

Core Course

Business Law

S.Y. B.Com. Semester-III

Manohar R. Wadhvani

Dr. Sumathi Gopal

Sumathi Gopal

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400 706.



Sumathi Gopal
Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Navi Mumbai - 400706

Prepared as per the Revised Syllabus of Courses of B.Com. Programme at Semester – III with effect from the Academic year 2017–18.

Core Courses (CC)

BUSINESS LAW

**S.Y. B.Com.
(Semester – III)**

Prof. Manohar R. Wadhvani

M.A., L.L.B.

Advocate, High Court at Bombay.

Ex-Visting Post-graduate Prof. of Law,

Postgraduate Department of Law,

University of Mumbai,

Mumbai – 400 021, Maharashtra (India).

Dr. Sumathi Gopal

Ph.D., LL.M, M.Com.

Advocate High Court, Mumbai,

NCRD's Sterling College of Arts, Commerce & Science, Nerul,

Junjunwala College of Arts, Science & Commerce, Ghatkhopar,

Gurunanak Institute of Management Studies, Matunga.

When you care enough to be better than the best

SHETH®
PUBLISHERS PVT. LTD.

MUMBAI

PUNE ☆ GOA ☆ NAGPUR ☆ VADODARA ☆ BHAVNAGAR

Follow us:



/shethpublishers



/sheth.publishers

1/Business Law (S.Y.B.Com.) (Sem.-III)

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400 706



Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Nav Mumbai - 400706

PREFACE...

It gives us immense pleasure to present the book titled "Business Law", thoroughly revised, recast and updated, keeping in mind the various prescribed topics of the revised syllabus for the Second Year B.Com students of the University of Mumbai, effective from the academic year 2017-18 onwards.

The book is meant for the students of the third semester. The book is divided into five modules and each module deals with one Act. Module I & II deals with all the prescribed topics of the Contract Act, 1872. Module III discusses the specific contracts of Indemnity, Guarantee, Bailment, Pledge, and Agency. Module IV is devoted to the study of the Sales of Goods Act, 1930; and Module V covers all the prescribed topics of the Negotiable Instruments Act, 1881. Each chapter is followed by the review questions, so as to enable students to test themselves on the subject-matter of the chapter.

Moreover, review questions, after each chapter, are framed on the question paper pattern, as prescribed by the University of Mumbai with effect from the academic year 2017-18 onwards. At the same time, objective type of questions have also been provided at the end of the book for the use by the Professors of Business Law, if they so choose and decide for the internal assessment of their students.

A true copy of the revised syllabus for the students of the third semester of the University of Mumbai effective from the academic year 2017-18 is printed in the book for the ready reference of the students and the teachers as well.

Both volumes are written keeping in view the requirements and the level of academic and legal knowledge of the Second Year B.Com. students and the students of the professional courses like B.M.S. and other programmes.

Constructive comments for the qualitative improvement of the book are most welcome and will be acknowledged with great sense of gratitude.

Authors

Place : Mumbai.

Date : May 2018.

(iii)

Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Navi Mumbai - 400706



g.
by the Authors and the
, error or discrepancy
is hereby notified that
yone, in any manner,
s, law and contents of
in an, form or by any
n retrieval system, or
therwise, without the
hout the prior written
Copyright Act.
be lent, resold, hired
nited to replacement
by the purchaser.

Mumbai - 400 031.

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400706.

SYLLABUS...

Course Courses (CC)

Sr. No.	Modules	No. of Lectures
1.	Indian Contract Act – 1872 Part -I	12
2.	Indian Contract Act – 1872 Part -II	12
3.	Special Contracts	12
4.	The Sale Of Goods Act – 1930	12
5.	The Negotiable Instruments (Ammended) Act 2015	12
Total		60

