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Are you in need of a simple contract? Whether you are a freelance professional, a small business owner, or simply making an agreement between friends, having a simple contract in place can provide clarity and protection for all parties involved. In this step-by-step guide, we will break down the process of writing a simple contract, from understanding the basics to finalizing the document. Lets dive in! Before we delve into the intricacies of contract writing, lets start with the basics. A contract is a legally binding agreement between two or more parties. It outlines the rights, obligations, and responsibilities of each party involved. Contracts are essential as they provide clarity and protection in the event of disputes or misunderstandings. Contracts serve as the foundation of business transactions, ensuring that all parties involved are on the same page and have a clear understanding of their roles and responsibilities. They establish the terms and conditions under which the parties agree to conduct their business, creating a sense of trust and accountability. Contracts consist of various key elements that must be included to ensure its validity and enforceability. These elements include: Offer and acceptance: There must be a clear offer from one party and an acceptance of that offer by the other party. This exchange of offers and acceptance is crucial to establish the mutual agreement between the parties involved. Consideration: Each party must provide something of value, such as goods, services, or money. Consideration is what each party receives in return for fulfilling their obligations under the contract. It is an essential element that ensures fairness and equity in the agreement. Legal capacity: All parties involved must be of legal age and mentally competent to enter into a contract. This requirement ensures that the parties have the legal capacity to understand the terms of the contract and the consequences of entering into the agreement. Clear terms and conditions: The contract should clearly outline the obligations, responsibilities, and rights of each party. It should leave no room for ambiguity or misinterpretation. Clear terms and conditions help prevent misunderstandings and disputes, providing a solid framework for the parties to operate within. Mutual consent: All parties must voluntarily and willingly agree to the terms of the contract. Mutual consent is a fundamental principle in contract law, as it ensures that the parties enter into the agreement without any coercion or undue influence. It establishes the notion that all parties are on equal footing and have freely chosen to be bound by the contract. These key elements work together to create a comprehensive and enforceable simple contract. Each element plays a crucial role in defining the rights and obligations of the parties involved, ensuring that the contract is fair, equitable, and legally binding. Read also: What are digital contracts? Before diving into the writing process, it is crucial to identify the parties involved in the contract. Clearly state the full legal names and addresses of each party. This will ensure that there is no confusion regarding the individuals or entities bound by the contract. For example, if you are entering into a contract with a company, it is important to include the companys full legal name, registered address, and any other relevant contact information. Similarly, if you are entering into a contract with an individual, make sure to include their full legal name, residential address, and any other necessary details. By clearly identifying the parties involved, you establish a solid foundation for the contract and minimize the risk of any misunderstandings or disputes arising from confusion about the identities of the parties. Every contract has a specific purpose or goal. Identifying and clearly stating the purpose of your simple contract is essential in ensuring that all parties involved understand the intention and scope of the agreement. For instance, if you are drafting a contract for the sale of goods, it is important to specify the exact nature of the goods being sold, their quantity, quality, and any other relevant details. This level of specificity will help avoid any ambiguity or confusion later on. In addition to stating the purpose, it can be beneficial to provide some background information or context for the contract. This can include explaining the reasons behind the agreement, any previous discussions or negotiations that led to the contract, or any specific objectives or expectations that the parties hope to achieve through the agreement. By clearly determining the purpose of the contract and including it in the opening statement, you set the stage for a comprehensive and well-defined agreement that leaves no room for misinterpretation. Read also: Why Oneloft is a contract automation platform for everyone Once you have identified the parties and determined the purpose, its time to outline the terms and conditions. Clearly state what each party is required to do or refrain from doing. Be thorough and specific in your language to minimize any potential ambiguity. If your contract involves the exchange of money or other forms of payment, it is essential to clearly specify the details. Include the amount, due dates, and any additional terms regarding payment, such as late fees or installment options. Depending on the nature of your simple contract, you may need to include provisions outlining the duration of the agreement and the conditions for termination. Clearly define the start and end dates, as well as any circumstances that would allow either party to terminate the contract. Before finalizing your contract, it is crucial to thoroughly proofread for clarity and accuracy. Double-check all the terms, obligations, and conditions to ensure they are free from errors or potential loopholes. Consider seeking legal advice or input if necessary. Contracts must comply with applicable laws and regulations. Take the time to research and understand the legal requirements relevant to your contract. This will help ensure