

Chapter 2:- Offer and Acceptance

2.1 Definition And Essential Elements Of A VALID OFFER

1. The term 'offer or proposal' in legal terms, is defined in

- (a) Section 2 (a)
- (b) Section 2 (b)
- (c) Section 2 (i)
- (d) Section 2 (j).

2 Which of the following statement is incorrect?

- (a) An offer is the starting point in the making of an agreement.
- (b) An offer is the proposal by one party to another to enter into a legally binding agreement with him.
- (c) An offer, which is valid, in itself is sufficient to create legal relationship without any response from the other party.
- (d) An offer should be made with a view to obtain the assent of the other person to the proposed act.

3. A person is said to make a proposal when he signifies to another his willingness to do or abstain from doing something with a view to

- (a) Inform the other person about his intention.
- (b) Obtain the assent of that other person the proposed act or abstinence.
- (c) Know the reaction of the other person.
- (d) Obtain satisfaction by doing or abstain from doing the proposed act.

4 The person making the offer is known as 'offeror' or 'promiser' and to whom it is made is known as

- (a) Acceptor
- (b) Acceptor for honour
- (c) Offeree or promisee

(d) Contracting party.

5. Which of the following is not the legal requirement (i.e., essential element) of a valid offer?

- (a) It must be communicated to the offeree.
- (b) It must be made with a view to obtain offeree's assent.
- (c) It must express offeror's final willingness.
- (d) It must be made to a specific and not to public at large,

6. Which of the following is the legal requirement of a valid offer?

- (a) It must have its terms definite and clear.
- (b) It must be capable of creating legal relationship.
- (c) Both (a) and (b).
- (d) None of these.

7. A sent his servant, B to trace his missing nephew. After B left, A announced a reward of Rs. 5,000 for anybody who discovered the boy. B discovered the missing boy without knowing about the reward. In this case

- (a) B is not entitled to the reward as he did not know about the offer when he discovered the missing boy i.e., the offer to pay reward has not been communicated to him.
- (b) B is entitled to the reward as the offer has been communicated to him while sending him to trace missing boy.
- (c) No valid contract comes into existence as the offer of reward is not made to any specific person.
- (d) Offer is not valid as unilateral contracts are not recognised.

8. A offers to sell to B 'a hundred tonnes of oil'. It is not a valid offer because

- (a) it is not made to obtain B's assent.
- (b) it is uncertain as there is nothing to show what kind of oil is intended to be sold.
- (c) it does not express A's final willingness.
- (d) it is forbidden by law.

9. A promised to buy a horse from B if it proved lucky. It is not a valid offer.

- (a) True, as it is a vague and loose offer i.e., uncertain offer.
- (b) False, as A has expressed his willingness to obtain B's assent to his willingness to buy.

10. A sent a telegram to B writing "will you sell me your Bumber Hall? Telegraph lowest cash price." B replied by telegram "lowest cash price for Bumber Hall Rs. 50 lakh". A sent another telegram stating I agree to purchase Bumber Hall for Rs. 50 lakh asked by you, please send your title deeds". In this case no valid contract arises and B is not bound to sell the Bumber Hall for Rs. 50 lakh because B's telegram stating lowest cash price is not

- (a) Communicated to A
- (b) Made to obtain A's assent
- (c) An offer, but simply an answer to a question
- (d) Acceptable being in telegram form.

11. A shopkeeper's catalogue of price and display of goods in a shop with price list attached is:

- (a) Valid offer to sell at printed/listed price.
- (b) An invitation to receive offer at printed/listed price.
- (c) An offer to the public at large acceptable by anybody.
- (d) An express offer to sell at printed/listed price.

12. Which of the following statement is incorrect?

- (a) An offer may be made to the world at large
- (b) An offer may be positive or negative
- (c) An offer may be express or implied
- (d) An offer must be made to a specific person.