Sr. No.	Modules
1.	Indian Contract Act – 1872 Part – I
	<ul style="list-style-type: none"> Contract – Definition of Contract and Agreement, Essentials of Valid Contract, Classification of Contracts. Offer and Acceptance – Rules of valid offer and acceptance, Counter offer, standing or open offer, distinguish between offer and invitation to offer. Concept of Communication and Revocation of offer and acceptance (sec. 3,5) Capacity to Contract (S. 10-12) – Minor, Unsound Mind, Disqualified Persons. Consideration (S. 2 & 25) – Concept and Importance of consideration, Legal rules of Consideration, Exceptions to the Rule, 'No Consideration No Contract' Ss. 25) Unlawful Consideration (S 23)
2.	Indian Contract Act – 1872 Part – II
	<ul style="list-style-type: none"> Consent (Ss.13, 14-18, 39.53, 55, 66)-Agreements in which consent is not free - Coercion, Undue Influence, Misrepresentation Fraud, Mistake. Void Agreements (S. 24-30) – Concept, Void Agreements under Indian Contract Act. Contingent Contract (S. 31), Quasi Contract (S.68-72), Concept of E- Contract & Legal Issues in formation and discharge of E- Contract. Concept of Performance of Contract (S 37) Modes of Discharge of Contract, Remedies on breach of Contract (73-75)

Sumathi Gopal

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400 706.



(iv)

Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Navi Mumbai - 400706

	No. of Lectures
	12
	12
	12
	12
	60

Essentials of Valid

Offer, Counter offer, Invitation to offer, Offer and acceptance

Disqualified Persons. Consideration, Legal Consideration No

which consent is not valid, Mistake.

Contracts under Indian

Sections 68-72), Concept of Offer of E- Contract.

Contract (73-75)

3. Special Contracts	<ul style="list-style-type: none"> • Law of Indemnity & Guarantee (Ss. 124-125, Ss. 126-129, 132-147) – Concept, Essentials elements of Indemnity and Guarantee, Contract of Indemnity vs. Guarantee, Modes of Discharge of Surety. • Law of Bailment (S. 148, 152-154, 162, 172, 178, 178A, 179) – Concept, Essentials of Bailment, Kinds of Bailment, Rights and Duties of Bailor and Bailee. • Law of Pledge – Concept, Essentials of valid Pledge, Lien - concept, Difference between Pledge and Lien, Rights of Pawnor & Pawnee (Ss.173, 174, 177). • Law of Agency (Ss. 182-185, 201-209) – Concept, Modes of creation of Agency, Modes of termination of Agency, Rights & Duties of Principal and Agent.
4. The Sale Of Goods Act – 1930	<ul style="list-style-type: none"> • Contract of Sale (S.2) – Concept, Essentials elements of contract of sale, Distinction between Sale and Agreement to sell (S.4) Distinguish between Sale and Hire Purchase Agreement, Types of Goods. Effects of destruction of Goods (Ss. 6,7,8). • Conditions & Warranties (Ss. 11-25 & 62, 63) – Concept, Distinguish between Conditions and Warranties, Implied Conditions & Warranties, Concept of Doctrine of Caveat Emptor –Exceptions. • Property – Concept , Rules of transfer of property (Ss. 18-26). • Unpaid Seller (Ss. 45-54, 55 & 56)- Concept, Rights of an unpaid seller, Remedies for Breach of contract of Sale (Ss: 55-61), Auction sale – Concept, Legal Provisions. (S. 64)
5. The Negotiable Instruments (Amended) Act 2015	<ul style="list-style-type: none"> • Negotiable Instruments – Concept (S13), Characteristics, Classification of Negotiable Instruments (Ss. 11, 12, 17-20, 42, 43, 104,134,135) Maturity of Instruments. • Promissory Note and Bill of Exchange (Ss. 4,5, 108-116)- Concept, Essentials of Promissory Note, Bill of Exchange (Ss. 4,5), Essential features of promissory note and Bill of exchange, Kinds Promissory note and Bill of exchange, Cheque (S.6)– Concept, Types & Crossing of Cheque, Distinguish between Bill of Exchange & Cheque, Dishonour of Cheque – Concept & Penalties (Ss. 138, 139,142) • Miscellaneous Provisions (S. 8–10, 22, 99–102, 118–122, 134–137) –Parties to Negotiable instruments Holder, Holder in due course, Rights & Privileges of Holder in due course, Payment in due course, Noting & Protest (99-104A)

(v)



Sunil K. J. Patel
Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
 Nerul - 400 706.

Principal
's Sterling College of Arts, Commerce & Science
 Nerul, Navi Mumbai - 400706

CONTENTS...