that your document is valid and enforceable. Once you are satisfied with the final version of your contract, its time to get it signed. Ensure that all parties involved sign and date the document. Consider including a provision for witnesses or notarization for added credibility. Read also: The best contract drafting software for your business Avoid using overly complex or technical language in your contract. Opt for clear and straightforward terms that are easily understood by all parties involved. This will minimize the chances of misunderstandings or misinterpretations. If you still have doubts about the clarity, then dont hesitate to paraphrase the text by changing all the complex words with easy synonyms and also make alterations in the sentence structure. Be aware of common contract mistakes and take steps to avoid them. These may include ambiguous language, incomplete provisions, or failure to address potential issues or risks. Thoroughly review your simple contract to ensure it is comprehensive and addresses all necessary aspects. By following this step-by-step guide, you can confidently write a simple contract that protects your interests and ensures clarity for all parties involved. Remember to seek legal advice or consult relevant resources when needed. Happy contract writing! A business deal between two parties or individuals is legalized by a contract. The complexity of a contract depends upon the nature of the business. Big corporations prepare contracts which are spread over hundreds of pages, while individuals enter into an agreement with the help of a simple contract. In this article, we will take a look at the steps involved in writing a simple contract. A contract is oral or a written agreement which specifies the obligation of individuals/parties, involved in the contract, towards each other. A breach of obligation is unlawful and can lead to litigation. Although you can prepare a simple contract yourself, it is advisable to consult a lawyer or an attorney to get an insight into the intricacies involved in this process. Mentioned below are the steps involved in writing a contract. Writing a Simple ContractWrite down the legal names and addresses of the parties entering into the contract.Write the terms and conditions of the contract. This includes the consideration that each party is obligated to. A contract is formed on the basis of the consideration that the concerned parties provide to each other.Write down the penalties that would be applicable in case a concerned party is not able to fulfill the consideration. If a party fails to meet the consideration repeatedly or there is a deliberate breach of contract, the authority to proceed with litigation has to be mentioned in the contract.Specify that all the concerned parties have read the contract and given their approval to it. This is important, as in case of litigation, a party can claim that they were not aware of the terms and conditions of the contract.Sign the contract and get other parties to sign the contract in front of an attorney.Simple Contract A Sample This contract is made on the (date) between (name 1), of (address) and (name 2), of (address). The parties agree to the following terms and conditions:The agreement between the two individuals will be valid till (date).(name 1) will lease (name 2) a total of twenty computers in exchange of a monthly payment of \$The computers are in a good condition and (name 2) is expected to return them in good condition when the lease duration is over.Any damage to the hardware or the software of the computers will lead to a penalty which will be decided by an independent computer technician.If (name 2) fails to make the necessary payment by the of every month, a late fee of \$ will be levied.If (name 2) fails to make the necessary payment twice in a row, it will lead to the termination of this contract, and a process to recover the computers shall commence.(name 2) will have months to pay the due amount along with the late fee.If (name 2) fails to make the necessary payment even after the stipulated time, (name 1) will have the authority to initiate civil litigation.(name 2) will be sent a notice before the litigation is filed.Both parties agree to the terms and conditions mentioned in this contract.(name 1) (signature), (date)(name 2) (signature), (date)Note: Agreement and contract both these terms have different meanings. Agreement is used for a fact or an action that is agreed upon by two parties, like an agreement between two friends to go for a walk. This kind of agreement is not legally enforceable, as there is no consideration present. A contract involves a consideration for all the concerned parties. For example, you go to a shop to buy a loaf of bread and pay the shopkeeper. For the shopkeeper, money is the consideration, and for you, it is the loaf of bread. In conclusion, simple business contracts are indispensable in protecting and managing business transactions. They also establish business relationships and determine the performance and risk parameters for the transaction. Get personalized 1:1 demo with our product specialist.Tailored to your needsAnswers all your questionsNo commitment to buy By submitting this form, I agree that the Terms of Service and Privacy Notice will govern the use of services I receive and personal data I provide respectively. Sometimes, it seems like the world revolves around business contracts. Theyre at the core of how all companies do business, which means that the drafting process can be daunting and challenging after all, a lot is riding on those documents. So if you need to write one up right now, dont panic just yet. In this guide, well teach you how to draft a contract to cover everything you need to include, make perfect sense, and, of course, be legally enforceable. You dont need a law school degree for drafting contracts however, some domain expertise or legal advice may be required if you want to create an outstanding one. Make sure to include every essential element of a written contract, including terms and conditions, acceptance procedures, and detailed descriptions of products or services supplied under the