



*Practical Learning Series*

# **Business Laws**

**For CA Foundation New Syllabus 2023**

Applicable for May 2024 Examination and onwards

with Important Revision Questions

**Complete Coverage of  
CA Foundation Syllabus**

Students' most preferred Books for Self Study of CA Course

**1st  
EDITION  
August  
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**CA G. Sekar**

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WITH THE BLESSING OF MATA VAISHNO DEVI

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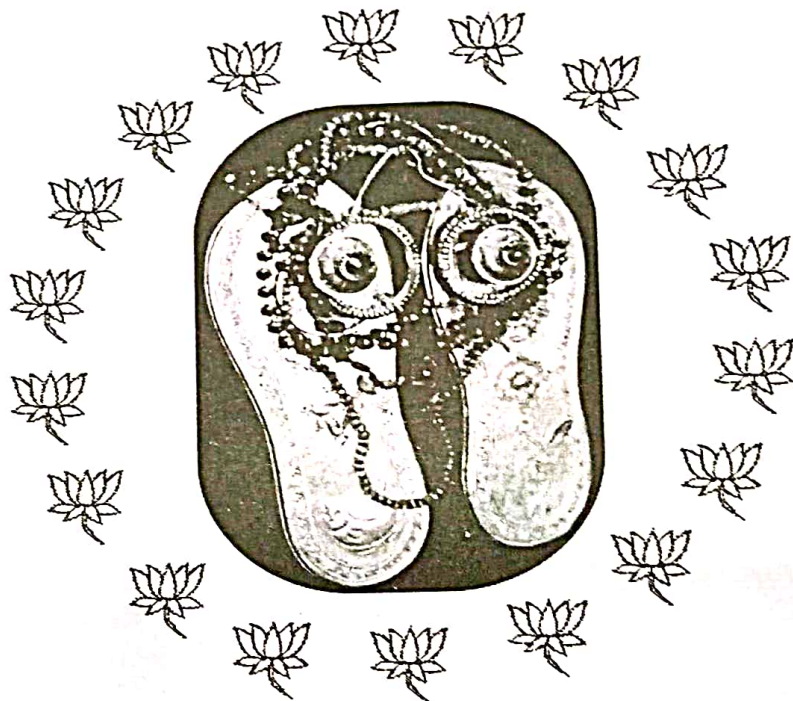
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*PRANAMS*  
*TO*  
*THE ACHARYAS OF KANCHI*



## Preface

This First Edition of "Practical Learning Series - Business Law" for CA Foundation level New Syllabus applicable from MAY 2024 exam onwards

This Paper of the CA Foundation Course requires the Student to be well versed in the basics of certain Statutes, viz. (a) The Indian Contract Act, (b) The Sale of Goods Act, (c) The Partnership Act, (d) The Limited Liability Partnership Act, and (e) The Companies Act

The knowledge acquired at the CA Foundation Course Level in respect of the above Statutes will support the Students to a great extent in their Inter and Final Level. This Book is aptly compiled for the Beginners covering every topic in depth, yet making the learning easy.

The following are the special features of this book -

- ◆ **Comprehensive Coverage:** Statutes are covered in detail with adequate illustrations. Full Syllabus as prescribed by the ICAI is covered in organized Topics.
- ◆ **Diagrams and Charts:** Diagrams and Charts have been incorporated for better understanding of principles and concepts.
- ◆ **Practical Questions:** Practical Questions have been introduced for the Students to test their knowledge on the various principles of Law and Business Correspondence and Reporting.
- ◆ **About MCQs:** MCQs for Practice are given at the end of each topic.
- ◆ **Chapter Overview:** Chapter Overview is presented at the beginning of each Chapter for easy navigation of topics.

Many thanks to the Users of the Padhuka's Publications, for their positive Response, which reflects the benefits they have obtained from us, and also their keen interest to reciprocate with constructive suggestions.

I also thank the efforts and co-operation of the various Service Providers in bringing out this First Edition including the support of the Publishers, in quickly getting this Book in the current form.

Valuable Suggestions and Constructive Feedback from Users would be highly appreciated, gratefully acknowledged and suitably incorporated.

With Best Wishes

G Sekar

Chennai

July 2023

## ICAI Syllabus and 100% Coverage in Padhuka's Book

Topic	ICAI Syllabus	Topic	Padhuka's Book
1	Indian Regulatory Framework		Preamble To Law and Indian Regulatory Framework
2	The Indian Contract Act, 1872	1	Part I - Essential of Contracts
		2	Part II - Void Agreements, Performance And Discharge
			Part III - Special Contracts
3	The Sale of Goods Act, 1930	3	The Sale of Goods Act, 1930
4	The Indian Partnership Act, 1932	4	The Indian Partnership Act, 1932
5	Limited Liability Partnership Act, 2008	5	Limited Liability Partnership Act, 2008
6	The Companies Act, 2013	6	Companies Act, 2013 - Basics & Incorporation
		7	Companies Act, 2013 - MOA, AOA and Share Capital
7	The Negotiable Instruments Act, 1881	8	The Negotiable Instruments Act, 1881

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3	THE SALE OF GOODS ACT, 1930	3.1 – 3.42
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5	LIMITED LIABILITY PARTNERSHIP ACT, 2008	5.1 – 5.14
6	COMPANIES ACT, 2013 – BASICS & INCORPORATION	6.1 – 6.28
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# PREAMBLE TO LAW AND A STUDY ABOUT INDIAN REGULATORY FRAMEWORK

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## A. PRELIMINARIES

### 1. Meaning of Law

- (i) Law is a **set of obligations and duties** imposed by the government for securing welfare and providing justice to society.
- (ii) India's legal framework reflects the **social, political, economic, and cultural** aspects of our vast and diversified country.

2. **Definition of Law:** Law may be defined as 'a body of rules developed and enforced by the state in the administration of Justice'

### 3. Importance of Law

- (i) The laws and regulations are mandatorily required to guide us on the right course of conduct as well as to identify violations and punish them.
- (ii) The purpose of a regulatory framework is to provide a set of uniform rules and regulations that will govern the conduct of people interacting with each other in personal as well as business relationships.

**Facts:** The Oldest Law by name "Code of Hammurabi" which is in written form. King Hammurabi ruled Babylon for the period from 1792 BC to 1758 BC. He carved the code on bulky stone slabs and ordered to place those stones on different places all over the city so that the public may have the knowledge of codes.

**Purpose:** Here the intension of the king is to check whether public is following the laws or not.

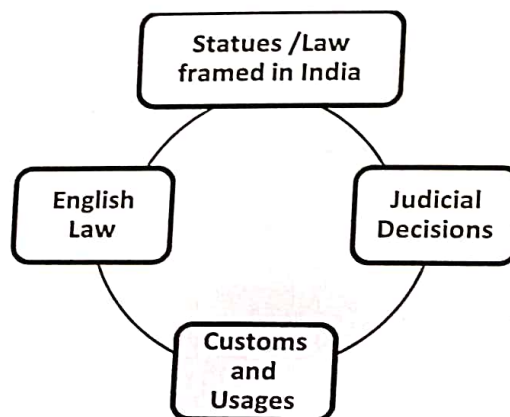
**Facts:** In 450 BC, a set of laws was engraved on 12 bronze tablets in Rome which is considered as first most detailed code of any of the civilisations and called Twelve Tables.

