



MERCANTILE LAWS



The Institute of Chartered Accountants of India

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PREFACE

Law in a broader sense includes rules, regulations, guidelines, principles, which seek to regulate relations of citizens with the State. There are also laws, which regulate business as they form an integral part of the society. The laws that govern and regulate trade and commerce are commonly known as 'Mercantile Laws'. These laws deal with rights and obligations of parties to a mercantile agreement. The law of merchant was originally developed out of procedures and progress of trade and commerce in England. The Mercantile Laws in India are mainly based upon the English laws. The subject, Mercantile Laws is vast and expansive and a number of enactments were passed.

As a student aspiring to become a Chartered Accountant, he should have knowledge of those legal frameworks, which influences the business transactions. The syllabus has been segregated into three chapters covering The Indian Contract Act, 1872, The Sale of Goods Act, 1930 and The Indian Partnership Act, 1932. The level of knowledge that has been prescribed for this paper is that of basic knowledge.

We hope that the introduction to mercantile laws will set a good foundation for understanding the nuances of trade and commerce.

The content of different chapters are as under :

- 1. The Indian Contract Act, 1872 :*** This is one of the oldest in the Indian law regime, passed by the legislature of pre-independence India and received its assent on 25th April, 1872. The statute contains essential principles for formation of contract. The Law of Contract does not involve or bind the state or persons who are not parties to the contract. It is, therefore, said to be a part of "Private Law". It contains a number of principles subject to which the parties may create rights and duties for themselves. Hence, a contract is voluntary and require an exercise of the will of the parties.
- 2. The Sale of Goods Act, 1930 :*** The Law relating to this statute was contained in the Chapter VII of the Indian Contract Act, 1872. Subsequently, it was separated with the Indian Sale of Goods Bill, which received its assent on 15th March, 1930. It came into force on the 1st of July, 1930 as the Indian Sale of Goods Act, 1930. In due course, the word "Indian" was omitted by the Indian Sale of Goods (Amendment) Act, 1963 (33 of 1965) and it became "The Sale of Goods Act, 1930". This Act has seen several amendments and adaptation orders in due course. The latest one of such was the Multimodal Transportation of Goods Act, 1993.
- 3. The Indian Partnership Act, 1932 :*** The law relating to partnership in India was in Chapter XI of the Indian Contract Act, 1872. On 1st day of October, 1932 the Indian Partnership Act, 1932 came into force by repealing the aforesaid chapter in the Indian Contract Act, 1872.

Significant Addition/Modification in this Edition

Sl.No.	Unit	Amendment related to the topic in the study	Content	Page. No.
1.	Chapter 3- Unit 1- General Nature of Partnership	Para 3.4 -Partnership distinguished from other forms of organisation	In the Para no. 3.4.1 under the heading 'partnership vs. Joint stock company' a change in point related to the 'Number of membership' has been made due to enactment of the Companies Act, 2013 in place of the Companies Act, 1956.	149

SYLLABUS

Mercantile Laws (40 Marks)

Objective :

To test the general comprehension of elements of mercantile laws.

Contents

1. The Indian Contract Act, 1872: An overview of Sections 1 to 75 covering the general nature of contract, consideration, other essential elements of a valid contract, performance of contract and breach of contract.
2. The Sale of Goods Act, 1930: Formation of the contract of sale – Conditions and Warranties – Transfer of ownership and delivery of goods – Unpaid seller and his rights.
3. The Indian Partnership Act, 1932: General Nature of Partnership – Rights and duties of partners – Registration and dissolution of a firm.

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