

Preliminary, Scope and Definitions

Indian Contract Act, 1872

Full local statutory text

Finin2min implementation edition

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Finin2min Summary - Chapter in 2 Minutes

Purpose

This unit converts preliminary, scope and definitions into statutory, transaction, evidence and remedy decisions.

Who is covered

Businesses, contracting parties, partners, buyers, sellers, principals, agents and litigants affected by this chapter.

Main obligations

Read the transaction documents and actual conduct against every statutory limb, exception and connected law.

Key timelines

Record event, breach, refusal, notice, acknowledgment and filing dates; apply the correct Limitation Act article.

Forms and evidence

Use the chapter evidence checklist and State/UT forms where registration or public notice applies.

Top risk

Wrong classification, missing authority, weak evidence, ineffective notice, unverified State process or wrong remedy.

Remedy

Preserve rights, mitigate loss, quantify exposure and confirm forum, arbitration, limitation and interim relief.

Finin2min takeaway

Classify - map law - verify authority - prove performance - quantify consequence - select remedy and forum.

Section-by-section provision map

Provision	Title	Status	Decision theme
s.1	Short title. Extent. Commencement. Saving	operative	scope and classification
s.2	Interpretation-clause	operative	commercial rights and obligations

Legal status, amendments and source protocol

Act: Indian Contract Act, 1872; Act 9 of 1872; commencement 1 September 1872.

Source protocol: Complete central provision text is reproduced locally. Retained official India Code PDF extract. Official India Code and Gazette instruments prevail if any discrepancy is identified.

Full statutory text and Finin2min decode

Section 1 - Short title. Extent. Commencement. Saving

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source](#) prevails.

Current statutory text

1. Short title.—This Act may be called the Indian Contract Act, 1872.
Extent, Commencement.—It extends to the whole of India 2[3***]; and it shall come into force on the first day of September, 1872.
Saving—4*** Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	1. Short title.—This Act may be called the Indian Contract Act, 1872. Extent, Commencement.—It extends to the whole of India 2[3***]; and it shall come into force on the first day of September, 1872. Saving—4*** Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.	Test this main limb within the scope and classification framework. Operational focus: 1. short title.—this act may be called the indian contract act, 1872. extent, commencement.—it extends to the whole.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 1 is a scope and classification provision dealing with short title. extent. commencement. saving. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Freeze the event date and statutory definitions before applying the remaining provisions. Record why each party, asset, instrument and transaction falls inside or outside the defined class.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 2 - Interpretation-clause

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source](#) prevails.

Current statutory text

2. Interpretation-clause.—In this Act the following words and expressions are used in the following senses, unless a contrary intention appears from the context:—

(a) When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal;

1. For the Statement of Objects and Reasons for the Bill which was based on a report of Her Majesty's Commissioners appointed to prepare a body of substantive law for India, dated 6th July, 1866, see Gazette of India, 1867 Extraordinary, p. 34; for the Report of the Select Committee, see *ibid.*, Extraordinary, dated 28th March, 1872; for discussions in Council, see *ibid.*, 1867, Supplement, p. 1064; *ibid.*, 1871, p. 313, and *ibid.*, 1872, p. 527. It has been amended in C.P. by C.P. Act 1 of 1915 and in C.P. and Berar by C.P. and Berar Act 15 of 1938.

The Chapters and sections of the Transfer of Property Act, 1882 (4 of 1882), which relate to contracts are, in places in which that Act is in force, to be taken as part of this Act—see Act 4 of 1882, s. 4.

This Act has been extended to Berar by the Berar Laws Act, 1941 (4 of 1941) to Dadra and Nagar Haveli by Reg. 6 of 1963, s. 2 and Sch. I to Goa, Daman and Diu by Reg. 11 of 1963, s. 3 and Sch., (w.e.f. 1-10-1965) to Laccadive, Minicoy and Amindivi Islands by

Reg. 8 of 1965, s. 3 and Sch., to Pondicherry by Act 26 of 1968, s. 3 and Sch. and has been declared to be in force in—

the Sonthal Parganas—see Sonthal Parganas Settlement Regulation, 1872 (3 of 1872), s. 3, as amended by the Sonthal Parganas Justice and Laws Regulation, 1899 (3 of 1899), s. 3.