**Purpose:** To protect the rights of public and to provide remedy for wrongs. All the citizens of Rome were supposed to have the knowledge of these tables.

### 4. Objectives of Law:

- (i) To assure the certain basic rights to the citizens.
- (ii) To regulate business, trade and employment
- (iii) To ensure peace and internal security
- (iv) To regulate social customs and practices
- (v) To regulate international relations
- (vi) To prevent crime and to punish offenders
- (vii) To establish socio-economic justice

5. **Sources of Law :** The main sources of law in India are the Constitution, the statutes or laws made by Parliament and State Assemblies, Precedents or the Judicial Decisions of various Courts and in some cases, established Customs and Usages.



## B. CONSTITUTION OF INDIA

1. India is a **Parliamentary Democracy Country**. Indian constitution is the basis and source for all laws.
2. The representatives to the parliament as well as to the legislative assemblies of various States are elected by us. These representatives of the people make laws in parliament or in their state assemblies as the case may be. So, Parliament is the ultimate law-making body.

**3. Applicability :**

- (i) The laws passed by Parliament may apply throughout **all or a portion of India**,
- (ii) The laws passed by State Legislatures apply only **within the borders of the states concerned**.

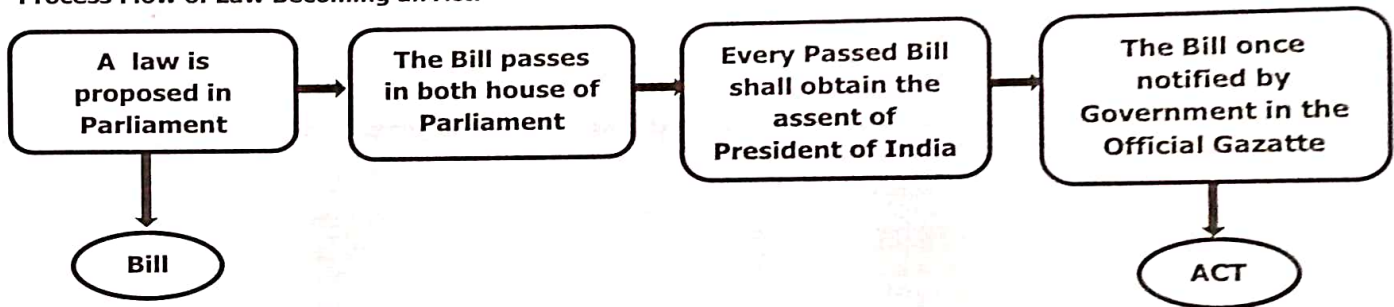
**4. Milestones of Indian Constitution:**

Year	Description
1935	The Government of India Act, 1935, passed by the Parliament of the United Kingdom is the precursor for the Constitution of India. It defined the characteristics of the Government from "unitary" to "federal". Powers were distributed between Centre and State to avoid any disputes.
1937	a) Federal Court was established and had the jurisdiction of appellate, original and advisory. b) The powers of Appellate Jurisdiction extended to civil and criminal cases whereas the Advisory Jurisdiction was extended with the powers to Federal Court to advise Governor-General in matters of public opinion. The Federal Court operated for 12 years and heard roughly 151 cases. c) The Federal Court was supplanted by India's current Apex Court, the Supreme Court of India.
1950	The Constitution of India, 1950 is the foremost law that deals with the framework within which our democratic system works, and our laws are made for the people, by the people.

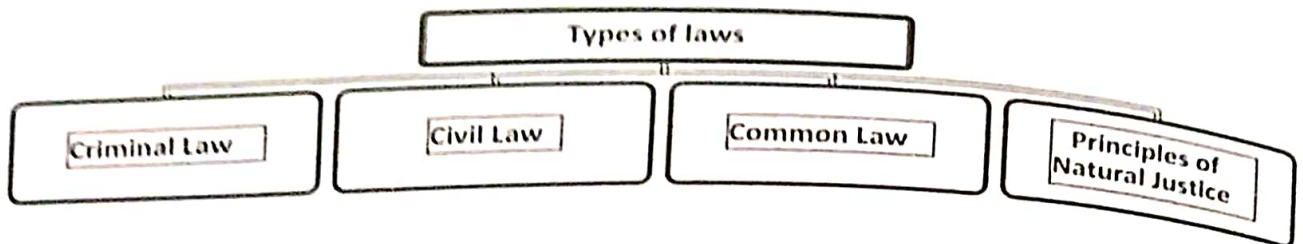
- 5. The Constitution also provides for and protects certain Fundamental rights of citizens. It also lays down Fundamental duties as well as the powers and duties of Governments, both Central and State. The laws in India are interconnected with each other forming a **Hybrid Legal System**.
- 6. The people who wrote the Constitution decided to divide the law-making power between the Central Government and the various State Governments. So, the Indian Constitution has three lists viz., Central List, State List and Joint List.
- 7. Depending on the list in which it figures a matter would become the subject for Central law or a State law.  
**For example:**
  - a) Income Tax is a Central subject. Thus it is applicable throughout India we have only one law for Income Tax which is implemented by the Central Government through the Ministry of Finance.
  - b) Levy of stamp duty is such an example. Both Central Government and State Government have laws governing Levy of stamp duty.
- 8. **Basic Fundamental Rights of Indian Constitution:** The Constitution offers all citizens, individually and collectively, some basic freedoms. These are guaranteed in the Constitution in the form of six broad categories of Fundamental Rights, which are justifiable. Article 12 to 35 contained in Part III of the Constitution deal with Fundamental Rights as --
  - a) **Right to equality**, including equality before law, prohibition of discrimination on grounds of religion, race, caste, sex or place of birth, and equality of opportunity in matters of employment.
  - b) **Right to freedom of speech** and expression, assembly, association or union, movement, residence, and right to practice any profession or occupation (some of these rights are subject to security of the State, friendly relations with foreign countries, public order, decency or morality).
  - c) **Right against exploitation**, prohibiting all forms of forced labour, child labour and traffic in human beings.
  - d) **Right to freedom of conscience** and free profession, practice, and propagation of religion.
  - e) **Right of any section of citizens to conserve their culture**, language or script, and right of minorities to establish and administer educational institutions of their choice; and
  - f) **Right to constitutional remedies** for enforcement of Fundamental Rights.

**C. FORMATION OF LAW & ITS CLASSIFICATION**

**Process Flow of Law Becoming an Act:**



**Broad Classification of Laws:**



**A. Criminal Law**

Criminal law is concerned with laws pertaining to **violations** of the rule of law or public wrongs and punishment of the same.

Criminal Law is governed under the <b>Indian Penal Code, 1860</b> IPC defines the <b>crime, its nature, and punishments</b>	Criminal Law is governed under the <b>Code of Criminal Procedure, 1973 (Crpc)</b> Crpc defines <b>exhaustive procedure for executing the punishments</b> of the crime
--	--

**Example:** Murder, rape, theft, fraud, cheating and assault are some examples of criminal offences under the law.

**B. Civil Law**

- a) Civil Law deals with Matters of disputes between Individuals or Organisations. It focuses on **Dispute resolution rather than Punishment.**
- b) Civil Suits can be instituted in Civil courts to enforce the violation of certain rights and obligations.
- c) The **Code of Civil Procedure, 1908 (CPC)** is the governing Law for the act of process and the administration of civil law
- d) Law of Contract, Family Law, Property Law, and Law of Tort falls under the category of Civil Law.

