

# **BUSINESS LAW**

## **II B.COM(CA)**

### **Two mark questions**

1. **Define law.**

“system of rights and obligations which the state might enforce”

2. **Define a contract.**

Sir. William Anson defines ,” an agreement enforceable at law made between two or more persons, by which rights are acquired by one or more to acts or forbearances on the part of the other or others”

3. **What is agreement?**

“ every promise or every set of promises, forming consideration for each other is an agreement”

4. **What is void contract?**

“ an agreement not enforceable by law becomes void”

5. **What is voidable contracts?**

“ 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”

6. **Define offer or proposal?**

When one person signifies to another his willingness to do or abstain from doing anything with a view to obtain the assent of that other to such act or abstinence, he is said to make a proposal.

7. **What is consideration?**

It means “something in return”. While making a promise the party making the promise must get some benefit or gain.

8. **What is consent?**

In other words there should be consensus ad idem. it means something in the same mind.

9. **What is wagering contracts?**

“ an agreement between two parties to that effect of a given uncertain events is determined one way and in the contrary event the latter shall pay to the former”

10. **What is tender?**

Where the promisor is ready and willing to perform his promise and it is not accepted by the promisee, it is called tender.

**11. What is Novation?**

Novation is the way for the termination of a contract with the consent of the parties concerned. The consent is given subsequent to the formation of a new contract.

**12. What is Rescission?**

It means cancellation of all or some of the terms of the contract. Terms of the contract may be cancelled by the mutual consent of all the parties to a contract or by any one of the parties or by an aggrieved party.

**13. What is meant by damages?**

Damages are monetary compensation allowed to the aggrieved party by the court for the loss or damage suffered by him.

**14. What are the kinds of damages?**

1. Ordinary damages or general damages
2. Special damages
3. Vindictive damages
4. Nominal damages

**15. What is Quasi contracts?**

Certain contracts in which all the essentials for a valid contract will not be present. But even then, these contracts are enforceable by law on the grounds of equity and justice.

**16. Explain the term “ Quantum Meruit”**

It means “ as much as he deserves” and “ as much as he earned”

**17. Explain Vindictive damages?**

These damages are allowed not only with a view to compensate the injured person but also to punish the person who has breached the contract.

**18. What are necessities?**

“ goods suitable to the condition in life of such infant or other person, and to his actual requirement at the time of sale and delivery”

**19. Define Acceptance?**

“ when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal when accepted becomes a promise”.

**20. Who is a Minor?**

The person who are below the age of 18 are minors. If there is any guardian to the minor appointed by the court, he will be considered as a minor up to the age of 21.

**21. State the difference between penalty and damages?** Damage is the pre-determined and probable loss which may arise from the breach. But a penalty is a pre-determined sum disproportionate to the loss which may result from the breach.

**22. Who is an Agent?**

An agent is a person employed to do any act for another, or to represent the another in dealings with the third persons.

**23. What are the different kinds of agent?**

Special agent, general agent, universal agent, mercantile agent and non mercantile agent.

**24. Define the sub-agent?**

A sub-agent is a person employed by and acting under the control of the original agent in the business of agency.

**25. Write a short note on C.I.F Contract?**

The letters C.I.F stand for "Cost, Insurance and Fright". The main features of this contract is, the interest of both the parties are protected.

**26. What is warranty?**

The subsidiary stipulation or conditions of the contract is warranty. In the case of breach of warranty the aggrieved party can only claim damages.

**27. What is contract of sale?**

A contract of sale is an agreement whereby one person agrees to sell some goods to another for a price.

**28. Define a bill of exchange?**

It is instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of a certain person or to the bearer of the instrument.

**29. Define cheque?**

A bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand.

**30. Define business law?**

The branch of law which deals with rights and obligations of business persons arising out of business transactions in respect of business property.

**31. What is Rescission of contract?**

Rescission means cancellation of all or some of the terms of the contract by the mutual consent of all the parties to a contract or by any one of the parties or by an aggrieved party.

**32. what do you mean by contract of indemnity?**

A contract by which one party promises to save the other from loss caused to him either by the conduct of the promisor or by the conduct of any other person

**33. What do you mean by transfer of ownership?**

Transfer of ownership or transfer of property means transfer of property from seller to the buyer. It does not mean transfer of possession or delivery of the goods.

**34. What is negotiable instrument?**

It means a written document transferable by delivery. It also defines, " a promissory note, bill of exchange or cheque payable either to order to be bearer".

**35. What is promissory note?**

An instrument in writing containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order a certain person, or the bearer of the instrument.

**36. What is meant by legality of object?**

According to sec 10, an agreement is a contract only if it is made for a lawful consideration and with a lawful object.

**37. What is lien?**

A lien is a right of one person to retain property or goods which are in his possession, belonging to another person, until the promise or the liability is discharged.

**38. Define pledge?**

The bailment of goods as security for the payment of a debt by or performance of a promise.

**39. What is contract of agency?**

Contract of agency is the legal relationship which exists between an agent and his principal, to bring the principal into legal relationship with third parties.

