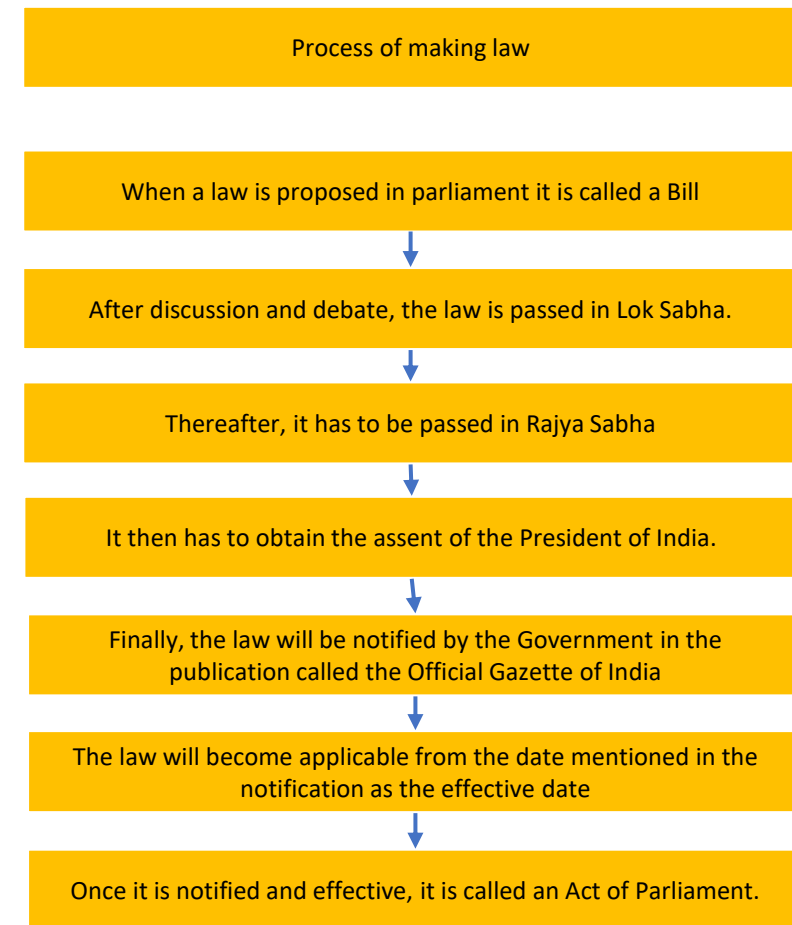
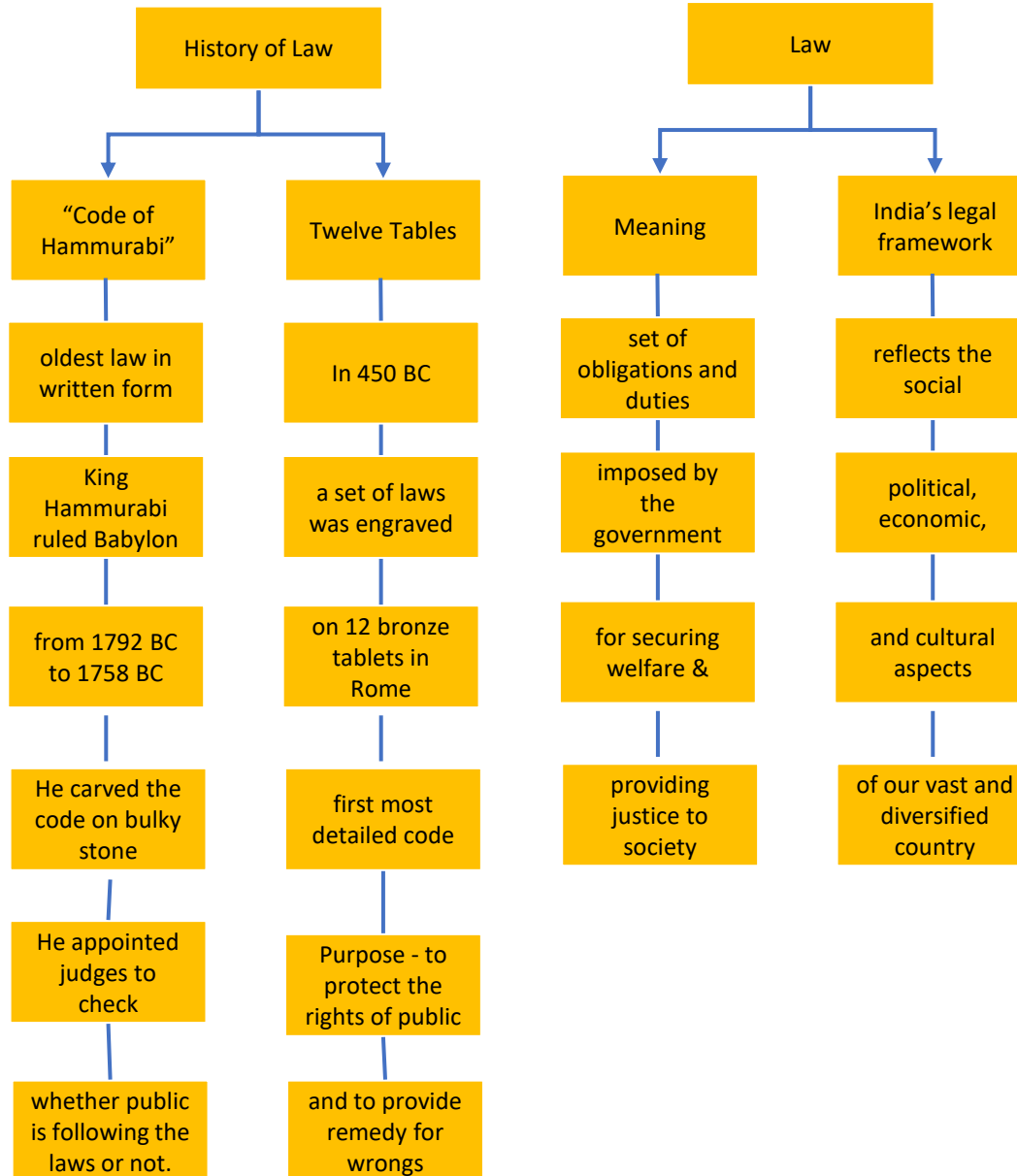


CA FOUNDATION – MARATHON NOTES

**FULL BUSINESS LAWS SUMMARISED
IN 100 PAGES ONLY**

**BY GURPREET SIR
VISHWAS CA**

INDIAN REGULATORY FRAMEWORK





Sources of Indian Law

1. Constitution
2. Law made by Parliament and State Assemblies
3. Judicial Decisions
4. Established Customs and Usages

Constitution of India

1. Constitution which is the basis and source for all laws
2. The Government of India Act, 1935, passed by the Parliament of the United Kingdom is the precursor for the Constitution of India
3. 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.
4. It also lays down Fundamental duties as well as the powers and duties of Governments, both Central and State.
5. The people who wrote the Constitution decided to divide the law-making power between the Central Government and the various State Governments.
6. Constitution has 3 List Viz Central List, State List and Joint List
7. Income Tax is a Central subject
8. Levy of Stamp duty can be done by both Central and State Govt

Enforcing the Law

1. After a law is passed in parliament it has to be enforced
2. Somebody should monitor whether the law is being followed. This is the job of the executive
3. Depending on whether a law is a Central law or a State law the Central or State Government will be the enforcing authority.
4. For this purpose government functions are distributed to various ministries.
5. The Government of India exercises its executive authority through a number of Government Ministries or Departments of State
6. A Ministry is composed of employed officials, known as civil servants, and is politically accountable through a minister
7. 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.
8. For 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.

Ministries of Central Government

Ministry of Finance

1. The Ministry of Finance (Vitta Mantralaya) is a Ministry within the Government of India
2. It concerned with the economy of India, serving as the Treasury of India
3. It concerns itself with taxation, financial legislation, financial institutions, capital markets, centre and state finances, and the Union Budget
4. As a Chartered Accountant, many of your day-to-day work life will be impacted by this ministry and its proclamations
5. This Ministry is so important that many ministers have preferred to hold the portfolio of Finance Minister
6. One of the important functions of the Finance Ministry is the presentation of the Union Budget.
7. Union Budget provides for the rates of taxes and budget allocations for the ensuing year.
8. Apex controlling authority of 4 civil services & ICMAS
9. Departments
 - Department of Economic Affairs
 - Department of Expenditure
 - Department of Revenue
 - Department of Financial Services
 - Department of Investment and Public Asset management
 - Department of Public Enterprises

Ministry of Corporate Affairs

1. It is an Indian Government Ministry.
2. It is 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.
3. It is responsible mainly for the regulation of Indian enterprises in the industrial and services sector.
4. Ministry is mostly run by civil servants of the ICLS cadre
5. These officers are elected through the Civil Services Examination conducted by Union Public Service Commission.
6. The highest post, Director General of Corporate Affairs (DGCoA), is fixed at Apex Scale for the ICLS.

Ministry of Home Affairs

1. It is an Indian Government Ministry
2. As an interior ministry of India, it is mainly responsible for the maintenance of internal security and domestic policy.
3. The Home Ministry is headed by Union Minister of Home Affairs
4. Departments
 - Department of Border Management
 - Department of Internal Security
 - Department of Home
 - Department of Jammu, Kashmir and Ladakh Affairs
 - Department of States
 - Department of Official Language
 - ❑ Central Translation Bureau
 - ❑ Central Hindi Training Translation
 - ❑ Directorate of Census Operations

Ministry of Law & Justice

1. It is an Indian Government Ministry
2. Department of Legal Affairs is concerned with advising the various Ministries of the Central Government while the Legislative Department is concerned with drafting of principal legislation for the Central Government.
3. Deals with
 - management of the legal affairs, through the Department of Legal Affairs
 - legislative activities through the Legislative Department
 - administration of justice in India through the Department of Justice
4. Departments
 - Department of Legal Affairs
 - Legislative Department
 - Department of Justice

Statutory Authorities

Securities and Exchange Board of India (SEBI)

1. is the regulatory body
2. for securities and commodity market in India
3. under the ownership of Ministry of Finance within the Government of India
4. was established on 12 April, 1988 as an executive body
5. was given statutory powers on 30 January, 1992 through the SEBI Act, 1992.

Reserve Bank of India (RBI)

1. is India's Central Bank and regulatory body
2. responsible for regulation of the Indian banking system.
3. under the ownership of Ministry of Finance, Government of India.
4. responsible for the control, issue and maintaining supply of the Indian rupee.
5. Bharatiya Reserve Bank Note Mudran (BRBNM) is a specialised division of RBI 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).
6. manages the country's main payment systems and works to promote its economic development.
7. established the National Payments Corporation of India as one of its specialised division to regulate the payment and settlement systems in India.
8. Deposit Insurance and Credit Guarantee Corporation was established by RBI as one of its specialised division for the purpose of providing insurance of deposits and guaranteeing of credit facilities to all Indian banks.

Insolvency and Bankruptcy Board of India (IBBI)-

1. It is the regulator for overseeing insolvency proceedings and entities like Insolvency Professional Agencies (IPA), Insolvency Professionals (IP) and Information Utilities (IU) in India.
2. It was established on 1 October 2016 and given statutory powers through the Insolvency and Bankruptcy Code, which was passed by Lok Sabha on 5th May 2016.
3. It covers Individuals, Companies, Limited Liability Partnerships and Partnership firms. The new code will speed up the resolution process for stressed assets in the country.
4. It attempts to simplify the process of insolvency and bankruptcy proceedings
5. It handles the cases using two tribunals like NCLT (National company law tribunal) and Debt recovery tribunal.

Function of Indian Judiciary System

1. Regulation of Interpretation of Acts and Codes
2. Dispute Resolution
3. Promotion of Fairness among the citizens of the land

Note :- When there is dispute between citizens or between citizens and the Government, these disputes are resolved by the judiciary

Structure of Indian Judicial System

Supreme Court

1. Supreme Court is the apex body of the judiciary
2. It was established on 26th January, 1950
3. The Chief Justice of India is the highest authority appointed under Article 126
4. The principal bench of the Supreme Court consists of seven members including the Chief Justice of India
5. Presently, the number has increased to 34 including the Chief Justice of India due to the rise in the number of cases and workload
6. An individual can seek relief in the Supreme Court by filing a writ petition under Article 32.

High Court

1. The highest court of appeal in each state and union territory is the High Court
2. Article 214 of the Indian Constitution states that there must be a High Court in each state
3. The High Court has appellate, original jurisdiction, and Supervisory jurisdiction.
4. However, Article 227 of the Indian Constitution limits a High Court's supervisory power
5. In India, there are twenty-five High Courts, one for each state and union territory, and one for each state and union territory. Six states share a single High Court.
6. An individual can seek remedies against violation of fundamental rights in High Court by filing a writ under Article 226.

District Court

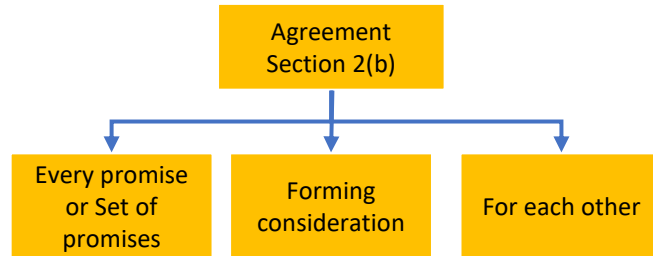
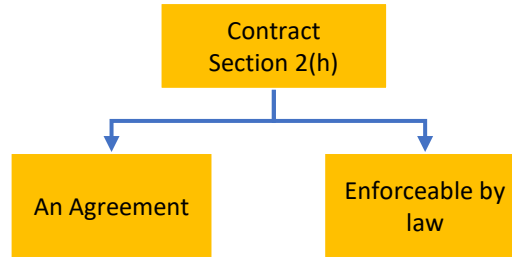
1. Below the High Courts are the District Courts
2. The Courts of District Judge deal with Civil law matters
3. The Courts of Sessions deal with Criminal matters.
4. Under pecuniary jurisdiction, a civil judge can try suits valuing not more than Rupees two crore.
5. Jurisdiction means the power to control. 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.

Metropolitan Courts

1. Metropolitan courts are established in metropolitan cities in consultation with the High Court where the population is 10 lakh or more.
2. Chief Metropolitan Magistrate has powers as Chief Judicial Magistrate
3. Metropolitan Magistrate has powers as the Court of a Magistrate of the first class.

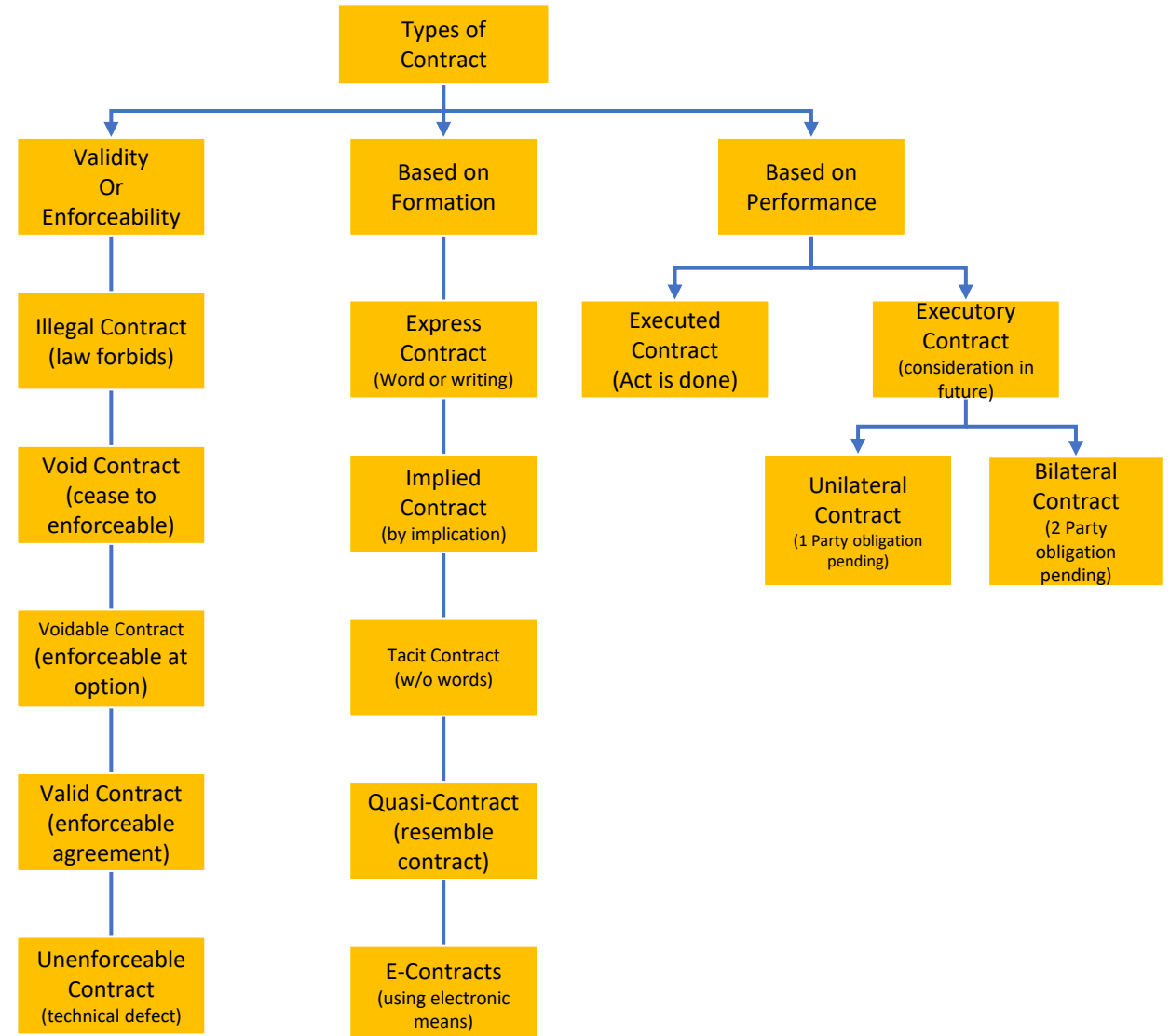
THE INDIAN CONTRACT ACT, 1872

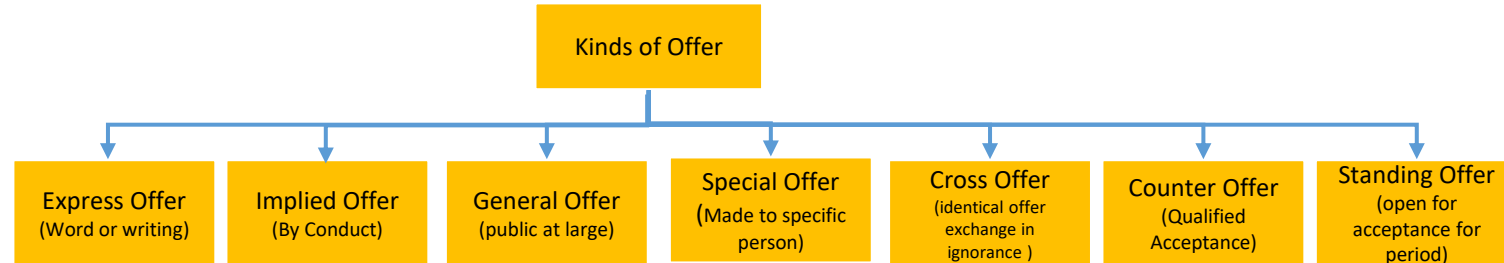
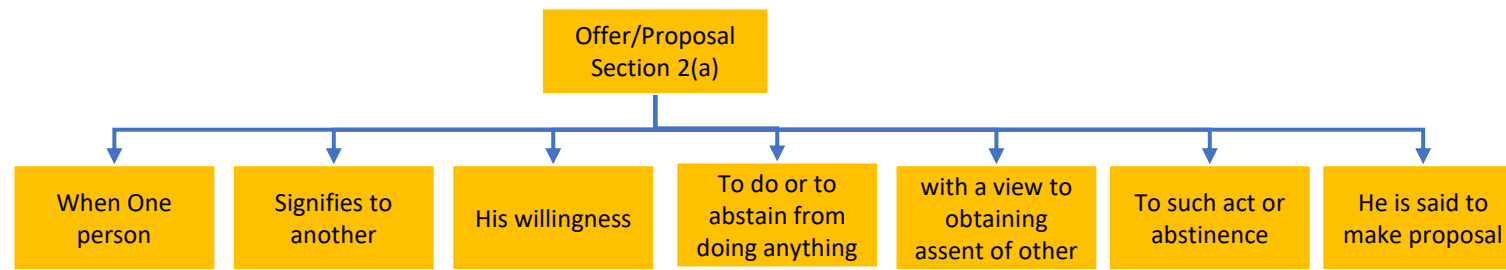
UNIT 1 & 2



Section 10 – Essentials of Contract (C2L2AN)	Other than Section 10 – Essentials of Contract – (COP3)
Free C onsent	C ertainty of meaning
C ompetency of the Parties	O ther Formalities to be complied
L awful Consideration	P ossibility of Performance
L egal Object	P arties intend to create legal relation
A greement	2 P arties
N ot expressly declared Void	

All Contracts are agreements but all agreements are not contract

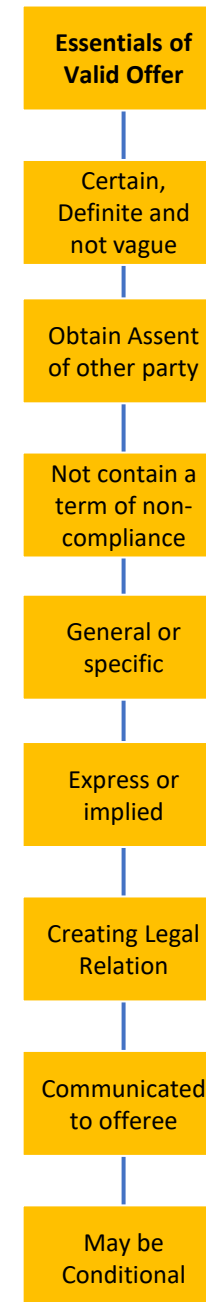


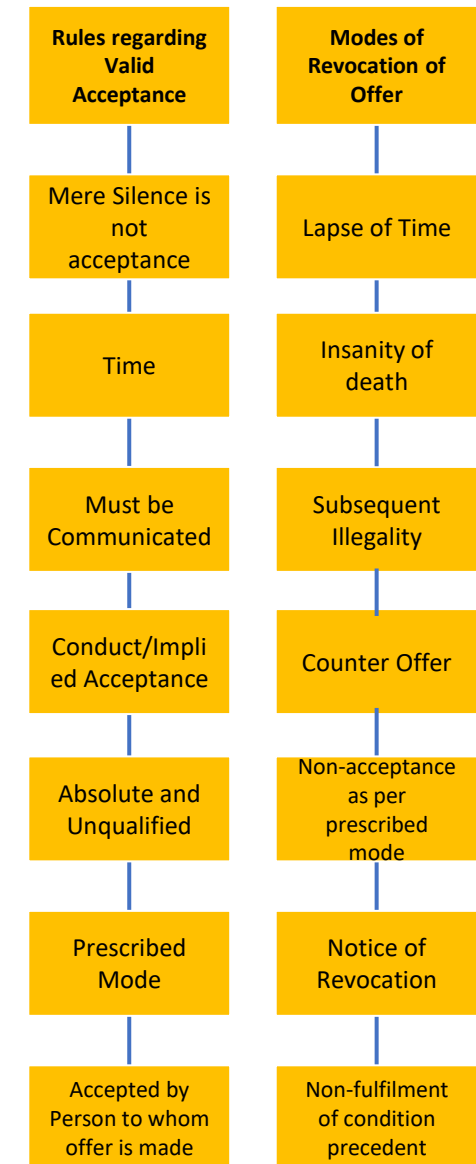
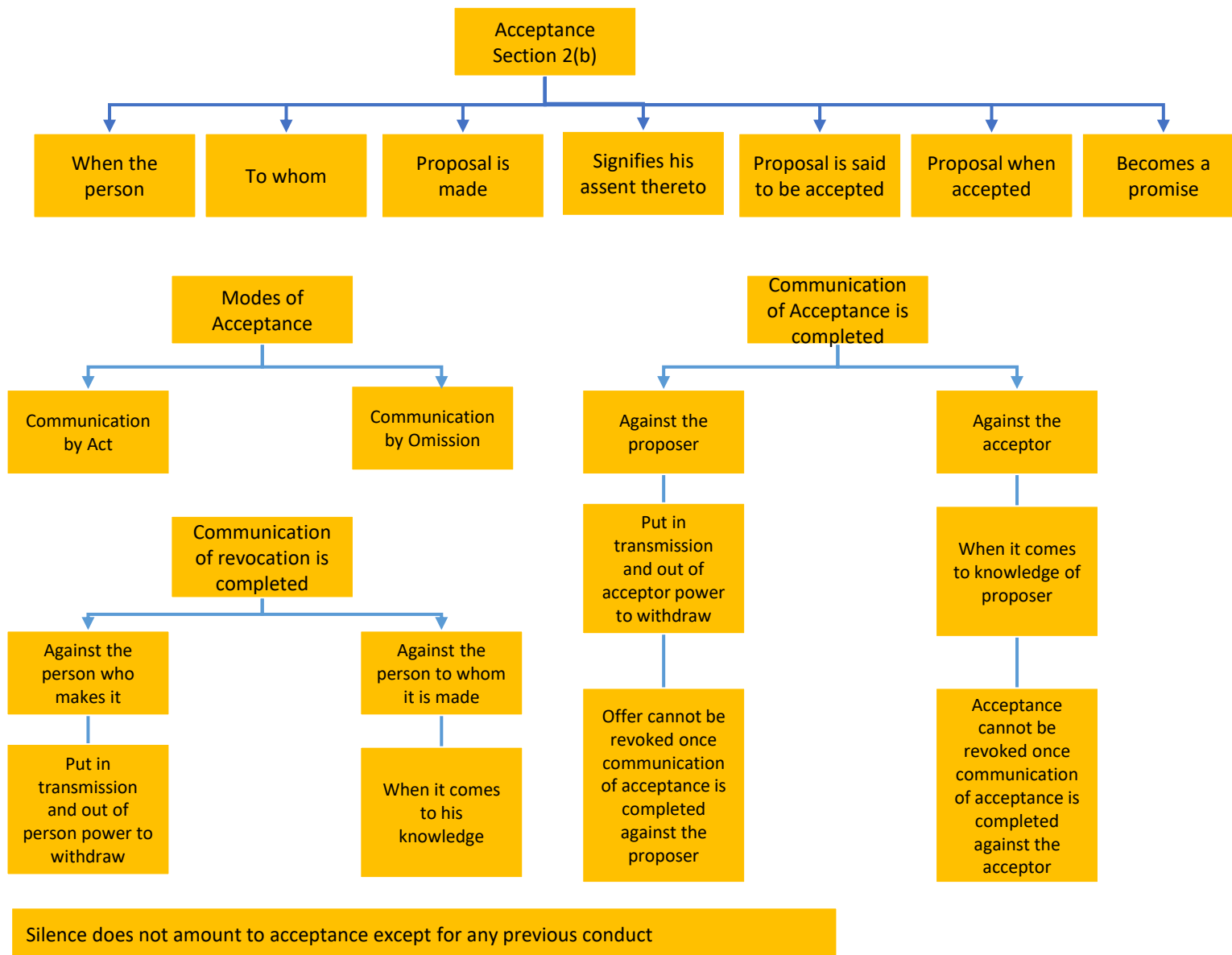


