

Chapter 4 – What Is a Contract?

I-Study

In this chapter you learned about agreements and contracts. The six elements of a contract are: offer, acceptance, genuine agreement, consideration, capacity, and legality. An express contract is stated in words, and may be written or oral. An implied contract is a contract implied by the actions of the parties. Bilateral contracts are formed by promises that parties make to each other. A unilateral contract consists of one party's promise to do something if and when the other party does something.

A contract begins when one party makes an offer to another party to enter into a contract. A valid offer has three requirements: it must be seriously intended, it must be definite and certain, and it must be communicated to the offeree. An acceptance must meet two requirements: it must be unconditional and must follow the rules regarding the method of acceptance. An unconditional acceptance must follow the mirror image rule, or match the terms of an offer exactly. Any response that changes the terms of an offer is a counteroffer, which can be accepted or rejected. An offer may be terminated in five ways: revocation, rejection, counteroffer, expiration of time, death, or insanity.

I-Quiz

1. A contract that comes about from the actions of the parties is
 - A. an express contract.
 - B. an implied contract.
 - C. an oral contract.
2. A response to an offer that changes the terms of the offer is
 - A. the mirror image rule.
 - B. a counteroffer.
 - C. a termination.
3. A contract that contains a promise by just one party is
 - A. bilateral.
 - B. unilateral.
 - C. trilateral.
4. The taking back of an offer by the offeror is
 - A. an invitation to negotiate.
 - B. a rejection.
 - C. a revocation.

Answer Key

- 1. B**
- 2. B**
- 3. B**
- 4. C**