Panth Piploda—see the Panth Piploda Law Regulation, 1929 (1 of 1929), s. 2.

It has been declared, by notification under s. 3(a) of the Scheduled Districts Act, 1874 (14 of 1874), to be in force in—

The Tarai of the Province of Agra—see Gazette of India, 1876, Pt. I, p. 505;

the Districts of Hazari bagh, Lohardaga and Manbhum, and Pargana Dhalbhum and the Kolhan in the District of Singhbhum—see Gazette of India, 1881, pt. I, p. 504.—The District of Lohardaga included at this time the present District of Palamau which was separated in 1894. The District of Lohardaga is now called the Ranchi District—see Calcutta Gazette, 1899, pt. I, p. 44.

2. Subs. by Act 3 of 1951, s. 3 and Sch., for “except Part B States.”

3. The words “except the State of Jammu and Kashmir” omitted by Act 34 of 2019, s. 95 and the Fifth Schedule (w.e.f. 31-10-2019).

4. The words “The enactments mentioned in the Schedule hereto are repealed to the extent specified in the third column thereof, but” rep. by Act 10 of 1914, s. 3 and the Second Schedule.

- (b) 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;
- (c) The person making the proposal is called the “promisor”, and the person accepting the proposal is called the “promisee”;
- (d) When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called a consideration for the promise;
- (e) Every promise and every set of promises, forming the consideration for each other, is an agreement;
- (f) Promises which form the consideration or part of the consideration for each other are called reciprocal promises;
- (g) An agreement not enforceable by law is said to be void;
- (h) An agreement enforceable by law is a contract;
- (i) An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract;
- (j) A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.

CHAPTER I

OF THE COMMUNICATION, ACCEPTANCE AND REVOCATION OF PROPOSALS

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	2. Interpretation-clause.—In this Act the following words and expressions are used in the following senses, unless a contrary intention appears from the context:—	Test this main limb within the commercial rights and obligations framework. Operational focus: 2. interpretation-clause.—in this act the following words and expressions are used in the following senses, unless a contrary.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal; 1. For the Statement of Objects and Reasons for the Bill which was based on a report of Her Majesty's Commissioners appointed to prepare a body of substantive law for India, dated 6th July, 1866, see Gazette of India, 1867	Test this (a) within the commercial rights and obligations framework. Operational focus: when one person signifies to another his willingness to do or to abstain from doing anything, with a.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	Extraordinary, p. 34; for the Report of the Select Committee, see <i>ibid.</i> , Extraordinary, dated 28th March, 1872; for discussions in Council, see <i>ibid.</i> , 1867, Supplement, p. 1064; <i>ibid.</i> , 1871, p. 313, and <i>ibid.</i> ,...		
(a)	of the Scheduled Districts Act, 1874 (14 of 1874), to be in force in— The Tarai of the Province of Agra—see Gazette of India, 1876, Pt. I, p. 505; the Districts of Hazari bagh, Lohardaga and Manbhum, and Pargana Dhalbhum and the Kolhan in the District of Singhbhum— see Gazette of India, 1881, pt. I, p. 504.—The District of Lohardaga included at this time the present District of Palamau which was separated in 1894. The District of Lohardaga is now called the Ranchi District— see Calcutta Gazette, 1899, pt. I, p. 44. 2. Subs. by Act 3 of 1951, s. 3 and Sch., for “except Part B States.” 3. The words “except the State of Jammu and...	Test this (a) within the commercial rights and obligations framework. Operational focus: of the scheduled districts act, 1874 (14 of 1874), to be in force in— the tarai of the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)	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	Test this (b) within the commercial rights and obligations framework. Operational focus: when the person to whom the proposal is made signifies his assent thereto, the proposal is said to.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	The person making the proposal is called the “promisor”, and the person accepting the proposal is called the “promisee”	Test this (c) within the commercial rights and obligations framework. Operational focus: the person making the proposal is called the “promisor”, and the person accepting the proposal is called the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(d)	When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain	Test this (d) within the commercial rights and obligations framework. Operational focus:	Contract/deed, authority, chronology, notices,