contract. Ensure that you dont miss anything by using a step-by-step checklist. Using contract management software can make writing contracts considerably easier. Over 95,000 PandaDoc accounts have already used our templates at least once. Ready to join the club? Try PandaDoc If youre worried about whether you have the right qualifications or experience to write a contract, you can relax there are no requirements dictating who can or cannot write a contract. After all, a contract is simply a written agreement between two or more parties. If someone uses the back of a napkin to promise you that theyll pay you for lunch tomorrow, thats technically a contract. However, contract authoring is more complex than this in the real world. Some exceptionally complex contracts may require the theoretical knowledge and practical experience of someone with a law degree. However, the majority of business contracts that you are most likely to work with in life require just a basic understanding of the essential elements of an efficient contract, clarity of terms, and optimization for the context of the deal in question. If youre already working in the legal profession, youre likely seen enough contracts that you can start to write a pretty effective one yourself. And if you are not, no problem! Keep reading to learn Contract Writing 101 as well as some valuable tips and tricks. When youre drafting a contract, you can get easily overwhelmed by the number of things that you think have to be contained within it. Every contract will be different (so you should consider the specific details of your agreement), but heres a checklist of some of the non-negotiable elements of a contract. We do not write contracts for the sake of it they all mean something. Thats why the most important part of any legal contract is the agreement. The subject matter of a contract between a landlord and a tenant, for instance, would be an agreement that states that the tenant has agreed to rent the property for a certain fee, and the landlord will provide said property to the tenant under the agreed-upon conditions. It doesnt really matter where you put this information, but you must include it. Contracts without an object are not considered legally binding agreements in courts and present no value. Try to write the agreement as clearly as possible so that no ambiguity can be confused in the future. Who said that lawyers werent fun? Were already starting to talk about parties! Jokes aside, theres not much dancing when it comes to writing a contract. The term party refers to someone involved in the agreement. In the example of a rental agreement, the two contracting parties would be the landlord and the tenant. When youre drafting a contract, make sure to verify and include the full legal names and addresses of every contract. This will ensure that theres no uncertainty about whos involved in the contract, while it should also help one party to contact the other if there are any issues further down the line. Lets be honest the consideration is just a fancy legal term. In most cases, we could just refer to money. In the case of the rental agreement, the consideration would be the monthly rent paid by the tenant. Other forms of value are also covered by this term, including non-monetary ones. However, you will almost certainly be writing a contract for an agreement that implies money getting exchanged for goods or services. Inserting the consideration into the contract is vital if you want to be sure that the paying party will be legally bound to make those payments. The terms and conditions are what give legal contracts a bad name. How many times have you had to sign a contract that includes dozens of pages of conditions? Nonetheless, you should always include a section for terms and conditions when you draft an agreement. These will outline each partys obligations and rights. This is essentially a section that makes it as clear as possible just what each party is agreeing to. Contract effective date vs. execution date: Understanding the difference There are protections in place to stop those who wouldnt be considered legally competent in a court of law, such as children, from signing agreements that could take advantage of them. For your contract to be legally valid, you should include a statement that recognizes that each party has the mental and legal capacity to sign the contract. A contract without a signature isnt worth the paper its printed on. After all, its only with the signature of each party that an agreement becomes legally enforceable. This means that you shouldnt forget to include a section for every party to sign the contract. In addition to that, most contracts will have to be dated. This is needed for any issues in the future, while it can also have other effects: sometimes, an agreement is in place from the moment of signing, while other contracts will have a specific contract effective date. When it comes to signing contracts, most of them are signed electronically these days to reduce delays and paper consumption, allowing them to be digitally archived locally or stored securely in the cloud. The majority of PandaDoc clients have long switched to electronic signatures to go paperless, minimize process delays, and replace file cabinets with modern, secure cloud storage. This conveniently integrates with our document authoring, management, automation, and collaboration tools, showcasing some of our most popular features. And thats not just words the number of active eSign users in January 2024 exceeded 37,000, while almost 100,000 accounts have signed their documents electronically at least once using the platform. Create, collaborate, manage and e-Sign contracts all with one tool. Try PandaDoc Now that you know what you need to include in your contract, its time for you to start drafting. Following this step-by-step checklist will mean that you can write your contract with confidence: It doesnt get any easier than that the parties are included in the opening paragraph of every contract you can think of. Make sure to request this information from the other party prior to starting to work on the contract. Contract effective