**40. What is contingent contract?**

It also called conditional contracts. The performance of the contract depends upon the happening or non-happening of some event in future. Contracts of insurance, indemnity and guarantee are popular instances of contingent contracts.

**41. What is contract of guarantee?**

It is also known as contract of suretyship. A contract to perform the promise or discharge the liability of a person in case of his default.

**42. Define bailment?**

The delivery of goods by one person to another for some purpose upon a contract that they shall, when the purpose is accomplished be returned otherwise disposed of according to the directions of the person delivering them.

**43. What is condition?**

A condition is a stipulation essential to the main purpose of the contract. It is vital existence of the contract.

**44. Define sale?**

Where under a contract of sale the property or ownership in the goods is immediately transferred at the time of making the contract from the seller to the buyer, the contract is called a sale.

**45. What is agreement to sell?**

Where under a contract of sale the transfer of property in the goods is to take place at a future time or subject to the fulfillment of certain conditions, the contract is called an agreement to sell.

**46. Define the term goods?**

Every kind of movable property other than actionable claims and money and includes stocks and shares growing crops grass and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale.

**47. What are the types of goods?**

Existing goods, specific goods, ascertained goods, unascertained goods, future goods contingent goods.

**48. Define the term delivery?**

Voluntary transfer of possession of goods from one person to another.

**49. What do you understand by 'Caveat Emptor'?**

It means "let the buyer be aware". This is fundamental principle of the law of sale of goods. It means the buyer must take care of his own interests while purchasing goods.

**50. Why should you know the law?**

"ignorance of law is no excuse". So everyone should know the law.

**PART - B**  
**5 MARK QUESTIONS:**

**1. Explain the sources of Indian mercantile law?**

1. English Mercantile law
  - The law merchant
  - Statute law or acts of parliament
  - Common law
  - Principles of equity
2. Statutes law
3. Customs and usages
4. Past judicial decisions

**2. What are the essential requirements of contracts?**

1. Agreement
2. Consideration
3. Capacity
4. Free consent
5. Lawful object
6. Not declared void
7. Possibility of performance
8. Legal formalities

**3. How a contract is discharged by the operation of law?**

By death

By merger

By unauthorized alteration

By insolvency

**4. What does a claim on quantum merit arise?**

Can claim the cost for the work done. The claim on the basis of quantum merit arises in the following grounds.

- Where the services are rendered by one person
- When a contract is subsequently declared or discovered as void
- Where one party refuses to perform the contract

- Where the work is partly done and divisible
- Where the work is completed but if it is not upto the mark

**5. Distinct between contract of indemnity and guarantee?**

- Number of parties
- Number of contracts
- Purpose of contracts
- Parties interest
- Acting upon request
- Existence of risk or liability
- Nature of liability
- Rights of parties
- Legal formalities

**6. What are the duties of bailor?**

- To disclose faults in the goods bailed
- To bear extra ordinary expenses
- To indemnify bailee
- To receive back the goods

**7. What is the essential element of contract of sale?**

- It may be express or implied
- It may be absolute or conditional
- It must have essential elements of valid contract
- It includes both sale and agreement to sale

**8. Explain the exceptions to the doctrine of Caveat Emptor?**

- The law imposes certain implied conditions and warranties in a contract of sale
- When the buyer relies on the skill of the seller in supplying the goods
- If the goods are purchased by description
- If the consent of the buyer was obtained by any fraud

**9. Explain the essential elements of promissory note?**

- Instrument in writing
- Undertaking to pay
- Unconditional promise
- Signed by maker

- Certain sum of money
- Promise to pay money only
- Certainty of parties
- Bank note or currency note
- Formalities like number, date, place, consideration etc.

**10. Explain the characteristics of bill of exchange?**

- Instrument in writing
- An order to pay
- Unconditional order
- Signed by the maker
- Certainty of the parties
- Certain sum of money
- Formalities

**11. Discuss the types of consideration?**

- Past consideration
- Present consideration
- Future consideration

**12. Discuss the contract of persons of unsound mind?**

- Minor
- Drunkards and lunatics

**13. Write about the law of assignments of contracts?**

- Assignment by the act of parties
- Assignment by the operation of law

**14. What are the essential features of a contract of guarantee?**

- It may be oral written
- The principal debtor may be a minor
- The liability of the surety is not primary
- It need not be direct consideration between surety and the creditor

**15. Explain the rights and duties of pawnee or pledge?**

- Right of retainer
- Right to recover extraordinary expenses
- Right on default of pawnor



### **DUTIES:**

- To take a reasonable care of the goods pledged
- Should not make unauthorized use of goods pledged
- Should not mix the goods pledged with his own goods

### **16. What are differences between bailment and sale?**

- Sale : possession and ownership transferred  
Bailment: only possession transferred
- Sale : it is concerned both moveable and immovable goods  
Bailment : it is concerned with only movable goods
- Sale : it must have price  
Bailment : it may be even gratuitous

### **17. Explain the capacity of parties?**

According to sec 10, an agreement becomes a contract if it is entered into between the parties who are competent to contract. Incapacity makes a contract invalid and it is classified into