	from doing, something, such act or abstinence or promise is called a consideration for the promise	when, at the desire of the promisor, the promisee or any other person has done or abstained from.	performance and payment records tied to this limb.
(e)	Every promise and every set of promises, forming the consideration for each other, is an agreement	Test this (e) within the commercial rights and obligations framework. Operational focus: every promise and every set of promises, forming the consideration for each other, is an agreement.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(f)	Promises which form the consideration or part of the consideration for each other are called reciprocal promises	Test this (f) within the commercial rights and obligations framework. Operational focus: promises which form the consideration or part of the consideration for each other are called reciprocal promises.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(g)	An agreement not enforceable by law is said to be void	Test this (g) within the commercial rights and obligations framework. Operational focus: an agreement not enforceable by law is said to be void.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(h)	An agreement enforceable by law is a contract	Test this (h) within the commercial rights and obligations framework. Operational focus: an agreement enforceable by law is a contract.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

(i)	An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract	Test this (i) within the commercial rights and obligations framework. Operational focus: an agreement which is enforceable by law at the option of one or more of the parties thereto.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(j)	A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable. CHAPTER I OF THE COMMUNICATION, ACCEPTANCE AND REVOCATION OF PROPOSALS	Test this (j) within the commercial rights and obligations framework. Operational focus: a contract which ceases to be enforceable by law becomes void when it ceases to be enforceable. chapter.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 2 is a commercial rights and obligations provision dealing with interpretation-clause. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Practical examples and calculations

Chapter scenario

A live transaction raises issues concerning preliminary, scope and definitions. Freeze the event date, map each statutory condition, preserve authority and performance evidence, quantify exposure and choose remedy only after limitation and forum review.

Calculation	Method	Evidence
Price / consideration	Reconcile base amount, GST/tax, credits, retention, deductions and payment terms.	Contract, invoice, ledger, tax documents and bank proof.
Loss / compensation	Separate direct loss, consequential loss, avoided cost, mitigation, restitution, interest and stipulated sum.	Loss model, market evidence and mitigation log.
Partner settlement	Reconcile capital, current accounts, loans, drawings, profit share, assets, liabilities and goodwill.	Deed, ledgers, bank records and valuation.
Limitation	Record accrual, breach/refusal, notice, acknowledgment, exclusion and filing date.	Chronology and limitation memorandum.

Practical transaction application

1. Identify the transaction, relationship, parties and event date.
2. Map every provision to the contract/deed and actual conduct.
3. Record conditions satisfied, disputed, waived, excused or prevented.
4. Reconcile authority, delivery/performance, acceptance, payment and notices.
5. Quantify exposure and choose cure, termination, recovery, settlement or litigation strategy.

Authority, consent and execution controls

Authority

- Correct legal entities and counterparties.
- Board, partner, power-of-attorney or delegated authority.
- Ordinary-course and implied-authority limits.
- Third-party knowledge of restrictions.

Consent

- Offer, acceptance and agreed version.
- Capacity, free consent and disclosures.
- Conditions precedent and approvals.
- No unauthorised post-execution alteration.

Execution

- Complete schedules and annexures.
- Witnessing, attestation and e-sign audit trail.
- Counterparts, date and place.
- Original and certified-copy custody.

Stamp duty and registration alerts

Stamp duty is State/UT-specific. Classify the true instrument, place of execution or receipt, consideration and property. Registration is a separate enquiry. Insufficient stamping may require impounding; non-registration may affect property and third-party enforceability.

