What you need to know about CONTRACTS

Get this FREE COPY NOW!

www.cpsmtraining.com
Essential Elements of a Contract

Every Certified Professional in Supply Management must know the essential elements of a contract. In the procurement process of any products or services supply managers are the ones who examine the contract.

This is the reason why it is important for supply managers to know the basic elements of a contract.

If one of these five elements is missing, the agreement is not legally binding. For a contract to be valid, it should contain the following elements:

**Offer**

A contract must contain a definite and clearly stated offer of goods or services. An offer will lapse according to the following:

- When the time for acceptance expires;
- If the offer is withdrawn before it is accepted;
- After a reasonable time in the circumstances

In most cases, the greater the value of the contract, the longer the life of the offer.

**Invitation to Treat**

It is a mere declaration of willingness to enter into a negotiation; it is not an offer, and cannot be accepted so as to form a binding contract.

An invitation to treat is just part of the preliminaries of negotiation, whereas an offer is legally binding once accepted.

Advertisements, price lists, catalogues and circulars are examples to an invitation to treat.

**Acceptance**

Only products or services that are offered in the contract can be accepted. This only entails that the offer must be accepted exactly as presented without any underlying conditions.

On the other hand, a contracting part may include counter offers in the contract. Counter offers refers to the new suggested terms in the contract. These new terms can either be accepted or rejected.
Acceptance of a contract can be given in writing, stated verbally, or inferred by action that clearly indicates acceptance.

**Intention of Legal Consequences**

A contract legally binds two parties. Prior to agreeing with the contract, both parties must understand the terms and conditions set by the contract and must understand that the law can enforce the agreement.

**Consideration**

A legally binding contract must be supported with valuable considerations. These considerations are the promises of the other party to provide a benefit of value.

Most of the time, the considerations are agreed price that can be monetary, a service, product or restricting a person from doing some action.
**DIFFERENCE between ORAL, WRITTEN and ELECTRONIC CONTRACTS**

**WRITTEN CONTRACT**
A written document outlining an agreement between two contracting parties. These parties can be individuals, organization, or businesses. All of the factors or portions must be indicated in the agreement, and each party involved in the agreement has to sign the document in order for it to become valid.

**ORAL CONTRACT**
Oral contract is an agreement, the terms of which have been agreed by spoken or verbal communication.
An oral contract is as legally binding as a written contract.

**Conditions of an oral contract:**
1. An offer should be made by a party to enter into a contract on certain and specific terms.
2. The offer must be accepted without any variations on the terms communicated.
3. There must be considerations or something in exchange for what is being offered.
4. Intention to create legal relations must be present.

**ELECTRONIC CONTRACT**
Electronic contracts are brought about by globalization. It makes transactions faster and convenient. Just like traditional paper contracts, electronic contracts are legal and enforceable.

The E-Signature Law in 2000 enabled companies to conduct business transactions online, particularly the companies that provide financial, insurance, and household services to consumers.

**STATUTE OF FRAUDS**
The Statute of Frauds refers to the legal concept that requires certain types of contracts to be executed in writing. These contracts are the following:
1. Contracts for the sale of land;
2. Contracts wherein one party should pay debt to the other party;
3. Contracts for the sale of goods; and
4. Contracts that cannot be completed in less than 1 year.

**REGISTER NOW!**
Become a Certified Professional in Supply Management!
visit www.cpsmtraining.com

---

Visit us on [YouTube](https://www.youtube.com/cpsmtraining) / [Facebook](https://www.facebook.com/cpsmtraining) / [Twitter](https://twitter.com/cpsmtraining)
Difference between Written, Oral and Electronic Contracts

To become a Certified Professional in Supply Management (CPSM), you need to learn a lot of things and one of which is to familiarize yourself with the basics in contracting and negotiations.

The first part of the CPSM Exam covers the Foundation of Supply Management. In our previous article we’ve already shown you how to prepare competitive bids, strategies and tactics in negotiation, points in negotiation, and the basic elements of a contract.

If you join our CPSM Training Review Programs, you’ll learn more CPSM Study Cheats, but for now we will teach you the different types of obligation documents.