**Example:** Breach of contract, non-delivery of goods, non-payment of dues to lender or seller defamation, breach of contract, and disputes between land lord and tenant are some examples of civil offences.

**C. Common Law**

A Common Law in simple terms be "A Judicial precedent or a CaseLaw".

A Judgment delivered by the Supreme Court will be **binding upon the courts within the territory of India** under **Article 141** of the Indian Constitution.

A Latin Phrase "The doctrine of Stare Decisis" meaning "to stand by that which is decided."

**Obligation of Courts:** This Doctrine reinforces obligations of courts to follow the same principle or Judgment established by previous decisions while ruling a case having similar facts.

**D. Principles of Natural Justice:**

- a) **Meaning:** The principles of natural justice are those rules which have been laid down by the courts as being **minimum protection of the rights of the individual** against the arbitrary procedure that may be adopted by a judicial, Quasi-judicial and administrative authority while making an order affecting those rights.
- b) **Objective:**

<b>Jus Natural (Natural Justice)</b> deals with certain fundamental principles of justice going <b>beyond written law.</b>	
<b>Nemo Judex in Causa Sua</b> meaning "No one should be made a judge in his own cause"	<b>Audi Alteram Partem</b> meaning "hear the other party or give the other party a fair hearing"
<b>Objective :</b> it's a Rule against Prejudice	<b>Objective:</b> Reasoned decision are the rules of Natural Justice.

- c) A Judgement can over ride or alter a common law, but it cannot over ride or change the statute.

## D. ENFORCEMENT OF LAW AND REGULATORY AUTHORITIES

### Enforcement of Law:

- a) A Notified law becomes an Act, irrespective of being Central law or a State law, the law shall be executed by Enforcing Authorities. Thus the **Central or State Government** will be the **enforcing authority**.
- b) The Government functions are distributed to various Ministries. There are Currently 58 Union ministries and 93 departments in India. Some of the popular Ministries are the Ministry of Finance, the Ministry of Corporate Affairs, the Ministry of Home Affairs, the Ministry of Law and Justice and so on. These Ministries are headed by a minister and run by officers of the Indian administrative and other services.

### About the Ministry:

- a) The Government of India exercises its Executive Authority through a number of Government Ministries or Departments of State.
- b) A Ministry is composed of **employed officials, known as civil servants**, and is politically accountable through a minister.
- c) Most major Ministries are headed by a **Cabinet Minister**, who sits in the Union Council of Ministers, and is typically supported by a team of junior ministers called the **Ministers of State**.
- d) **Example:** the Income Tax Act is implemented and enforced by the Ministry of Finance through the Central Board for Direct Taxes coming under the Department of Revenue and is administered by the officers of the Indian Revenue Service.

### Major Regulatory Bodies



### A. The Ministry of Finance:

- (i) The Ministry of Finance (**Vitta Mantralaya**) is a Ministry within the Government of India concerned with the economy of India, serving as the **Treasury of India**.
- (ii) MOF Focuses with Taxation, Financial Legislation, Financial Institutions, Capital Markets, Centre and State finances, and the Union Budget.
- (iii) The Ministry of Finance is the **Main Regulatory Authority** for the four public services, namely
  - Indian Revenue Service,
  - Indian Audit and Accounts Service,
  - Indian Economic Service and
  - Indian Civil Accounts Service.
- (iv) Also the **apex controlling authority** of one of the central commerce services namely **Indian Cost and Management Accounts Service**.
- (v) One of the important functions of the Finance Ministry is the **presentation of the Union Budget**. The Maximum Number of Union budgets were presented by finance ministers as follows-

1. **Shri. Morarji Desai** during his stint as Finance Minister between 1962 and 1969 has presented **10** Union Budgets making it the highest.
2. Shri. P Chidambaram at 9 Union Budgets,
3. Shri. Pranab Mukherjee at 8 Union Budgets.
4. Shri. Yashwant Sinha at 8 Union Budgets
5. Dr. Manmohan Singh at 6 Union Budgets.

(vi) The Various Departments that comes under Ministry of Finance as

Departments	Main Functions
➤ <b>Department of Expenditure</b>	a) The Treasury Department is the main department responsible for overseeing the Public Finance Management System (PFMS) in Central Government and state financial matters.

	b) They perform Pre-evaluation of the approval of major programs/projects (both Program and non-Programme costs), managing a large portion of Central Referral budget sources, and the implementation of the recommendations of the Finance Commission and Medium Revenue, which oversees expenditure management in Central Organizations.
➤ Department of Economic Affairs	a) The Primary agency of the Union Government to formulate and monitor national economic policies and programs that affect the domestic and international aspects of economic governance. b) The main function is to prepare and present the Union Budget in Parliament and the Provincial Government Budget under the Presidential Act and the administration of the union premises.
➤ Department of Revenue	It is operating under the direction and control of the Secretary (Revenue). Exercises control over matters relating to all direct and indirect union taxes through two statutory Boards, namely, the Central Direct Tax Board (CBDT) and the Central Tax and Customs Board (CBIC).
➤ Department of Financial Services	a) It oversees Banks, Insurance, and Financial Services provided by various government agencies and private companies. b) It also oversees pension reform and Industrial Finance and Small, Medium and Medium Enterprises.
➤ Department of Investment and Public Asset Management	The Investment Department has been renamed the Department of Investment and Public Asset Management ('DIPAM'), which is a decision aimed at managing the Institute's investment equity equally, including its non-investment in state-owned enterprises.
➤ Department of Public Enterprises	The Department of Public Enterprises, which was previously part of the Department of Industry and Public Enterprises, will now be under the Department of Finance. The Department of Finance will now have six departments, and the parent division of DPE, the Department of Hard Industry and Public Enterprises, will now be called the Department of Hard Industry

#### B. Ministry of Corporate Affairs(MCA)

- (i) MCA is an Indian Government Ministry.
- (ii) It is primarily concerned with administration of the Companies Act 2013, the Companies Act 1956, the Limited Liability Partnership Act, 2008, and the Insolvency and Bankruptcy Code, 2016.
- (iii) The Ministry performs two categories of functions: (i) policy functions involving **formulation of legislation** and subordinate legislation, and (ii) **regulatory functions** involving administration of Acts & Rules made there under
- (iv) The Ministry is mostly run by civil servants of the ICLS cadre.
- (v) These officers are elected through the Civil Services Examination conducted by Union Public Service Commission.
- (vi) The highest post, Director General of Corporate Affairs (DGCoA), is fixed at Apex Scale for the ICLS.
- (vii) Various MCA Services for smooth functioning of Corporate activities are listed below-

Services	Description				
<b>DSC Services</b>	Digital Signatures on the documents submitted in electronic form. It is Mandatory. Includes Acquire ,Associate, and Update DSC				
<b>DIN Services</b>	all the existing and intending Directors have to obtain Director Identification Number. Apply for DIN, Enquire Status, Verify DIN, PAN Details of Director				
<b>Master Data</b>	A facility has been made available to the general public to view master details of any company/LLP registered with Registrar of Companies. <ul style="list-style-type: none"> <li>➤ About Master Data</li> <li>➤ View Company or LLP Master Data, Index of Charges, Signatory Details,</li> <li>➤ View Companies/Directors under Prosecution, Director Master Data, New Designated Partner's Details</li> </ul> LLP Services such as – <ul style="list-style-type: none"> <li>• About e-Filing for LLP ,Check LLP Name, Find LLPIN</li> <li>• Incorporation, Annual e-Filing for LLP, Change LLP Information, Close LLP</li> </ul>				
<b>Company Services</b>	<table border="1" style="width: 100%;"> <tr> <td>Check Company Name</td> <td>Change Company Information</td> </tr> <tr> <td>Find CIN</td> <td>Web Information Manager</td> </tr> </table>	Check Company Name	Change Company Information	Find CIN	Web Information Manager
Check Company Name	Change Company Information				
Find CIN	Web Information Manager				

