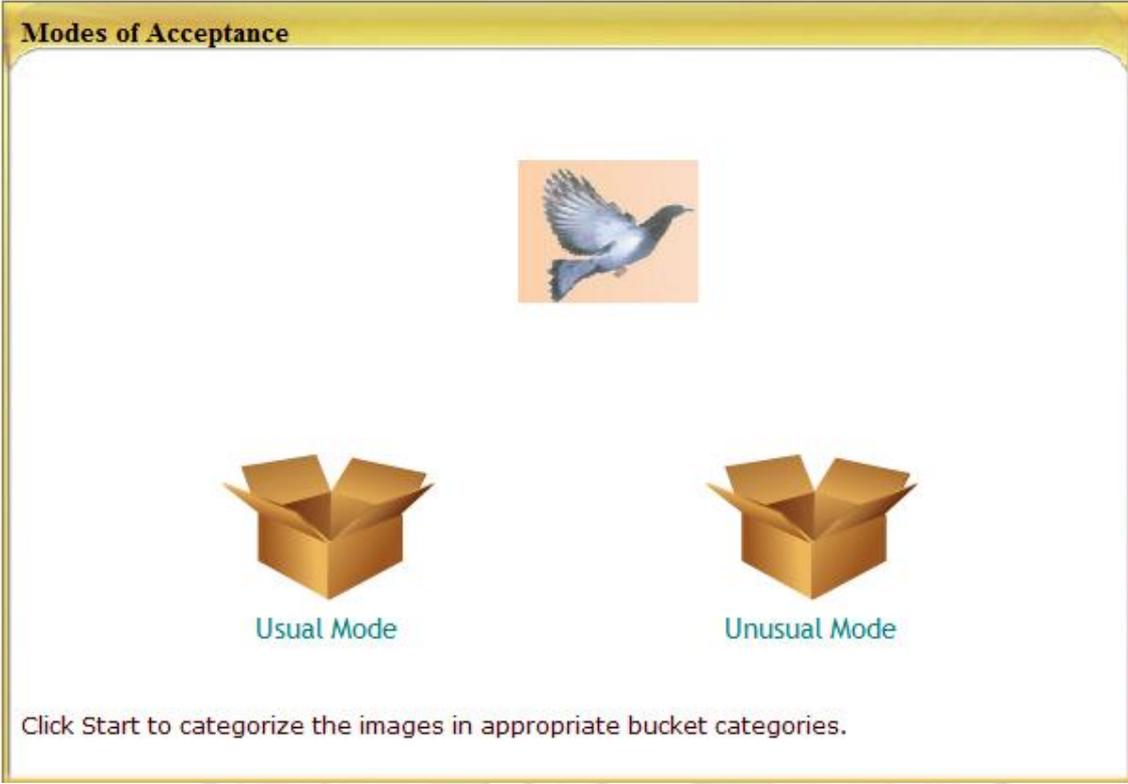
In this case the Court held that an acceptance with a variation or a condition is not an acceptance but is merely a counter proposal. In order to convert a proposal into a promise, the acceptance must be absolute and unqualified.

1 (B) Offer and Acceptance

Check your progress

Modes of Acceptance

Modes of Acceptance



Click Start to categorize the images in appropriate bucket categories.

2. Acceptance must be in the mode prescribed or some usual and reasonable mode : If the offeror prescribes a mode in which the offer has to be accepted and the offeree uses a different mode of acceptance then the offeror can within a reasonable time insist that the offer be accepted in the prescribed manner and not otherwise. If the offeree still does not follow the prescribed mode of acceptance then in that case the offeror may choose not to be bound by the acceptance.

Illustration

Aruna sends a letter of offer to Awadh Raj asking him to buy her flat in Delhi for rupees 20 lakhs. She also states that if the proposal is acceptable to him he can send his acceptance through post. Awadh Raj after receiving the offer sent his acceptance through an email. Aruna on receiving the email insisted that Awadh Raj send his acceptance only by post and not by any other mode. Awadh Raj did not send his acceptance by post. Hence Aruna was not bound by Awadh Raj's acceptance.