13. An offer may be

- (a) General only
- (b) Specific only
- (c) Either (a) or (b)
- (d) both (a) and (b)

14. A specific offer is one which is made to

- (a) Ascertained (i.e. definite) person.
- (b) Public at large
- (c) Relatives only.
- (d) Males only

15. A general offer is one which is made to

- (a) Ascertained person.
- (b) Public at large
- (c) General relatives.
- (d) Males and females

16. A general offer made to the public at large is valid and a binding contract is made with a person who having the knowledge of the offer

- (a) Comes forward and acts accordingly.
- (b) acts accordingly and his act is ratified by the offeror.
- (c) Seeks offeror's permission to accept the offer.
- (d) Informs the public that he is willing to accept the offer.

17. In which of the following cases, the principle of an offer to public at large was recognised?

- (a) Balfour v. Balfour
- (b) Harvey v. Face

- (c) Carlill v. Carbolic Smoke Ball Co.
(d) Both (a) and (b).

18. A general offer of a continuing nature can be accepted by

- (a) The first hundred people.
(b) The first ten people.
(c) Any number of persons until it is exhausted.
(d) One person only who first accepts the offer.

19. A general offer requiring the finding of a missing thing or person

- (a) is closed as soon as the first information is received by the offeror.
(b) remains alive until retracted by the offeror.
(c) Accepted by any number of persons until retracted.
(d) is not recognised under law as it creates confusion.

20. An offer accepted without knowledge does not confer any legal rights on the acceptor.

- (a) True, as the offer cannot be accepted without knowledge.
(b) False, as there is no such legal provision in this regard.

21. Which of the following statement is correct?

- (a) A bid at an auction is an implied offer to buy.
(b) In a self-service restaurant there is an implied promise to pay for consuming eatables.
(c) Both (a) and (b), as an implied offer is valid and recognised under law.
(d) None of these, as there is no valid offer in both the cases.

22. Which of the following are the essential elements of a valid offer?

- (i) It must be definite and certain.
(ii) It must express offeror's intention to be bound by his offer.
(iii) It must be made to a specific person and not to public at large.
(iv) It must be in the form of invitation to receive offer.
(a) (i), (ii)
(b) (ii), (iii)
(c) (iii), (iv)
(d) (i), (iv).

2.2 DEFINITION AND ESSENTIAL ELEMENTS OF A VALID ACCEPTANCE

1. The term 'acceptance' in legal terms is defined in

- (a) Section 2 (a)
(b) Section 2 (b)
(c) Section 2 (i)
(d) Section 2 (f)

2. Which of the following statements is incorrect?

- (a) Acceptance of an offer is necessary to create legal relationship.
(b) Acceptance is the consent given to the offer.
(c) Acceptance can be presumed from acceptor's silence.
(d) Acceptance must be communicated to the offeror himself.

3. "When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise".

- (a) True, as it is the legal definition of acceptance given in Section 2 (b).

(b) False, as on acceptance the proposal does not become promise.

4. The person to whom offer is made is known as 'offeree or promisee' and on acceptance, he is legally known as the

- (a) Promisee's agent
- (b) Acceptor
- (c) Acceptor on promisee's behalf
- (d) Acceptor for honour.

5. On the acceptance of an offer by the offeree, which of the following persons becomes legally bound by the contract?

- (a) Only the acceptor, as he has accepted the offer.
- (b) Only the offeror, as his terms are accepted.
- (c) Both the acceptor and the offeror.
- (d) None of these.

6. Which of the following is not the legal requirement (i.e., essential element) of a valid acceptance?

- (a) It must be communicated.
- (b) It must be absolute and unconditional.
- (c) It must be accepted by a person who has the authority to accept.
- (d) It must be presumed from silence if not communicated within specified time.

7. Which of the following is the legal requirement of a valid acceptance?

- (a) It must be communicated to the offeror himself.
- (b) It must be given in some usual and reasonable manner.
- (c) It must be given in express terms i.e., in writing or by words of mouth only.
- (d) All of these.

8. A agreed to supply coal to a Railway Company and sent the draft agreement for approval to B, the authorized official of the Railway Company. B approved the draft agreement and put it in his table drawer. In this case,

- (a) A valid contract is concluded between the parties as the authorized official of the company has accepted the proposal.
- (b) No valid contract is concluded as the acceptance was not communicated.
- (c) A voidable contract is concluded which is voidable at A's option.
- (d) A void contract comes into existence on the agreement being kept in table drawer.