date vs. execution date: Understanding the difference You must be as straightforward as possible from the moment you start writing your contract. Not only will this make contract management easier in the future, it will mean that the contract is simpler to draft and understand. This is why you should make sure that all parties agree on the terms of the contract before you start to draft. If you have to physically get the parties around a table to spell out an agreement, then do so. However, for simple contracts, just receiving written intentions from each party should suffice. Lets say that someone has agreed to wash your car. This have just spent all day making it spotless, so does it mean that theyve fulfilled their obligations? Well, if the contract does not explicitly specify when the service starts and when it ends, they could argue that they never agreed on when they would stop washing your car and potentially refuse to leave your driveway. Of course, this sort of exaggerated dispute is unlikely to occur in real life, but its very indicative of why its so important to specify an endpoint in the contract once youve outlined the principal agreement. A lot of contracts are for ongoing work, but even those should include a termination clause these clauses can also be used for parties to end a contract prematurely. Finally, dont forget to include a force majeure clause for situations that may get affected by circumstances beyond human control and contract fulfillment becomes impossible. Contract tracking: An efficient method of monitoring a contract Contracts are an expression of good faith. However, not everything always goes exactly to plan, so you need to manage contract risks right from the get-go. Once youve drafted the agreement and specified the duration of the contract, you should outline the consequences for each party should they break the agreement. These will depend on the type of contract that youre producing. In a rental agreement, for instance, youll need to include the consequences of a tenant failing to pay rent on time or damaging parts of the property. Without these sorts of protections, the value of a contract becomes essentially worthless. Of course, simply including penalty clauses is not necessarily enough to manage these issues, as its always possible that the parties will disagree over failures to enact the agreement. You should ask the different parties to agree to a method of dispute resolution, such as mediation, arbitration, or civil litigation. Putting this into the contract will mean that any disputes will be fairly straightforward to resolve. Sometimes, the contents of a contract must be kept under wraps for example, sections may include confidential information or trade secrets. If this is your case, you must insert a confidentiality clause into the agreement. Breaching this confidentiality would then itself be a breach of contract. When youre thinking about how to draw up a legally binding contract, youre probably most concerned about producing a document that is legally enforceable and, whenever applicable, fully compliant. To be certain that your contract is actually workable, you must make sure that nothing in it violates any applicable laws or local regulations. (If you have any doubt, consider it a sign that its time to seek qualified legal advice.) All of the above may seem like a lot of work. Unfortunately, you might have to do it more than once! Before a contract is signed, you should open it up to negotiation between the parties it may take a while and with lots of back-and-forth, but is likely worth the effort. Use available tips and recommendations on contract negotiation to wrap it up faster and more efficiently. However, if youve done a good job preparing the contract and researching its context, all the parties will likely be satisfied with your final agreement. Expedite the contract negotiation process with a single platform to create, negotiate, eSign, and store contracts. Try PandaDoc Now you know the step-by-step process of how to create a contract agreement. But what about the actual writing that goes into a contract? Follow these tips to make sure that your agreement makes sense: A legal agreement is not a space for boundless creativity and eloquence. Overloading an agreement with wordy phrases and complex syntax will only make things more difficult, and you should also try to avoid jargon and legalese where possible. Instead, use plain English throughout and remember who youre writing for not just the parties involved but also a potential litigator in the future. In other words, dont forget to keep every contract clause concise and to the point. Verbs like may, shall, and will need to be handled carefully when youre drafting a contract. Shall describes a compulsory action by a party for instance, the tenant shall pay rent each month while will is used for events that dont require an obligation by a party. Similarly, may is typically used as a way of saying reserves the right. Usually, we try to mix up our vocabulary when writing; however, its better to stick to the same words and phrases throughout a contract and avoid synonyms. This will probably make you feel like your contract is repetitive for example, you may get sick of using a word like services but it will prevent confusion and ambiguity going forward. You need to aim for ease and clarity when writing a contract. Dividing the contract into multiple sections and subsections will help you simplify the agreement and improve its readability. Try to avoid large blocks of text and use bullet points when possible. You should now be more confident about drafting, managing, and signing contracts. However, theres no getting around the fact that this involves a lot of work. This is why PandaDoc contract templates can be so valuable. Rather than having to start from scratch or even hire a law firm to do the work for you at exorbitant rates, you can simply choose from a range of templates and adapt them to your needs. Similarly, contract management software will automate the process of looking after a contract once youve drafted it. 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