In case the offeree follows a different mode of acceptance from the prescribed mode and the offeror does not insist then the offeror is deemed to have accepted the deviated acceptance.

1 (B) Offer and Acceptance

Illustration

Aruna sends a letter of offer to Awadh Raj asking him to buy her flat in Delhi for rupees 20 lakhs. She also states that if the proposal is acceptable to him he can send his acceptance through post. Awadh Raj after receiving the offer sent his acceptance through an email. Aruna on receiving the email did not say anything to Awadh Raj. Hence, she was bound by Awadh Raj's acceptance.

When the offeror does not prescribe any specific mode of acceptance then the offeree has to give the acceptance in some reasonable and usual mode. The reasonable and usual mode depends upon the circumstances of the situation. Some of the usual modes are by word of mouth, by post, by email, by courier and by conduct.

Usual Mode

POST



EMAIL



MOBILE



COURIER



Illustration

Aruna sends a letter of offer to Awadh Raj asking him to buy her flat in Delhi for rupees 20 lakhs. She does not mention any specific mode for acceptance. Awadh Raj after receiving the offer sends his acceptance through an email. Hence Aruna is bound by Awadh Raj's acceptance.

Unusual Mode

PIGEON



HORSE



Illustration

Aruna sends a letter of offer to Awadh Raj asking him to buy her flat in Delhi for rupees 20 lakhs. She does not mention any specific mode for acceptance. Awadh Raj after receiving the offer sends his letter of acceptance through a pigeon. Aruna is not bound by Awadh Raj's acceptance because a pigeon is not a reasonable and common mode for communication in today's world.

3. Silence Cannot be a Mode of Acceptance: The offeror cannot impose on the offeree a condition like: If you do not reply within a reasonable time then I shall consider the offer to be accepted. The offeror cannot take the offeree's silence as acceptance of offer.

Illustration

Nisha a seminar coordinator sends an invitation for a seminar to Ravi through an email. The email also said that if Ravi does not reply within a weeks time it will assumed that he has accepted the invitation. Ravi does not reply. Hence Nisha cannot assume that Ravi has accepted the invitation.

1 (B) Offer and Acceptance

There are a few exceptions to the rule that 'silence does not imply acceptance' which are as follows:

(1) If the offeree takes benefit from the offer, it will amount to acceptance:

Illustration

Akhil subscribes to Readers Digest for a year and after one year he does not inform the publisher that he would like to discontinue the subscription and continues taking the Digest. Hence he is liable to pay for the copies of Readers digest he took after the subscription time expired because his silence is taken as acceptance for continuing his subscription.

(2) If the offeree due to previous dealings has given the offeror reasons to believe that his / her silence amounts to acceptance. A leading case on this point is

Case Law 12

Bharat Petroleum Corp Ltd Vs. Great Eastern Shipping Co. Ltd. [(2008) A.I.R. S.C. 357]

In a historic judgment recently Supreme Court of India observed that offeree's silence in certain circumstances coupled with his / her conduct takes form of a positive act which may constitute acceptance. Therefore, the terms of contract between the parties can be proved not only by their words but also by their conduct.

(3) Performance of all conditions of the offer without communication of acceptance is considered acceptance of offer.

Illustration

Ramu offers to sell his horse to Ghatak for rupees twenty thousand and says that if the offer is acceptable Ghatak should send a cheque of rupees five thousand in advance. Ghatak sends a cheque of rupees five thousand. Hence the fulfillment of the condition of sending cheque is acceptance of offer.

1 (B) Offer and Acceptance

Check your Progress

Try This Question

00 : 00 : 00

Time's up.

Type the appropriate letters in the asterisk cells and click Submit to verify your answer.

