

Financial Training College Pakistan

Lecture Notes on Paper 2.2 - Introduction to Contract Law
Developed by FT Faculty for the welfare of ACCA Students

INTRODUCTION TO CONTRACT LAW

The Subject Matter of Contract Law

It may be argued that there is no general law of contract, but that the rules relating to contract are simply part of a more general law of obligations, or are made up of a variable law of "Contracts".

Insofar as there is a general law of contract, it is concerned with transactions under which people, more or less voluntarily, assume obligations towards each other, in connection with the transfer of property, or the provision of services.

The general law of contract applies the same rules to all transactions, no matter how large or small.

Different Approaches to Analysing Contract

There are different approaches to analysing contract:

- | **Economic Analysis:** considers the rules of contract law in terms of their economic efficiency and consequences.
- | **Socio-Political Analysis:** looks at the ideologies underlying contract, e.g. capitalist, marxist, etc.

Adams & Brownsword identify formalism, consumer-welfarism, and market-individualism as three such ideologies used by English Courts.

- | **Empirical Research:** looks at what actually happens when people make contracts.

The Identification of Agreements

English Law uses an "Objective Approach" - but note that there are different types of objectivity (eg promisor objectivity, promisee objectivity, or detached objectivity).

Evidence of a party's state of mind at a particular time may, however, override an objective approach (eg *The Hannah Blumenthal* - 1983)

The external signs, or "phenomena", of agreement, are what the courts look for, in particular, 'offer an acceptance' and 'consideration'.