9. A, by a letter, offered to sell his Maruti car to B for Rs. 70,000. B wrote a letter stating that he was prepared to buy it for Rs. 60,000. In this case.

- (a) a valid contract is concluded between A and B as there is proper communication of acceptance.
- (b) There is communication of acceptance to the offeror (A) himself, and thus he is bound by the contract.
- (c) No valid contract is concluded as B's letter is only a counter offer and not acceptance.
- (d) If B wants to buy the car, he should accept the original offer of Rs. 70,000.

10. Which of the following is the legal rule of a valid acceptance?

- (a) An acceptance must be given within prescribed or reasonable time.
- (b) An acceptance must be given before the lapse of offer.
- (c) An acceptance may be express or implied.
- (d) All of these.

11. A, by a letter, offers to sell his T.V. to B for Rs 10,000. Without knowing A's offer, B, by a letter, offers to buy the same T.V. from A for Rs. 10,000.

In this case,

- (a) A binding contract comes into existence as £'s letter is equivalent the acceptance of A's offer.
- (b) No binding contract comes into existence as B's letter is merely a cross offer.
- (c) Both A and B will be guilty of breach of contract.
- (d) The contract would be enforceable only with the permission of the court.

2.3 COMMUNICATION OF OFFER AND ACCEPTANCE

1. Which of the following statement is incorrect?

- (a) Communication of offer is complete when it comes to the knowledge of the offeree.
- (b) Communication of offer is complete when it is put in a course of transmissions to the offeree.
- (c) Communication of acceptance, against the offeror, is complete when it is put in a course of transmission to him.
- (d) Communication of acceptance, against the acceptor, is complete when it comes to the knowledge of the offeror.

2. Legal provision relating to communication of offer and acceptance is contained in

- (a) Section 1
- (b) Section 2
- (c) Section 3
- (d) Section 4.

3. Legal provision relating to completion of communication of offer and acceptance is contained

- (A) Section 1
- (b) Section 2

(c) Section 3

(d) Section 4.

4. A, by a letter dated 25th December, 2006, offers to sell his house to 'fl' for Rs. 50 lakhs, letter reaches B on 27th December, 2006, who posts his acceptance on 28th December, 3006. Which reaches A on 30th December, 2006. In this case, the communication of offer m complete on

- (a) 25th December, 2006
- (b) 27th December, 2006
- (c) 28th December, 2006
- (d) 30th December, 2006.

5. In the above Question No. 4, the communication of acceptance is complete against 'A' on

- (a) 25th December, 2006
- (b) 27th December, 2006
- (c) 28th December, 2006
- (d) 30th December, 2006.

6. In the above Question No. 4, the communication of acceptance against B is complete on

- (a) 25th December, 2006
- (b) 27th December. 2006
- (c) 28th December, 2006
- (d) 30th December. 2006.

7. In a contract through post, the acceptor becomes bound by the contract when properly addressed and stamped letter of his acceptance is

- (a) Posted to the offeror.
- (b) Received by the offeror,
- (c) Signed by the acceptor.
- (d) None of these.

8. In a contract through post, the offeror becomes bound by the contract when the letter of acceptor's acceptance is

- (a) Posted to the offeror.
- (b) Received by the offeror,
- (c) Signed by the acceptor.
- (d) None of these.

9. Where the offer and acceptance are made by letters, the contract is complete at a place where the letter of acceptance is

- (a) Written
- (b) Signed
- (c) Posted
- (d) Received.

10. Under the English Law, both the offeror and the acceptor become bound by the contract when the letter of acceptance is posted.

- (a) True
- (b) False.

11. A, by a letter, offers to sell his Motor cycle to B for Rs. 10,000 without knowing A's offer, B, by a letter, offers to buy the same motor cycle from A for Rs. 10,000. Here,

- (a) A binding contract comes into existence as B's letter is equivalent to acceptance of A's offer.
- (b) No binding contract comes into existence as A's letter is merely a cross offer.

2.4. REVOCATION OF OFFER AND ACCEPTANCE

1. Legal provisions relating to revocation of offer and acceptance are provided in

- (a) Section 3
- (b) Section 4
- (c) Section 5

(d) Section 6.