4. Acceptance Must be Given Within The Time Prescribed or Within a Reasonable Time: Acceptance by the offeree must be given within the period prescribed by the offeror or if the period is not specified, then the acceptance must be given within a reasonable time.



Figure 2.11 Prescribed Time

Illustration

Venkat offers to sell his scooter to Rehman and tells him to reply within a week's time. Rehman does not reply within a week hence the offer lapses

5. Acceptance Cannot Precede an Offer: An offeree can give acceptance only after the offer has been communicated to him / her. A leading case on this point is

1 (B) Offer and Acceptance

Case Law 13

Lalman Shukla vs. Gauri Dutt (1913) ALL. L.J. 389

A person sent his servant to trace his missing nephew. After the servant left he announced a reward for tracing his missing nephew. He announced a reward of rupees five hundred and one. The servant traced the nephew but was ignorant of the reward offered. Later he claimed the reward.

The Court held that there can be no acceptance unless there is knowledge of the offer and since the servant did not know about the reward when he found the boy, he was not entitled to the reward.

6. Acceptance Must be Communicated: The offeree must communicate his / her acceptance to the offeror for only then can the agreement take place.

Illustration

Anita sends a letter of offer to sell her lap top to Geetha for rupees thirty thousand. Geetha writes a letter of acceptance to buy the lap top but by mistake forgets to post the letter. Hence the agreement has not been formed.



1 (B) Offer and Acceptance

2.5 Communication of Offer and Acceptance

A contract comes into existence only after the offer has been accepted by the offeree that is when the acceptance of the offer has been communicated by the offeree to the offeror. Communication of offer and acceptance is instantly done when the offeror and the offeree are face-to-face. The problem of communication arises when the parties are separated due to distance. If the parties are at a distance and the offeror makes the offer through a telephone the contract is concluded as soon as the offeror hears the acceptance from the offeree.



Figure2.12 Communication

2.5.1 Communication of Offer

According to Section 4 "communication of offer or proposal is complete when it comes to the knowledge of the offeree, that is the person to whom the offer is made. In case the communication is made by post the communication of offer is complete when the letter containing the offer reaches the offeree".

Illustration

Neha in Gwalior offers by a letter on 18th June 2008 to sell her house to Aparna in Delhi for rupees ten lakh. The letter reaches Aparna on 21st June 2008. The communication of offer is complete on 21st June.

2.5.2 Communication of Acceptance

Communication of acceptance is complete against the offeror and the offeree in two stages, which are as follows:

Communication of acceptance is complete against the offeror (proposer) when the letter of acceptance is put in course of transmission by the offeree (acceptor) to the offeror so as to be out of the power of the offeree (acceptor) to withdraw it.

Illustration

Aparna after receiving the letter of offer from Neha has readily agreed to accept the offer to buy the house therefore she writes a letter of acceptance to Neha and posts the letter on 23rd June 2008. The communication of acceptance against the offeror (Neha) is complete on 23rd June.

1 (B) Offer and Acceptance

Communication of acceptance is complete against the offeree (acceptor) when the letter of acceptance comes to the knowledge of the offeror.

Illustration

The letter of acceptance posted by Aparna on 23rd June 2008 reaches Neha on 26th June 2008. The communication of acceptance against the offeree (Aparna) is complete on 26th June 2008.

A leading case on this point is

Case Law 14 & 15

**Ram Kishore Singhal Vs. Executive Engineer
(1991) ILR Delhi 275**
**State Bank of India Vs. Aditya Finance & Leasing Co. Pvt. Ltd
(1999) A.I.R. Delhi 18**

In this case the Court held that a contract comes into existence between parties by exchange of letters.

Check your Progress

Conditions for Valid Acceptance

Absolute and unqualified

Prescribed mode or reasonable

Silence not a mode

Within prescribed or reasonable

Cannot precede an offer

Acceptance must be communicated

Click your mouse over each Layer to view associated description.