Instrument	Alert
Commercial agreement	Do not default to a generic article if the substance is indemnity, guarantee, security, transfer, lease or another specifically charged instrument.
Partnership deed/reconstitution	Check capital contribution, immovable property, retirement/dissolution and Registrar filing separately.
Sale of movable goods	Coordinate contract, invoice, GST/e-invoice, transport and sectoral records.
Property-related relief	Check compulsory registration, title, court fee and decree-registration effects.

Evidence and document-retention checklist

Core file

- Executed agreement and every amendment
- Authority and approval trail
- Negotiation and version history
- Notices and receipt proof
- Performance and acceptance evidence
- Invoices, ledger and bank proof
- Loss and mitigation working
- Limitation and forum note

Electronic evidence

- Native email/message and metadata.
- Version history and e-sign certificate.
- System logs and acknowledgements.
- Legal hold and defensible export.

Retention

- Executed originals and amendments.
- Authority and entity records.
- Tax, payment and accounting records.
- Claims and litigation records through final disposal.

Forms, registers and operational records

Record/form	Control
No universal statutory form	The Act generally works through agreements, notices and evidence rather than prescribed Central forms.
Contract register	Maintain owner, counterparty, value, term, renewal, governing law and dispute route.
Breach/claim file	Preserve notice, causation, loss, mitigation and remedy decision.

Performance, delivery and payment controls

Stage	Control	Proof
Obligation matrix	List each reciprocal obligation, owner, due date, dependency and consequence.	Signed matrix tied to contract sections.
Delivery/ performance	Record dispatch, carrier, title/risk point, milestones, inspection and acceptance/rejection.	Delivery documents, certificates and correspondence.
Payment	Reconcile invoice, tax, credit, retention, set-off, due date and bank receipt.	Invoice, e-invoice, ledger and bank proof.
Change/cure	Use authorised variation and cure procedures; avoid informal waiver.	Change order, approval and cure closure.

Breach, loss, mitigation and remedy framework

1. Identify the exact obligation and legally material breach.
2. Confirm causation, remoteness, foreseeability and proof of loss.
3. Record mitigation, avoided cost and substitute performance.
4. Test damages, price, restitution, lien, stoppage, accounts, dissolution, specific performance, injunction, rescission, rectification, cancellation or declaration.
5. Check remedy election, double recovery, caps/exclusions and public policy.

Limitation and forum controls

Control	Analysis
Accrual	Classify cause of action and record breach, refusal, knowledge, demand and continuing-obligation dates.
Limitation	Apply the correct article; test acknowledgment, part-payment, exclusion and disability.
Jurisdiction	Check territorial/pecuniary rules, Commercial Courts threshold, exclusive forum and special court.
Interim relief	Assess preservation, injunction, receiver, security and evidence protection.
Appeal/ enforcement	Map decree/award challenge, execution, interest and cross-border enforcement.

Arbitration and mediation interface

- Validate agreement, signatories, scope, seat, rules and appointment mechanism.
- Separate substantive rights from forum selection and identify non-arbitrable issues.
- Check interim measures, consolidation, joinder and multi-contract issues.
- Preserve limitation during negotiation or mediation.
- Record settlement authority, confidentiality, tax, stamp and enforceability.

Company, partnership, GST and tax overlays

Overlay	Questions
Companies Act	Authority, objects, approvals, related-party, loan/guarantee/security and disclosure requirements.
Partnership/LLP	Deed/LLP authority, current constitution and public records.
GST	Supply, time/place/value, invoice/e-invoice, ITC, credit note, advance, damages and settlement treatment.
Income tax/TDS	Withholding, partner remuneration/interest, capital/revenue, bad debt, settlement and transfer consequences.
IBC/FEMA/ consumer	Moratorium and avoidance, cross-border payment/governing law, consumer and e-commerce protection.