2. Legal provisions relating to the communication of revocation of offer and acceptance are provided in

- (a) Section 3
- (b) Section 4
- (c) Section 5
- (d) Section 6.

3. An offer may be revoked by the offeror at any time before the letter of acceptance is

- (a) Posted by the acceptor
- (b) Received by the offeror
- (c) Read by the offeror
- (d) None of these.

4. The legal rule relating to revocation of offer is that it can be revoked at any time before the communication of its acceptance is complete against

- (a) The acceptor
- (b) The offeror
- (c) Acceptor's family
- (d) Offeror's family.

5. Which of the following statement is correct?

- (a) Revocation of offer is effective when it reaches the offeree before he mails his acceptance.
- (b) Offeror may revoke his offer by a speedier mode of communication which reaches the acceptor before he posts his acceptance
- (c) Both (a) and (b) are correct
- (d) Only statement (a) is correct.

6. An acceptance may be revoked by the acceptor at any time before the letter of acceptance is

- (a) Posted by the acceptor,
- (b) Received by the offeror,

- (c) Signed by the acceptor.
- (d) None of these.

7. The legal rule relating to revocation of acceptance is that it can be revoked at any time before the communication of acceptance is complete against

- (a) The acceptor.
- (b) The offeror.
- (c) Acceptor's family.
- (d) Offeror's family.

8. Which of the following statement is correct?

- (a) Revocation of acceptance is effective when it reaches the offeror before he receives the acceptance.
- (b) Acceptor may revoke his acceptance by a speedier mode of communication which reaches earlier than the acceptance itself,
- (c) Both (a) and (b) are correct.
- (d) Only statement (a) is correct.

9.A, by a letter dated 15th March which reaches B on 17th March, offers to sell his car to B. B posts his acceptance on 20th March which reaches A on 22nd March. In this case

- (a) A can revoke his offer before he receives the letter of acceptance
- (b) A cannot revoke his offer as he has become bound by the acceptance on 20th March.

10. In the above Question No. 9.

- (a) B can revoke his acceptance at any time till his letter reaches A
- (b) B cannot revoke his acceptance as he becomes bound by posting his letter of acceptance.

11. In the above Question No. 9, A can revoke his offer before

- (a) 15th March
- (b) 17th March
- (c) 20th March
- (d) 22nd March.

12. In the above Question No. 9, B can revoke his acceptance before

- (a) 15th March
- (b) 17th March
- (c) 20th March
- (d) 22nd March.

2.5 LAPSE OF OFFER

1.The modes in which the offer lapses (i.e., comes to end) are provided in

- (a) Section 4
- (b) Section 5
- (c) Section 6
- (d) Section 7.

2. Where the time is fixed for acceptance of the offer and it is not accepted with the fixed time, then the

- (a) Offer automatically lapses on the expiry of fixed time.
- (b) Offer can be accepted by paying penalty.
- (c) Offeree loses his right to become a party to any contract in future.
- (d) Offer lapses but only with the permission of the court.

3. Where no time is fixed for the acceptance of the offer, then the offer can be accepted

- (a) At any time upto one year.
- (b) At any time upto three years.

(c) Within reasonable time which depends upon the facts and circumstances of the case.

(d) After seeking due permission from the court irrespective of time

4. Which of the following is not the mode of lapse of offer?

(a) Lapse of time

(b) Case against the offeror

(c) Death or insanity of offeror

(d) Failure to accept condition precedent.

5. An acceptance of offer, in ignorance of the fact of death or insanity of the offeror, is

(a) Valid acceptance as it is given without having knowledge of the death or insanity of the offeror.

(b) Not valid as the offer automatically lapses on the death or insanity of the offeror.

(c) Illegal acceptance as after the death or insanity of offeror no contract can arise

(d) Fraudulent acceptance which render the acceptor liable to pay damages.

6. On the death of an offeree before he accepts the offer, the offer comes to an end.

(a) True, as the offer lapses by operation of law.

(b) False, as there is no provision to that effect in section 6 of the Act.

7. A offered to sell his car to B for Rs. 1, 00,000. But B offered to buy it for Rs. 95,000. A refused to sell for Rs. 95,000. Subsequently, B offered to purchase the car for Rs. 1, 00,000. In this case,

(a) A is bound to sell the car to B as he has accepted the offer of Rs. 1,00,000.