1 (B) Offer and Acceptance

2.6 Communication of Revocation / Withdrawal

Communication of revocation is complete against the person who makes it and the person to whom it is made in two different ways, which are as follows:

The person making the revocation: The communication of revocation is complete against the person making the revocation (withdrawal) when he / she sends the letter of revocation.



Figure: 2.13 Communication of Revocation

Illustration

Neha after posting the letter of offer feels that she no longer wants to sell her house to Aparna and decides to withdraw her offer. She writes a letter of revocation of offer on 19th June 2008 and posts it to Neha. The communication of revocation of offer is complete against Neha on 19th June.

The person to whom the revocation is made: The communication of revocation is complete against the person to whom the revocation is made when the letter of revocation comes to his/her knowledge.

Illustration

The letter of revocation sent by Neha reaches Aparna on 20th June 2008. The communication of revocation of offer is complete against Aparna on 20th June.

2.6.1 Time for Revocation / Withdrawal of offer

According to Section 5, "a proposal / offer can be revoked by the offeror any time before the communication of acceptance is complete against him / her but not afterwards". Thus the offer can be withdrawn anytime before the acceptor sends the acceptance.

1 (B) Offer and Acceptance



Figure: 2.14 Time for Revocation

In the example given above the communication of acceptance against the offeror (Neha) is complete on 23rd June 2008. Therefore if Neha decides to revoke her offer she can do so before 23rd June and not afterwards.

Similarly an acceptance may be revoked anytime by the offeree before the communication of acceptance is complete against him / her and not afterwards. This means that acceptance can be revoked anytime before the acceptance comes to the knowledge of the offeror. Therefore the letter of revocation should reach the offeror before the letter of acceptance.

In the example the communication of acceptance is complete against the offeree (Aparna) on 26th June 2008. Therefore, if Aparna wants to withdraw / revoke her acceptance she can do it before 26th June and not afterwards. Her letter of revocation should reach Neha before the letter of acceptance.

2.6.2 Communication of Offer, Acceptance and Revocation on Telephone

A contract made on telephone is different from a contract made by post. Contract by telephone has the same effect as an oral agreement. In this a binding contract arises when the offeror has heard the acceptance. If the offeror has not heard the acceptance made by the offeree then a binding contract does not arise. In such cases the question of revocation does not arise because a definite offer has been made and accepted at the same time.



Figure: 2.15 Communication

Illustration

Ramu called up Shyamu his brother on his mobile and asked him to accompany him on a tour to Gujarat. Before Shyamu could give his reply the phone was disconnected. Hence there was no contract made.

1 (B) Offer and Acceptance

Illustration

Ramu called up Shyamu his brother on his mobile and asked him to accompany him on a tour to Gujarat. Shyamu agreed to accompany Ramu. Thus the contract was made instantaneously.

2.7 Termination / Lapse of an Offer

An offer or proposal can either be accepted, rejected or revoked or it might just lapse. The offer when accepted becomes a valid agreement. If the offeree does not like the offer he or she may choose to reject the offer. The offeror also has an option to revoke or withdraw the offer.

Section 6 of the Indian Contract Act deals with various circumstances in which an offer lapses, which are as follows:



Figure: 2.16 Termination

1. Rejection of Offer: The offeree may choose to reject an offer if he or she does not like the offer. Once the offer is rejected it comes to an end. The offer once rejected cannot be revived by the offeree. It is only upto the offeror to decide if he or she wishes to renew the offer.

Illustration

Aradhna makes an offer to Sadhna. She says: "Will you buy my computer for rupees twenty thousand?" Sadhna refuses to buy Aradhna's computer. Thus the offer is rejected.

1 (B) Offer and Acceptance

Check Your Progress

Termination / Lapse of an Offer

Lapse of time

Failure to fulfill a condition

Not in prescribed mode

Death or Insanity of Offeror

Revocation of offer

Counter-offer

Rejection of offer

Click your mouse over each Layer to view associated description.