Examples of Invitation to Offer :-	Offer is different from :-
Invitation by company to public for subscribing its shares	Statement of Intention
Display of Goods for sale in shop	Statement of Price
Advertisement of Auction Sales	Statement of Announcement
Price Quotation in reply to query of price Menu card/price tags etc.	Invitation to Offer

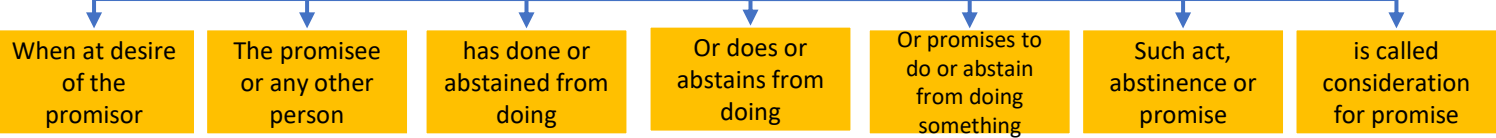
Communication of offer is complete when it comes to the knowledge of the person to whom it is made

Advertisements are Invitation to offer except it is announced in the form of reward. Then it is considered as General Offer

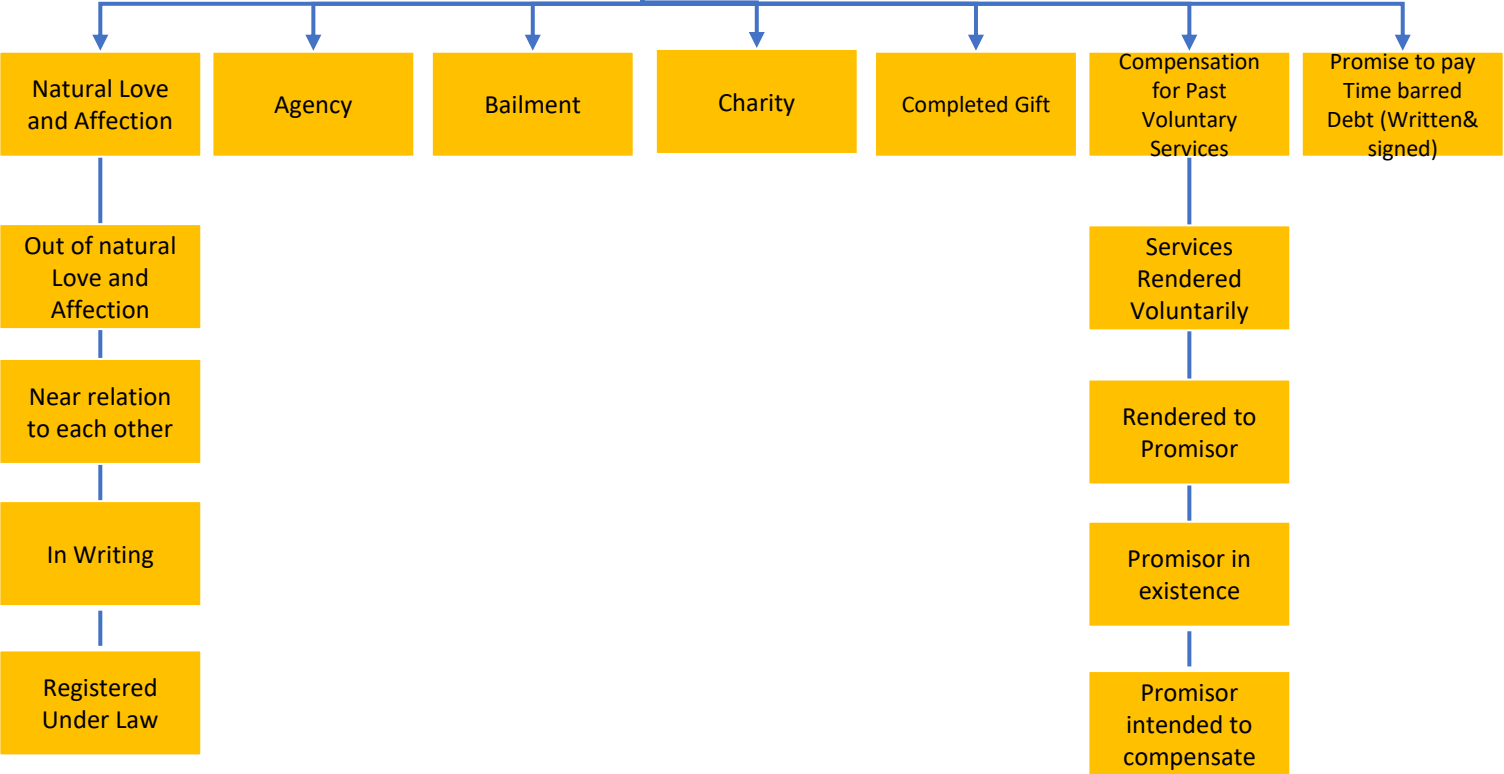




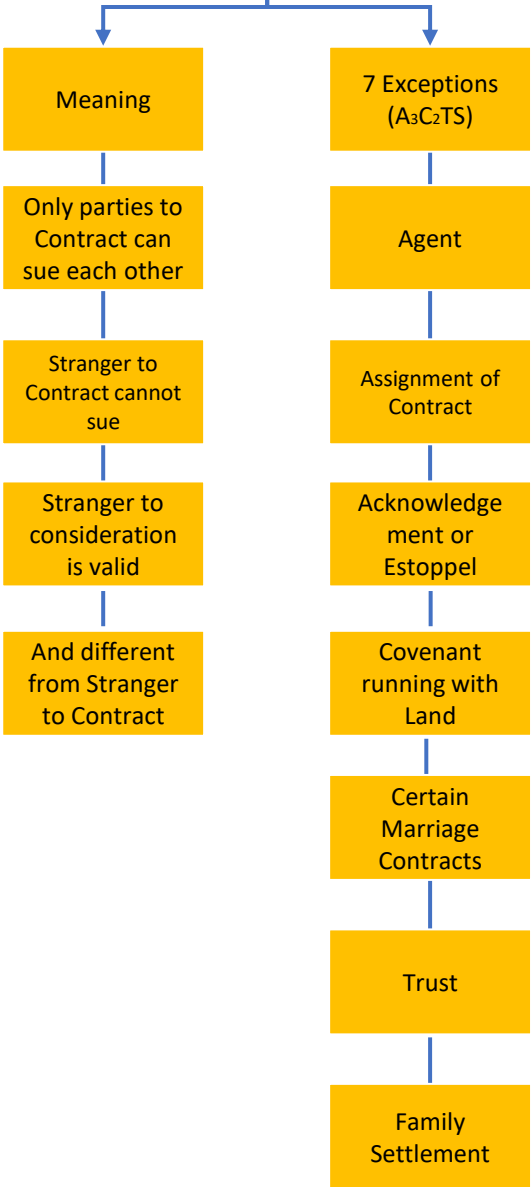
Consideration
Section 2(d)



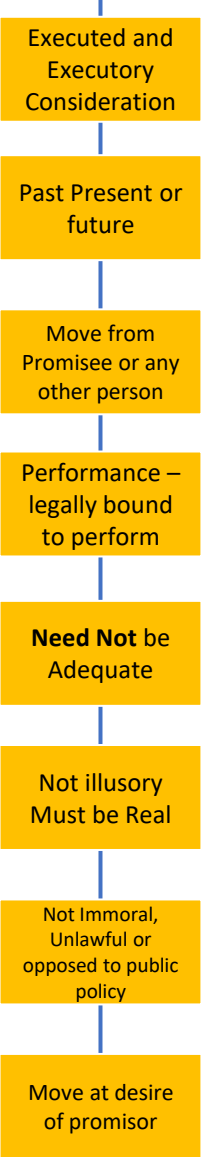
Exception to No
Consideration No
Contract Rule
(Natural ABC₃D)



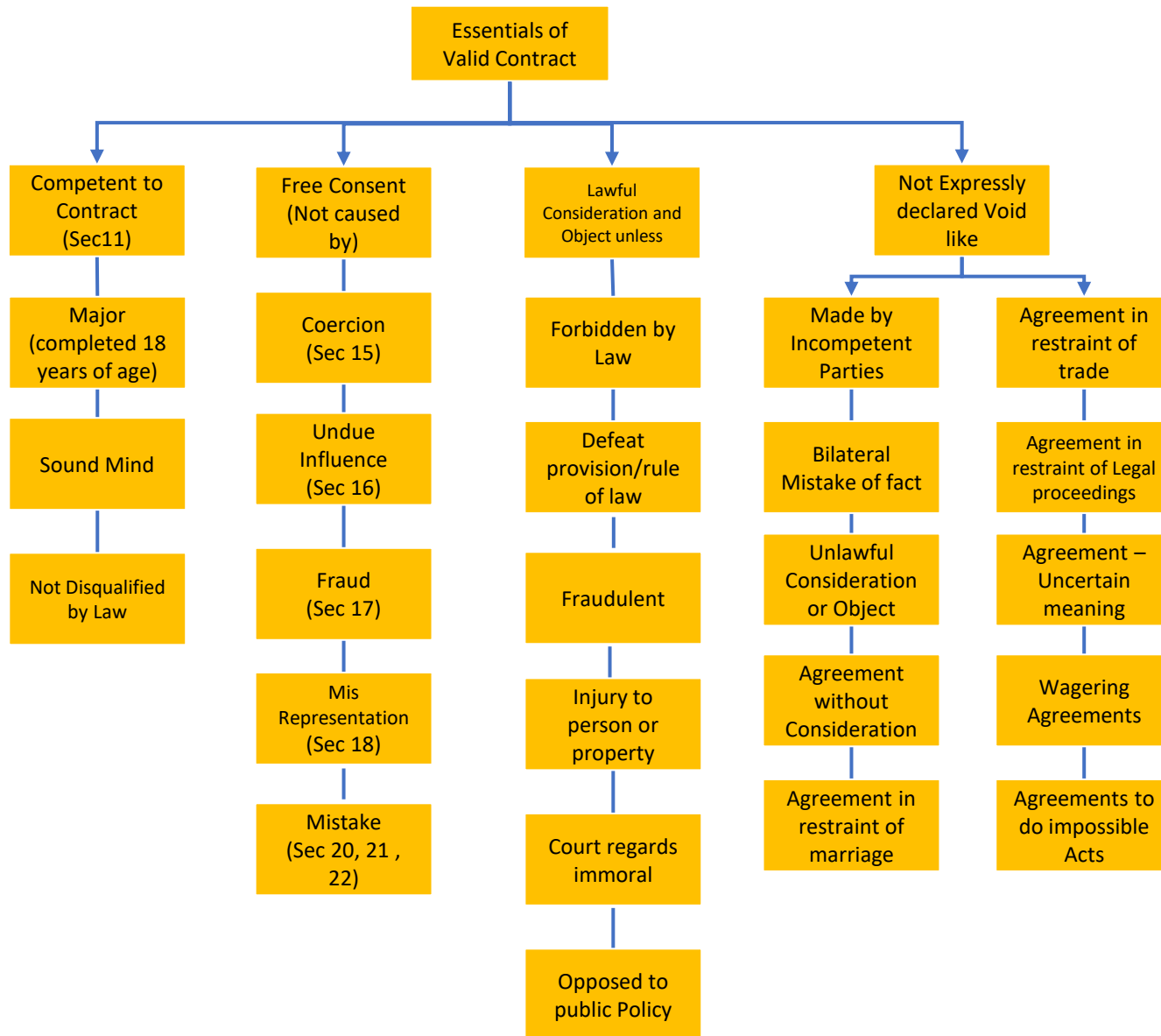
Doctrine of
privity of
Contract



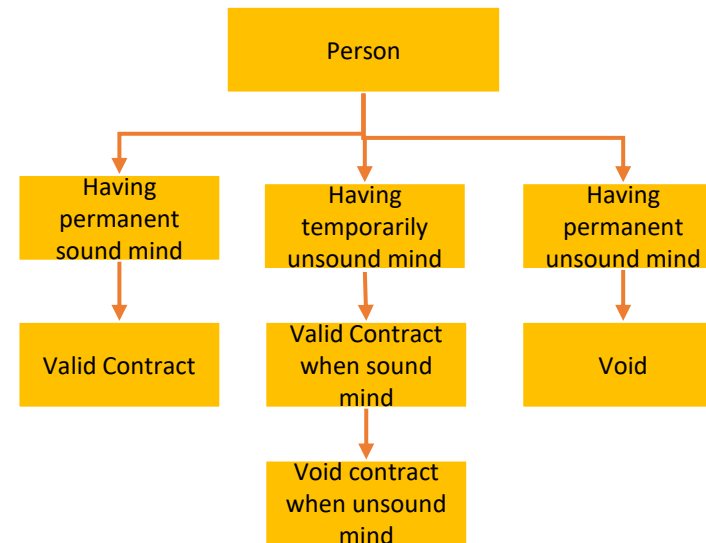
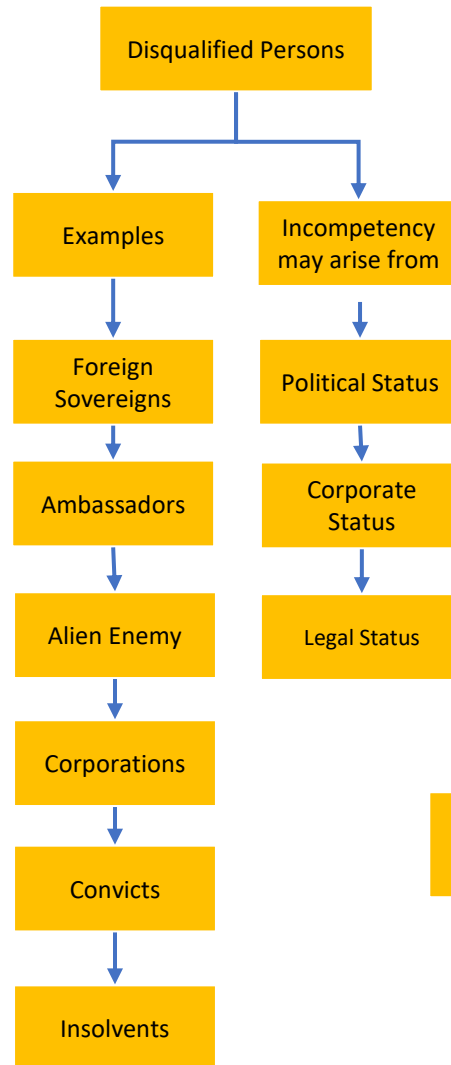
Rules regarding
Consideration



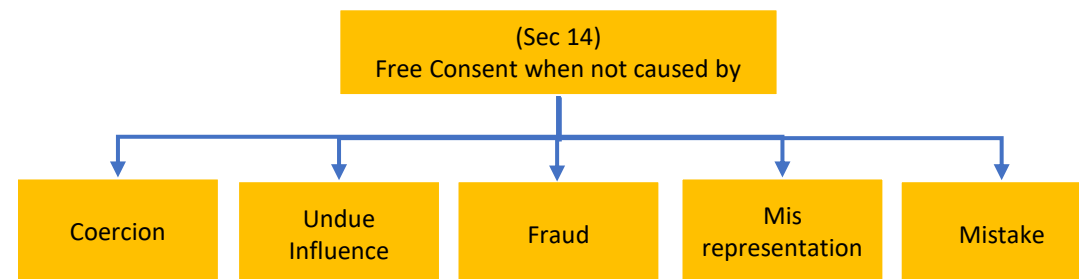
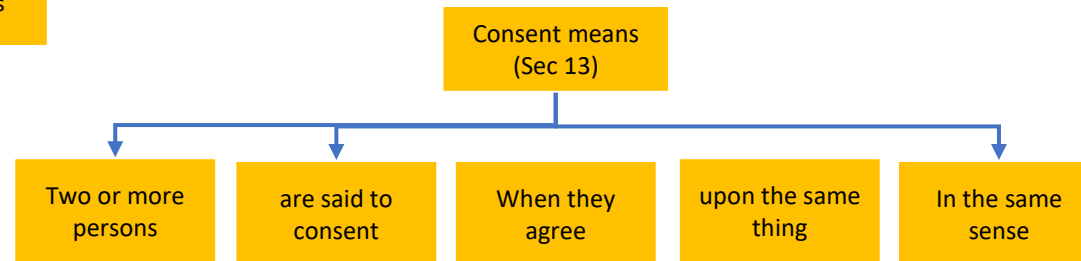
UNIT 3

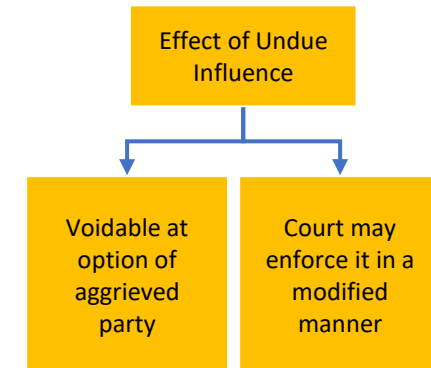
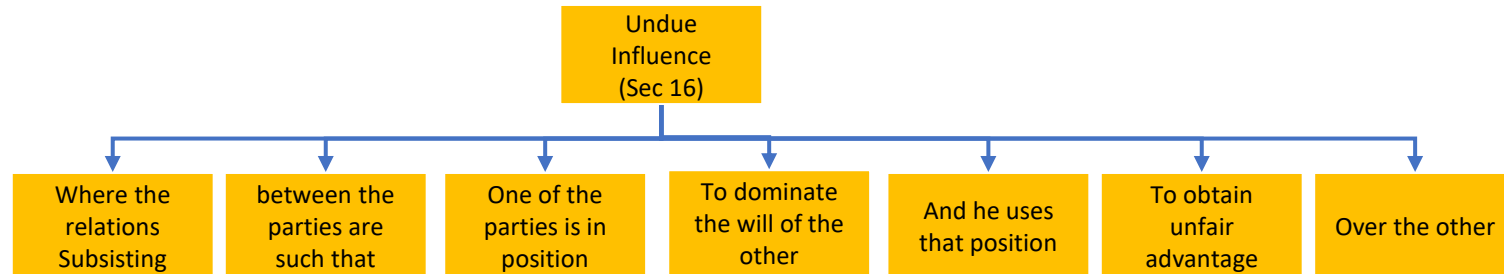
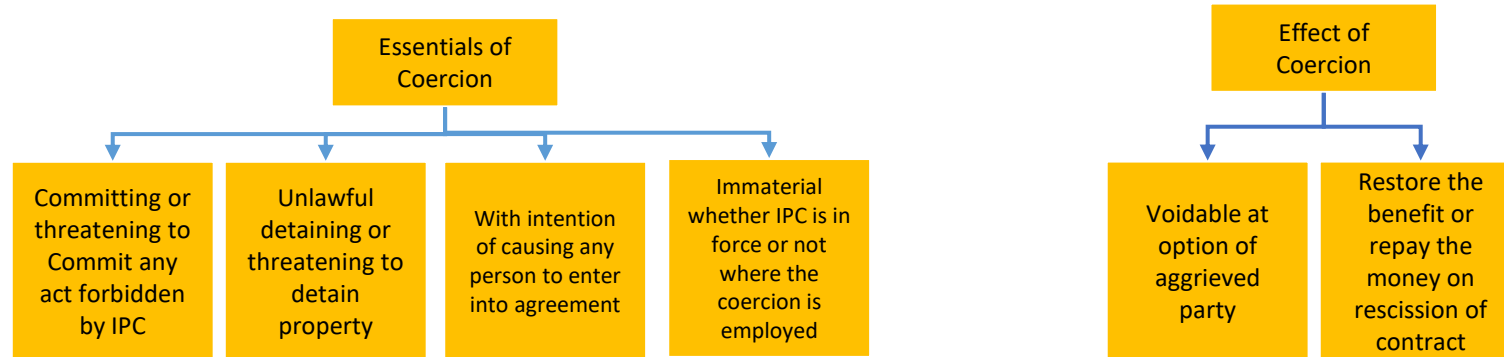
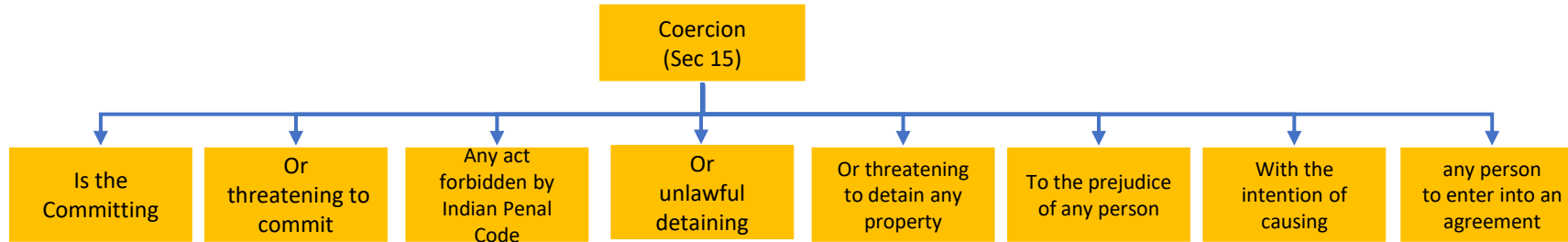


