

CHAPTER OVERVIEW

7: Contracts

Learning Objectives

After reading this chapter, you should understand the following:

- What role contracts play in society today
- What a contract is
- The sources of contract law
- Some basic contract taxonomy
- The required elements of a contract: mutual assent, consideration, legality, and capacity
- The circumstances when a contract needs to be in writing to be enforceable
- The remedies for breach of contract

The two fundamental concepts considered the twin cornerstones of business relationships are contract and tort. Although both involve the concept of duty, creation of the duty differs in a manner that is important to business. The parties create *contract* duties through a bargaining process. The key element in the process is control; individuals are in control of a situation because they have the freedom to decide whether to enter into a contractual relationship. *Tort* duties, in contrast, are obligations the law imposes. Despite the obvious difficulty in controlling tort liability, an understanding of tort theory is important because it is a critical factor in strategic planning and risk management.

[7.1: General Perspectives on Contracts](#)

[7.2: Contract Formation](#)

[7.3: Remedies](#)

[7.4: Cases](#)

[7.5: Summary and Exercises](#)

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