Binding and foundational judicial principles

Authority	Principle	Verification
Mohori Bibee v. Dharmodas Ghose	Capacity: a minor cannot be made contractually liable through an agreement treated as enforceable against the minor.	Verify official judgment and later treatment.
Bhagwandas Goverdhandas Kedia v. Girdharilal Parshottamdas	Communication rules determine where and when acceptance creates a concluded contract.	Verify official judgment and later treatment.
Central Inland Water Transport Corp. v. Brojo Nath Ganguly	Unconscionable terms and unequal bargaining power may engage public-policy and undue-influence analysis.	Verify official judgment and later treatment.
Satyabrata Ghose v. Mugneeram Bangur & Co.	Section 56 covers practical impossibility and frustration, not merely literal physical impossibility.	Verify official judgment and later treatment.
Fateh Chand v. Balkishan Das	A stipulated sum does not automatically become recoverable; reasonable compensation remains the statutory measure.	Verify official judgment and later treatment.
Kailash Nath Associates v. DDA	Section 74 compensation requires legal injury and cannot operate as an automatic windfall.	Verify official judgment and later treatment.

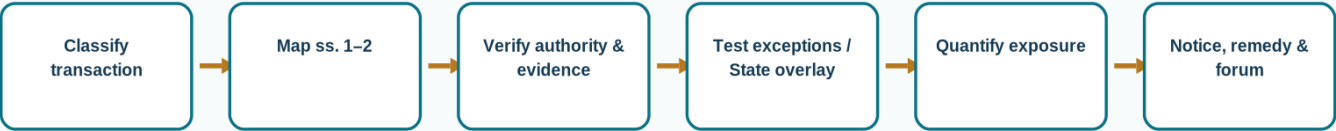
Central and State/UT variation alerts

Stamp duty, registration, court fee, civil procedure and State amendments must be checked for the instrument and forum.

Use the State/UT variation register in the data folder for the live source checklist.

Chapter-specific decision flowchart

ICA-C01 · Finin2min decision path



Formation vocabulary, proposal, promise, consideration and agreement. Verify the current official source before professional reliance.

Finin2min Q&A

What decision does ICA-C01 help a business make?

It determines how preliminary, scope and definitions should be classified, documented, performed and enforced under sections 1-2 of the Indian Contract Act, 1872.

Which provision should be read first in ICA-C01?

Begin with section 1 (Short title. Extent. Commencement. Saving) and then read the connected definitions, exceptions and remedy provisions in sequence.

What is the principal implementation risk in ICA-C01?

Applying a commercial label without proving the statutory conditions for preliminary, scope and definitions, or acting without authority, notice, performance and payment evidence.

Which execution checks are specific to ICA-C01?

Confirm the correct entities, signatory authority, consent, complete annexures, stamp and registration treatment, digital audit trail and approvals relevant to preliminary, scope and definitions.

How should evidence be indexed for ICA-C01?

Link every section in the chapter with the contract or deed, authority, chronology, notices, performance, delivery, payment, loss and remedy evidence supporting it.

What calculation should be retained for ICA-C01?

Retain the relevant price, tax, interest, partner-account, loss, mitigation, restitution or relief working with sources and assumptions, not only the final number.

How does limitation affect ICA-C01?

Classify the precise cause of action associated with preliminary, scope and definitions, record accrual, refusal, notice, acknowledgment and exclusion dates, and apply the correct Limitation Act article.

Can arbitration resolve every dispute arising under ICA-C01?

Arbitration may govern the forum, but it does not validate illegality, remove mandatory rules or make a non-arbitrable subject arbitrable. Check scope, seat and interim relief.

Which tax and entity overlays should be checked for ICA-C01?

Check Companies Act authority and related-party controls, partnership constitution, GST supply and invoice consequences, withholding, accounting and insolvency effects.

What is the final professional sign-off for ICA-C01?

Confirm the current statutory source, section conclusions, State variation, authority, calculation, limitation, remedy, forum and complete evidence trail.

Why is section 2 important to ICA-C01?

Section 2 (Interpretation-clause) completes the chapter control and must be tested independently.

Official sources and verification status

- [Indian Contract Act, 1872 - India Code](#)
- Official Gazette and applicable State/UT Gazette, Registrar and court portals.
- Review date: 2026-07-18.