2. Counter-offer: This means an offer in response to an offer. Once an offer is made by the offeror to the offeree it is upto the offeree to accept or reject the offer. Sometimes the offeree neither accepts nor rejects the offer but makes his or her own offer to the offeror. When this is done the first offer which was made by the offeror lapses or comes to an end. If later the offeree decides to accept the offer he or she cannot do so.

Illustration

Aradhna offers to sell her computer to Sadhna for rupees twenty thousand. Sadhna makes a counter offer by saying that she is willing to buy the computer if Aradhna would sell it for rupees fifteen thousand. Thus the offer initially made by Aradhna comes to an end and now it is upto her to accept or reject the counter offer made by Sadhna.

3. Revocation of offer: An offer can be withdrawn anytime by the offeror before the communication of acceptance of offer is complete against him. He cannot revoke or withdraw his or her offer once the offeree has sent his or her acceptance. A general offer must be revoked using the same channel and mode in which the original offer was made.

1 (B) Offer and Acceptance

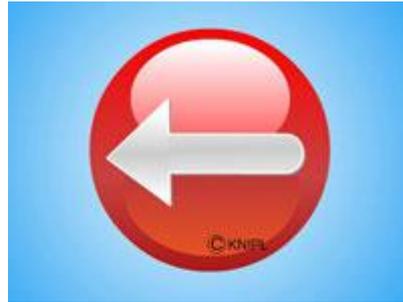


Figure: 2.17 Revocation

Illustration

Aradhna offers to sell her computer to Sadhna for rupees twenty thousand. Sadhna makes a counter offer by saying that she is willing to buy the computer if Aradhna would sell it for rupees fifteen thousand. Thus the offer initially made by Aradhna comes to an end and now it is upto her to accept or reject the counter offer made by Sadhna.

4. Offer not Accepted in the Prescribed Mode: : If the offeror has prescribed a mode in which the offeree has to accept the offer and the offeree does not give his or her acceptance in the prescribed mode then the offer comes to an end.

Illustration

Aradhna makes an offer for selling her computer for rupees twenty thousand to Sadhna in writing and mentions in the offer that if the offer is acceptable to her then she should give her acceptance only in writing. Sadhna however conveys her acceptance through telephone. Thus the offer comes to an end.

5. Failure of the Acceptor / Offeree to Fulfill a Condition Precedent to Acceptance: Sometimes the offeror may ask the offeree to fulfill certain conditions before acceptance. If the offeree does not fulfill these conditions then the offer comes to an end.

Illustration

Aradhna makes an offer of selling her computer to Sadhna for rupees twenty thousand and mentions in the offer that if the offer is acceptable to Sadhna then she should send an advance cheque of rupees five thousand. Sadhna does not send the cheque. Thus the offer comes to an end.

6. Death or Insanity of the Offeror: If the person who makes the offer dies or becomes insane after making the offer, and the offeree comes to know of it before accepting the offer then the offer automatically comes to an end. If the offeree accepts the offer without the knowledge of the death or insanity of the offeror then the acceptance is valid and the promise / offer will be executed by the Offeror's executor. The Act is silent about the effect of death of the offeree. But if the offeree dies or becomes insane the offer will end because it is only the offeree who has the right to accept or reject the offer and not the offeree's executor.

1 (B) Offer and Acceptance

Illustration

Aradhna makes an offer to sell her computer to Sadhna for rupees twenty thousand but before Sadhna could give her acceptance she comes to know that Aradhna has turned insane. The offer comes to an end.

Illustration

Aradhna makes an offer to sell her computer to Sadhna for rupees twenty thousand and soon after she dies in a road accident. Sadhna was not aware of this and sent her acceptance to Aradhna. Here the offer does not lapse and the executor of Aradhna will have to execute the offer / promise made by Aradhna.

Illustration

Aradhna makes an offer to sell her computer to Sadhna for rupees twenty thousand and before Sadhna could accept the offer she dies. In this case the offer will come to an end because Sadhna's executor has not got the right to accept the offer.

