

QUESTION

- 1. The purpose of a contract is to:
- 2. Establish a legal relationship between the parties
- 3. Allocate the risks of the contract to the party best able to manage them
- 4. Provide a means of resolving disputes (if any)

ANSWER

The purpose of a contract is to establish a legal relationship between the parties, allocate the risks of the contract to the party best able to manage them, and provide a means of resolving disputes (if any).

A contract is a legally enforceable agreement between two or more parties that creates legal obligations and rights.

Requirements for a contract to be enforceable

- 1. The parties must be legal entities (individuals or corporations)
- 2. The parties must be capable of entering into a contract (i.e., they must be of legal age and of sound mind)
- 3. The contract must be supported by consideration (i.e., each party must give something of value to the other)
- 4. The contract must be intended to be legally binding (i.e., the parties must intend to create legal relations)
- 5. The contract must be in writing (i.e., it must be signed by both parties and witnessed by two other people)

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Elements

- 1. Offer and acceptance
- 2. Intention to create legal relations
- 3. Consideration
- 4. Capacity
- 5. Legality of the contract

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