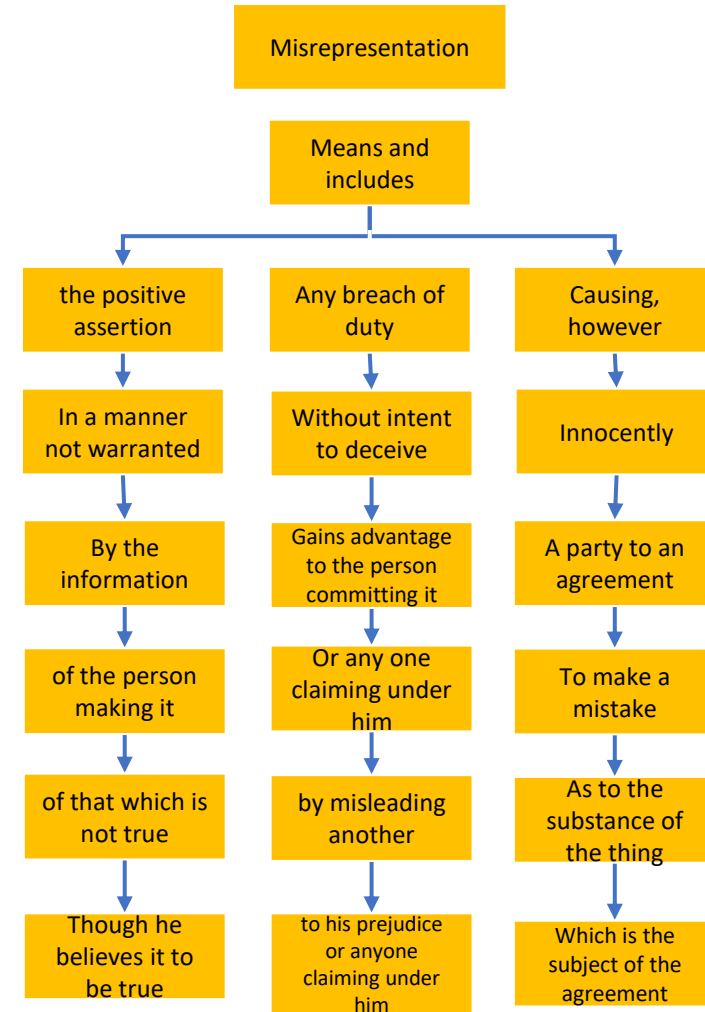
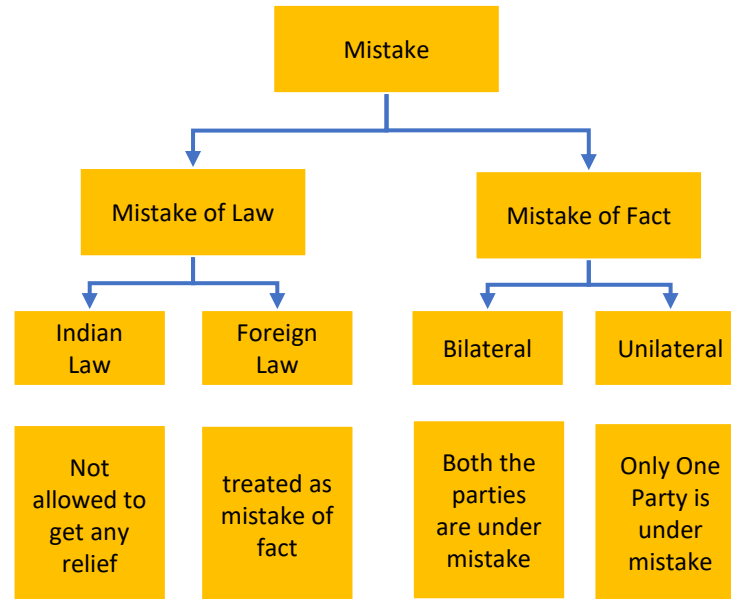
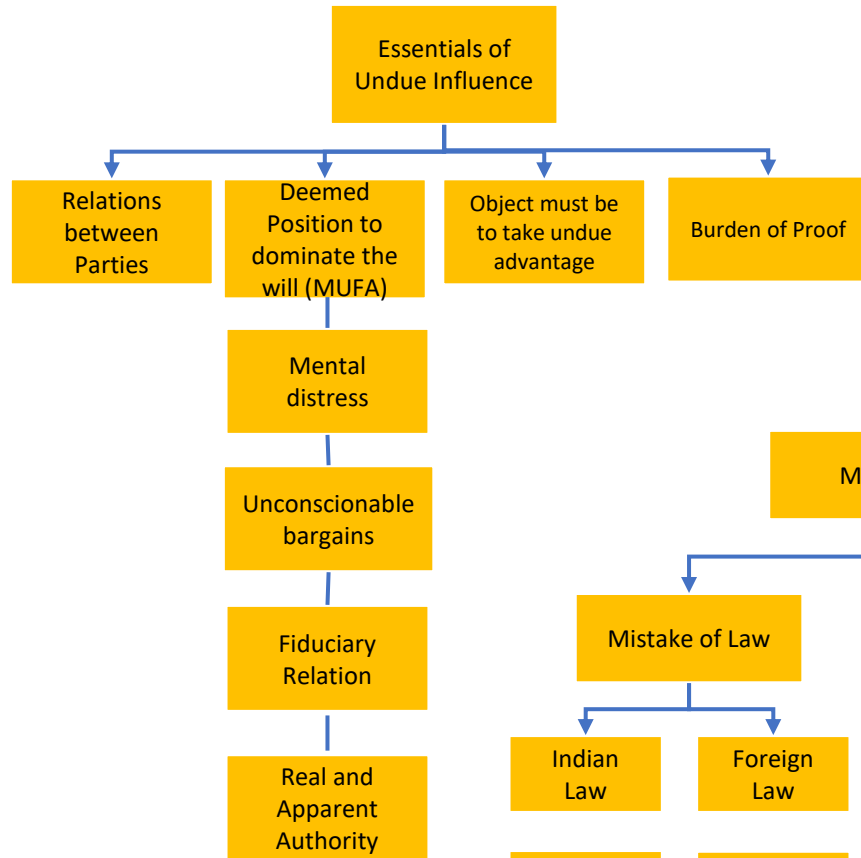
Minor – Age of majority is regulated by Indian Majority Act, 1875	Every person domiciled in India who not completed as 18 years of age will be termed as minor
Contract with Minor is Void ab initio	Guardian can enter into contract for benefit of minor
No ratification after attaining majority	Minor is not liable for specific performance
Minor can be beneficiary or take benefit out of contract	Minor cannot become a partner in partnership
Promissory note can be made in favour of Minor	Minor can be admitted to benefits of partnership with consent of all partners
Minor is liable for torts (civil wrong)	Minor cannot be declared insolvent
For Necessaries, Minor's estate is liable but he is not personally liable	Minor can become agent but not liable to principal
Minor cannot bind guardian or parent	Adult will be liable in case of joint promise by Minor and adult
Minor cannot become shareholder of the Company. Company will remove name of minor from member register if he mistakenly becomes a member	Surety (adult) of minor is directly liable to third party
However through legal guardian, minor can become shareholder of fully paid shares by transfer or transmission.	Minor can always plead minority even when earlier he falsely represent himself as major. Reule of estoppel not applicable

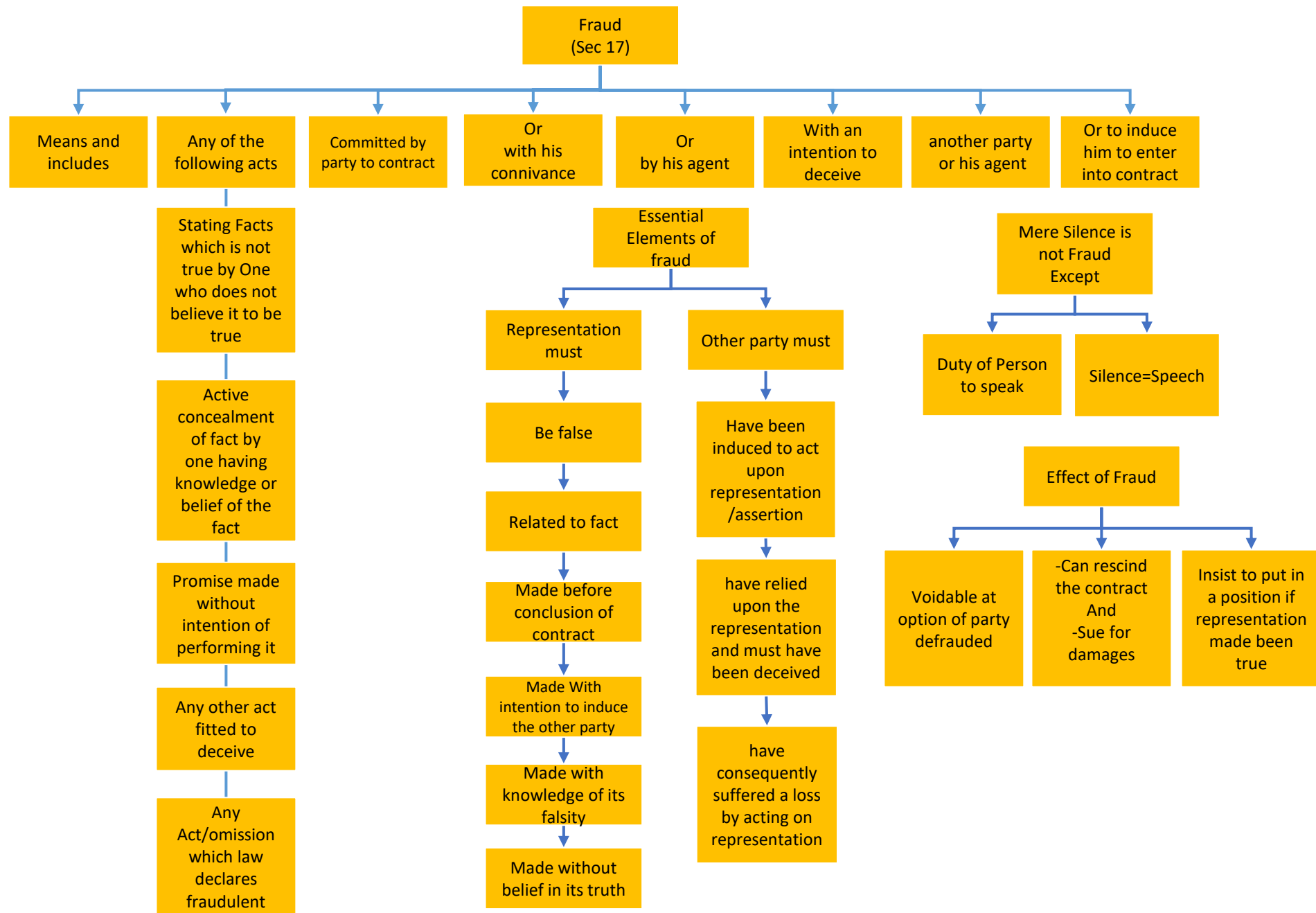


List of Voidable Contracts	
1.	Where consent is not Free due to a) Coercion b) Fraud c) Misrepresentation d) Undue influence
2.	Party preventing event on which the contract is to take effect (Sec 53)
3.	Effect of failure to perform at fixed time, in which time is essential (Sec 55)



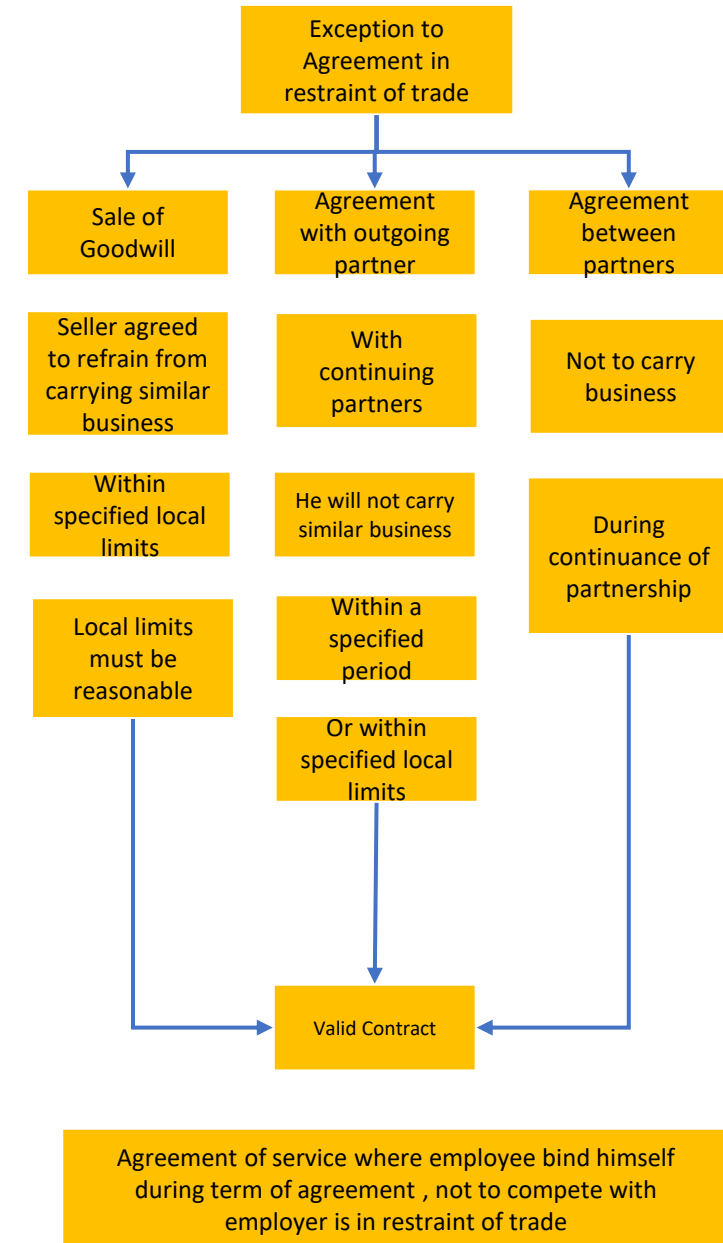


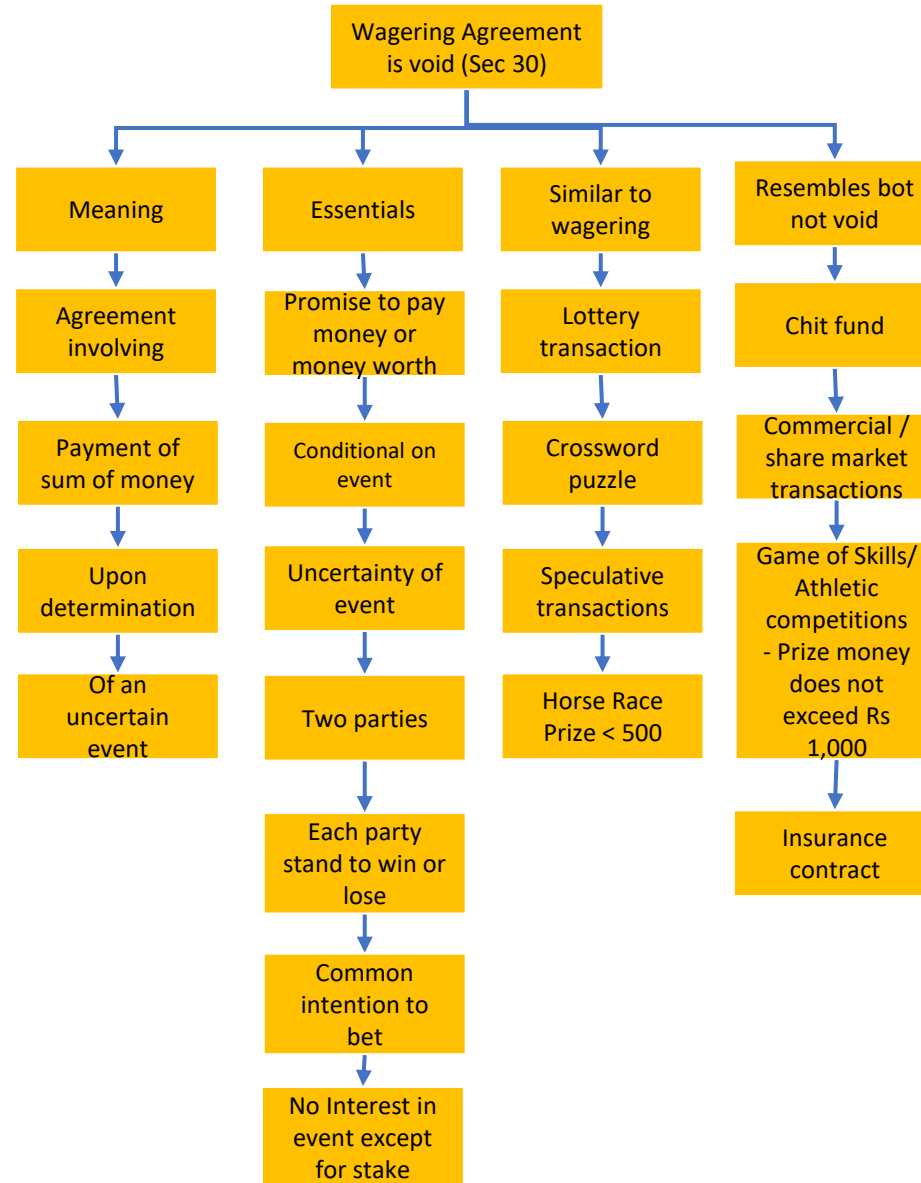




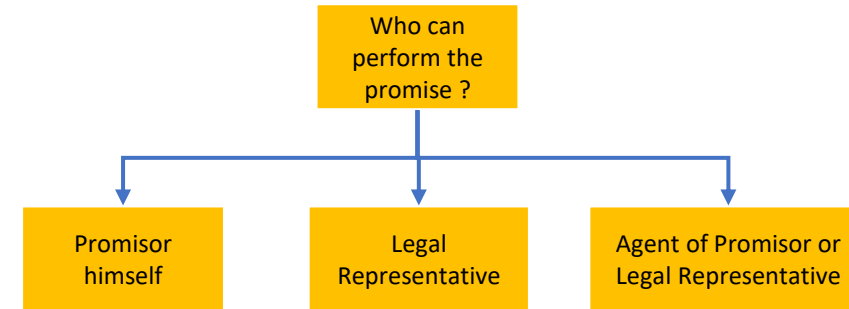
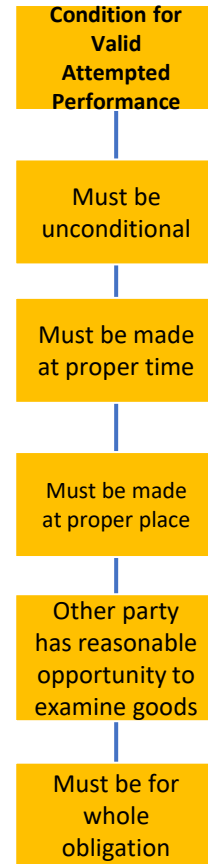
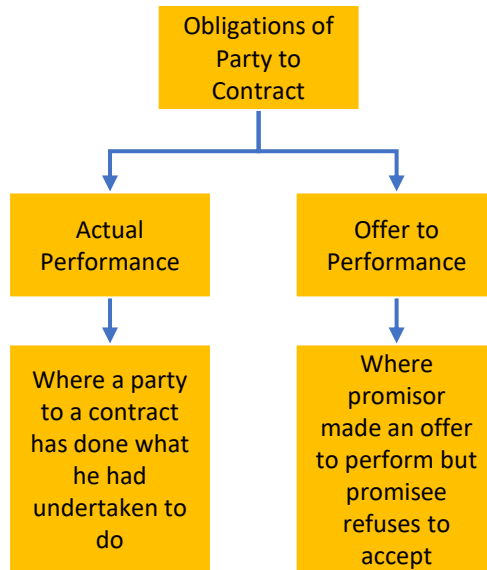
List of Agreements where consideration or object is unlawful	
1.	Forbidden by Law
2.	Defeat the provisions of Law
3.	Fraudulent
4.	Involves injury to the person or property of another
5.	Court regards it as immoral
6.	Opposed to Public Policy (9 Cases)

List of Void Agreements	
1. Made by incompetent parties (Section 11)	6. Agreement in restraint of marriage (Section 26)
2. Agreements made under Bilateral mistake of fact (Section 20)	7. Agreements in restraint of trade (Section 27)
3. Agreements the consideration or object of which is unlawful (Section 23)	8. Agreement in restraint of legal proceedings (Section 28)
4. Agreement the consideration or object of which is unlawful in parts (Section 24)	9. Agreement the meaning of which is uncertain (Section 29)
5. Agreements made without consideration (Section 25)	10. Agreements to do impossible Acts (Section 30)
	11. Wagering Agreement (Sec 30)





UNIT 4

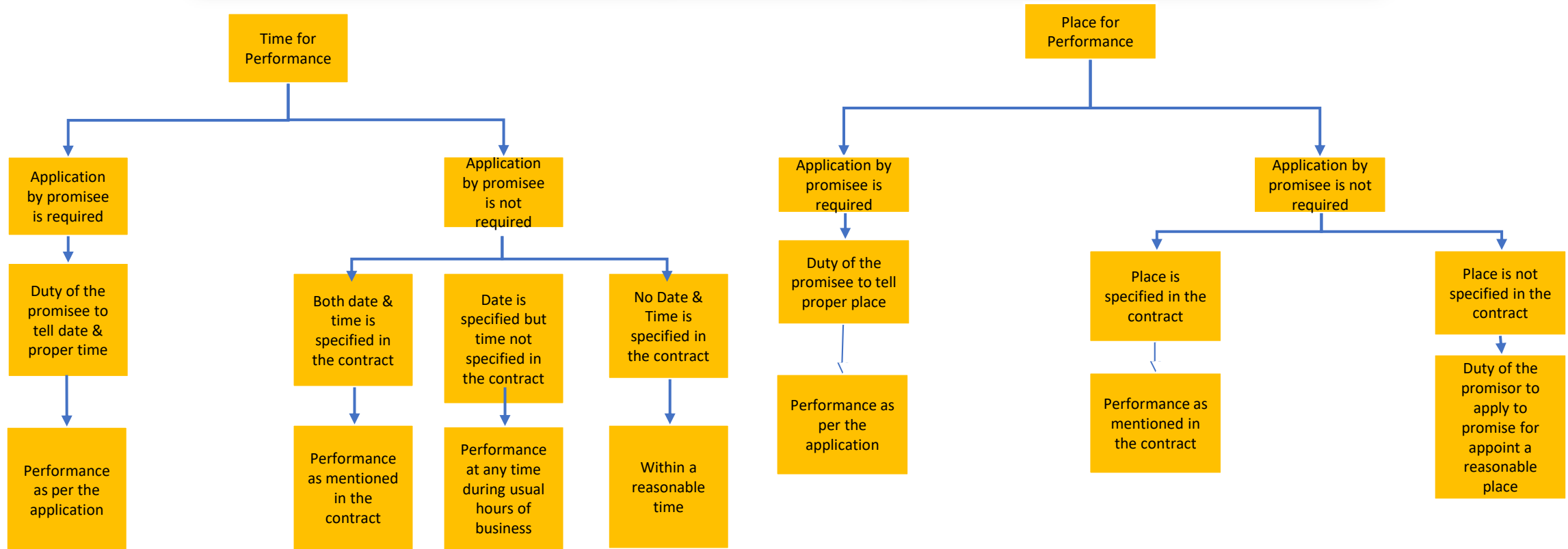


In case contract involves personal skills, then it can be performed by promisor only

If promisee accepts whole or part of promise from third party then it cannot claim the same from promisor

Succession	Assignment
Succeeded by law	Voluntarily
Both Burden and benefits get devolve on legal heir	Only benefits can get assigned to assignee and not the liabilities thereunder
Ex :- A son becomes owner of estate of his father after his death	Ex :- Creditors assigns the benefit of a promise, he thereby entitles the assignee to realise the debt from the debtor
Liability of son is limited to the extent of the property inherited by him	In case of personal consideration, benefit cannot be assigned.

Time & Place for Performance of the Contract (Sec 46 to 50)



Joint Promisor & Promisee

Devolution of Join Liabilities (Sec 42 to Sec 44)	Devolution of Joint Rights (Sec 45)
When two or more persons have made a joint promise, then all such persons during lives, must jointly perform the promise	When a person has made a promise to two or more persons jointly, then unless a contrary intention appears from the contract, the right to claim performance rests, as between him and them, with them during their joint lives, and after the death of any of them, with the representative of such deceased person jointly with the survivor or survivors, and after the death of the last survivor, with the representatives of all jointly
After the death of any of joint promisor, then legal representative jointly with the survivors must fulfil the promise	
In case of death of all the joint promisors, then legal representative of all joint promisors jointly must fulfil the promise	
Promise may compel any one or more of joint promisors to perform the whole of promise	
If one of the joint promisors is made to perform the whole contract, such Joint Promisor may compel other joint promisors to compel equally	
A release of one of such joint promisors by the promisee does not discharge the other joint promisors neither it does free the joint promisor from responsibility to the other joint promisors	
In case of default in contribution by the joint promisor(s), remaining joint promisors must bear the loss arising from such default in equal shares	

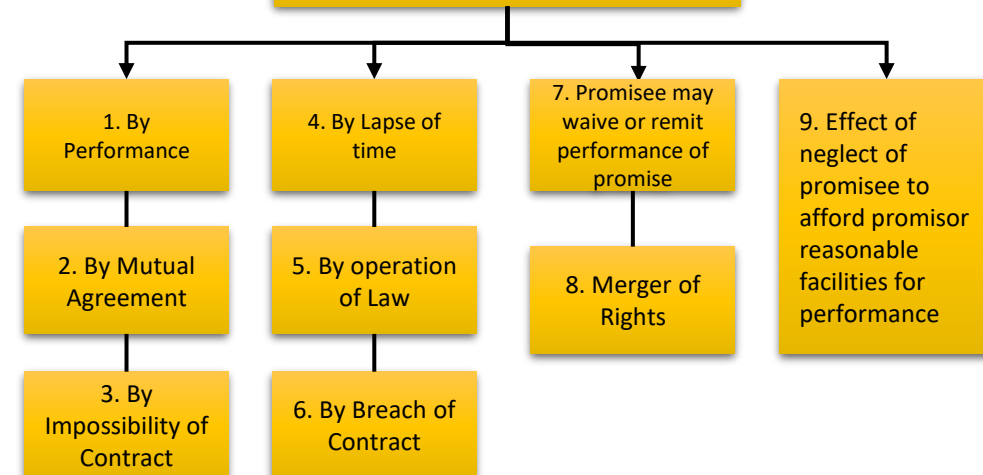
Sequence for Appropriation of Payments

Sec 59 :- At the time of payment, debtor has the right to expressly intimate regarding appropriation of payment or circumstances imply the payment to be adjusted against particular debt

Sec 60 :- If there is no intimation from debtor & no circumstances, then creditor can apply as per its choice to any debt including time barred debt but not against disputed debt.