- Incapacity from status
  - a) Foreign sovereigns and ambassadors
  - b) Alien enemy
  - c) Convicts and under-trials
  - d) Insolvent
  - e) Profession
  - f) Companies
- Incapacity from mental deficiency
  - a) Minor
  - b) Drunkards and lunatics

### **18. Explain the rules regarding offer?**

- An offer must contain definite terms
- It must be intended to create or capable of creating legal relations
- It must be made in order to get the assent of the other
- It must be distinguished from quotation
- It may be made either by words or by conduct
- It may be made to any particular person or persons in general

**19. What are the essentials of a valid acceptance?**

- It must be by the offeree or by his authorized agent
- It must be absolute and unqualified
- It must be communicated to the offerer
- It must be in the mode prescribed by the offerer
- It must be made within a reasonable time
- It cannot be given before the offer is made
- It must be to fulfill the promise

**20. Explain the performance of contract?**

Time and place of performance:

- Where no time is fixed
- Where the time is fixed
- Where the application is required
- Where no place of performance is fixed

**21. State the essential features of bailment?**

- Delivery of goods
- Delivery of goods must be for some purpose
- Contract
- Return of goods
- Movable goods
- Possession

**22. Explain the various kinds of agents?**

- Agency by express agreement
- Agency by implied agreement
- Agency by estoppels
- Agency by holding out
- Agency by necessity
- Agency of rectification
- Agency by operation of law

**23. What are the essential elements of sales**

- Transfer of property
- It is an executed contract

- It creates rights in rem
- The goods must be specific and ascertained
- Right of re-sale
- Liability of sales tax

**24. Explain the rights of unpaid seller?**

- **Right against the goods**
  - a) Right of lien
  - b) Right of stoppage of goods in transit
  - c) Right of resale
  - d) Right of withholding delivery
- **Rights against the buyer personally**
  - a) Suit for price
  - b) Suit for damages for non-acceptance
  - c) Suit for repudiation
  - d) Suit for interest

**25. Explain various types of endorsement?**

- Blank endorsement
- Special endorsement
- Partial endorsement
- Restrictive endorsement
- Conditional endorsement

**26. What are features of negotiable instruments?**

- Easy negotiability
- Title
- Recovery
- Transfer
- Contract
- Presumptions
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## PART – C

### 10 MARK Q UESTIONS:

**1. Discuss the essential of a valid tender?**

- It must be unconditional
- It must be for the whole performance
- It must be made by a proper person
- It must be at the proper time and place
- It must be in the proper form
- It may be made to any one of the joint promises
- It must be to a proper person

**2. Explain the rights of surety?**

- right of subrogation
- right to claim indemnity
- Right to demand for relief
- Right for securities
- Right to claim set-off
- Right of request to sue the debtor
- Right to contribution
- Right for benefit of securities

**3. Explain express and implied conditions and warranties in a contract of sale?**

- Condition as to the title of goods
- Condition that the sale of goods shall correspond with description
- Condition that the sale of goods corresponds with the sample condition that the goods will be suitable for a particular purpose
- Condition as to the merchantable quality of goods or fitness
- Implied warrenty as to quite possession
- Implied warranty as to free from charges and encumbrances

**4. Define cheque. Explain its features:**

“ a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand”

## **FEATURES OF CHEQUE:**

- It is always drawn on a specified banker
- It is always payable on money

### **5. Discuss the classification of contracts?**

- Classification on the basis of validity
  - a) Valid contracts
  - b) Void contracts
  - c) Voidable contracts
  - d) Illegal contracts
  - e) Unenforceable contracts
- On the basis of formation
  - a) Express contracts
  - b) Tacit or implied contracts
  - c) Quasi contracts
- On the basis of performance
  - a) Unilateral contracts
  - b) Bilateral contracts
  - c) Executed contracts
  - d) Executor contracts

### **6. What are the exceptions for sale by non-owners?**

- Sale by a mercantile agent
- Sale by joint owner
- Sale by a person possessing the goods under a voidable contract
- Sale under the implied authority of the owner or estoppels
- Sale by a seller who is in possession of goods after the sale
- Sale by unpaid vendor

### **7. What are the rules regarding the consideration?**

- Consideration must move at the desire of the promisor
- It must move from the promisee
- It may be past present or future
- It need not be adequate
- It must be real, lawful, competent and not illusory

**8. Explain the different types of quasi contracts?**

- Claim for necessaries supplied to a person incapable of entering into a contract
- Re-imburement of person paying money due by another in payment of which he is interested
- Obligation of person enjoying benefit of non-gratuitous act
- Obligation of the finder of lost goods
- Liability of a person to whom money is paid or thing delivered by mistake or under coercion
- Quantum-meruit

**9. What is the difference between sale and agreement to sell?**

- Nature of contract
- Transfer of ownership
- Loss
- Breach of contract
- Re-sale
- Insolvency of the seller
- Insolvency of the buyer

**10. What are the different types of crossing?**

- General crossing
- Special crossing
- Restrictive crossing
- Not negotiable crossing