Preamble to Law and a Study about Indian Regulatory Framework

	Incorporation Compliance Filing Approval Services	Informational Services Close Company
<b>e-Filing</b>	Forms & Downloads LLP Forms Download Company Forms Download Upload e-Forms	Download Submitted Form For resubmission Check Annual Filing Status Upload Details of Security Holders/Debenture Holders/Depositors Prerequisite for Virtual e-Filing
<b>Complaints</b>	Create and Track Service Related Complaint Create and Track Investor/Serious Complaint Feedback / Suggestions Employee Grievances	
<b>Document Related services</b>	Get Certified Copies View Public Document Request for Scanned Documents Fee and Payment Services Enquire Fees	Pay Later Link NEFT Payment Pay Miscellaneous Fee Pay Stamp Duty Track Payment Status
<b>Investor Services</b>	Investor Education and Protection Fund (IEPF) is for promotion of investors' awareness and protection of the interests of investors. This website is an information providing platform to promote awareness, and it does not offer any investment advice or evaluation.	

**C. Ministry of Home Affairs**

- (i) MHA is **Gṛha Mantralaya**. The Home Ministry is headed by Union Minister of Home Affairs.
- (ii) The Ministry of Home Affairs (MHA) discharges **multifarious responsibilities**, the important among them being - internal security, border management, Centre-State relations, administration of Union Territories, management of Central Armed Police Forces, disaster management, etc.
- (iii) It continuously monitors the internal security situation, issues appropriate advisories, shares intelligence inputs, extends manpower and financial support, guidance and expertise to the State Governments for maintenance of security, peace and harmony without encroaching upon the constitutional rights of the States.
- (iv) The Various Departments that comes under Ministry of Finance as

Departments	Main Functions
<b>Department of Border Management</b>	dealing with the management of borders, including coastal borders, strengthening of border guarding and creation of related infrastructure, border areas development, etc
<b>Department of Internal Security</b>	dealing with the Indian Police Service, Central Police Forces, internal security and law & order, insurgency, terrorism, Naxalism, activities of inimical foreign agencies, terrorist financing, rehabilitation, grant of visa and other immigration matters, security clearances, "Protection of Human Rights Act and also matters relating to National integration and Communal Harmony and Ayodhya", etc
<b>Department of Jammu, Kashmir and Ladakh Affairs</b>	a) deals with the UTs of Jammu, Kashmir & Ladakh, administration of the Armed Forces (J&K) and all matters relating including Counter-terrorism within Jammu and Kashmir and b) coordination in respect of subjects/matters specifically allotted to any other Ministry/Department like coordination with Ministry of Defence as regards manning and managing the <b>line of control</b> between India and Pakistan, but excluding those with which the Ministry of External Affairs is concerned. c) The Department also coordinates with various Ministries/Departments, primarily concerned with development and welfare activities in Jammu, Kashmir & Ladakh.
<b>Department of State</b>	Dealing with Centre-State relations, Inter-State relations, administration of Union Territories, Freedom Fighters' pension, Human rights, Prison Reforms, Police Reforms, etc.
<b>Department of Language</b>	Dealing with the implementation of the provisions of the Constitution relating to official languages and the provisions of the Official Languages Act, 1963. It includes Central Translation Bureau, Central Hindi Training Institute, And Directorate of Census operations.
<b>Department of Home</b>	Dealing with the notification of assumption of office by the President and Vice-President, notification of appointment/resignation of the Prime Minister, Ministers, Governors, nomination to Rajya Sabha/Lok Sabha, Census of the population, registration of births and deaths, etc

**D. Ministry of Law and Justice**

- (i) Ministry of Law and Justice is the official limb of the Government of India.
- (ii) It comprises of the Legislative Department, the Department of Legal Affairs, and Department of Justice.
  - The Department of Legal Affairs is concerned with advising the various Ministries of the Central Government.
  - The Legislative Department is concerned with drafting of principal legislation for the Central Government.
  - The functions of the Department of Justice include the appointment, resignation and removal of the Chief Justice of India, Judges of the Supreme Court of India, Chief Justices and Judges of the High Courts and their service matters.
- (iii) India Code which consists of laws enacted from the previous century and which are in force in the territory of India are available on the net.
- (iv) **Milestones:**

Year	Description
1833	Dating back to 1833 when the Charter Act 1833 enacted by the British Parliament, the first time legislative power in a single authority was vested with the Governor General in Council.
1858	By virtue of this authority viz 22 of the Indian Councils Act 1858 the Governor General in Council enacted laws for the country from 1833 to 1920.
1919	After the commencement of the Government of India Act 1919 the legislative power was exercised by the Indian Legislature constituted thereunder. It was followed by the Government of India Act 1935.
1947	After Independence, India became a Dominion and the Dominion Legislature made laws from 1947 to 1949 under the provisions of section 100 of the Government of India Act 1935.
1950	Under the Constitution of India which came into force on the 26 <sup>th</sup> January 1950 the legislative power is vested in Parliament.

**E. The Securities and Exchange Board of India (SEBI)**

- (i) SEBI is a Statutory regulatory body. It works under the ownership of Ministry of Finance within the Government of India.
- (ii) It was established on 12 April, 1988 as an executive body and was given statutory powers on 30 January, 1992 through the SEBI Act, 1992.
- (iii) SEBI board comprises nine members. The Board consists of the following members.
  - One Chairman of the board who is appointed by the Central Government of India
  - One Board member who is appointed by the Central Bank, that is, the RBI
  - Two Board members who are hailing from the Union Ministry of Finance
  - Five Board members who are elected by the Central Government of India
- (iv) The Purpose of its establishment is for protecting the interests of investors investing in securities along with regulating the securities market. SEBI also regulates how the stock market and mutual funds function.

**ISSUER**

For issuers, SEBI provides a **marketplace** that can be utilised for raising funds.

**INVESTORS**

It provides **protection and supply of accurate information** that is maintained on a regular basis.

**INTERMEDIARIES**

It provides a **competitive market for the intermediaries** by arranging for proper infrastructure.

**F. Reserve Bank of India (RBI)**

**(i) Establishment:**

- a) The RBI was established on **April 1, 1935** and governing Act is **Reserve Bank of India Act, 1934**.
- b) The Central Office of the Reserve Bank was initially established in **Kolkata** but was permanently moved to **Mumbai in 1937**. The Central Office is where the Governor sits and where policies are formulated.
- c) Though originally privately owned, since Nationalisation in 1949, the Reserve Bank is fully owned by the Government of India.