Sec 61 :- Neither Debtor nor Creditor appropriated, then apply payment in order of time including time barred debts. If the debt are of equal standing then then apply proportionately

9 Ways to Discharge a Contract



Reciprocal promises to be performed simultaneously

Promisor need not perform his promise

Unless promisee ready and willing to perform his reciprocal promise

Order of performance of reciprocal promises

Expressly fixed in the contract

Perform in order as fixed in the contract

Not expressly fixed in the contract

Perform in order as the nature of transaction requires

2 set of reciprocal promises

First Set - legal

Valid

Second Set - Illegal

Void

Contract contains reciprocal promises

One party prevent other party from performing his promise

Contracts is voidable at the option of party so prevented & claim compensation

Promises are reciprocal & dependent

First promisor fails to perform his promise

Cannot claim performance from other & liable to pay compensation

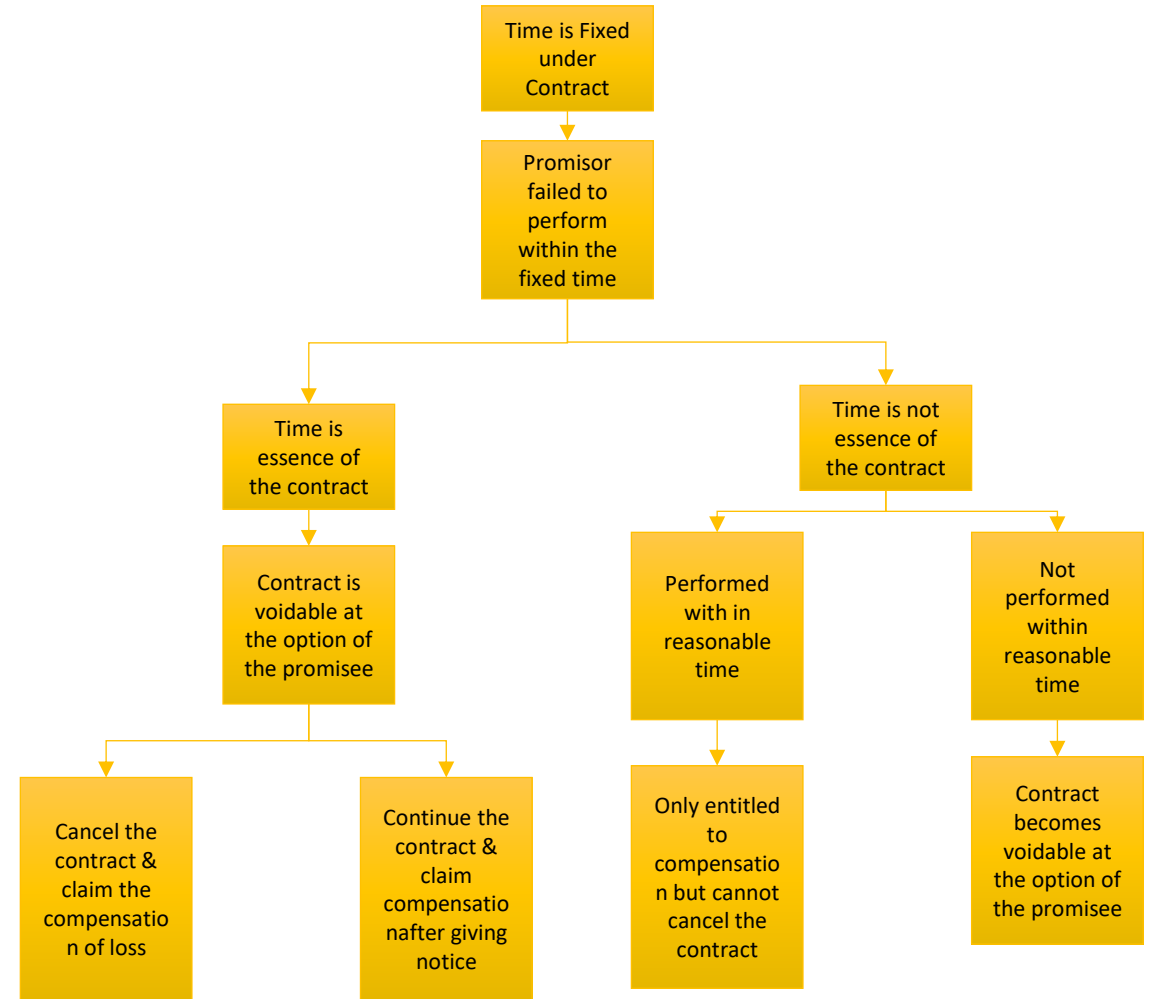
Alternative Promise

One Branch- legal

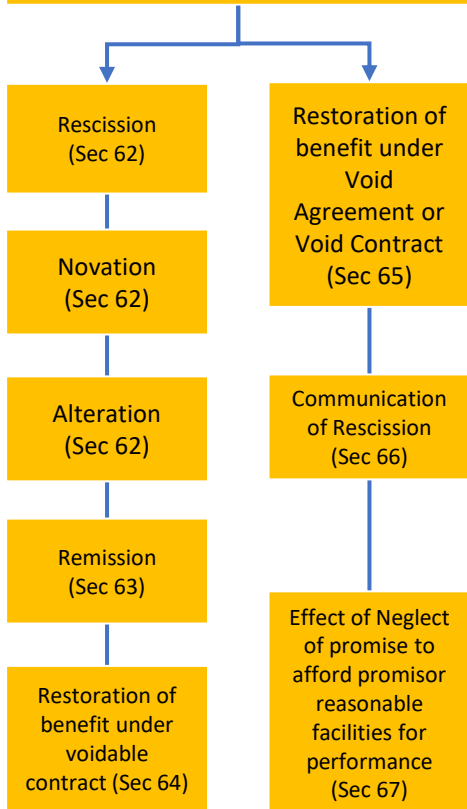
Valid

Another branch- Illegal

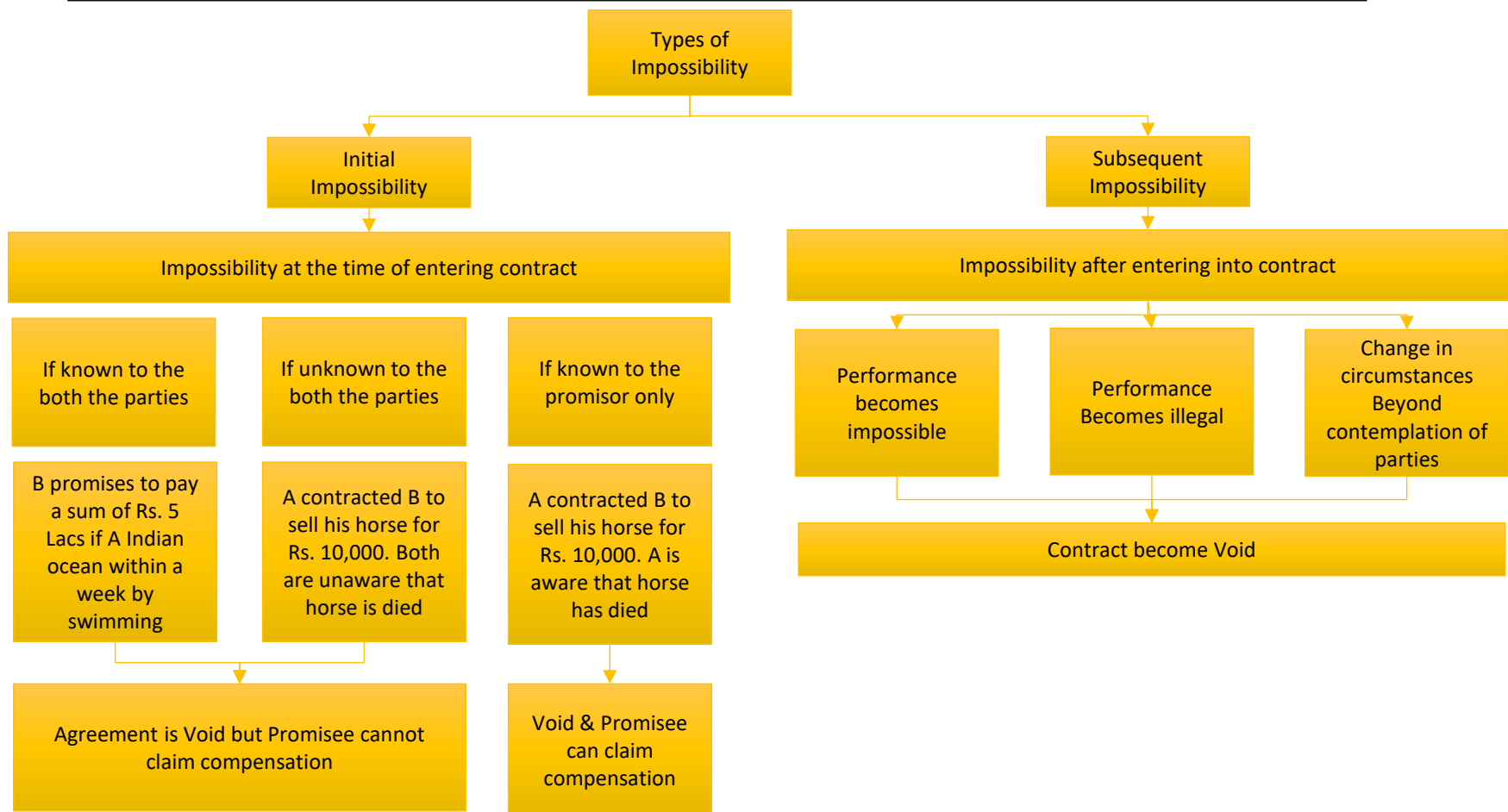
Void



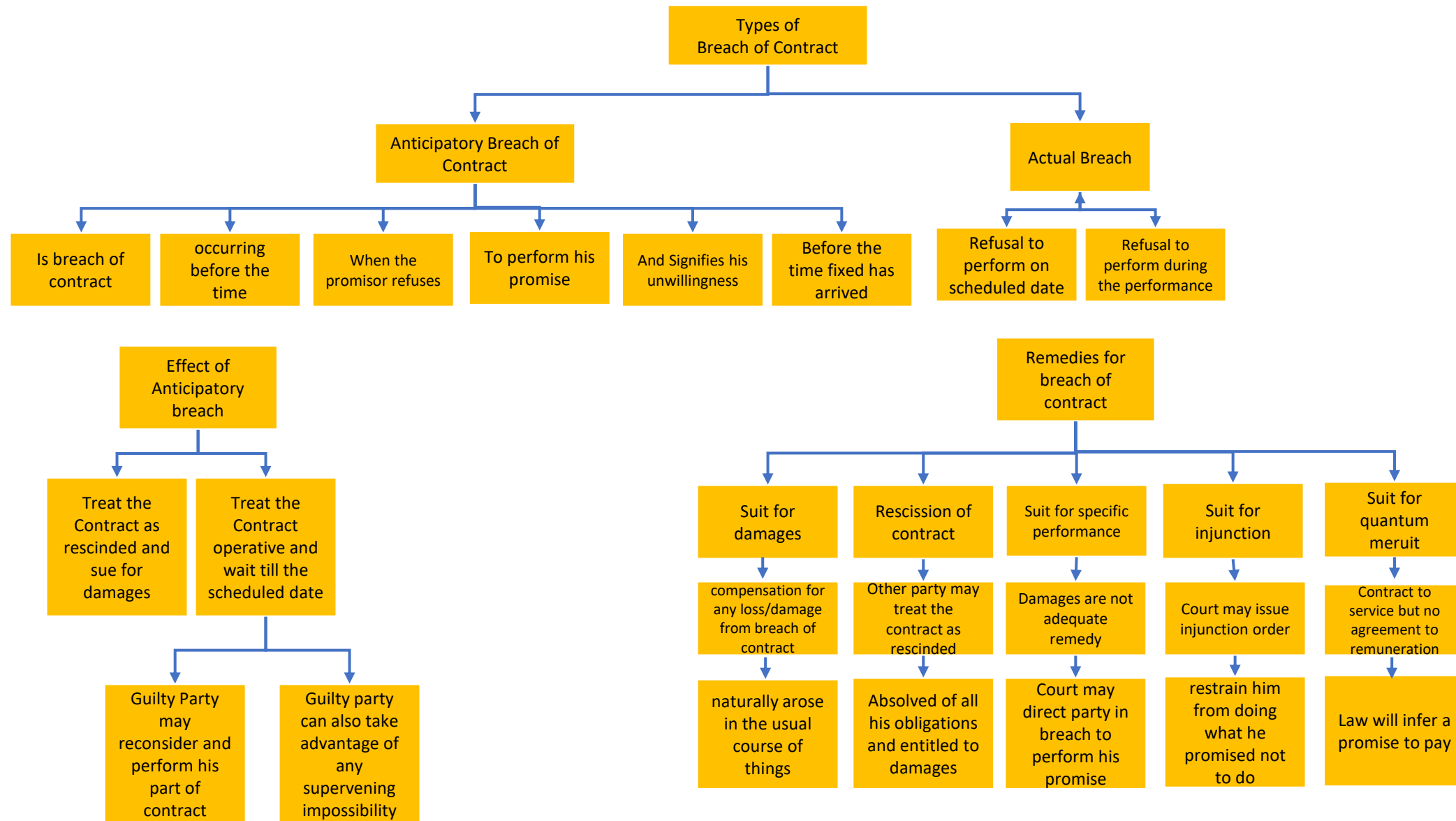
Contracts need not be performed with the consent of both the parties

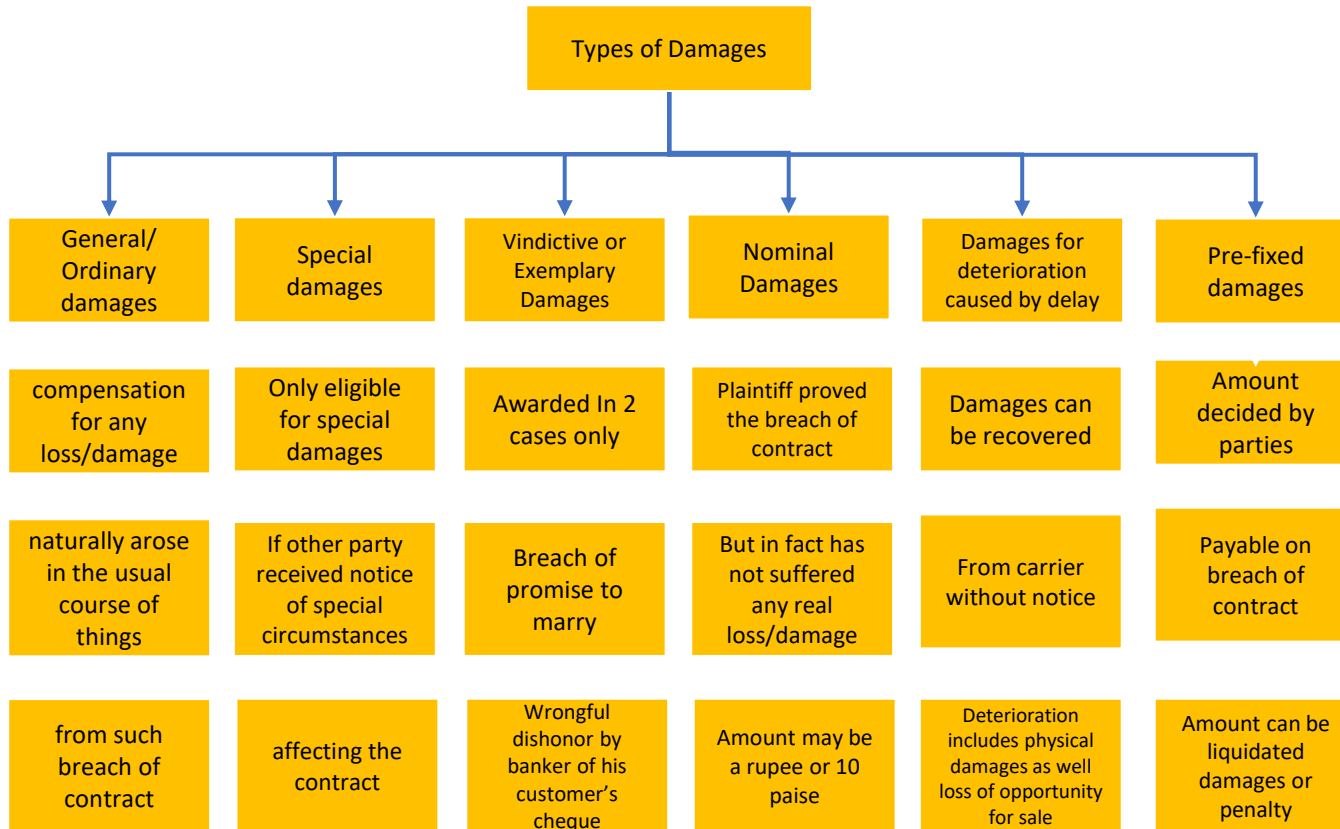


Agreement to do Impossible Act is Void (Section 56)

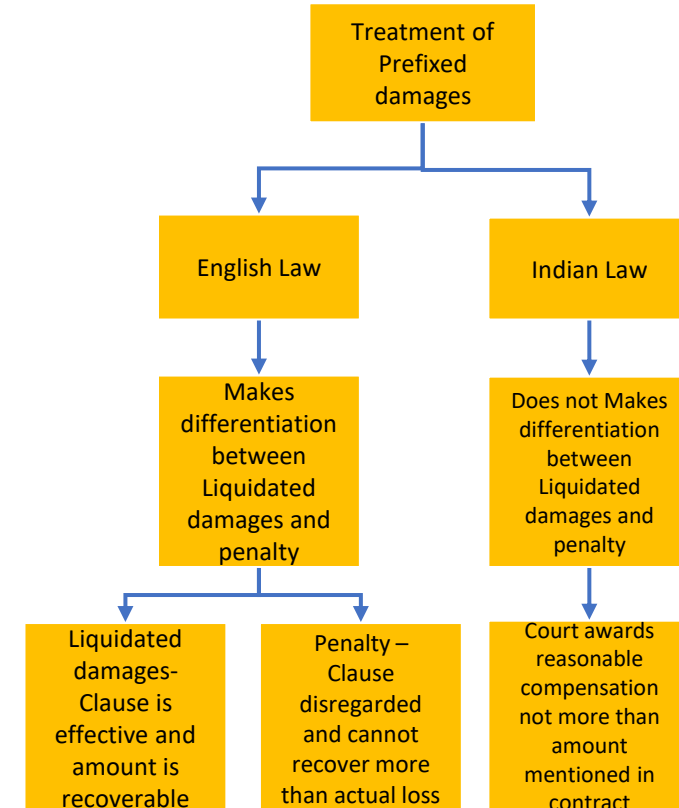


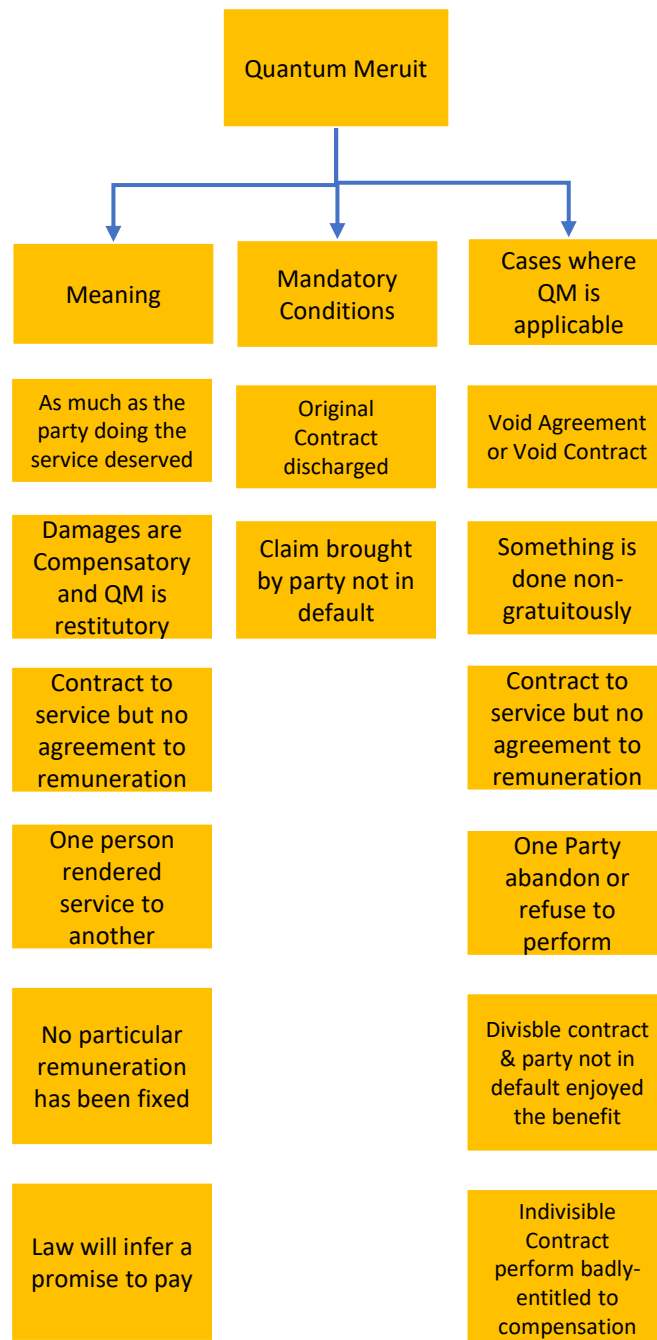
UNIT 5





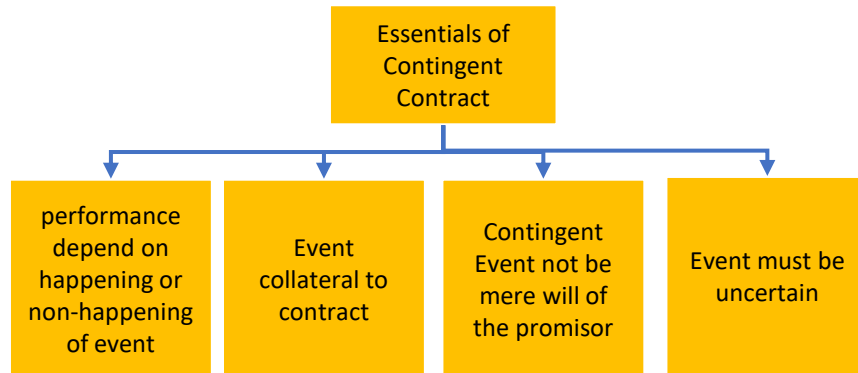
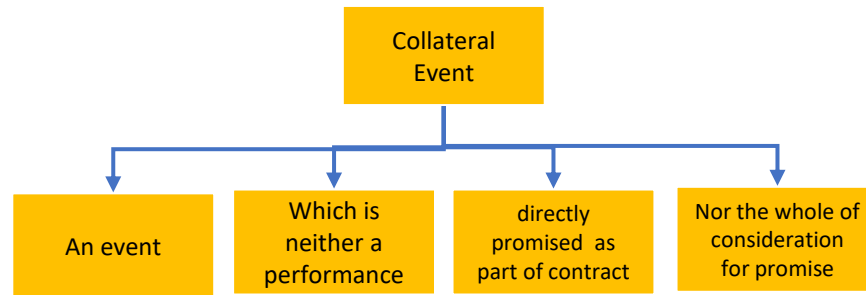
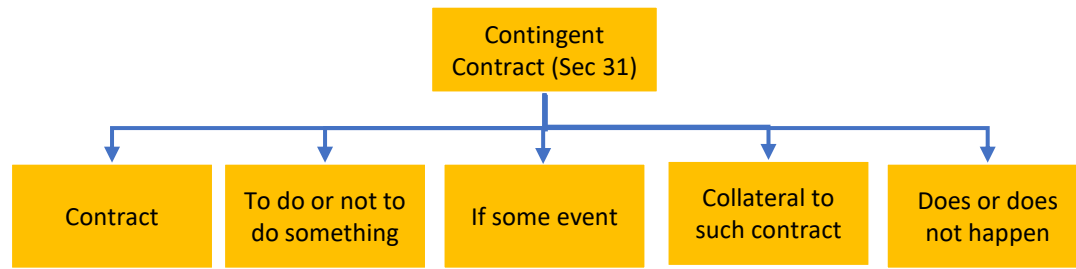
Note :- No compensation is payable for any remote or indirect loss





