



Contracts

The Sales Contract

Word study

Sales contract	offer	revoke
Enter into a contract	acceptance	notify
Deal with	legal purpose	notice
Prerequisite	competent party	reject
Mutual assent	express contract	rejection
Bargain	intent	counteroffer
Breach	terms	time span
Damages		

One of the most common contracts, the sales contract, is widely known as everybody enters into one very often, when buying a car, a house, or home appliances. Businesses always finalize a contract when they deal with each other.

When two parties reach an agreement, they sign a contract, representing the legal relationship between them. For a contract to exist, there must be certain contractual prerequisites. The parties indicate to each other their mutual assent to the same bargain in the form of offer and acceptance. The agreement between the parties should not be harmful to any of them, it must have a legal purpose. All parties must be recognized by law as capable of entering a contract: they must be competent parties. Once the agreement is created by written or oral communication, we have an express contract, which is legally binding.

An offer initiates a contract and the acceptance concludes it. The offer has three essential elements: the expression of the intent to contract, a statement of definite and certain terms, and the communication of the agreement. The offer may be terminated when the offeror revokes the offer by notifying the offeree of the rejection. The revocation is effective when the offeree receives the notification. When the offeree gets the offer, he or she has a reasonable time to reply, depending on facts and circumstances. Therefore, the offeror includes a time span in which the offeree has to reply. Offers can be terminated by the death of the offeror or offeree, the insanity of either of them, the expiration or lapse of time, the rejection of the offeree, a counteroffer by the offeree.

Form nouns from the following verbs:

enter	deal	assent	bargain	reply
offer	accept	revoke	notify	reject

Following the text, find the groups of words that complete these sentences:

- The sales contract is widely known as.....
- Businesses always finalize a contract when.....
- When they reach an agreement, a.....
- The parties indicate to each other
- In legal terms this
-

Read the following offer and send the offeror an affirmative reply:

Gentlemen:

We are a company established in Taiwan, dealing in office equipment and accessories. The company wishes to extend its business in Europe and is looking for partner companies interested in this product line and higher profits.

Please find attached our latest catalogues with best prices. In case our proposal is of interest to you, kindly contact us by email, mail, fax on the address and numbers printed on the catalogues.

Hoping to receive an affirmative reply, we remain,

Yours truly,

Sales Manager
Taiwan Kings Inc.

Draft your reply using the simplified letter form and the suggestions on the left:

Date line _____

Addressee

Salutation _____

Thank them for the offer
and express your interest

Assure them that the market
for their products is good and that
you are ready to deal with them.

Ask them to wait for a few days
to make your product selection
and ask for a new quote

Specify that you will get back
to them very soon.

Closing

Name and signature _____

A time-saving source for lawyers, the digitized legal forms and model documents can be of great help in their activities. Use the following model to help your client to fill in his contract to sell products for office use to another party.

Before you do that, make sure you understand the following terms:

Hereinafter	seller	buyer	hereby
Terms	description	goods	deliver
Set out	receipt	in full	on behalf of
Bound	installment	bill	subject to
Remainder	due	deem	notify
Claim	damages	notice	failure
Loss	warrant	security interest	lien
Encumbrance			

Seller: Office Export Ltd. , Merchant St. 72, Manchester, Sale and Distribution of Office Supplies

Buyer: Legal Services and Consulting, 123 Builders Ave. , Brighton

Description of goods attached

Color/dimension agreed upon	Price/pc	Total price
Office desks – 15 pcs	\$ 260	\$ 3900
Office chairs – 15 pcs;		110 1650
Filing cabinets – 30 pcs	180	5400
Shelves – 90 pcs	60	5400

(From : Standard Contract Forms -

http://smallbusiness.findlaw.com/business-forms-contracts/be8_9_1.html)

CONTRACT FOR THE SALE OF GOODS

Paragraph 1. _____, hereinafter referred to as Seller, and
_____, hereinafter referred to as Buyer, hereby agree on this ____ day of
_____, in the year _____, to the following terms.