**(ii) Functions**

Main Functions	Description
Monetary Authority	<ul style="list-style-type: none"> <li>• Formulates, implements and monitors the monetary policy.</li> <li>• Objective: maintaining price stability while keeping in mind the objective of growth.</li> </ul>
Regulator and supervisor of the financial system	<ul style="list-style-type: none"> <li>• Prescribes broad parameters of banking operations within which the country's banking and financial system functions.</li> <li>• Objective: maintain public confidence in the system, protect depositors' interest and provide cost-effective banking services to the public.</li> </ul>

**Preamble to Law and a Study about Indian Regulatory Framework**

Manager of Foreign Exchange	<ul style="list-style-type: none"> <li>Manages the Foreign Exchange Management Act, 1999.</li> <li>Objective: to facilitate external trade and payment and promote orderly development and maintenance of foreign exchange market in India.</li> </ul>
Issuer of currency	<ul style="list-style-type: none"> <li>Issues, exchanges and destroys currency notes as well as puts into circulation coins minted by Government of India.</li> <li>Objective: to give the public adequate quantity of supplies of currency notes and coins and in good quality.</li> </ul>
Developmental role	<ul style="list-style-type: none"> <li>Performs a wide range of promotional functions to support national objectives.</li> </ul>
Regulator and Supervisor of Payment and Settlement Systems	<ul style="list-style-type: none"> <li>Introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large.</li> <li>Objective: maintain public confidence in payment and settlement system.</li> </ul>
Related Functions	<ul style="list-style-type: none"> <li>Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.</li> <li>Banker to banks: maintains banking accounts of all scheduled banks.</li> </ul>

**(iii) Special Divisions established by RBI:**

- National Payments Corporation of India as one of its specialized division to regulate the payment and settlement systems in India.
- Deposit Insurance and Credit Guarantee Corporation for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.
- Bharatiya Reserve Bank Note Mudran (BRBNM) through which it prints and mints Indian currency notes (INR) in two of its currency printing presses located in Nashik (Western India) and Dewas (Central India).

**G. Insolvency and Bankruptcy Board of India (IBBI)-**

- Extent:** IBC extends to the whole of India.
- Commencement:** IBC came into enforcement on 28<sup>th</sup> May 2016. However, the Central Government can appoint different dates for different provisions of IBC. Any reference in any such provision to the commencement of IBC shall be construed as a reference to the commencement of that provision.
- Applicability :** IBC shall apply in relation to Insolvency, Liquidation, Voluntary Liquidation or Bankruptcy of –
  - Any Company incorporated under the Companies Act, 2013 or under any previous Company Law,
  - Any other Company governed by any Special Act for the time being in force, except in so far as the said provision is inconsistent with the provisions of such Special Act,
  - Any Limited Liability Partnership (LLP) under the LLP Act, 2008,
  - Any other Body incorporated under any prevalent law, as notified by Central Government,
  - Personal guarantors to Corporate Debtors
  - Partnership Firms and Proprietorship Firms and
  - Individuals, other than persons referred to in clause (e).
- Concepts of "Insolvency", "Bankruptcy" and "Liquidation"**
  - General:** Generally, when an Individual or Company is not able to pay the Debts in present or near future, and the Value of Assets held by them are less the Liability, it is called **Bankruptcy** (in case of Individuals) and **Insolvency** (in case of Corporates).

b) **Comparison:** Under the Insolvency and Bankruptcy Code, 2016, these terms are understood as under –

Point	Insolvency	Bankruptcy	Liquidation
(a) Meaning	Insolvency is as a "state" or "situation" where Assets are insufficient to meet the Liabilities, i.e. inability to pay off the Debts due to insufficient Assets.	Bankruptcy is a situation where an application is made to an Authority declaring insolvency, and seeking to be declared as Bankrupt, which will continue until discharge.	Liquidation is the winding up of a Corporate Entity. One of the major reasons for liquidation is the inability to pay off Debts, i.e. insolvency.
(b) Concept	If any Person or Entity is unable to pay off the Debts it owes to its Creditors, on time or as and when they became due and payable, then such	Bankruptcy is a legal proceeding involving a Person or Business that is unable to repay outstanding debts, under which – <ul style="list-style-type: none"> <li>Petition is filed by the Debtor,</li> </ul>	Liquidation Proceedings can be initiated by a Corporate Entity's – <ol style="list-style-type: none"> <li>Directors,</li> <li>Shareholders,</li> <li>Unpaid Creditors,</li> <li>Regulatory Bodies</li> </ol>



Point	Insolvency	Bankruptcy	Liquidation
	Person or Entity is regarded as "Insolvent".	<ul style="list-style-type: none"> <li>or by the Creditors.</li> <li>Debtor's Assets are measured and evaluated, and</li> <li>Assets are used to repay a portion of Outstanding Debt.</li> </ul>	
(c) Relevance	Used for both Corporates and Non-Corporates.	Used in the context of Non-Corporates.	Used in the context of Corporates.

c) **Relationship:**

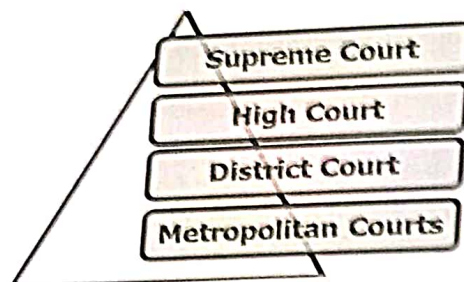
- If untreated, the "state" of Insolvency will lead to Bankruptcy for Non-Corporates and Liquidation of Corporates. So, Insolvency is a state, and Bankruptcy / Liquidation is a conclusion.
- Insolvency can be resolved by **two ways** – (i) Resolution and Recovery, or (ii) Bankruptcy / Liquidation. Thus, a Bankrupt would be a conclusive insolvent, whereas all Insolventcies may **not** lead to Bankruptcies.
- Insolvency is **common** to both Bankruptcy and Liquidation. Not being able to pay Debts as and when they become due and payable (i.e. Insolvency) is the leading cause for Liquidation, and is the only way that can cause a natural person to become a Bankrupt.

### E. STRUCTURE OF THE INDIAN JUDICIAL SYSTEM

1. **Background:**

- The Judiciary is the branch of the Government that **interprets the law, settles disputes and administers justice to all citizens.**
- The Judiciary is considered the **watchdog of democracy**, and also the **guardian of the Constitution.**
- For Effective functioning of Democratic Country it is highly necessary to have an **impartial and independent judiciary.**
- Judiciary functions are **not only arbitrarily and also accountable** to the Constitution of the country.

2. **Hierarchy of Courts:**



**A. Supreme Court**

- The Supreme Court is the **apex body of the Judiciary.** It was established on 26<sup>th</sup> January, 1950.
- The Chief Justice of India is the highest authority appointed under Article 126.
- The principal bench of the Supreme Court consists of **7 members** including the Chief Justice of India.
- Presently, the number has increased to **34** including the Chief Justice of India due to the rise in the number of cases and workload.
- An individual can seek relief in the Supreme Court by filing a **writ petition** under Article 32.
- Decisions of the Supreme Court are **binding on all High Courts** under Article 141 of the Indian Constitution.
- In fact, a Supreme Court decision is the final word for any matter.

**B. High Court**

- The Highest Court of Appeal in each state and union territory is the High Court.
- Article 214 of the Indian Constitution states that there must be a High Court in each state.
- The High Court has appellate, original jurisdiction, and Supervisory jurisdiction. However, Article 227 of the Indian Constitution limits a High Court's supervisory power.
- In India, there are **25 High Courts**, one for each state and union territory, Six states share a single High Court.
- An individual can seek remedies against violation of fundamental rights in High Court by filing a **writ** under Article 226.
- Decisions of a High Court are binding in the respective state but are only persuasive in other states.