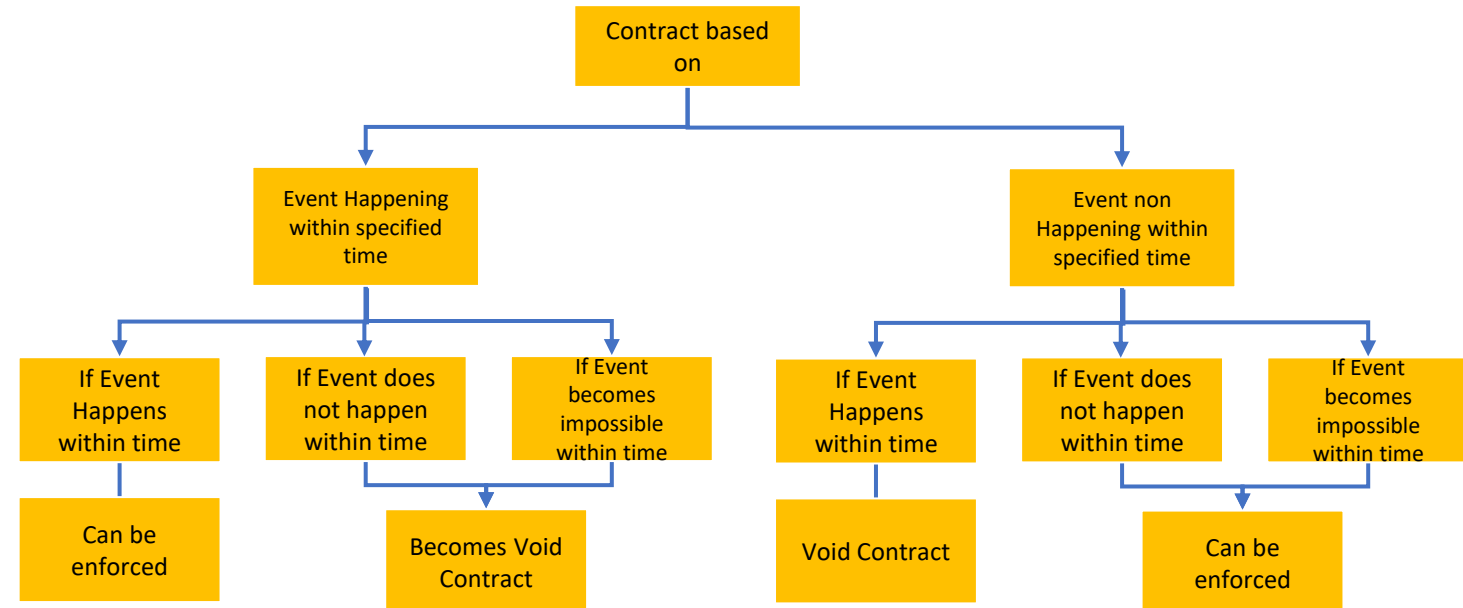
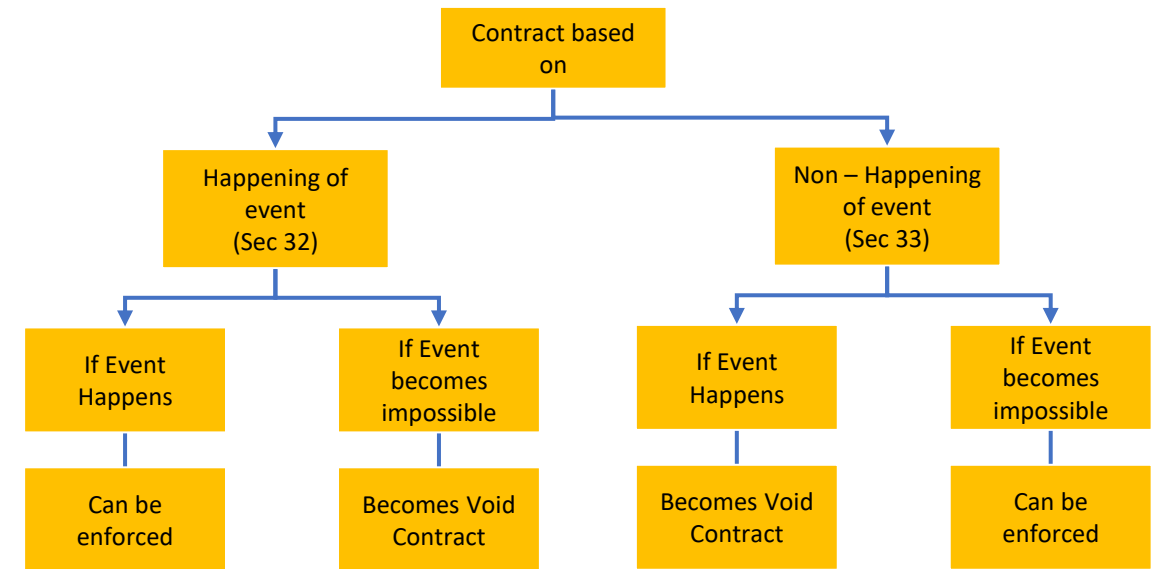
Liquidated Damages	Penalty
Reasonable estimate of likely loss in case of breach	An amount arbitrarily fixed as the damages payable
Sum payable is approx. to the probable damage	Sum payable is so large as to be far in excess of probable damages
Liquidated damages is a genuine pre-estimate of the damage	Penalty is amount stipulated as terrorem of the offending party

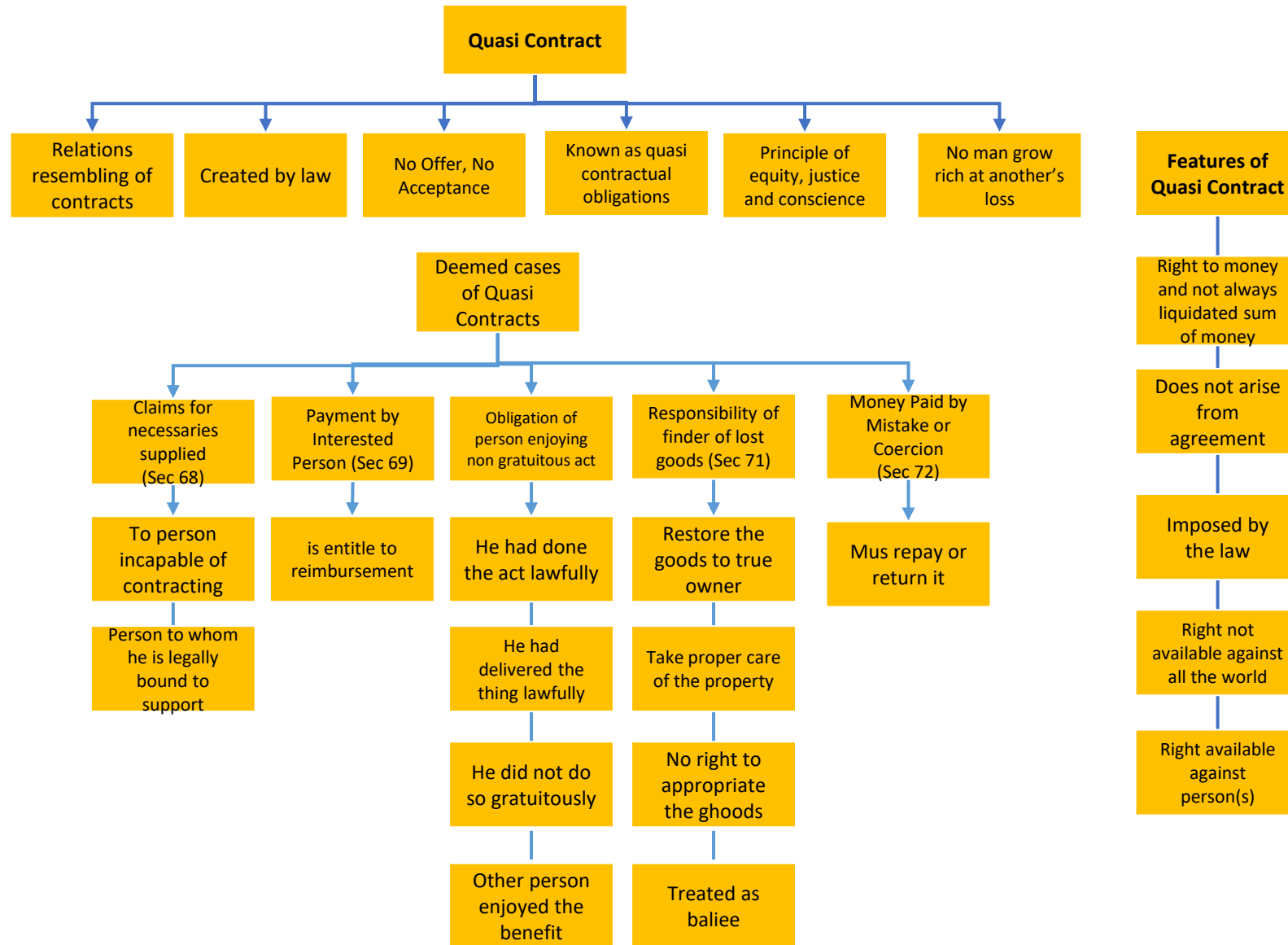
UNIT 6



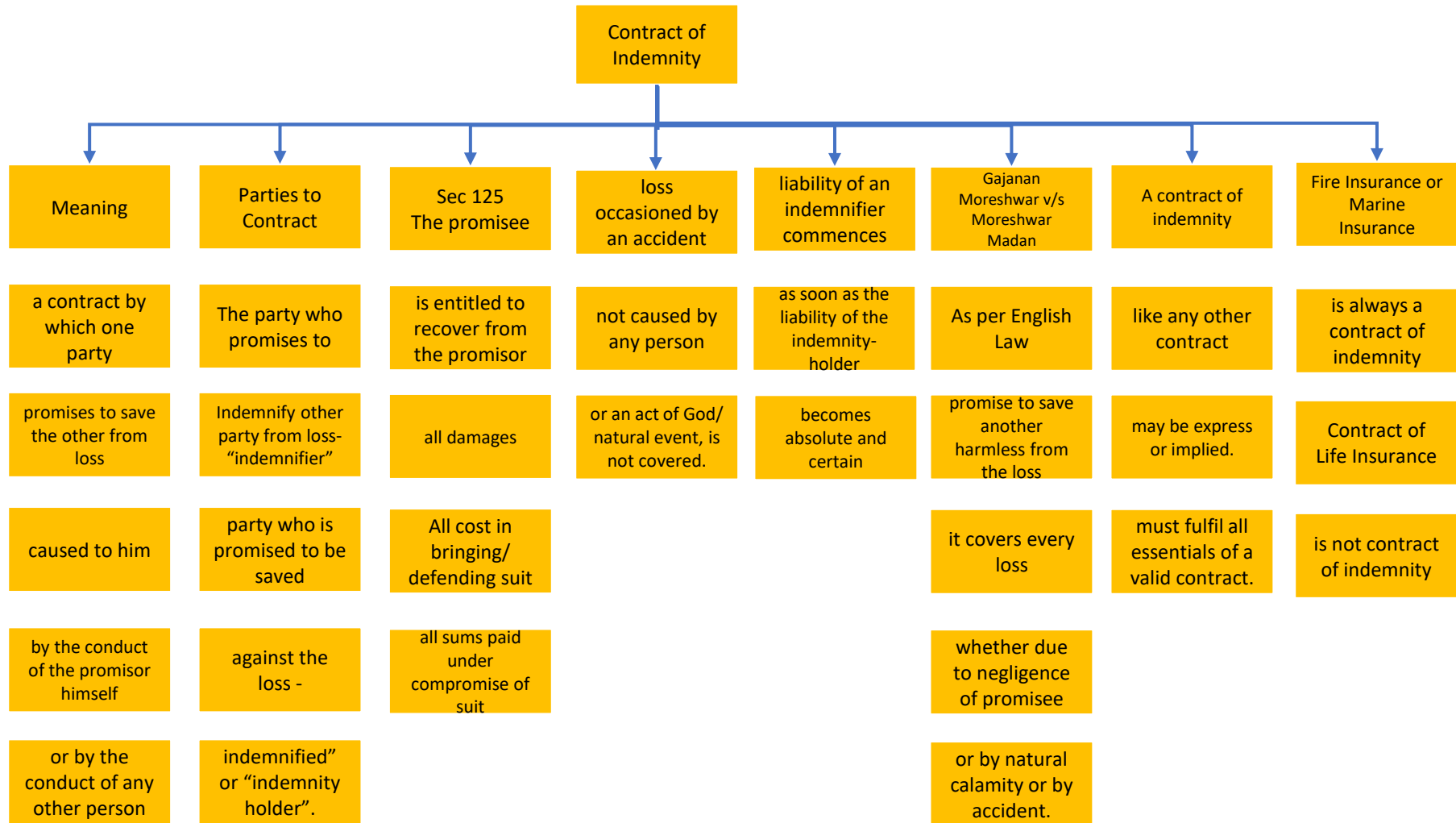
Contingent Contract based on happening of conduct of living person is unenforceable if living person does something to to make event impossible

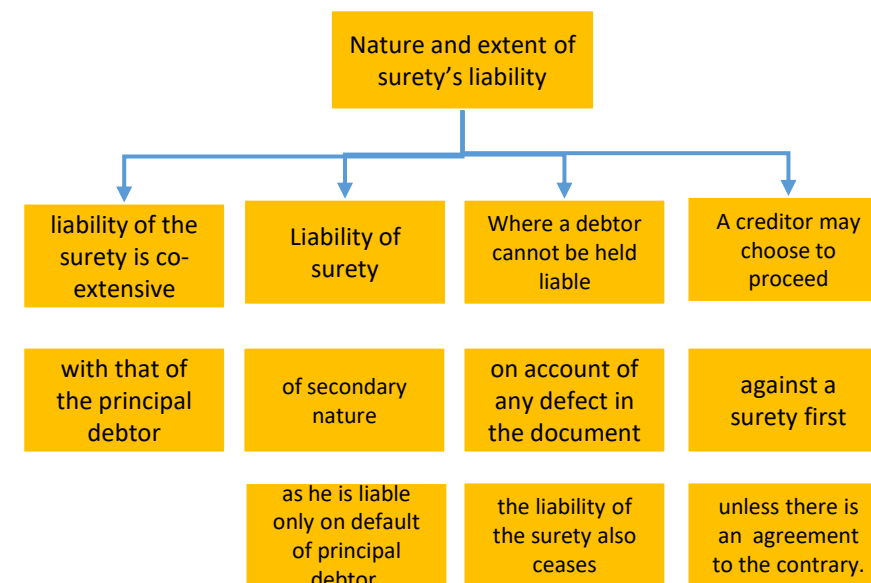
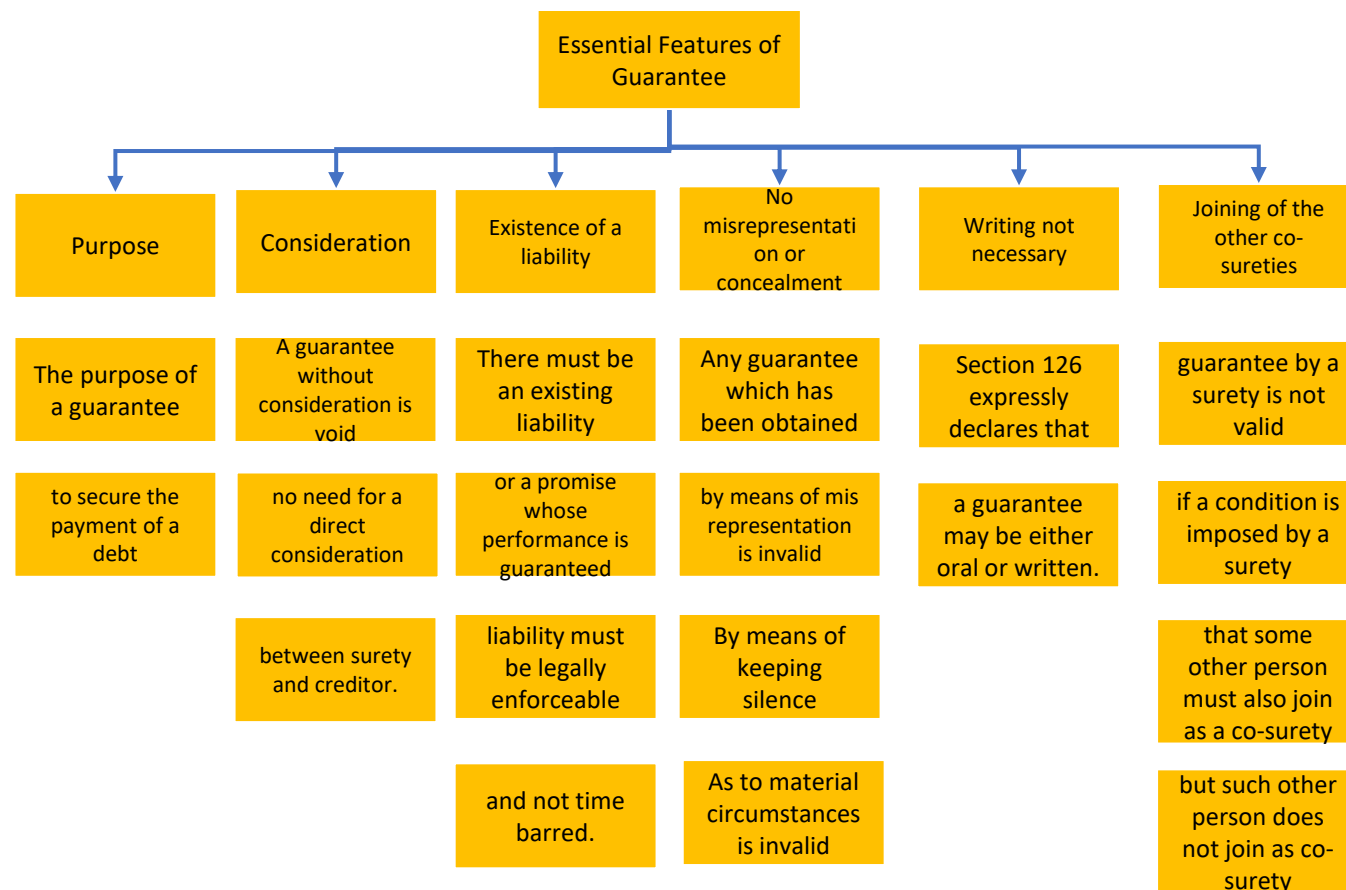
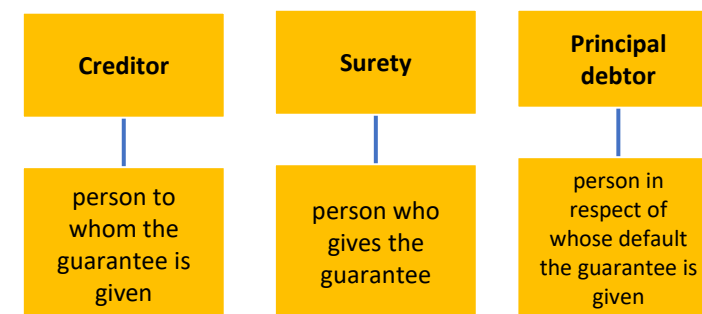
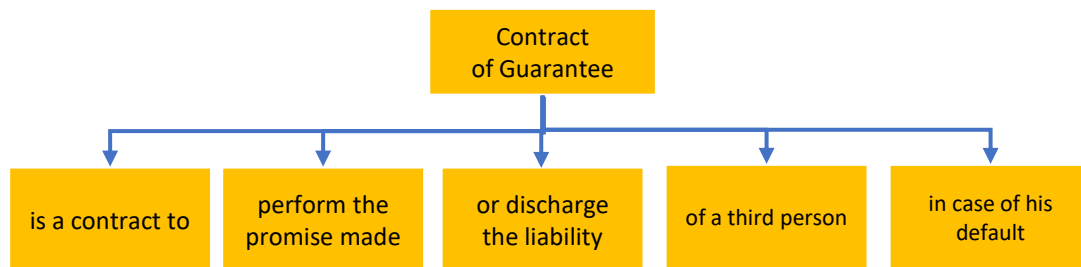
Contracts contingent on happening of an impossible event is void