MODULE – I : INDIAN CONTRACT ACT, 1872 (PART – I)

1. Definition and Formation of a Contract – I
(Different Kinds of Agreements and Contracts) 1 – 8
2. Definition and Formation of a Contract – II
(Offer, Acceptance, Communication and Revocation) 9 – 16
3. Definition and Formation of a Contract – III (Consideration) 17 – 22
4. Capacity of Contract 23 – 26

MODULE – II : THE CONTRACT ACT, 1872 (PART – II)

5. Consent and Free Consent (Voidable Contracts) 27 – 33
6. Void Agreements 34 – 37
7. Contingent Contracts (Sections 31 to 36) 38 – 40
8. Quasi-Contracts. (Implied Contracts) (Sections 68 to 73) 41 – 43
9. E-Contract (Concept, Legal Issues & Discharge) 44 – 46
10. Modes of Discharge of a Contract 47 – 53

MODULE – III : THE CONTRACT ACT, 1872 (SPECIFIC CONTRACTS)

11. Contracts of Indemnity and of Guarantee 54 – 64
12. Contracts of Bailment and Pledge 65 – 75
13. Contracts of Agency 76 – 88

MODULE – IV : THE SALE OF GOODS ACT, 1930.

14. Sale and an Agreement to Sell 89 – 95
15. Effects of Destruction of Goods & Price 96 – 98
16. Conditions and Warranties 99 – 104
17. Passing of Property in Goods and Title to Buyer 105 – 109
18. Rights of an Unpaid Seller 110 – 114

(vii)

Sumanthi J. P.
Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400 706.



Sumanthi J. P.
Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Navi Mumbai - 400706

**MODULE – V : THE NEGOTIABLE INSTRUMENTS (AMMENDED)
ACT, 2015**

19. Promissory Notes, Bills of Exchange and Cheques	115 – 130
20. Negotiations and Endorsements	131 – 133
21. Presentment of Negotiable Instruments (Ss. 61 to 77)	134 – 140
22. Special Rules of Evidence (Ss. 118 to 122)	141 – 142
23. Crossed Cheques (Ss. 123 to 131 A)	143 – 147
24. Penalties in Case of Dishonoured Cheques	148 – 152
25. Miscellaneous Provisions	153 – 161
26. Objective Questions	162 – 174
Mumbai University Questions (November 2017)	175
Mumbai University Questions (March 2018)	176

Sumathi Gopal

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Nerul - 400 706.



[Signature]

Principal
NCRD'S Sterling College of Arts, Commerce & Science
Nerul, Navi Mumbai - 400706

MODULE - I : THE CONTRACT ACT 1872 (PART - I)

1

DEFINITION AND FORMATION OF A CONTRACT - I

(Different Kinds of Agreements and Contracts)

- 115 - 130
131 - 133
134 - 140
141 - 142
143 - 147
148 - 152
153 - 161
162 - 174
175
176

HIGHLIGHTS

- A. Introduction
B. Formation of Valid Contract or Meaning, Definition, and Essentials of a Contract
C. What are the Different Kinds of Agreements?
D. What are the Different Kinds of Contracts?
E. What is the Distinction between an Agreement and a Contract?

A. INTRODUCTION**I. Concept of the Business Law**

What is the business law? The terms 'business', 'commercial', and 'mercantile' are synonymous, meaning one and the same thing. The expression, "Business Law" stands for that body of laws, which regulate the business relations and commercial activities of persons.

The subject-matter of Business Law is very wide, covering all the legal rules, relating to business transactions. Some of these principles of law are well established by **mercantile custom** and **usages of trade**. The scope of the Business law, in a nut-shell, is as under :

In particular, the frontiers of the Business Law include the study of the following commercial Acts, viz., (1) The Contract Act, 1872; (2) The Contracts of Indemnity, Guarantee, Bailment, Pledge and of Agency; (3) The Sale of Goods Act, 1930; (4) The Negotiable Instruments Act, 1881; (5) The Companies Act, 1956; (6) The Indian Partnership Act, 1932; (7) Limited Liability Partnership Act; and (8) The Consumer Protection Act, 1986, (9) Competition Act, (10) IPR.