A. Identities of the Parties

Paragraph 2. Seller, whose business address is _____, in the city of
_____, state of _____, is in the business of _____

_____. Buyer, whose business address is _____, in the city of _____, state of _____, is in the business of _____.

B. Description of the Goods

Paragraph 3. Seller agrees to transfer and deliver to Buyer, on or before _____ [date], the below-described goods:

C. Buyer's Rights and Obligations

Paragraph 4. Buyer agrees to accept the goods and pay for them according to the terms further set out below.

Paragraph 5. Buyer agrees to pay for the goods:

- In full upon receipt
- In installments, as billed by Seller, and subject to the separate installment sale contract of _____ [date] between Seller and Buyer.
- Half upon receipt, with the remainder due within 30 days of delivery.

Paragraph 6. Goods are deemed received by Buyer upon delivery to Buyer's address as set forth above.

Paragraph 7. Buyer has the right to examine the goods upon receipt and has ____ days in which to notify seller of any claim for damages based on the condition, grade, quality or quantity of the goods. Such notice must specify in detail the particulars of the claim. Failure to provide such notice within the requisite time period constitutes irrevocable acceptance of the goods.

D. Seller's Obligations

Paragraph 8. Until received by Buyer, all risk of loss to the above-described goods is borne by Seller.

Paragraph 9. Seller warrants that the goods are free from any and all security interests, liens, and encumbrances.

E. Attestation

Paragraph 10. Agreed to this ____ day of _____, in the year _____.

By: _____ Official Title: _____

On behalf of _____, Seller

I certify that I am authorized to act and sign on behalf of Seller and that Seller is bound by my actions. _____ [initial]

By: _____ Official Title: _____

On behalf of _____, Buyer

I certify that I am authorized to act and sign on behalf of Buyer and that Buyer is bound by my actions. _____ [initial]
[NOTARY STAMP HERE]

What are the negative forms of the following adjectives?

Profitable	solvent	operational	employed
Favorable	discussed	reliable	common

Contractual remedies:

Study the cases below and mark the words that describe the types of damages for breach of contract. Damages are often very hard to compute, as it is hard to establish the monetary value of such damage.

Case 1

Stan Manly wants to buy roof sheets to cover his house. He signs a contract with Golden Builders for sheets in the value of € 2,000 . The store breaches the contract and Stan buys the sheets for € 2,500 from Builders' Market. Is Stan entitled to damages?

Stan is entitled to compensatory damages: the basic form is the difference between the market price (fair market value) and the contract price of the goods. The € 2,500 paid to Builders' is the market price: the contract price is € 2,000; thus the measure of damages is 2,500-2,000, that is 500. Stan Manly is entitled to compensatory damages in the amount of € 500.

Case 2

DD Smith, the owner of a furniture factory situated in the middle of a piece of land on the highway to the city, contracts with Fast Highway Construction to repair the road driving from the highway to the factory with the deadline October 15, when he expects a shipment of wood to be brought to the factory by trucks. The road is in bad condition and the trucks cannot drive up to the warehouse. Fast Highway Construction delays the work until November 15, when it starts snowing. DD Smith sues Fast Highway for the additional transportation costs he has incurred.

The theory is that a person suffering losses from a breach of contract is entitled to compensation lost by the uncompleted contract. The damages are called consequential damages. DD Smith is entitled to compensation.

Case 3

Meryl Arden, a jewelry saleswoman, concludes business with Emerald Princess Store to sell € 500,000 worth of jewels to them. She has to fly to London to meet the owner, from her office in Amsterdam. She purchases her airticket from TransEurope. Due to bad weather conditions, the plane takes off hours later. Meryl misses her appointment with the store owner and the business falls through. She sues the airline for damages.

In this case the foreseeability test will be used to establish whether the party has been really injured. The rule states that only those damages which are foreseeable at the time the contract was made can be recovered.

Answer the following questions before you give your own verdict.

- By applying the foreseeability test to the given problem, could the airline foresee the loss of € 500,000 suffered by one of its passengers?
- Is Meryl Arden right in her decision to sue?
- What is your own verdict?

Meryl Arden is entitled to

Meryl Arden is not entitled to