BLOGS

Passage-based Questions on Indian Contract Act for CLAT 2026

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PASSAGE

How an Offer Becomes a Contract

An offer when accepted gives rise to an agreement. It is at this stage that the agreement is reduced into writing and a formal document is executed on which parties affix their signature or thumb impression so as to be bound by the terms and conditions of the agreement as set out in the document. Such an agreement has to be lawful and we know from the definition of contract of the Indian Contract Act, 1872 that an agreement enforceable by law is a contract. This is how an offer becomes a contract.

In contracts, a promise is essential to a binding legal agreement and is given in exchange for consideration, which is the inducement to enter into a promise. A promise is illusory when the promisor does not bind herself to do anything and, therefore, furnishes no consideration for a valid contract.

For an offer to be accepted there must be an offer and that has to be accepted to make an agreement. Though this might seem self explanatory, but one has to differentiate it from the legal phrase 'amounts to a valid offer'. The various modes of making an offer are orally, in a written form or by conduct. Irrespective of the mode in which the offer is made, it is the intention or willingness of the offeree which is of paramount importance and that is clearly a subjective issue.

It is important to differentiate at this point between an offer and an "invitation to offer".*Carlill v Carbolic Smoke Ball Co*[1] is an important case which brings out the difference between offer and "invitation to treat." Parties may enter into preliminary negotiations before entering into a contract. The issues they discuss will not necessarily be a part of the contract and are considered to be ‘invitations to offer’. A classic example of this is the display of products at Supermarkets and on shelves, e.g. *Pharmaceutical Society of Great Britain v Boots*[2]. The advertised price results in an ‘invitation to an offer’ only. The offer does not become a contract until the merchandise is taken to the counter and the price checked. At this point the customer can accept the merchandise and pay the price, thereby completing the transaction and forming the contract. Also, the legality of acceptance of acceptance is equally as important as the offer and this acceptance to the terms of this offer must be an ‘unqualified expression’ of acceptance of the offer. Acknowledgement of an offer would neither amount to credence acknowledgement nor would a ‘statement of intent’. On the footing laid forward by the offer there must be a clear unequivocal communicating of acceptance of the offer.

The offer and acceptance are the prominent conditions of the contract, but perhaps even more prominent is the requirement of ‘consideration’. Consideration means transaction of money for goods or services rendered or the exchange of an item of ‘value’ to the parties. It perhaps can be regarded as extremely contentious of the requirements for a legal and valid agreement and also the most complex.

In English Law, a promise will never materialize into an enforceable contract without some form of consideration. But it is not enough that the parties make this exchange of worth, the consideration must be of ‘adequate value’ and not ‘inadequate’ consideration.

Source: **https://www.lawctopus.com/academike/introduction-to-contracts/**

QUESTIONS ON CONTRACT LAW

1. What is the primary condition for an offer to become a contract?

A) The offeror must sign a document

B) The offer must be accepted and enforceable by law

C) The offeree must acknowledge the offer

D) The offer must be written and notarized

Correct Answer: B) The offer must be accepted and enforceable by law

Explanation: An offer, when accepted, forms an agreement. If this agreement is enforceable by law, it becomes a contract under the Indian Contract Act, 1872.

2. What is essential for a promise to be legally binding?

A) The promisor’s intention to fulfill the promise

B) The presence of consideration

C) The written acceptance of the promise

D) A witness to the promise

Correct Answer: B) The presence of consideration

Explanation: A promise becomes legally binding when given in exchange for consideration, which serves as the inducement to enter into the agreement.

3. What makes a promise “illusory” under contract law?

A) The promise is not written

B) The promise is conditional

C) The promisor does not bind herself to do anything

D) The promise is based on a verbal agreement

Correct Answer: C) The promisor does not bind herself to do anything

Explanation: A promise is considered illusory if the promisor does not assume any obligation, meaning there is no real consideration for a valid contract.

4. In what ways can an offer be made?

A) Only in writing

B) Orally, in writing, or by conduct

C) Only by conduct

D) Only through legal documentation

Correct Answer: B) Orally, in writing, or by conduct

Explanation: Offers can be communicated through different modes- spoken, written, or implied by conduct- so long as they indicate intent to contract.

5. Why is the offeree’s intention important in contract formation?

A) Because the law requires an offeree to act in good faith

B) Because intention determines whether the offer is accepted

C) Because the offeree’s refusal can terminate the contract

D) Because only a formal agreement matters in contract law

Correct Answer: B) Because intention determines whether the offer is accepted

Explanation: The offeree's intention plays a crucial role in determining whether they accept an offer, which is a necessary step in contract formation.

6. How is an "invitation to offer" different from an "offer"?

A) An invitation to offer is a contract in itself

B) An invitation to offer is binding upon the parties

C) An invitation to offer is not an offer but a request for offers

D) An invitation to offer automatically converts into a contract

Correct Answer: C) An invitation to offer is not an offer but a request for offers

Explanation: An invitation to offer is a preliminary step where one party invites another to make an offer, as seen in cases like Carlill v Carbolic Smoke Ball Co.

7. In which case was the principle of "invitation to offer" illustrated with supermarket transactions?

A) Hyde v Wrench

B) Pharmaceutical Society of Great Britain v Boots

C) Mohori Bibee v Dharmodas Ghose

D) Lalman Shukla v Gauri Dutt

Correct Answer: B) Pharmaceutical Society of Great Britain v Boots

Explanation: This case established that goods displayed in a store are an invitation to offer, not an actual offer.

8. What is a necessary characteristic of acceptance in contract law?

A) It must be given in writing

B) It must be an unqualified expression of agreement

C) It must be acknowledged by a court

D) It must be conditional

Correct Answer: B) It must be an unqualified expression of agreement

Explanation: Acceptance must be clear and unequivocal, meaning the offeree must accept all terms without modification.

9. What does “consideration” mean in contract law?

A) The exchange of promises

B) The transaction of money for goods or services

C) A moral obligation to perform an act

D) The mere intention to enter into a contract

Correct Answer: B) The transaction of money for goods or services

Explanation: Consideration is the exchange of value between parties, such as money, services, or goods, to make a contract legally binding.

10. Why is consideration necessary for a valid contract?

A) It establishes the seriousness of the parties

B) It ensures fairness in transactions

C) It provides a legal basis for enforcement

D) All of the above

Correct Answer: D) All of the above

Explanation: Consideration is essential because it demonstrates seriousness, ensures fair transactions, and provides a legal basis for contract enforcement.

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