B. FORMATION OF VALID CONTRACT OR MEANING, DEFINITION, AND ESSENTIALS OF A CONTRACT

The law relating to the contracts is contained in the Indian Contract Act; 1872. It is that branch of law, which lays down the essentials of valid contracts, different modes of discharging the contract and remedies available to the aggrieved party in case of breach of contract. It is the most important branch of business law. It is very important to people in

About the Authors

Prof. Manohar R. Wadhvani

A recipient of three outstanding achievement awards, viz., (1) A GOLD MEDAL as "2004 Meritorious Achievement Award for the Distinguished Services to Society" on 28th August 2004, (2) A SILVER PLAQUE as an "Outstanding Achievement Award" for his "Outstanding Contribution to Legal Literature Including the Human Rights Jurisprudence", Instituted by International Human Rights Foundation, Mumbai, and presented by his Excellency the Vice President of India, Shri Bhairon Singh Shekhawat, on 17th September, 2004 at Sahyadri, Mumbai, and (3) A SILVER PLAQUE on 17th June, 2004 for "Being An Exceptional teacher, Legal Luminary, Author Extraordinary, Consumer Support Advocacy And Exceptional Social Worker", Prof. Manohar R. Wadhvani is an ex-visiting Postgraduate Prof of Law, Dept. of Law, University of Mumbai. He is the most prolific and versatile author of 59 books on diverse subjects in five different faculties of Arts, Science, Commerce, Management, and Law for University education. He has to his credit, as many as twelve books on Law, including his book, titled "The Philosophy And The Law Of Human Rights", with a 'Foreword' by Hon'ble Shri Justice S.P. Bharucha, former Chief Justice of India, and a 'Message' from Hon'ble Shri Justice Dalveer Bhandari, former chief Justice, High Court at Bombay, and then elevated to the Supreme Court of India. Prof Wadhvani's book titled "Business Law", reviewed by five Hon'ble Judges of the Supreme Court of India and Bombay High Court, runs into 46th edition. His book titled "The Philosophy and Practice of Human Rights", reviewed by as many as eight Judges of the Bombay High Court and the Allahabad High Court, runs into seven edition. His book, "The A,B,C of the Enlightened Leadership", is described as "an excellent book" by Hon'ble Shri. Justice M.H. Kania former Chief Justice of India. His book "Flowering of Enlightened Personality for Effective Management in three combined volumes is fore worded by Dr. Shehalata Deshmukh, Former Vice Chancellor, University of Mumbai. "Messages" from high dignitaries of India and 40 glowing tributed from Vice Chancellors of University of Rajasthan, National Law School of India, Bangalore, National Law University, Delhi, Pro-Voce Chancellor of Narsee Monjee Institute of Management (Deemed to be university), Director- General, Directors and Principals of Management Institutes, and Arts, Science and Commerce Colleges, Deans and Medical Directors of Hospitals and Medical Colleges, and Directors of Corporations.

Prof. Wadhvani's latest publications, "I can and I will make this Miracle Happen" based on Nobel Latreate Albert Einstein's observation on life, and forewarded by Hon'able Shri Justice Ferdino.I. Rebello, former chief Justice, Bombay Allahabad High Court, has won 58 glowing tributes from a galaxy of intellectual, bureaucratic, managerial and judicial stars, comprising of Vice Chancellors and a Pro Vice Chancellor of different Universities, Chief Justices of High Courts, Directors- General and Directors of B-Schools, deans and Medical Directors of Medical Colleges and Hospitals, IAS, IPS, and IRS high ranking bureaucrats and Principals of Arts, Science, Commerce, Law, Engineering and Medical Colleges in Maharashtra. His 60th Publication, titled as "50 Un.Common Habits, Traits, Visions and Mission of Effective And Enlightened Leaders", is under preparation.

Dr. Sumathi Gopal

She is an Educationist, Legal Consultant & Practicing Advocate High Court at Mumbai. She has been practicing in Banking Laws, Civil laws, Insurance, Labour Laws for 30 years. She has 28 years teaching experience in Business Laws, Principles of Banking & Insurance, Industrial Law, Laws relating to Banking & Insurance, Labour laws & Legal aspects of Business. Her PhD research is a combination of Bank Management & Banking Laws. She has presented research papers in National & International Conference. She has published many articles & research papers in Law journal & other related books. She has published various law books not only for University of Mumbai programme but for othe University as well.



Unit No.4, Ground Floor, Lalwani Industrial Estate, 14, G.D. Ambekar Marg, Wadala, Mumbai-400 031
Tel.: (022) 6662 4553, 6662 4554. Fax: 6662 4555. e-mail: support@shethpublishers.com

ISBN - 978-93-87778-00-9



Follow us:



/shethpublishers

/sheth.publishers

Price - ₹ 145.00

Coordinator, IQAC
NCRD'S Sterling College of Arts,
Commerce & Science
Noida - 400 706.

Principal
NCRD'S Sterling College of Arts, Commerce & Science
Noida, Noida - 400 706