7. Lapse of Time: A proposal may come to an end due to lapse of time. In case the offeror has given a duration within which the offeree has to accept the offer and the offeree does not give the acceptance within the given duration then the offer will come to an end. In case the offeror has not specified the duration for acceptance then the offeree can give the acceptance within a reasonable time and if within the reasonable time the offeree does not give the acceptance then the offer will come to an end.



Figure: 2.18 Meeting Deadline

Illustration

Aradhna makes an offer to sell her computer to Sadhna for rupees twenty thousand and tells her to give her acceptance within a week. Sadhna sends her acceptance after two weeks. Thus the offer lapses and Sadhna's acceptance does not culminate into an agreement.

Illustration

Bata Shoes gave an advertisement in the newspaper in the month of December that they are giving 50% discount on shoes for the New Year. Ram visits a Bata showroom in the month of March and demands for a discount of 50%. He has not given the discount. This is so because even though the exact duration of the discount offer is not given, a reasonable period would be till the month of January or may be the month of February. March is too late to be within the reasonable period to avail of the New Year discount.

1 (B) Offer and Acceptance

Check your Progress

Rules for Valid Offer & Acceptance

Rules for valid offer

Termination / Lapse of an

Rules for Valid Acceptance

Start

Click start to display a condition. Click an arrow to segregate it under an appropriate box.

Check your Progress

Match the Following

1. Match the pairs by clicking on an item in the left column and then clicking on an item in the right column.

Match the Following

| | |
|-------------------------|---------------|
| Offer | Email |
| Implied Offer | General Offer |
| Express Offer | Proposal |
| 10% Discount on Watches | Metro train |
| Unusual Mode | Pigeon |

Attempt the question Match the following and scroll down to click the Submit button for results.

1 (B) Offer and Acceptance

Check your Progress

Practical Problems

Ramesh made an offer to Shyam "I would like to buy your house for a reasonable price".

Q. Is this a valid offer?

Yes

No

Feedback

This is incorrect!. This is not a valid offer because the offer made is quite ambiguous, vague and not definite.

Read the scenario carefully. Then answer the questions by clicking the appropriate option. Click "Next" to continue.



1 (B) Offer and Acceptance

Summary

Offer / Proposal Sec 2 (a)

A person signifies to another person his or her willingness to do or abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence

Parties in an offer

Offeror
Offeree

How an offer is made?

| | |
|----------------|----------------|
| Express | Oral |
| | Written |
| Implied | Act or conduct |

Types of offer

Specific offer Made to a specific person

General offer Made to the public at large

Rules for valid offer

- Offer must give rise to legal relations
- Offer must be definite and certain
- Offer is different from a mere declaration of intention
- Offer is different from invitation to offer
- The offer should not contain a term the non-compliance of which would amount to acceptance
- Offer must be communicated
- A statement of price is not an offer

ACCEPTANCE Sec 2 (b)

Acceptance is the expression of assent for the offer/ proposal.

Rules for Valid Acceptance

- Acceptance must be absolute and unqualified
- Acceptance must be in the mode prescribed or some usual and reasonable mode
- Usual mode - post, mobile, courier
- Unusual mode - pigeon, horse
- Silence cannot be a mode of acceptance
- Acceptance must be given within the time prescribed or a reasonable time
- Acceptance cannot precede an offer
- Acceptance must be communicated

Communication of Offer and Acceptance Sec 4

An offer or proposal is complete when it comes to the knowledge of the offeree

Communication of acceptance is complete against the offeror (proposer) when the letter of acceptance is put in course of transmission by the offeree (acceptor) to the offeror so as to be out of the power of the offeree (acceptor) to withdraw it.

1 (B) Offer and Acceptance

Communication of acceptance is complete against the offeree (acceptor) when the letter of acceptance comes to the knowledge of the offeror.