You need to remember the following types of obligation documents because they are part of the CPSM Exam:

• Written Contract
• Oral Contract
• Electronic Contract

Written Contract

A written contract refers to a written document outlining an agreement between two contracting parties. These parties can be individuals, organization, or businesses. All of the factors or portions must be indicated in the agreement, and each party involved in the agreement has to sign the document in order for it to become valid.

Oral Contract

Oral contract is an agreement, the terms of which have been agreed by spoken or verbal communication. An oral contract is as legally binding as a written contract. The issue of an oral contract is proving its existence. Conditions of an oral contract:
1. An offer should be made by a party to enter into a contract on certain and specific terms.
2. The offer must be accepted without any variations on the terms communicated.
3. There must be considerations or something in exchange for what is being offered.
4. Intention to create legal relations must be present.

**Electronic Contract**

Electronic contracts are brought about by globalization. It makes transactions faster and convenient. Just like traditional paper contracts, electronic contracts are legal and enforceable.

The E-Signature Law in 2000 enabled companies to conduct business transactions online, particularly the companies that provide financial, insurance, and household services to consumers.

**Statute of Fraud**

The Statute of Frauds refers to the legal concept that requires certain types of contracts to be executed in writing. These contracts are the following:

1. Contracts for the sale of land;
2. Contracts wherein one party should pay debt to the other party;
3. Contracts for the sale of goods; and
4. Contracts that cannot be completed in less than 1 year.
Commonly Overlooked details in a Contract

Things to look out before you sign

- Double Check the Business Terms
- Fill in the Blanks
- Automatic renewal
- Identity of Contracting Parties
- Harmless and Indemnification Provisions
- Occasions of Default
- Remedies Arrangement
- Causes of Termination
- Days and Target Dates
- Warranties and Representations
- Rights and Responsibilities
- Resolutions and Disputes

Visit www.cpsmtraining.com for more supply chain tips
Commonly Overlooked Details in a Contract

Supply chain professionals and most business people enter into contracts on a regular basis. They sign procurement agreements, vehicle and equipment leases, maintenance contracts, banking documents and several other contracts in line with their business.

Some of these contracts are constructed in simple terms while others are incomprehensible. It is very common for professionals to just sign the contract without really reading, knowing and understanding the obligations and stipulations in the contract.

Things to look out before you sign

Every professional should learn the tricks in reviewing the contract. Every businessman must remember to review the stipulations in the contract before signing. Moreover, it is a good practice to periodically review existing contracts in your supply chain such as logistics contracts, banking documents and procurement agreements to determine whether they still meet your company’s needs.

Atty. Joanne Cassidy, a Huston Business Lawyer, said that a contract may merely sound as a simple agreement between to or more persons to do a particular thing, but when obligations are buried in the find print in the middle of a lengthy document it may put the other party in jeopardy.

Here are the things that you need to have an extra eye before signing any contract according to Cassidy:

1. Double Check the Business Terms

The business terms of the contract may refer to the price, amount, duration, delivery method etc. Every business professional should double check the business terms to determine whether it accurately reflects the agreement of the parties.

2. Fill in the Blanks

Take extra caution in completing all the blanks on any pre-printed form because
someone may write unfavourable stipulations that can cause injury to your business operation. Moreover, be sure to have your initials on any deletions or changes on a contract.

3. **Automatic Renewals**

Examine if automatic renewals are present in the contracts. Check your contract whether they contain the following:

- Do you have to give notice if you do not want to renew?
- Are there penalties if notice is not timely given?
- Is renewal on the same terms as the original agreement? Are there price increases?

Consider adding options to renew on favourable terms.

4. **Extra attention to the identity of contracting parties**

Use the complete name of the business to avoid confusion and identify corporate officers as such.

5. **Harmless and Indemnification Provisions**

Examine hold harmless and compensation regulations. According to Cassidy, when you agree to hold a person harmless you are accepting to not hold him responsible of any liability that could emerge out of the deal.