The oldest high court in the country is the Calcutta High Court, established on 2nd July, 1862

**C. District Court**

- (i) The Courts of District Judge deal with Civil law matters i.e. contractual disputes and claims for damages etc.,
- (ii) The Courts of Sessions deals with Criminal matters.
- (iii) Under pecuniary jurisdiction, a civil judge can try suits valuing not more than ₹2 crore.
- (iv) Jurisdiction means the power to control. Courts get territorial Jurisdiction based on the areas covered by them. Cases are decided based on the local limits within which the parties reside or the property under dispute is situated.

**D. Metropolitan courts**

- (i) Metropolitan courts are established in metropolitan cities in consultation with the High Court where the population is **10 lakh or more**.
- (ii) **Chief Metro politan Magistrate** has powers as Chief Judicial Magistrate and Metropolitan Magistrate has powers as the Court of a Magistrate of the first class.

## MULTIPLE CHOICE QUESTIONS

1. Which is the correct definition of Law?
    - a) a body of regulations developed and enforced by the state in the administration of 'security'
    - b) a set of rules developed and enforced by the individual state in the administration of 'Justice'
    - c) a body of principles developed and enforced by the nation in the administration of 'peace'
    - d) a body of rules developed and enforced by the state in the administration of 'Justice'
  2. Which is not the objective of law?
    - a) To assure the certain basic rights to the citizens.
    - b) To concentrate on Import and Export of Services
    - c) To regulate social customs and practices
    - d) To establish socio-economic justice
  3. A Chartered Accountant should be aware of law because
    - a) He has to be an expert in law
    - b) He has to argue in High court and Supreme court
    - c) He has to advice management and clients on legal matters at a basic or threshold level.
    - d) None of the above.
  4. Which of the following is not a MAIN source of law in India?
    - a) Legal textbooks
    - b) The Parliament
    - c) State Assemblies
    - d) The Constitution
  5. In India we follow the federal system of Government. This means that
    - a) All the power is with the President of India
    - b) Powers are distributed between Centre and States
    - c) All the power is with the Centre
    - d) There are no restrictions on the power of States.
  6. The Constitution of India was adopted in
    - a) 1947
    - b) 1949
    - c) 1950
    - d) 1951
  7. Income Tax Act, 1961 is a part of the
    - a) Central list
    - b) State list
    - c) Joint list
    - d) None of the above
  8. The law concerned with violation of the rule of law and punishment of the same is called-
    - a) Family law
    - b) Criminal law
    - c) Civil law
    - d) Property law
  9. Which of the following is NOT an example of Civil law?
    - a) Breach of contract
    - b) Non-delivery of goods
    - c) Traffic offenses
    - d) Non-payment of dues
  10. When a law is proposed in Parliament it is called
    - a) Act
    - b) Statute
    - c) Bill
    - d) Notification
  11. Which of the following is NOT a department of the Ministry of Finance?
    - a) Department of Economic Affairs
    - b) Department of Expenditure
    - c) Department of States
    - d) Department of Revenue
  12. Courts get territorial limits based on
    - a) The local limits within which the party resides
    - b) The local limits within which the property under dispute is located
    - c) either a or b
    - d) None of the above
- State True or False**
13. The laws passed by Parliament may apply only for a portion of India,
    - a) True
    - b) False
  14. The laws passed by State Legislatures apply only within the borders of the states concerned.
    - a) True
    - b) False
  15. The Constitution lays down Fundamental duties as well as the powers and duties of Governments, both Central and State. Thus laws in India are interconnected with each other forming a Hybrid Legal System.

- a) True  
b) False
16. The Law once proposed in parliament called as Bill, and passed in both the houses of parliament, then Bill becomes ACT.  
a) True  
b) False
17. Judiciary functions are only arbitrarily and not accountable to the Constitution of the country.  
a) True  
b) False
18. The Ministry of Home Affairs (MHA) discharges multifarious responsibilities, the important among them being - internal security, border management, Centre-State relations, administration of Union Territories, management of Central Armed Police Forces, disaster management except areas of Public Enterprises.  
a) True  
b) False
19. The law making power of our Indian Constitution consist of ----- lists.  
a) Only Central List  
b) Central and State list  
c) Joint list  
d) Both b and c
20. Criminal Law is governed under the **Indian Penal Code, 1860**, where IPC defines----- . Which is the correct statement?  
a) defines exhaustive procedure for executing the punishments of the crime  
b) defines the crime, its nature, and punishments  
c) defines Dispute resolution rather than Punishment.  
d) None of the above
21. A Judgment delivered by the Supreme Court will be binding upon the courts within the territory of India under ----- of the Indian Constitution.  
a) Article 141  
b) Article 101  
c) Article 114  
d) Article 41
22. Nemo Judex in Causa Sua ----- Identify the correct meaning of this Latin Phrase?  
a) hear the other party or give the other party a fair hearing  
b) certain fundamental principles of justice going beyond written law  
c) No one should be made a judge in his own cause  
d) Reasoned decision are the rules of Natural Justice.
23. The Government functions are distributed to various Ministries. There are Currently ----- Union ministries and ----- departments in India.  
a) 58, 93  
b) 53, 98  
c) 54, 93  
d) 93, 58
24. ----- is a Ministry within the Government of India concerned with the economy of India, serving as the Treasury of India.  
a) Ministry of Home Affairs  
b) Ministry of Law and Justice  
c) Ministry of Finance  
d) Ministry of Corporate Affairs
25. Which Finance Minister has presented 9 union budget and stood next to shri Morarji Desai.  
a) Shri.P Chidambaram  
b) Shri.Pranab Mukherjee  
c) Shri.Yashwant Sinha  
d) Dr.Manmohan Singh
26. Ministry of Home Affairs shall be called as -----  
a) Vitta Mantralaya  
b) Grha Mantralaya  
c) Videsh Mantralaya  
d) Vastra Mantralaya
27. SEBI is a Statutory regulatory body. It works under the ownership of ----- within the Government of India.  
a) Ministry of Law and Justice  
b) Ministry of Corporate Affairs  
c) Ministry of Finance  
d) Ministry of Home Affairs
28. Identify the correct statement  
a) For issuers, SEBI provides a marketplace that can utilised for raising funds.  
b) For Issuers , SEBI provides protection and supply of accurate information that is maintained on a regular basis.  
c) For Issuers, SEBI provides a competitive market for the intermediaries by arranging for proper infrastructure.  
d) None of the above
29. ----- Introduces and upgrades safe and efficient modes of payment systems in the country to meet the requirements of the public at large.  
a) SEBI  
b) IBBI