Communication of Revocation / Withdrawal

The communication of revocation is complete against the person making the revocation (withdrawal) when he / she sends the letter of revocation.

The communication of revocation is complete against the person to whom the revocation is made when the letter of revocation comes to his/her knowledge.

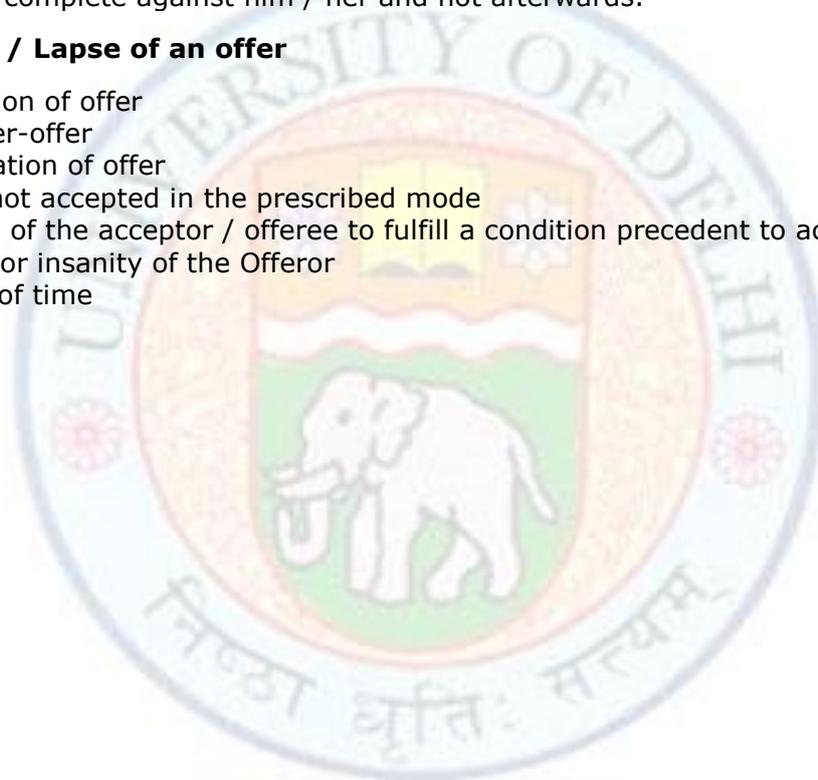
Time for Revocation / Withdrawal of offer Sec 5

Offer can be withdrawn anytime before the acceptor sends the acceptance.

Acceptance may be revoked anytime by the offeree before the communication of acceptance is complete against him / her and not afterwards.

Termination / Lapse of an offer

- Rejection of offer
- Counter-offer
- Revocation of offer
- Offer not accepted in the prescribed mode
- Failure of the acceptor / offeree to fulfill a condition precedent to acceptance
- Death or insanity of the Offeror
- Lapse of time



1 (B) Offer and Acceptance

Glossary

The screenshot shows a web-based glossary interface. At the top, the title "Glossary" is displayed in a bold, black font. Below the title is a search bar containing the text "A Priori" and a "Search For" label. Underneath the search bar is a horizontal menu of letters from A to Z. The letter "A" is highlighted in green, indicating the current section. Below the menu is a list of terms: "A Priori", "Abatement", "Above the Line", "Absolute Title", "Balance Sheet", "Bed and Breakfast", "Book Value", "Broker", and "Cartel". The term "A Priori" is highlighted in green. To the right of the list is a vertical scrollbar. Below the list is a text box containing the definition: "Latin phrase meaning, effectively, from cause to effect and used generally as 'first impressions'". At the bottom of the interface, there is a bold instruction: "Click each term to know its definition."

1 (B) Offer and Acceptance

References

Singh Avtar (2008): *Law of Contract*, Eastern Book Company, Lucknow

Kuchhal M.C. (2005): *Business Law*, Vikas Publishing House PVT LTD, Delhi