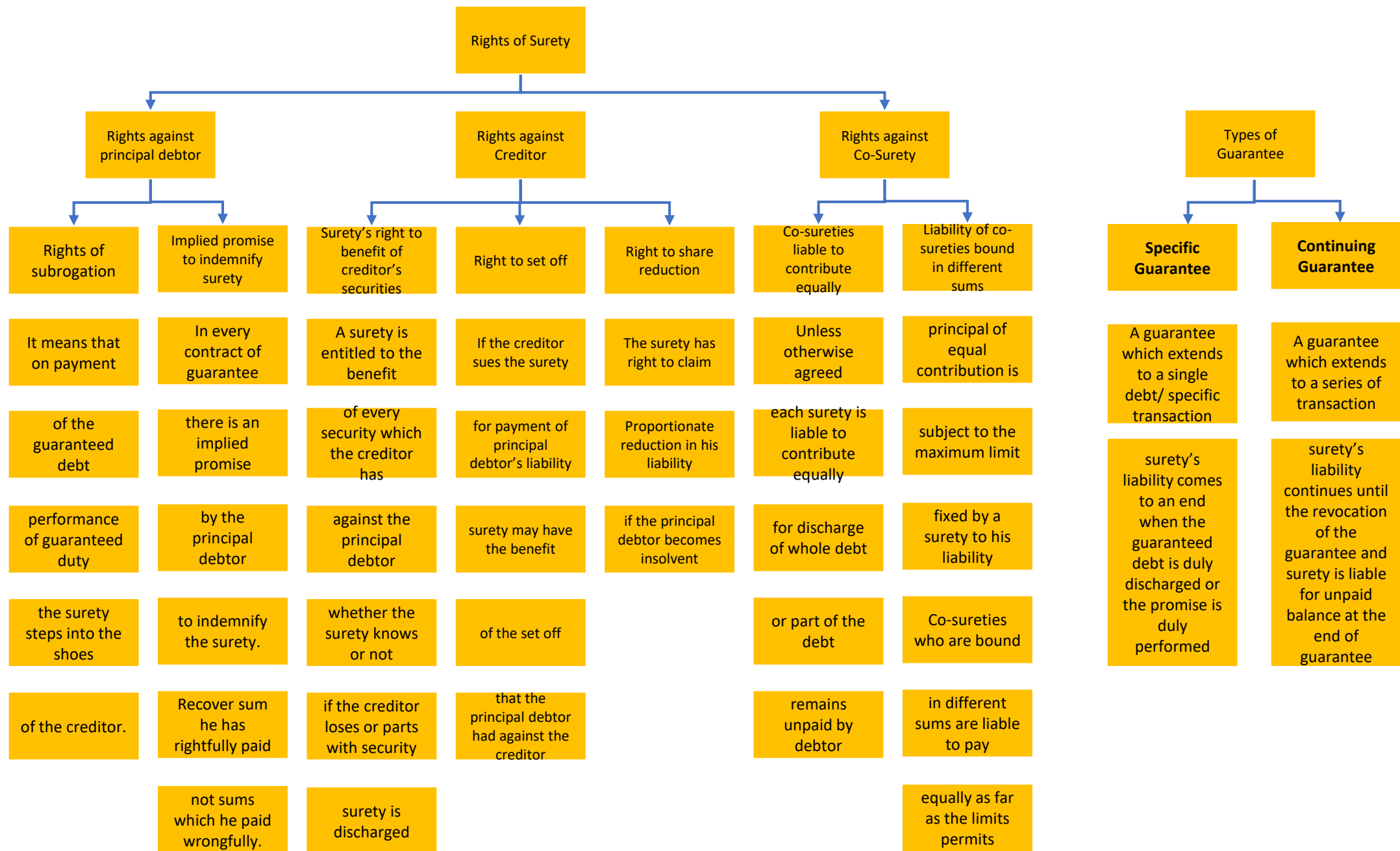


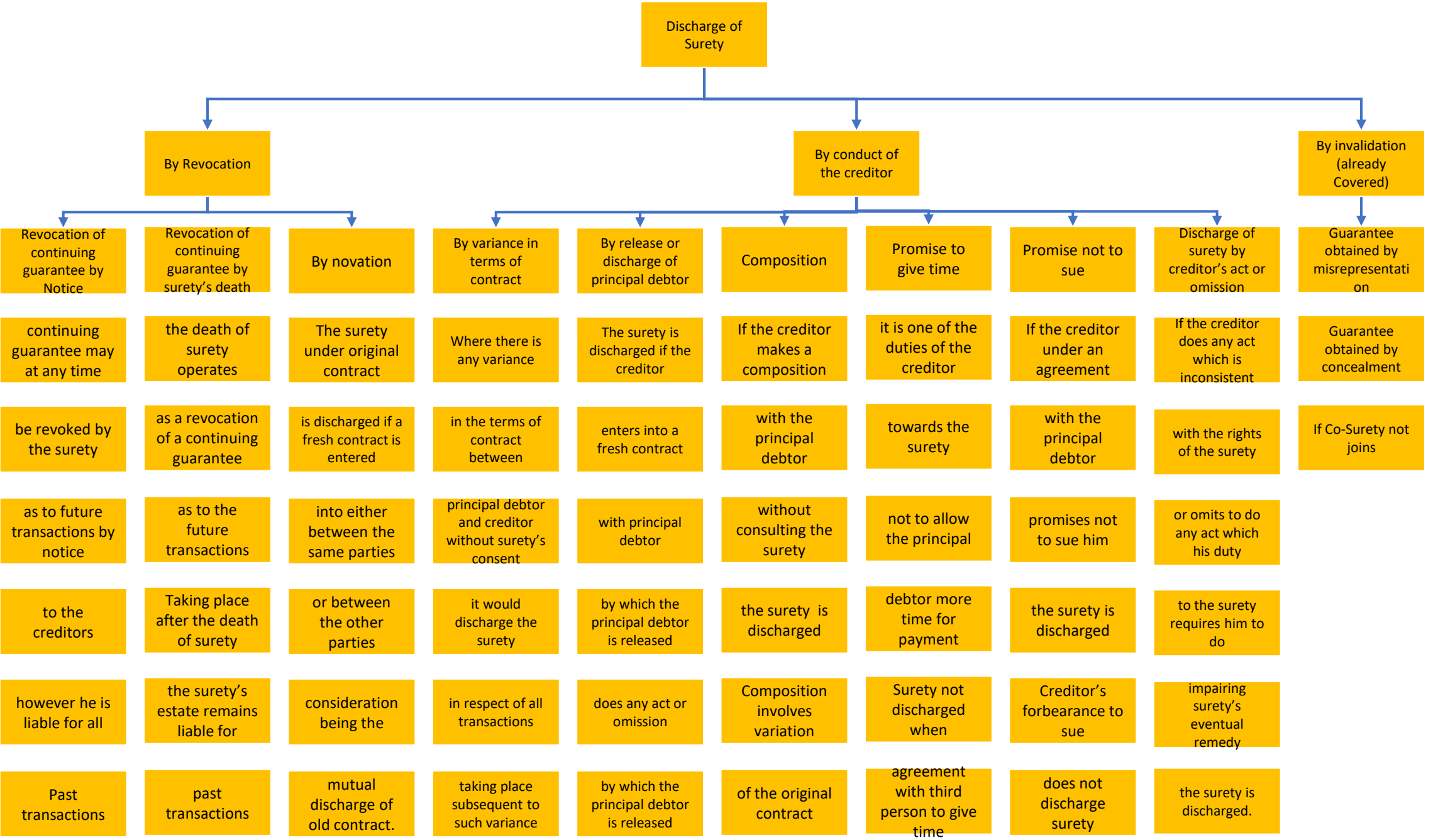


UNIT 7

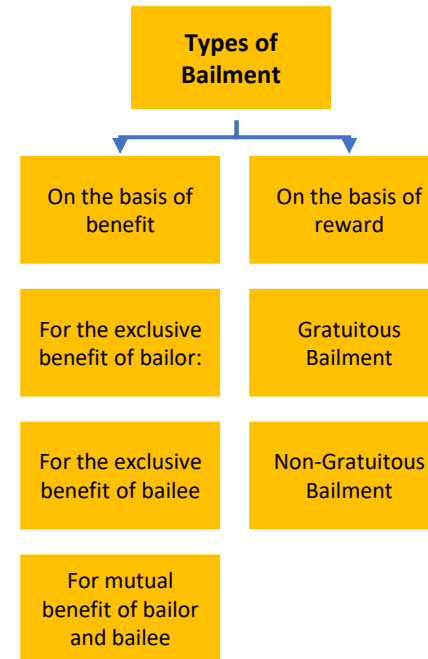
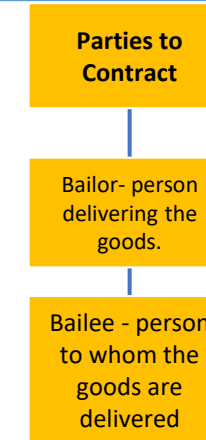
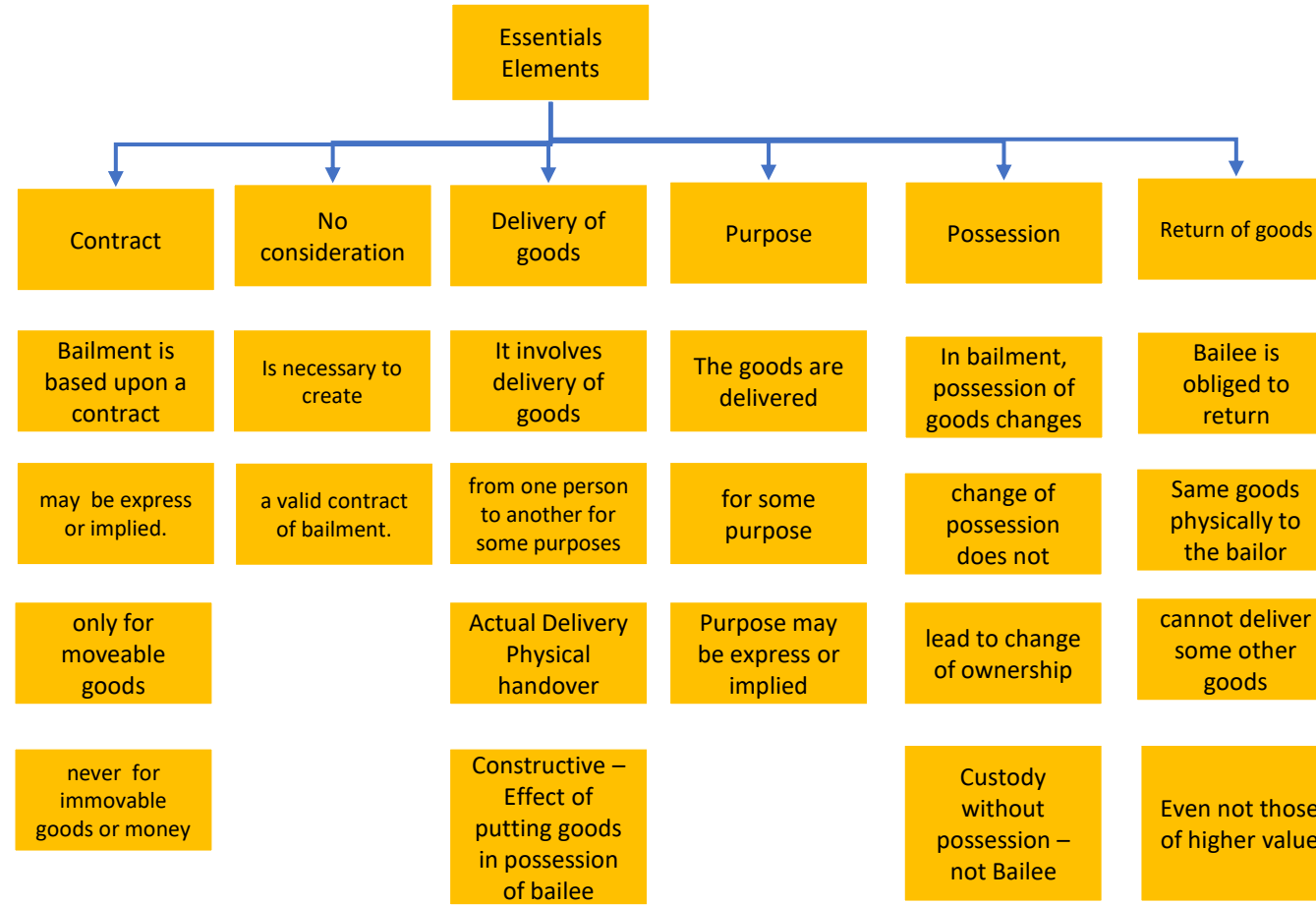
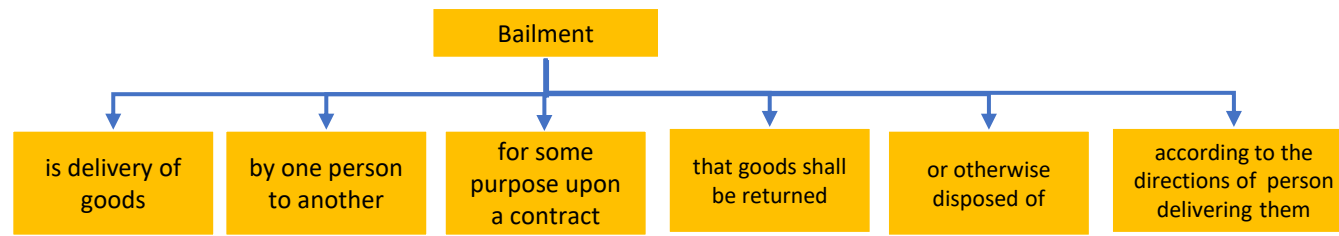


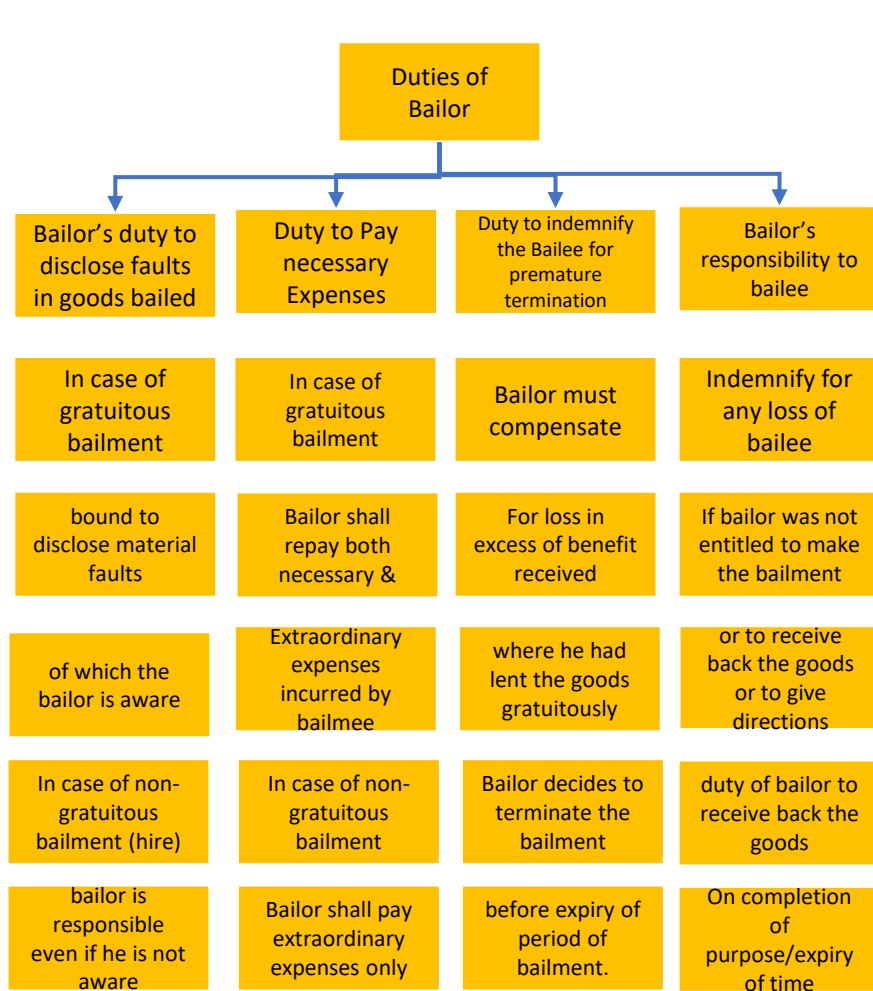


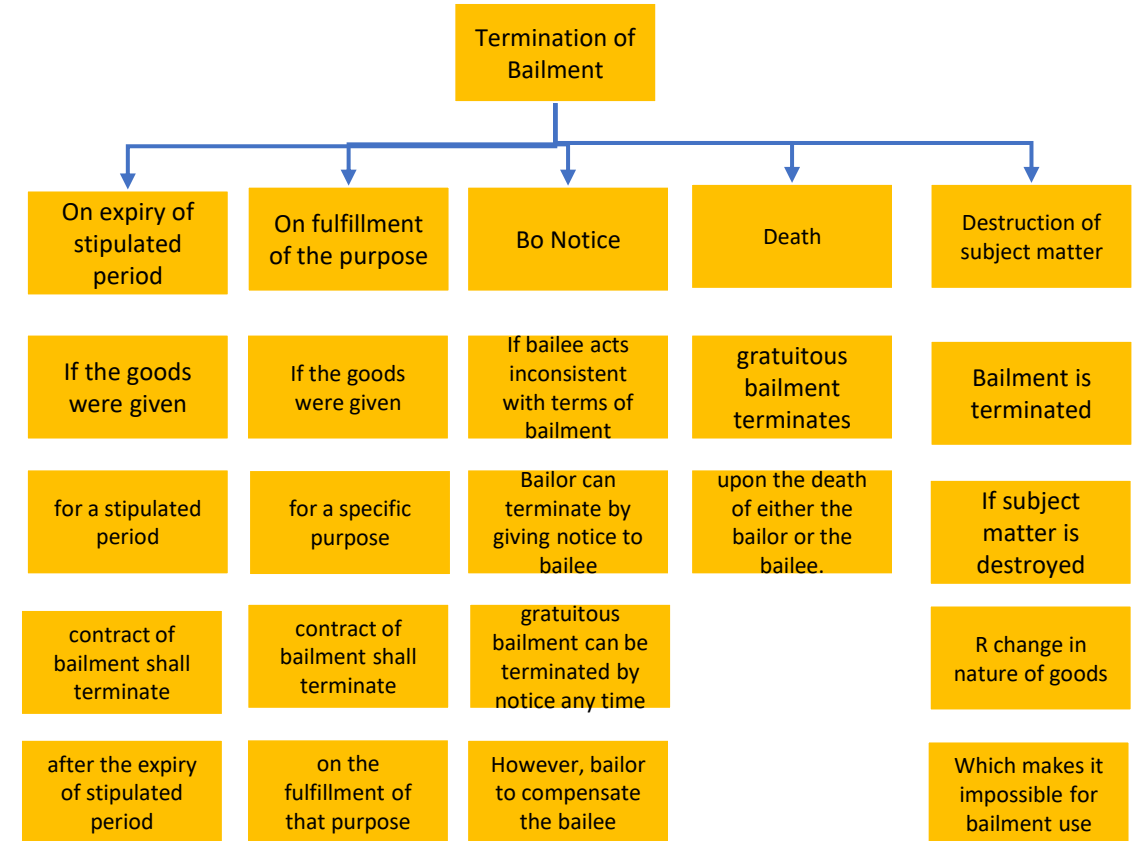


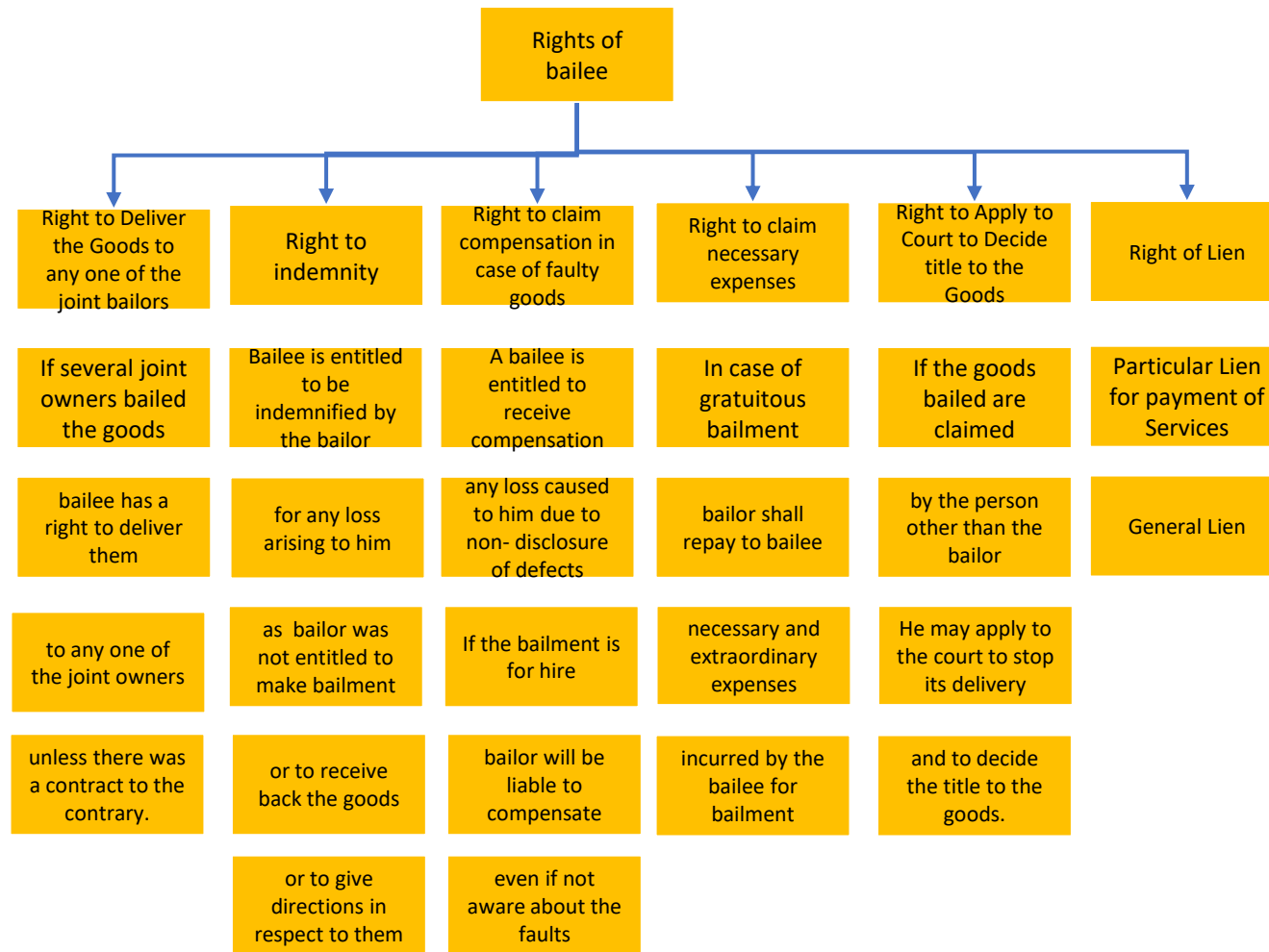


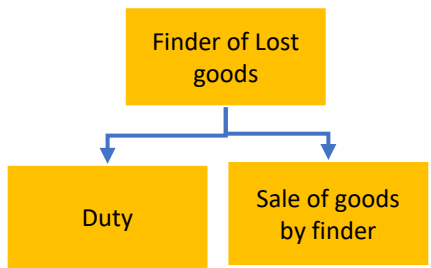
UNIT 8



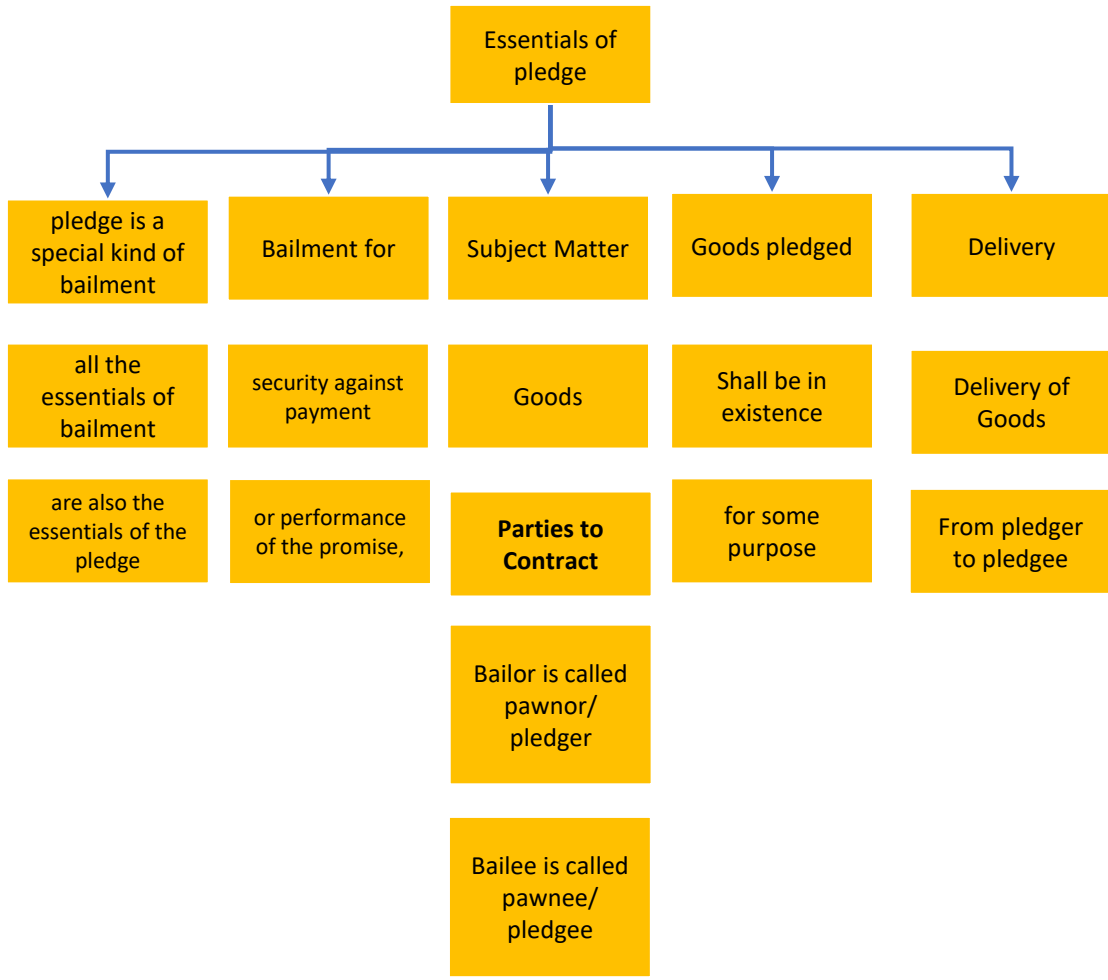
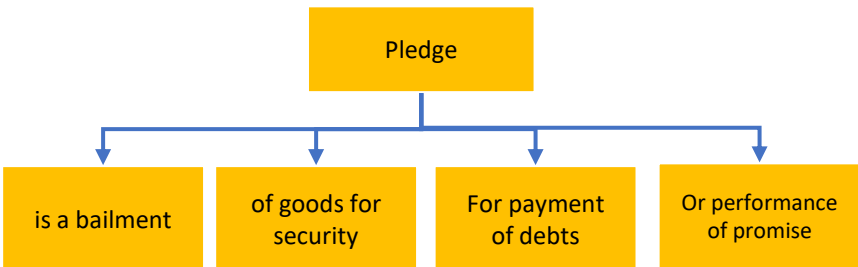


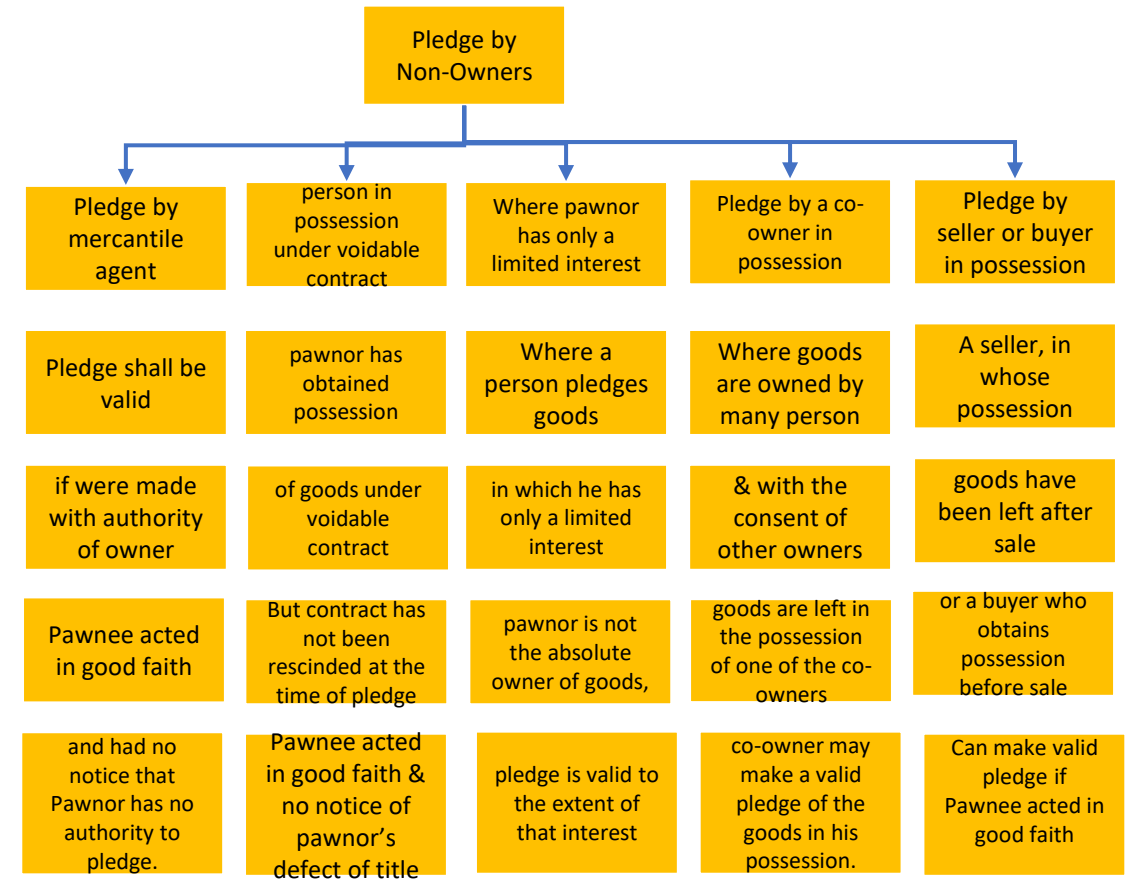
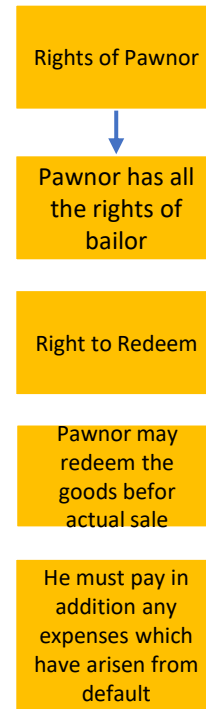
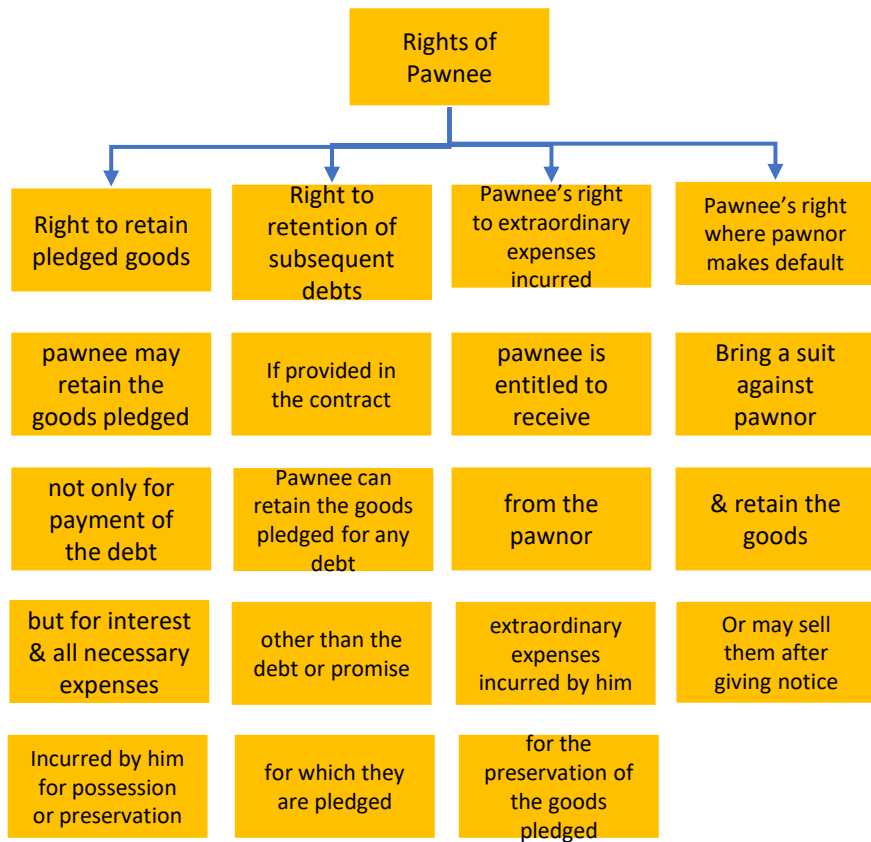