- c) RBI  
d) Ministry of Finance
30. Identify the correct statement  
a) IBC shall apply in relation to Insolvency and Bankruptcy.  
b) IBC shall apply in relation to Insolvency, Liquidation, Voluntary Liquidation or Bankruptcy.  
c) IBC shall apply in relation to Insolvency, Liquidation, and Bankruptcy.  
d) IBC shall apply in relation to either Insolvency, Liquidation and not Voluntary Liquidation or Bankruptcy.
31. If any Person or Entity is unable to pay off the Debts it owes to its Creditors, on time or as and when they became due and payable, then such Person or Entity is regarded as -----  
a) Bankrupt  
b) Liquidator  
c) Insolvent  
d) Dissolution
32. ----- is a situation where an application is made to an Authority declaring insolvency, and relevant to non-corporates.  
a) Bankruptcy  
b) Liquidator  
c) Insolvent  
d) Voluntary Liquidation
33. Metropolitan courts are established in metropolitan cities in consultation with the High Court where the population is -----.  
a) >5 lakhs  
b)  $\geq 10$  lakhs  
c)  $>5$  lakhs  $\leq 10$  lakhs  
d) None of the above
34. The Courts of District Judge deal with ----- and Courts of Sessions deals with ----- matters.  
a) Civil law matters, Criminal Matters  
b) Only Criminal Matters  
c) Only Civil Law Matters  
d) Both the courts deals with civil law matters
35. What is the ceiling limit for district court to trial suits having pecuniary jurisdiction?  
a) more than `2 crore  
b) Less than or equal to `2 crore  
c) `2 crore  
d) not more than `2 crore

### Answers to MCQs

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
d	b	c	a	b	c	a	b	c	c	c	c	b	a	a	b	b	a	d	b
21	22	23	24	25	26	27	28	29	30	31	32	33	34	35					
a	c	a	c	a	b	c	a	c	b	c	a	b	a	d					

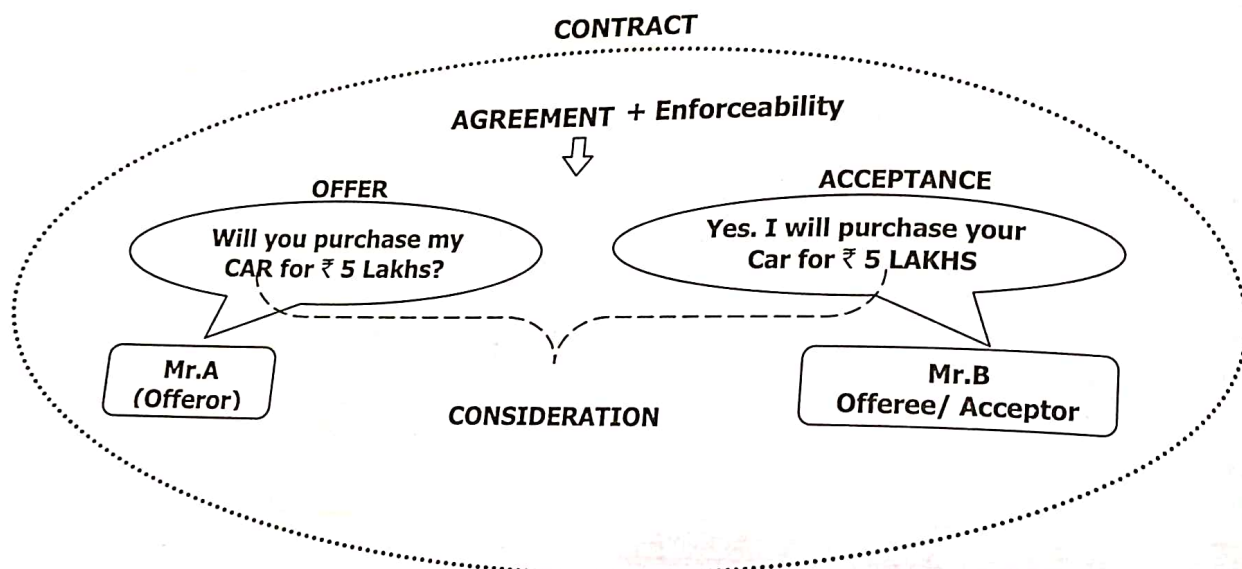
# PART I. THE INDIAN CONTRACT ACT, 1872 – ESSENTIALS OF CONTRACT

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## A. BASICS

### A.1 Definitions under The Indian Contract Act, 1872 [Sec. 2]

1. **Proposal/ Offer [Sec.2(a)]**: A person is said to make a **Proposal** when he signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence.
2. **Promise [Sec.2(b)]**: When the person to whom a proposal is made, signifies his assent thereto, the proposal is said to be accepted. When a proposal is accepted, it becomes a **Promise**.
3. **Reciprocal Promises [Sec.2(f)]**: Promises which form the consideration or part of the consideration for each other are called **Reciprocal Promises**.
4. **Promisor and Promisee [Sec.2(c)]**: The person **making** the promise is called the **Promisor**, and the person **accepting** the proposal is called the **Promisee**.
5. **Consideration [Sec.2(d)]**: When at the desire of the Promisor, the Promisee or any other person, has done or abstained from doing, or does or abstains from doing, or promises to do or abstain from doing, something, such act or abstinence or promise is called a **Consideration** for the promise.
6. **Agreement [Sec.2(e)]**: Every promise and every set of promises, forming the Consideration for each other, is an **Agreement**.
7. **Contract [Sec.2(h)]**: An Agreement enforceable by law is a Contract.
8. **Voidable Contract [Sec.2(i)]**: An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a **Voidable Contract**.
9. **Void Agreement [Sec.2(g)]**: An Agreement not enforceable by law is **void**.
10. **Void Contract [Sec.2(j)]**: A Contract which ceases to be enforceable by law **becomes void**, when it ceases to be enforceable.



### A.2 "All Contracts are Agreements but all Agreements are not Contracts"

1. **Contract = Agreement + Enforceability by law.** Thus, for a Contract, there should first be an Agreement.
2. Agreements that do not give rise to contractual obligations are not Contracts. **Example:** A invites B for his son's wedding. B accepts the invitation. This is a mere agreement, not a Contract, there being no intention to create legal obligation.
3. Agreements to do an unlawful, immoral or illegal act, like smuggling or murdering a person, cannot be enforceable by law. Such agreements cannot be considered as a Contract.
4. Also, certain Agreements are specifically declared Void or Unenforceable. **Example:** Agreements to bet i.e. wagering Agreements, Agreements in restraint of trade, agreements to do an impossible act, etc.
5. Hence, all Agreements are not Contracts, but all contracts are in fact Agreements.

## A.3 Types of Contracts

The Indian Contract Act, 1872 – Essentials of Contract

1. Based on Enforceability	
Type of Contract	Example
(a) <b>Valid Contract:</b> This has all the essentials of a Contract and can be enforced by law.	(a) A agrees to sell to B his watch for a consideration which is accepted by B.
(b) <b>Void Contract:</b> This does not have any legal effect and cannot be enforced in a Court of Law.	(b) A and B of different countries contract to trade with each other. Before the transaction, war breaks out.
(c) <b>Voidable Contract:</b> This is enforceable by law at option of one or more parties but not at option of other(s).	(c) N obtained K's acceptance by fraud. The Contract can be avoided at K's instance, but not by N.
(d) <b>Illegal Contract:</b> This is forbidden by law. The Court will not enforce such a Contract.	(d) C contracts with H, a local criminal to beat his business competitor.
(e) <b>Unenforceable Contract:</b> This is good in substance but suffers from some technical defect.	(e) When the Agreement is not in written form, barred by limitation, etc. it is unenforceable.