When you indemnify a person, you are agreeing to safeguard him from liability or loss that might develop from the transaction. If you have to indemnify the other party, limit the compensation as high as possible. Bargain the exact same reparation yourself. As an example, if you, as purchaser, accept to indemnify the seller of a business for losses he may sustain as an outcome of activities after the sale, then he should indemnify you for losses you may incur as a result of activities before the sale.

6. **Occasions of Default**

Identify what acts make up events of default and whether you have the ability to enter into and carry out under the contract without creating a default. In addition, consider what should be needed to be included as events of default by the other event.
7. Remedies Arrangement

Evaluate provision solutions. Establish the worst that could occur to you if you default. Explore means to limit your liability. Also determine what sorts of solutions you require in the event of default by the various other parties.

8. Causes for Termination

Review causes for termination. Think about including ways to terminate the agreement if it is not working to your perk.

9. Days and Target dates

Inspect dates and deadlines. Consistently keep a calendar of days and deadlines for crucial occasions and anything required to be done by you or the other celebration.

10. Warranties and Representations

Testimonial and understand warranties and representations provided by you and the other contracting party. Do not give any sort of depiction if you do not in fact understand that the depiction holds true or if the other party is in a best position to know the facts being represented for.

If you need to give service warranties, try to restrict them as much as possible. For instance, a guarantee in a deed could state that you necessitate title to the home. You can limit the guarantee by stating that you warrant title to the residential property only throughout the time in which you possessed the property. Keep in mind that the other celebration is attempting to do the very same, so watch for disclaimers or limitations.

11. Rights and Responsibilities

Know all your civil liberties and duties under the contract. Carefully read the whole deal given that rights and duties are typically spread throughout the agreement.

12. Resolution of Disputes

Determine exactly how you intend to manage resolution of disagreements. An adjudication or mediation requirement might eventually conserve you great deals of time and money. Nevertheless, there are times when you may need to litigate to fix the disagreement. When ideal, attempt to offer yourself some adaptability.
How NOT to Waste Time while Negotiating Contracts

Know what you want and what they want

Be Mindful of Deadlines

Create a Win-Win Situation

Know When to Surrender

Get more supply chain tips at www.cpsmtraining.com
How Not to Waste Time While Negotiating Contracts

Eighty percent of your time is wasted while negotiating contracts. This is commonly experienced when both are in disagreement with the terms and conditions stipulated in the contract. The negotiation phase is a grueling process that both consumes time, energy, and can impede the developments of your other projects.

Negotiations are tough and even a well seasoned CEO often leaves the negotiation table feeling unaccomplished and frustrated. In order to achieve a favorable result in negotiating contracts, you need to develop skills that are fit for the job. You need to learn certain techniques that will help you avoid wasting time while negotiating contracts.

Here are some tips that will guide you to minimize time-wasters while you negotiate contracts:

**Know what you want and what they want**

A contract is an agreement between two agreeing parties. If you do not know what you want and what the other party wants, tendency is you will encounter several revisions that will prolong the process of nailing the deal.

Before entering into a negotiation, sit down and think what your priorities are and what the other side wants. It is ideal to draw a priority map, this will help set the foundation of the negotiation process that will quickly finish the negotiation.

**Be Mindful of Deadline**

Dwelling much of your time in a certain contract does not give you much benefit specially when you have other projects in line. Know what the pressure are, your stand and the possibility of cancelling the deal.

**Create a Win-Win Situation**

If you have several competitors over a certain contract that you are pursuing, one way to convince the other side that they should award the contract to you is by creating a win-win deal! A win-win deal implies that you and the other party benefit from the deal. You have to establish what you can offer and what are the benefits they can get from your offer.
You can now secure and wear that HAPPY FACE!

No more unsecured career

Earn up to 8% more!

These are possible when you pass the CPSM EXAM!

Register Now

Success awaits you at www.cpsmtraining.com
Is your financial condition preventing you from joining our 3-day CPSM Certification Boot Camp?

We’ve got your back!

Flexible Payment Plans

1 Payment $1997
2 Payments $1018.47
4 Payments $519.22
6 Payments $352.80
12 Payments $186.39

Grab this opportunity!
Visit www.cpsmtraining.com or call 877-680-0494