



Contract for Entrepreneurs

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Types of Entrepreneurial Businesses

- **Manufacturing Businesses**
 - Produce the products they sell
 - ❖ Apparel and other textile products
 - ❖ Chemicals and related products
 - ❖ Food Products
- **Wholesaling Businesses**
 - Sell products to people other than the final customers
 - ❖ Example: --A wholesaler supplies your local greeting card store with items such as cards and wrapping paper.
- **Retailing Businesses**
 - Sell products directly to the people who consume them
- **Service Businesses**
 - Sells services rather than products
- **Agricultural Business**
 - Generate fresh produce and other farm products
- **Mining and Extracting Business**
 - Take resources like iron and gold out of the ground.

Business Contracts – Their Significance

- Being a business owner means that you will have to sign many commercial contracts, with vendors, customers, employees and others.

Business Contracts – Their Objective

- Objectives of contract structuring
 - Clarity of Scope
 - Legally Binding
 - Privity of Contract
 - Ease of Implementation
 - Certainty of Rights and Obligations

Essential elements of a Business Contract

- A legally enforceable contract fulfills requirements in five areas:
 - Agreement (offer and acceptance)
 - Legality
 - Consideration
 - Contractual capacity
 - Contractual form

Case Study #1 –Real Estate Transaction

- A house owner in Phnom Penh makes an offer to sale his house to a buyer for USD 1 million. The buyer is given a tour of the house and at the end of the tour, the buyer agrees to buy the house and makes a deposit to the owner. The house owner and buyer or both over 18 years old.
- The deposit is recorded on a piece of paper which outlines the price of the house, the deposit, when payment is to be made and the penalty if the owner cancels the contract. Both parties sign the contract.
- Is this a valid contract?

Case Study #1 –Real Estate Transaction

- **Offer:**
 - Sale of House in Phnom Penh for USD 1 million
- **Acceptance:**
 - Accept offer to buy and provide deposit
- **Consideration:**
 - Current and future value: The owner receives the deposit with the buyer promise to pay the full amount.
 - Future Value: The Buyer receives the promise by the owner to transfer ownership.
- **Legality:**
 - Yes, no restriction to Cambodian National or Cambodian entities.
- **Contractual Capacity:**
 - Yes, both parties are over the age of 18.
- **Contractual Form:**
 - Yes, there was a written agreement.
- **Conclusion:**
 - Yes the contract is valid.

Case Study #2 – Contract Farming

- A Company who sales fertilizer offers to sale the fertilizer to a group of farmers, provide training and agrees to purchase the crops when they are produced. The farmers create an association and elect a representative to enter into a contract with the Company.
- The Company prepares a contract in writing and sends its representative to sign the agreement with the Farmers Association. The representative of the farmers was on travel so another farmer in the association met with the Company and signed the agreement on behalf of the association without informing the association.
- Is this a valid contract?

Case Study #2 – Contract Farming

- **Offer:**
 - Sale of Fertilizer, provide training and purchase the produce.
- **Acceptance:**
 - Accept by signing agreement.
- **Consideration:**
 - Future value: Company will provide fertilizer, training and agree to purchase produce.
 - Future value: Farmer agree to make payment for fertilizer and sale produce to Company.
- **Legality:**
 - Yes, Cambodia law does not forbid this.
- **Contractual Capacity:**
 - No, the association member signing was not authorized to do so.
- **Contractual Form:**
 - Yes, there was a written agreement.
- **Conclusion:**
 - The contract is invalid.

Thank You!



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