2. Based on Formation	
Type of Contract	Example
(a) <b>Express Contract:</b> This Contract is made by words either spoken or written	(a) A appoints B as his agent, by way of a written agreement.
(b) <b>Implied Contract:</b> This implies a contract though parties never intended. Where a Proposal or Acceptance is made otherwise than in words, promise is said to be implied.	(b) A consignment is delivered at a wrong place. There is an implied condition for the recipient to return it, so that it can be delivered to the intended Consignee.
(c) <b>Tacit Contract:</b> It is a situation where a Contract has to be inferred from the conduct of parties.	(c) Drawing cash from ATM, sale by fall of hammer at an auction sale, etc.

3. Based on Performance	
Type of Contract	Example
(a) <b>Executed Contract:</b> This is a Contract which has been wholly performed or executed.	(a) A Contract to buy a car from B by paying cash. B instantly delivers his car.
(b) <b>Executory Contract:</b> This is a Contract which is partially performed or wholly unperformed, i.e. to be performed in future.	(b) D agrees to buy V's cycle by promising to pay cash on 15 <sup>th</sup> July. V agrees to deliver the cycle on 20 <sup>th</sup> July.
(c) <b>Unilateral Contract:</b> It is a one-sided Contract in which only one party has to perform his promise or obligation.	(c) G books a ticket with Indian Airlines from Delhi to Goa on 16 <sup>th</sup> June, date of travel being 16 <sup>th</sup> July. Indian Airlines has to perform its part of Contract on 16 <sup>th</sup> July.
(d) <b>Bilateral Contract:</b> It is a Contract where the obligation or promise in a Contract is outstanding on the part of both parties.	(d) S agrees to sell his DVD player to R promising to deliver it on the date of payment. R promises to pay the amount, one month hence.

## 4. Recognised from English Law

- Contract of Record:**
  - It is either a Judgment of a Court or a Recognizance.
  - A **Judgement** is an obligation imposed by a Court upon one or more persons in favour of another or others. In real sense, it is not a Contract, as it is not based upon any agreement between two parties.
  - Recognizance** is a Bond by which a person undertakes before a Court or Magistrate to observe some condition e.g. to appear on summons.
  - Contracts of Record derive their binding force from the authority of the Court.
- Contract under Seal:**
  - A Contract under Seal is one which derives its binding force from its form alone.
  - It is in writing and signed, sealed and delivered by the parties.
  - It is also called a Deed or a **Specialty Contract**.

## A.4 Essential elements of a Valid Contract

**Sec.10:** All Agreements are Contracts, if they are made with the free consent of parties, competent to Contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.



**Essential elements:** From the above definition, the following features of a Valid Contract emerge –

Element	Description
1. Agreement	<ul style="list-style-type: none"> <li>• There should be an agreement between two parties.</li> <li>• Agreement = Proposal, i.e. Offer + Acceptance with legal enforceability.</li> </ul>
2. Create legal relationship	<ul style="list-style-type: none"> <li>• An agreement of purely domestic or social nature is not a Contract.</li> <li>• There must be an intention by both parties to legally bind the other as a result of the agreement.</li> <li>• <b>Example:</b> A husband promised to pay his wife a household allowance of ₹ 5,000 every month. Later the parties separated and the husband failed to pay the amount. The wife sued for allowance. Held, such agreements were outside the realm of Contract altogether. [<b>Balfour vs Balfour</b>]</li> </ul>
3. Consensus-ad-idem, i.e. Meeting of Minds	<ul style="list-style-type: none"> <li>• To constitute a valid Contract, there must be meeting of minds, i.e. consensus-ad-idem.</li> <li>• There may be an offer and acceptance thereof, but still no agreement, because the parties do not agree to the same thing in the same sense at the same time.</li> <li>• <b>Example:</b> Arun has a Hero Honda and a Bajaj Pulsar. He offers to sell his Pulsar, but without mentioning the make. Balu thinking that Arun proposes to sell his Hero Honda, accepts his offer. This cannot constitute an agreement because there is no meeting of minds between Arun and Balu.</li> </ul>
4. Free Consent	<ul style="list-style-type: none"> <li>• Consent of parties to the Contract must be free and genuine. Hence, Consent should not be obtained by Misrepresentation, Fraud, Undue Influence, Mistake or Coercion.</li> </ul>
5. Competence to Contract	<ul style="list-style-type: none"> <li>• Parties should be competent to enter into an agreement and make it legally enforceable.</li> <li>• A person is competent if he is – (a) of the age of majority, (b) of sound mind, and (c) not disqualified from contracting.</li> </ul>
6. Lawful Consideration	<ul style="list-style-type: none"> <li>• Consideration is the price for which the promise of the other is bought / obtained.</li> <li>• There should be some lawful consideration for the agreement.</li> <li>• Consideration may be in cash or in kind. Moreover, it must be real and not illusory.</li> <li>• When there is no Consideration, it will be a bare promise not enforceable by law.</li> </ul>
7. Lawful Object	<ul style="list-style-type: none"> <li>• The object of agreement should be lawful and legal.</li> <li>• Consideration or object of an agreement is unlawful if it –                             <ul style="list-style-type: none"> <li>(a) is forbidden by law, or</li> <li>(b) is of such nature that, if permitted, would defeat the provisions of any law, or</li> <li>(c) is fraudulent, or</li> <li>(d) involves or implies injury to person or property of another, or</li> <li>(e) is regarded by Court as immoral, or opposed to public policy.</li> </ul> </li> </ul>
8. Not declared void	<ul style="list-style-type: none"> <li>• The Agreement should be such that it should be capable of being enforced by law.</li> <li>• Certain Agreements have been expressly declared illegal or void by the law.</li> </ul>
9. Certainty of meaning	<ul style="list-style-type: none"> <li>• The meaning of Agreement must be – (a) certain, or (b) capable of being made certain.</li> <li>• If not, the Agreement will not be enforceable by law.</li> </ul>
10. Possibility of performance	<ul style="list-style-type: none"> <li>• The terms of the agreement should be capable of performance.</li> <li>• An agreement to do an act, impossible in itself, cannot be enforced.</li> </ul>
11. Necessary legal formalities	<ul style="list-style-type: none"> <li>• A Contract may be oral or in writing.</li> <li>• Where a particular type of Contract is required by law to be in writing and registered, it must comply with necessary formalities as to writing, registration and attestation.</li> <li>• If legal formalities are not carried out, then the Contract is not enforceable by law.</li> </ul>

<b>PRACTICAL QN</b>	<p>X invites Y (a Film Actor) to his daughter's engagement and dinner party. Y accepts the invitation and promises to attend. X made special arrangement for Y at the party but he did not turn up. X enraged with Y's behaviour, wanted to sue for loss incurred in making special arrangements. X is seeking your advice.</p>	<p><b>Hint / Answer:</b></p> <p>X cannot sue Y for loss. Agreement was a kind of <b>social nature</b> and therefore, lacked the intention to create legal relationship.</p>
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<b>PRACTICAL QN</b>	<p>A Father promised to pay his son a sum of ₹ 1 Lakh if the son passed C.A. examination in the first attempt. The son passed the examination in the first attempt, but the father failed to pay the amount as promised. The son files a suit for recovery of the amount. State whether the son can recover the amount under the Indian Contract Act, 1872.</p>	<p><b>Hint / Answer:</b></p> <p>The son cannot recover the amount of ₹ 1 Lakh from his father. An agreement of <b>domestic nature</b> cannot be considered as a valid Contract.</p>
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