(b) A contingent contract comes into existence which can be enforced if no other person buys A 'scar.

(c) No contract comes into existence as by offering Rs. 95,000, B has rejected the original offer.

(d) B is guilty of breach of contract.

8. Which of the following is the mode of lapse of offer?

(a) Counter offer by offeree

(b) Rejection of offer by offeree

(c) Change in law

(d) all of the above.

9. An agreement to agree in future is not a valid contract and cannot be enforced in a court ydf law.

(a) True, as all the terms and conditions of contract must be finalised at the time of making the contract.

(b) False, as such agreements are recognised in the Indian Contract Act.

FILL IN THE BLANKS AND PAIR MATCHING QUESTIONS

Choose appropriate option to fill in the blanks in questions 1 to 5:

1. A _____ is one which is made to public at large.

- (a) Specific offer (b) general offer
(c) Public offer (d) universal offer."

2. A bid at an auction is _____ offer to buy.

- (a) An implied (b) an express
(c) Proposal (d) counter.

3. A _____ when accepted becomes a promise.

- (a) Acceptance (b) obligation
(c) Proposal (d) cross offer.

4. Communication of acceptance _____ is complete when it comes to the knowledge of the offeror.

- (a) Against the acceptor
(b) Against the offeror
(c) Against the third party
(d) Under the law.

5. An offer may be revoked by the offeror at any time before the letter of acceptance is _____ by the acceptor.

- (a) Written (b) read
(c) deposited in court (d) posted.

6. Match the following:

(i) Section 2 (a)	(a) lapse of offer
(ii) Section 2 (b)	(b) communication of offer and acceptance
(iii) Section 3	(c) acceptance

(d) Offer.	(iv) Section 6
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7. Match the following:

(i) general offer	(a) offer made to a definite person
(ii) specific offer	(b) offer open for acceptance over a period of time
(iii) cross offer	(c) offer made to public at large
(iv) continuing offer	(d) exchange of identical offers by the parties

8. Match the following:

(i) promisor	(a) person to whom offer is made
(ii) promisee	(b) person who accepts the offer
(iii) acceptor	(c) person's consent given to offer
(iv) acceptance	(d) Person who makes the offer.

9. Match the following:

(i) positive offer	(a) striking hammer on table by auctioneer
(ii) express offer	(b) acceptance of offer with variation
(iii) implied acceptance	(c) an offer to do some act e.g. to sell a car
(iv) counter offer	(d) Offer in writing or by words of mouth.

OBJECTIVE TYPE QUESTIONS (with correct/incorrect options and hints)

1. Every proposal made by a person is legally regarded as an offer under the Indian Contract Act.

(a) Correct (b) incorrect.

2. An offer jokingly made to a party does not result in a valid contract even if the other party accepts the same.

(a) Correct (b) incorrect.

3. A social invitation made with a view to obtain consent of the other party gives rise to legal relations if accepted by the other party.

(a) Correct (b) incorrect

4. A vague or uncertain offer does not create any legal relations even if accepted by the other party.

(a) Correct (b) incorrect.

5. An offer is valid where the offeror proposes certain terms on which he is willing to negotiate.

(a) Correct (b) incorrect.

6. An advertisement by a person that he has certain furniture to sell and a house to let out, amounts to an offer.

(a) Correct (b) incorrect.

7. An advertisement for holdings an auction sale amounts to an offer.

(a) Correct (b) incorrect.

8. A shopkeeper's catalogue of price and also the display of goods in a shop do not amount to offer.

(a) Correct (b) incorrect.

9. An offer is valid only if it is made to a specific person.

(a) Correct (b) incorrect.

10. An offer made to the public at large is known as specific offer.

(a) Correct (b) incorrect.

11. An offer made to an ascertained person is known as a specific offer.

(a) Correct (b) incorrect.

12. A general Offer may be accepted by any one.

(a) Correct (b) incorrect.

13. A general offer of a continuing nature can be accepted by any number of persons until it is retracted and a binding contract will be made with all such persons.

(a) correct (b) incorrect.