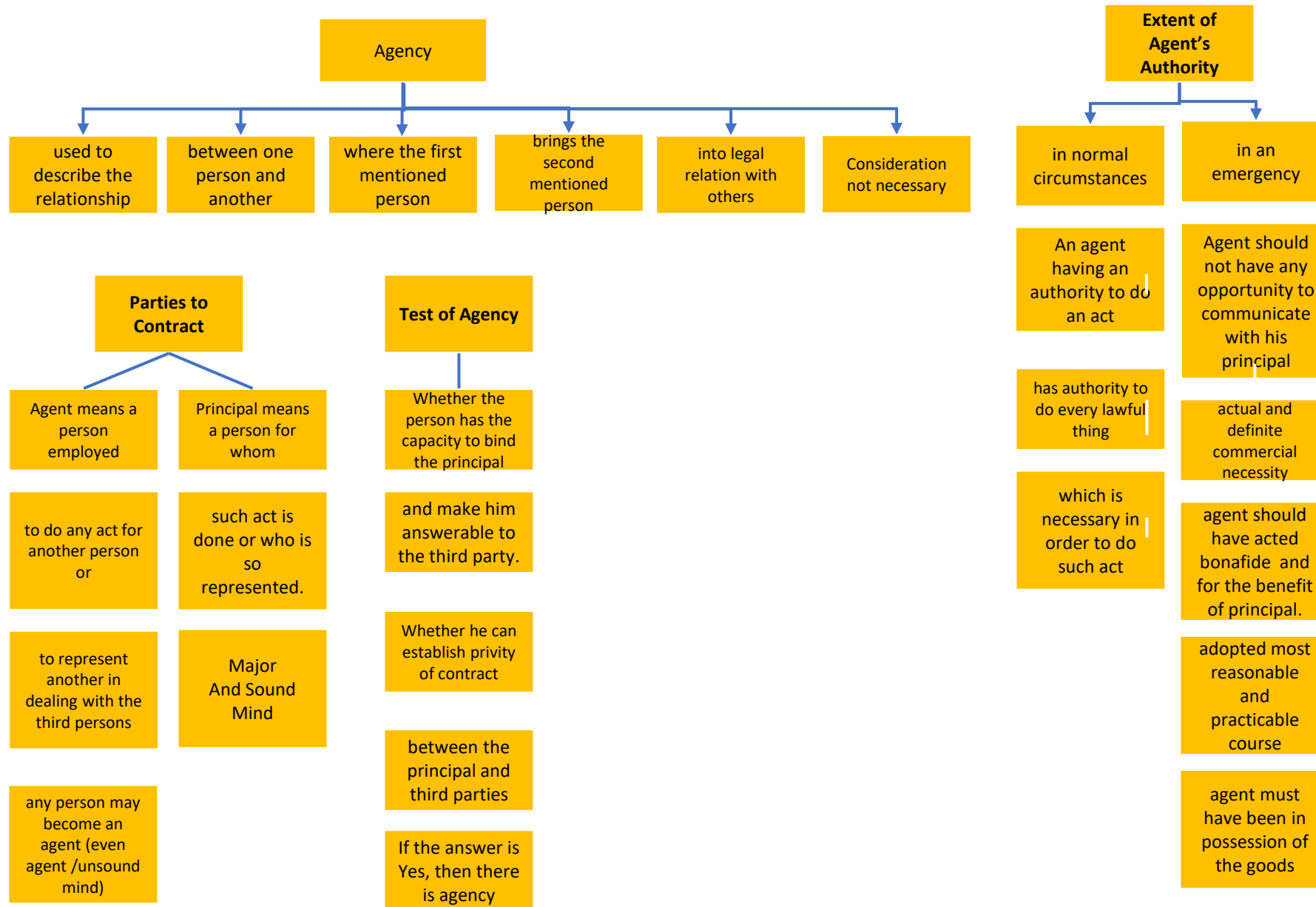


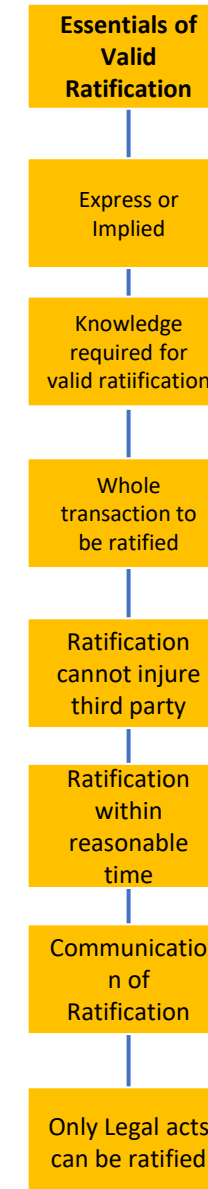
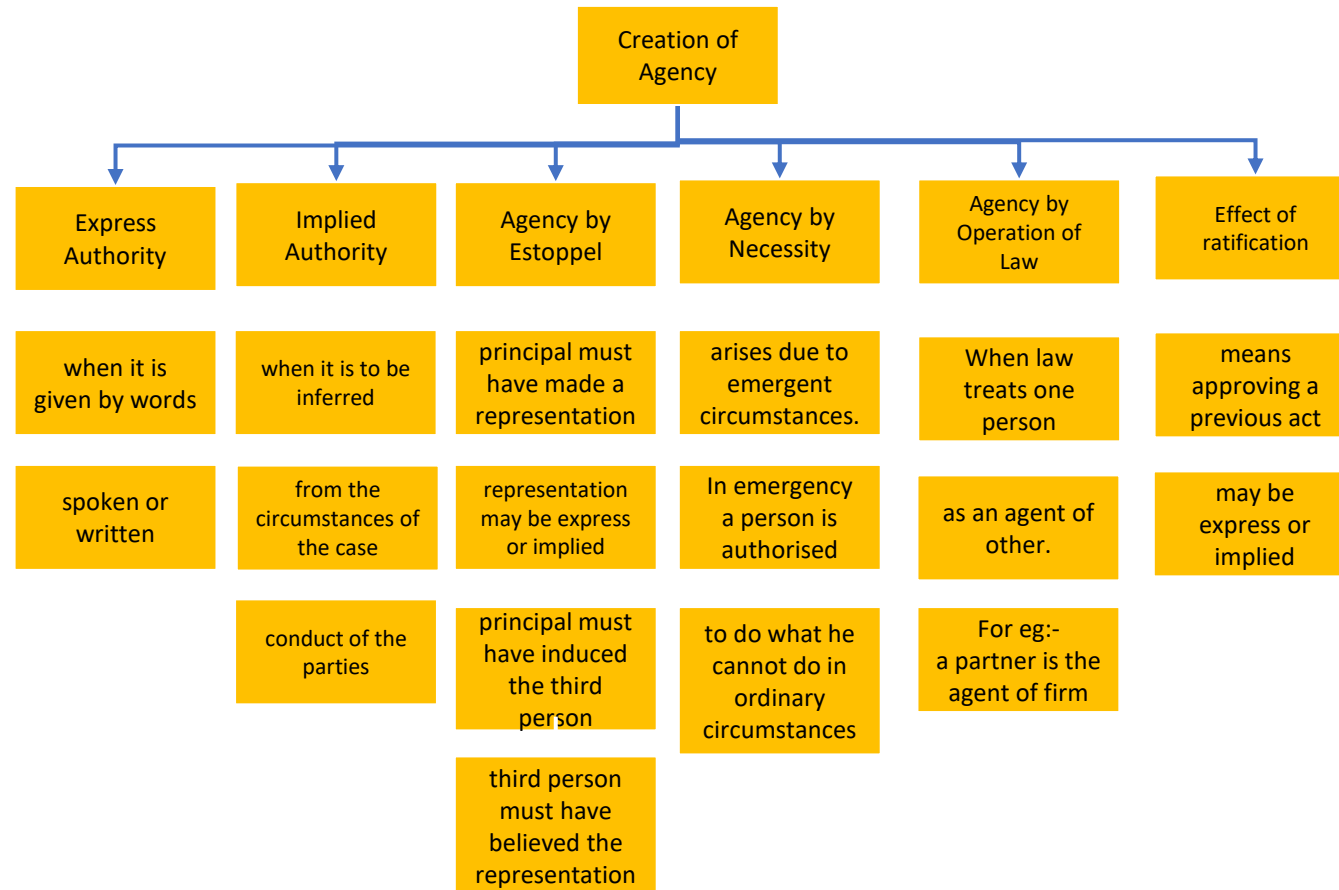
Finder of lost Goods	If the owner cannot be found with reasonable diligence
To find true owner & surrender the goods to him	Or if refuses to pay lawful charges when demanded
Cannot sue but can exercise right of lien	When the goods are perishable or can lose their higher value
Till expenses are reimbursed by true owner	When lawful charges of finder
Can sue for reward if owner has made public offer of reward	Amount to 2/3 rd value of lost goods





UNIT 9





Types of Agent

Sub Agent

Sub-agent" is a person employed by agent

Generally, agent cannot appoint sub agent

valid if terms of appointment originally contemplated

customs of the trade may provide for appointment

emergency arise making it necessary for him to delegate

Substituted Agent

Substituted Agent is a person appointed by the agent

to act for the principal, in the business of agency

with the knowledge and consent of the principal.

Substituted agents are not sub agents

They are agents of the principal.

Particulars – Subagent	Properly Appointed	Without Authority
Liable to 3 rd Party for Acts of subagents	Principal	Agent
Liability of Agent to Principal	Yes	Yes
Sub Agent is liable to Agent	Yes	Yes
Sub Agent is liable to Principal	No (Except fraud/ willful wrong)	No

Termination of authority of agent will automatically terminate the authority of all the subagents appointed by that agent.

Right of Agent

Right of retain out of sums received on principal's account

all moneys due to himself in respect of advances made

expenses properly incurred by him

such remuneration as may be payable to him

Right to remuneration

Entitled as per the contract

In absence of any agreed amount of remuneration

entitled for usual remuneration which is customary

Not entitled on that part of mismanaged business

Agent's lien on principal's property

lawfully entitled to receive money from the principal

Property belong to the principal

received by the agent in his capacity

Right to indemnity

against all consequences of lawful acts

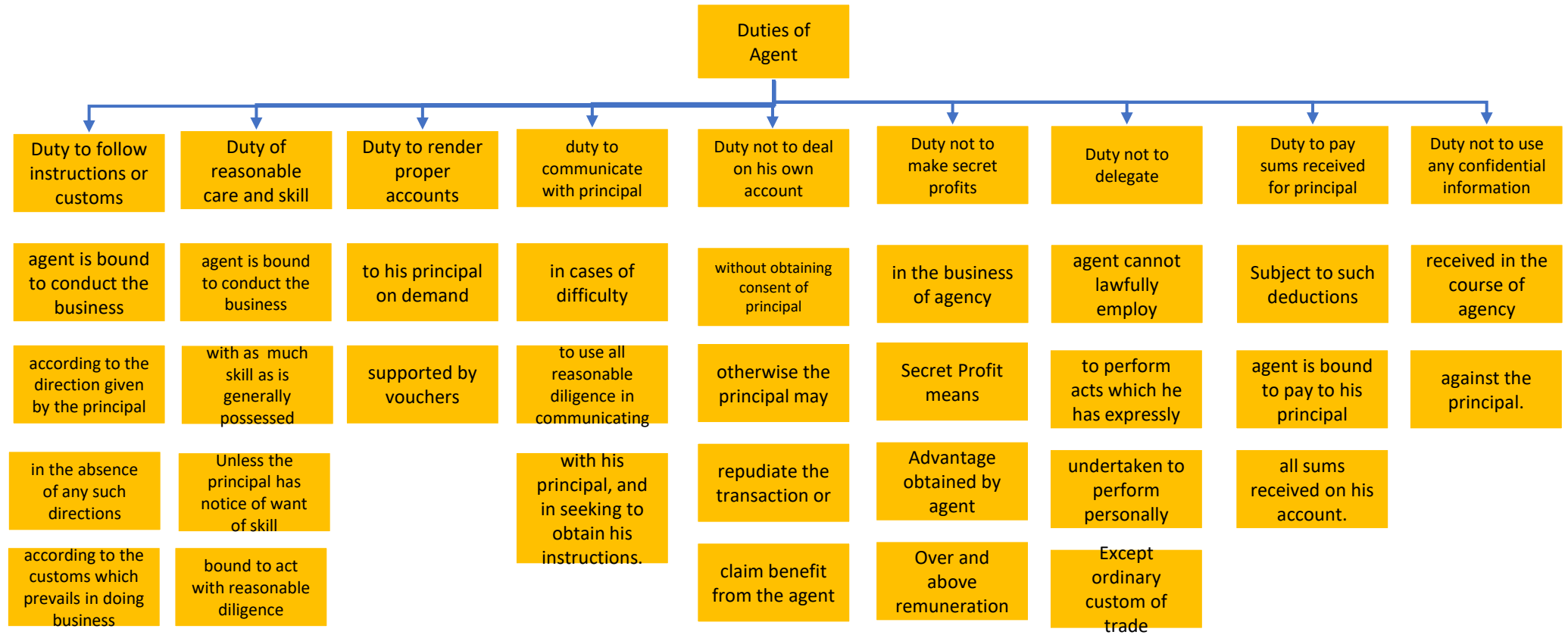
But not for unlawful or criminal act

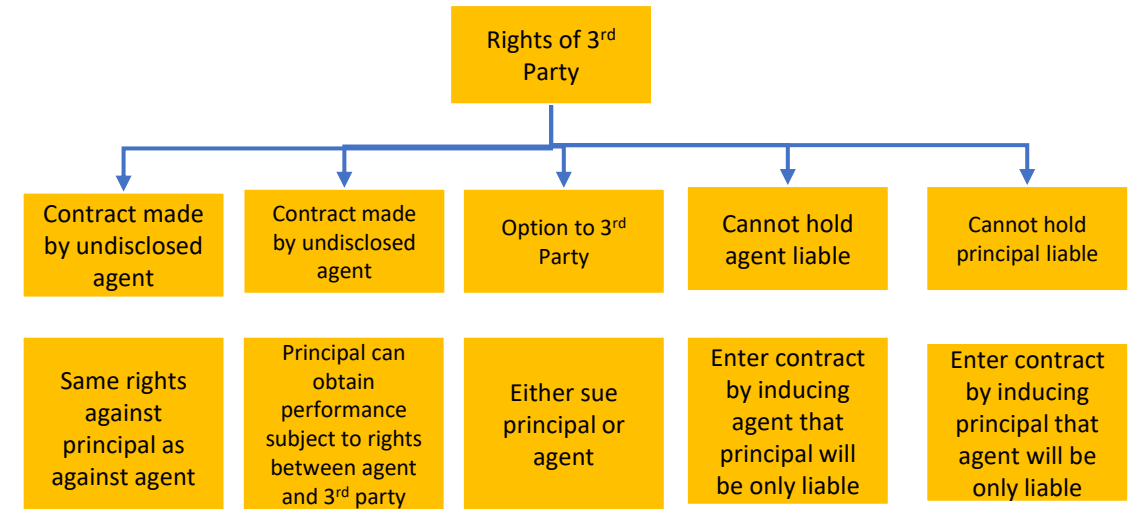
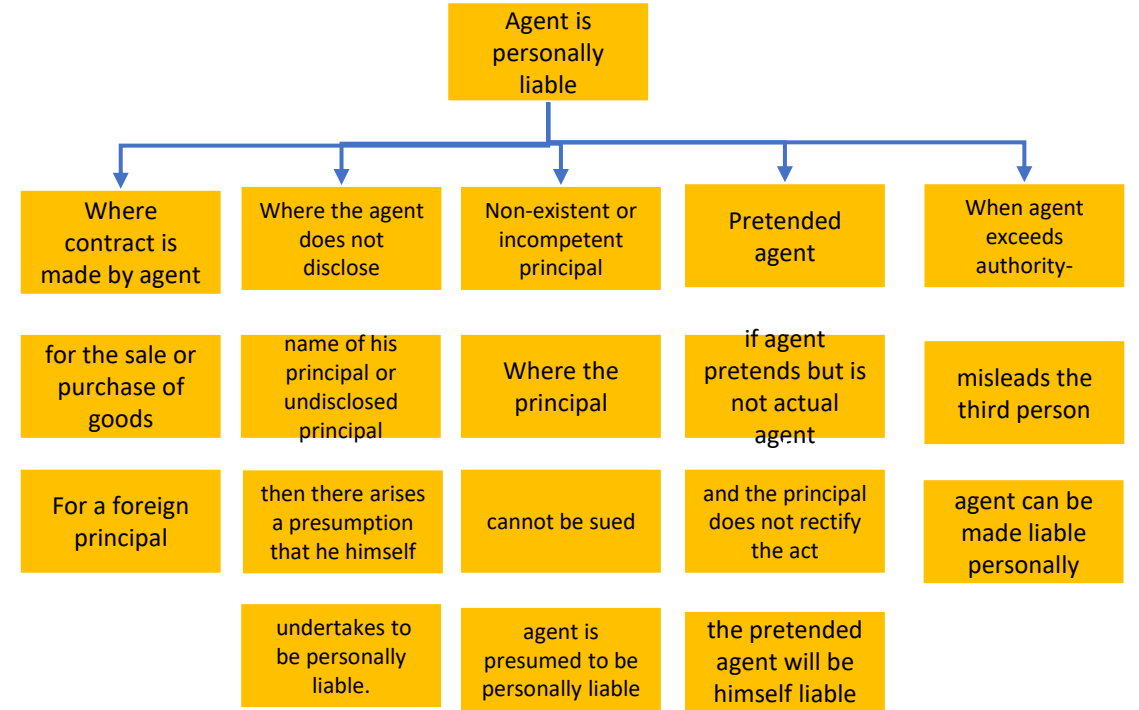
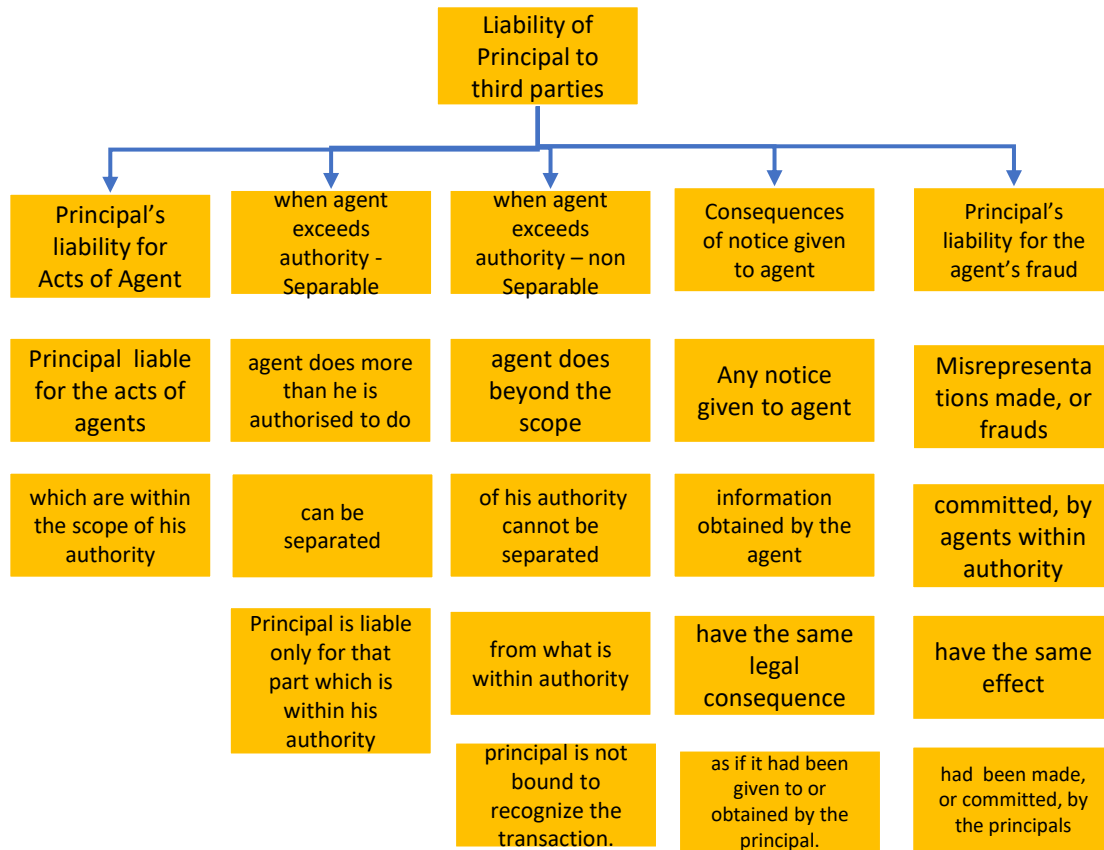
Where the agent acts in good faith

