

Department of Commerce (CA)

Semester: 3

BUSINESS LAW

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UNIT 1

Law - Meaning and object - Sources of Law -
Essentials of Contract - Offer and Acceptance -
Legality of object - Consideration - Void
Agreement.

REFERENCE Book used to prepare material

BUSINESS LAW

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UNIT 1Meaning of Law:

Law is the body of principles recognised and applied by the State in the administration of justice

Objects of Law:

- ① To establish socio-economic justice
- ② To remove the imbalance
- ③ To bring about the welfare of community
- ④ To maintain peace and order in country
- ⑤ To achieve socio-economic goals

Sources of Law:

- 1) English Mercantile law →
 - ① Common law
 - ② Equity
 - ③ Justice
- 2) Law of Merchant
- 3) Roman Law
- 4) Case Law
- 5) Statute Law
- 6) Judicial Decisions
- 7) Customs and usage

Contract:

Every agreement or promise enforceable at law is contract.

Essentials of Contract as per the Indian Contract Act 1872

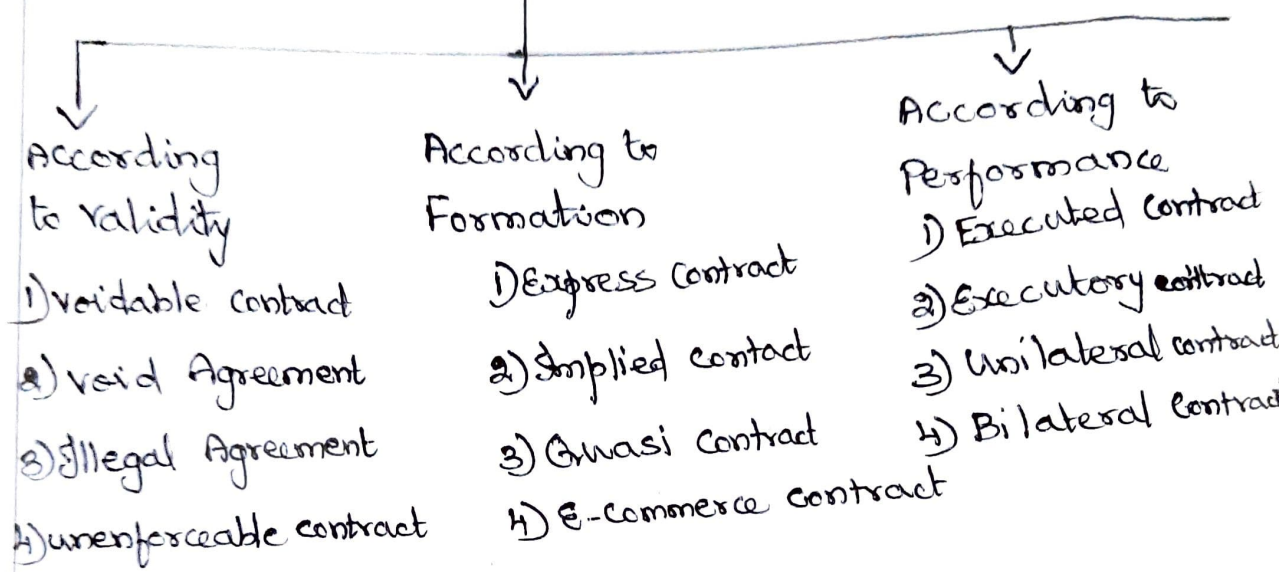
1) Offer and acceptance

2) Intention to create legal relationship

3) Lawful consideration

- 4) Legal formalities
- 5) Capacity of parties
- 6) Free and genuine consent
- 7) Lawful object
- 8) Agreement not declared void
- 9) Certainty and possibility of performance

Classification of Contract



OFFER

Meaning:

A person 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."

Parties to Offer - There are 2 parties

- 1) Offeror or proposer or promiser is the person who is making an offer.
- 2) Offeree or proposee or promisee is the person to whom the offer is made.

Legal rules regarding offer

- 1) Offer must be capable of being accepted
- 2) Terms of offer must be definite and certain
- 3) An offer must be distinguished from
 - a) a declaration of intention and announcement
 - b) an invitation to make an offer
- 4) Offer must be communicated
- 5) Offer must be made with a view to obtaining the assent
 - a) Offer should not contain a term the non-compliance of which may be assumed to amount to acceptance
- 7) A statement of price is not an offer

ACCEPTANCE

It is the act of assenting by the offeree to an offer.

Types of offer: ① Express offer ② Implied Offer

Legal rules as to acceptance

- 1) It must be absolute and unqualified
- 2) It must be communicated to the offeror
- 3) It must be according to the mode prescribed
- 4) It must be given within a reasonable time
- 5) It cannot precede an offer

- 6) It must show an intention on the part of the acceptor to fulfill terms of the promise.
- 7) It must be given by the party to whom offer is made.
- 8) It must be given before the offer lapses.
- 9) It cannot be implied from silence.

Legality of Object

The object of the agreement should be legal otherwise it is unenforceable when object is unlawful.

- 1) If it is forbidden by law
- 2) If it defeats the provisions of law
- 3) If it is fraudulent
- 4) If it involves injury to the person or property
- 5) If the court regards it as immoral
- 6) If the court regards it as opposed to public policy

CONSIDERATION

It is "something in return". It is the price for which the promise of other is bought and the given promise for value is enforceable.

Legal rules as to consideration

- 1) It must move at the desire of the promisee
- 2) It may move from the promisee
- 3) It may be an act, abstinence or a return
- 4) It may be past, present or future
- 5) It need not be adequate
- 6) It must be real not illusory
- 7) It must be something which the promisee is not already bound to do.
- 8) It must not be illegal, immoral or opposed to public policy.

Exceptions to the rule Contract without consideration is void

1. Love and affection
2. Compensation for voluntary services
3. Promise to pay time barred debt
4. Completed gift
5. Agency
6. Charitable subscription

VOID AGREEMENT

It is not enforceable by law. It does not give rise to any legal consequences. The following are examples:

1. Agreements by incompetent parties
2. Agreements made under a mutual mistake
3. Agreements the object is unlawful
4. Agreements made without consideration
5. Agreements in restraint of marriage
6. Agreements in restraint of trade
7. Agreements in restraint of legal proceedings
8. Agreements the meaning of which is uncertain.
9. Agreements by way of wagers.
10. Agreements to do impossible acts.
11. Agreements contingent or impossible events