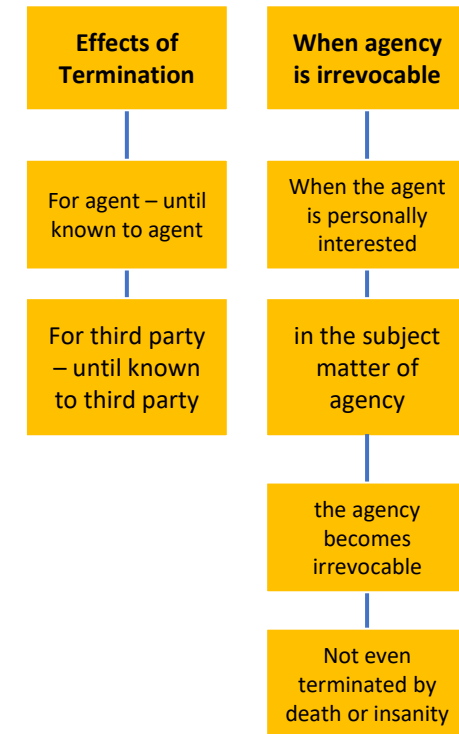
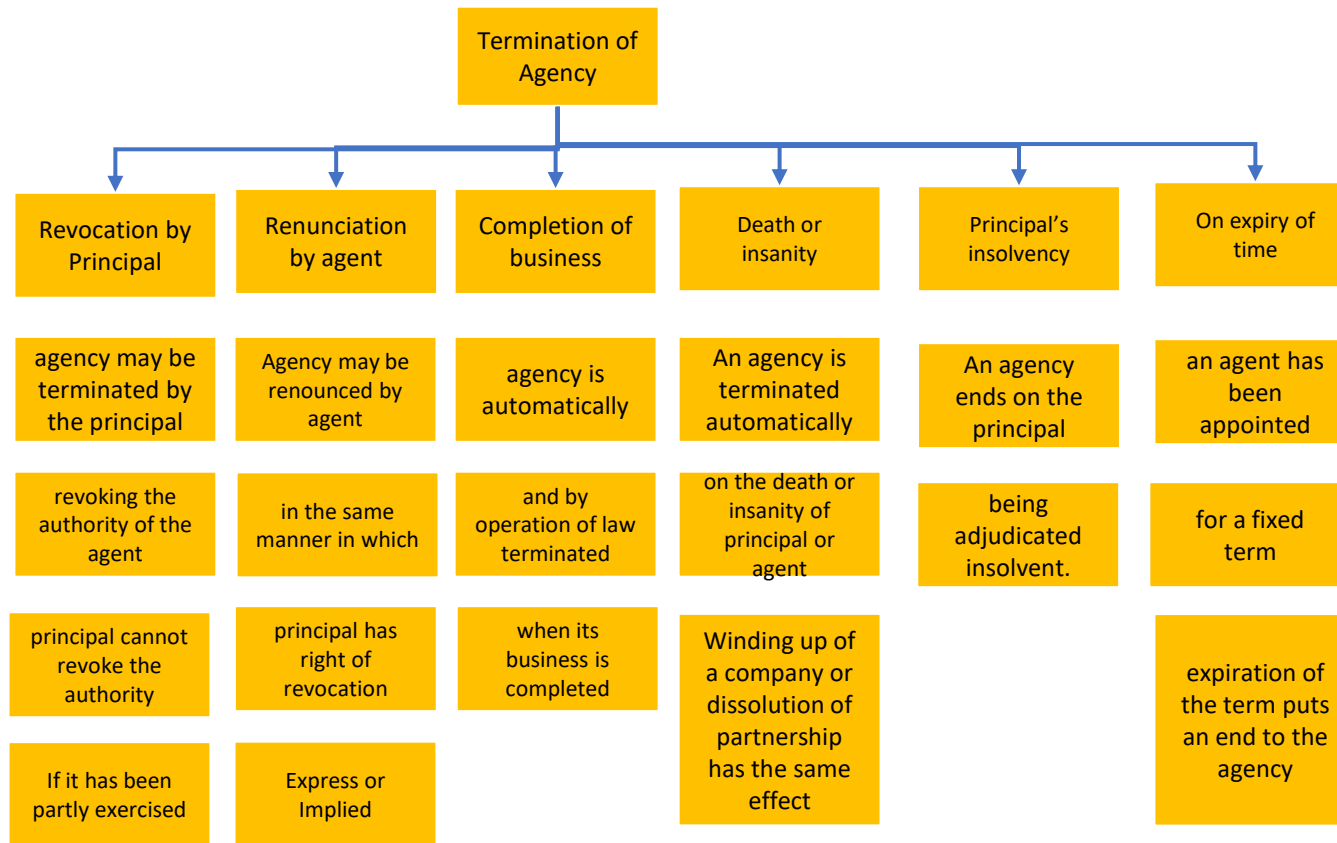
Right to compensation for injury

caused by principal's neglect or want of skills

principal must compensate his agent



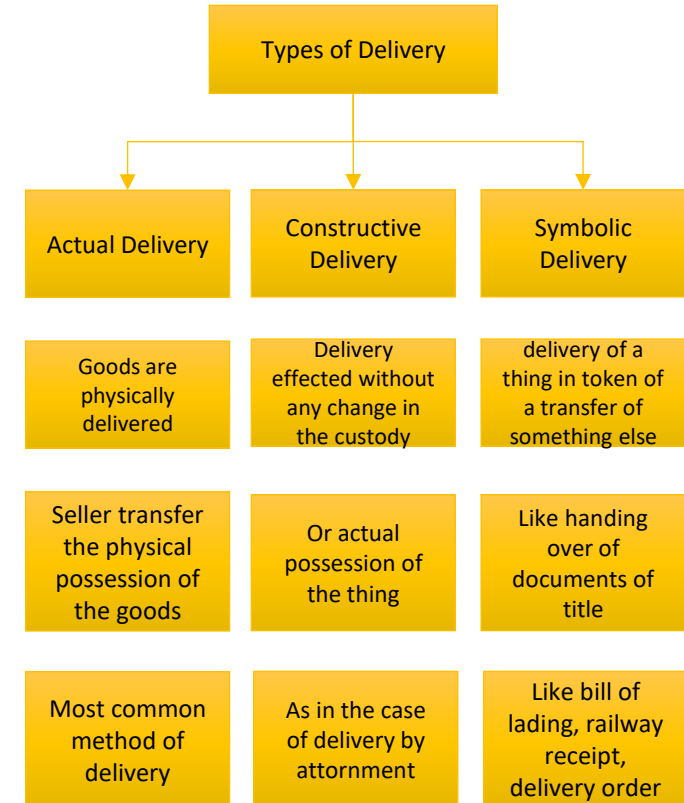
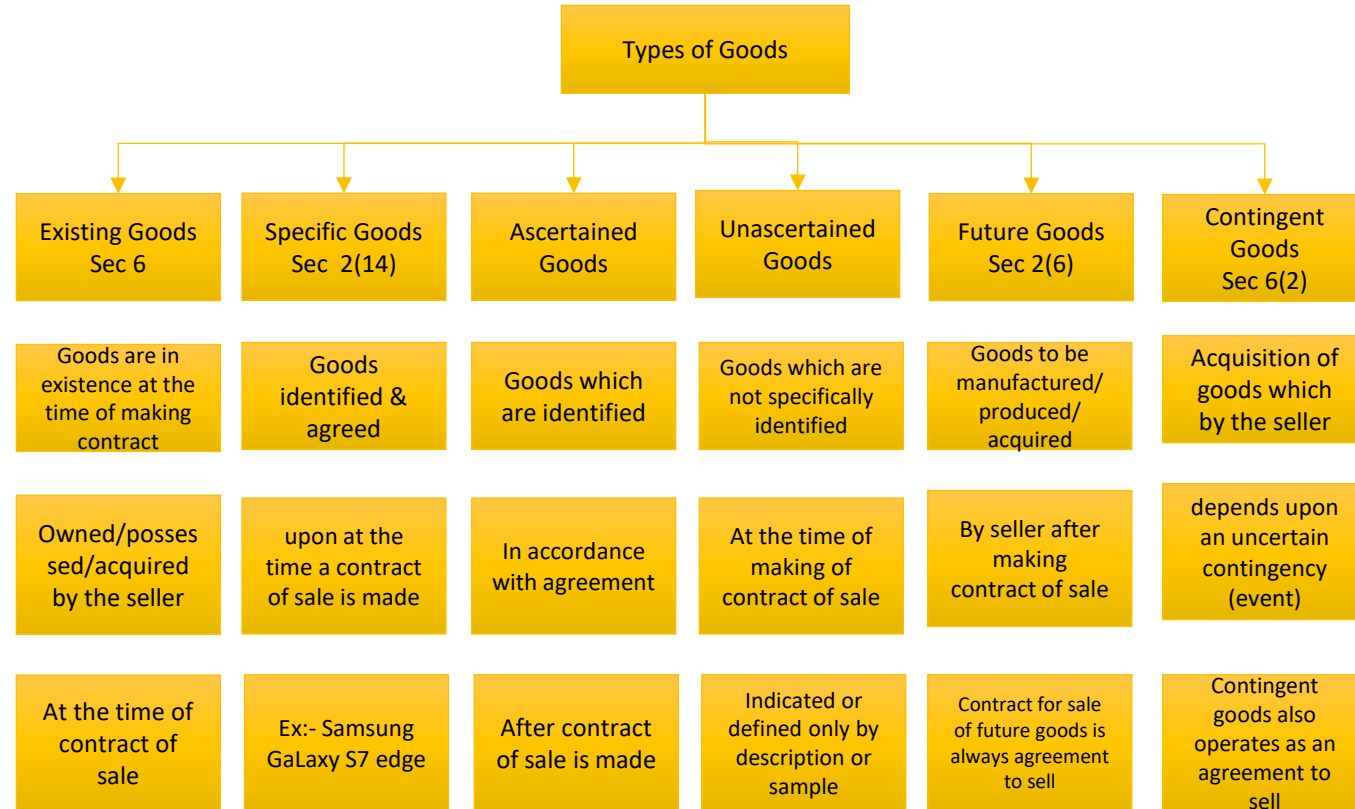


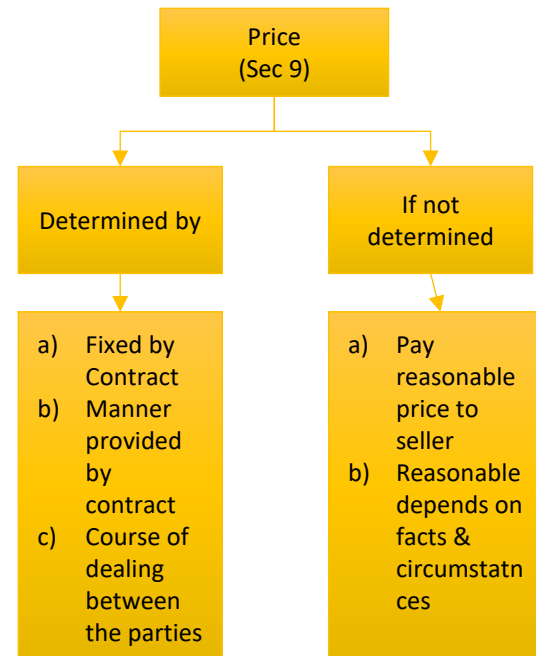
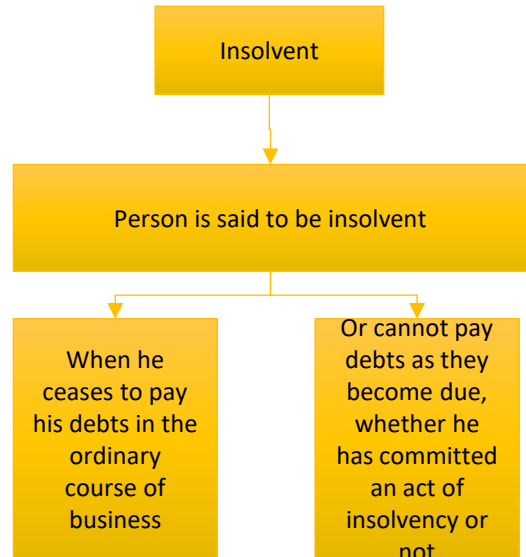
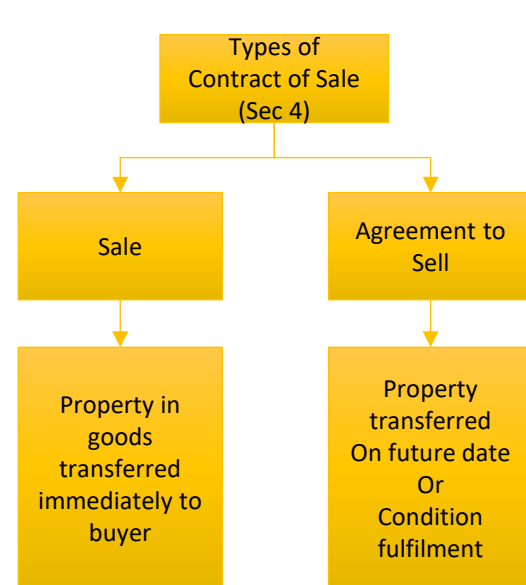


THE SALE OF GOODS ACT, 1930

UNIT 1

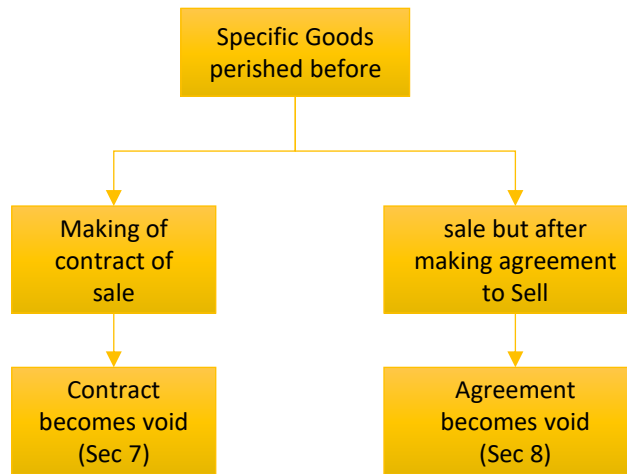
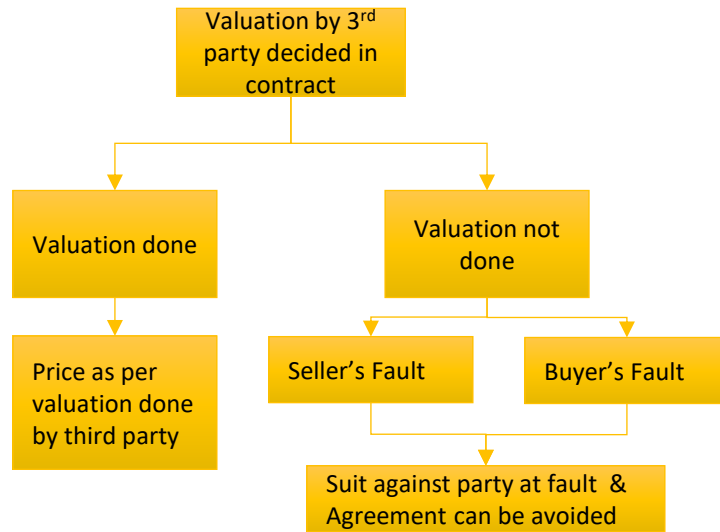






Essential elements of Contract of Sale

1. Minimum 2 parties (Buyer and seller)
2. Subject Matter of Contract – Goods (Movable property)
3. Price – Wholly in Money or Partly in Money and Partly in kind
4. Transfer of property (ownership) of Goods – Immediately or future
5. May be Absolute or Conditional
6. All other essentials of a valid contract (Covered under ICA, 1872)



Sec 5 Contract of Sale how made :-

1. Immediate Delivery & Immediate Payment

2. Immediate Delivery & payment in future

3. Immediate payment & delivery in future

4. Payment & Delivery both in future

5. Delivery/payment / both in instalments

OWNERSHIP JISKI RISK USKA

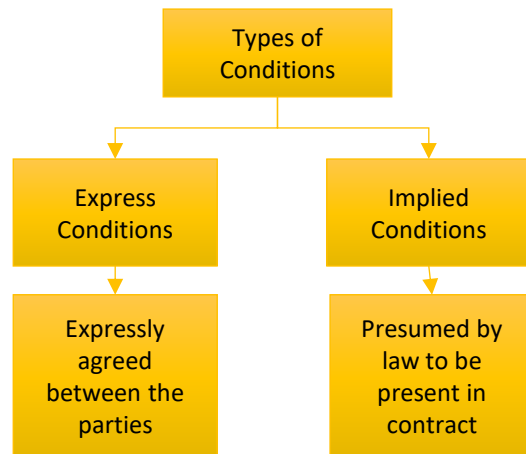
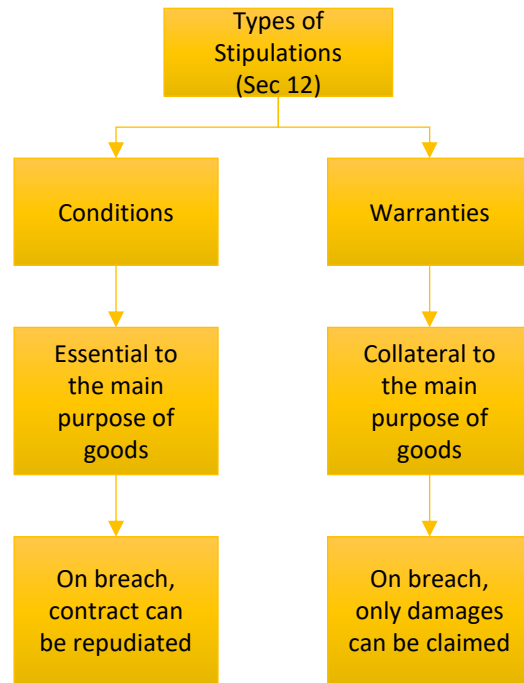
PROPERTY JISKI RISK USKA

Risk passes with the property

Exception to risk follows ownership :-

If delivery has been delayed by the fault of the seller or the buyer, the goods shall be at the risk of the party in default, as regards loss which might not have arisen but for the default.

UNIT 2



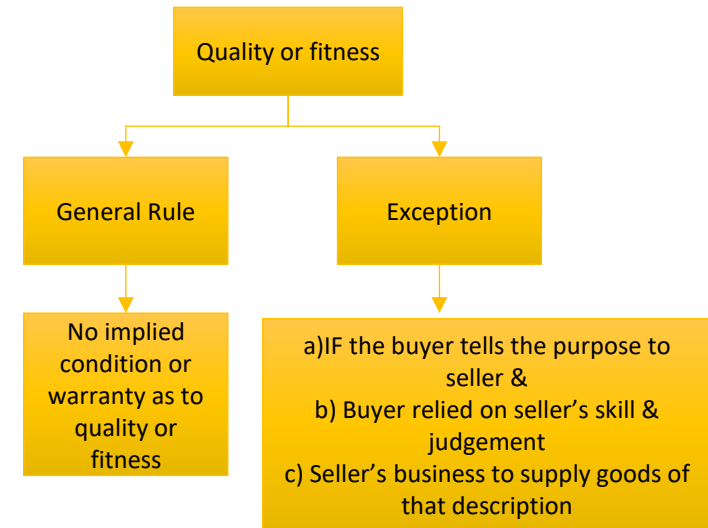
4 Cases where Condition can be treated as Warranty

Buyer altogether waives the performance of the condition

Buyer elects to treat the breach of the conditions, as one of a warranty

Contract is non-severable and the buyer has accepted either the whole goods or part of it

Where the fulfilment of any condition or warranty is excused by law by reason of impossibility or otherwise.



7 Implied Conditions

Condition as to title

Sale by sample

Condition as to quality or fitness

Condition as to wholesomeness

Condition as to description

Sale by sample as well as by description

Condition as to merchantability

4 Implied Warranties

Warranty as to undisturbed possession

warranty as to quality or fitness by usage of trade

Warranty as to non- existence of encumbrances

disclosure of dangerous nature of goods

Caveat Emptor/Duties of Buyer

Let the Buyer beware

Seller is not bound to disclose the defects in the goods

Buyer cannot hold seller responsible for his bad selection of goods

Rule is laid down in section 16

Exceptions to Caveat Emptor/ Duties of Seller

Goods Sold by Description

Sale by sample

Fitness as to quality or use except brand or patent name

Goods by sample as well as description

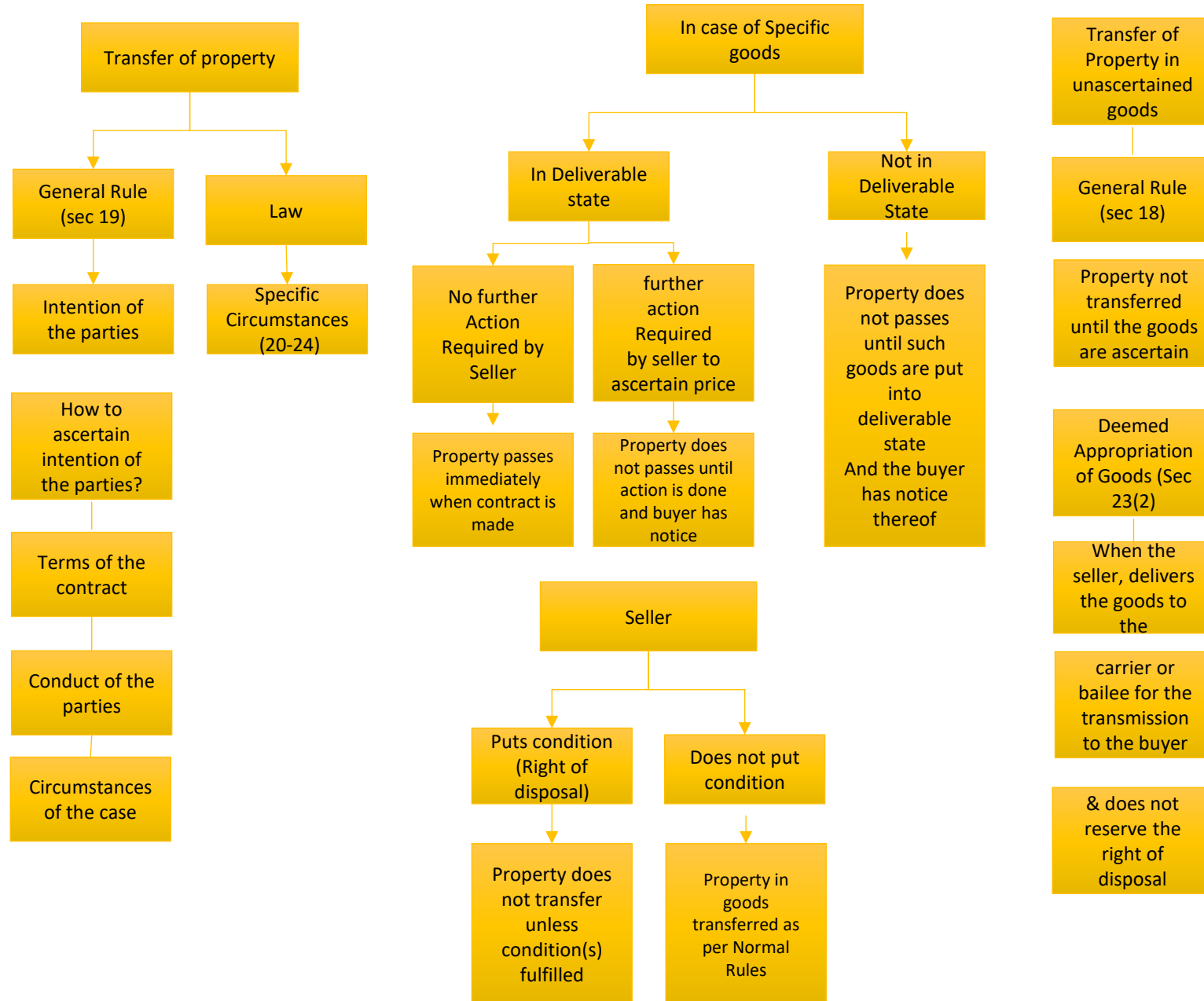
Trade usage

Seller actively conceal defect or guilty of fraud

Condition as to merchantability

Goods of Merchantable quality

UNIT 3



Essentials of Appropriation of goods (Sec 23(1))

1. Sale of Unascertained or future goods

2. Goods should conform to the description & quality stated in the contract

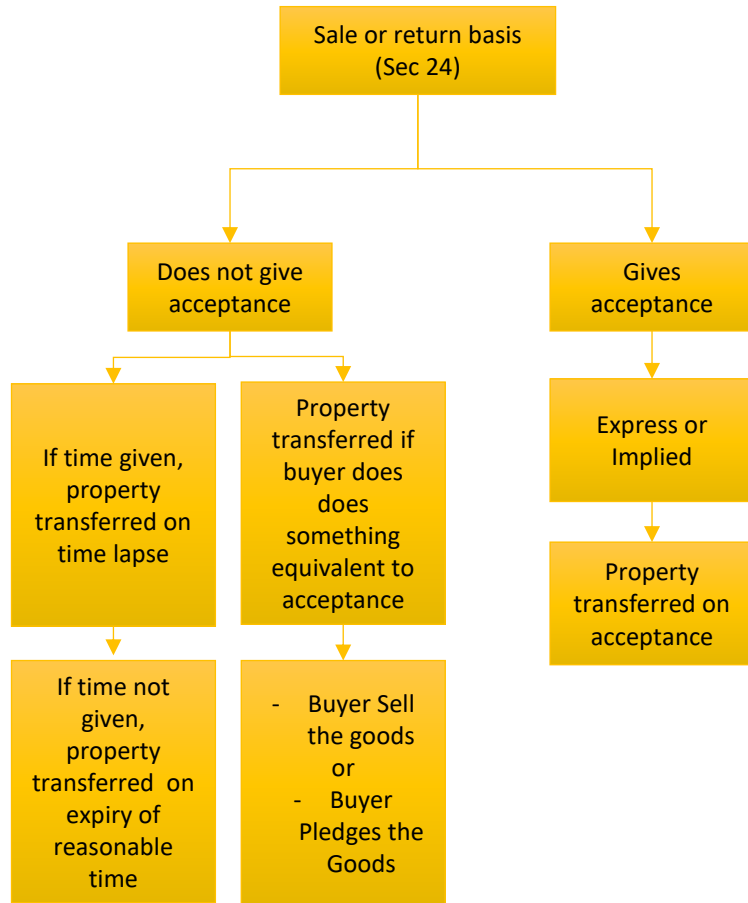
3. Goods must be in a deliverable state

4. Goods must be unconditionally appropriated

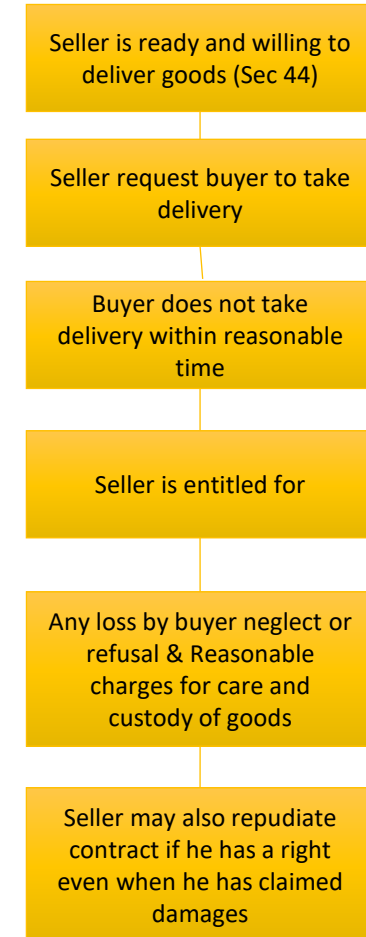
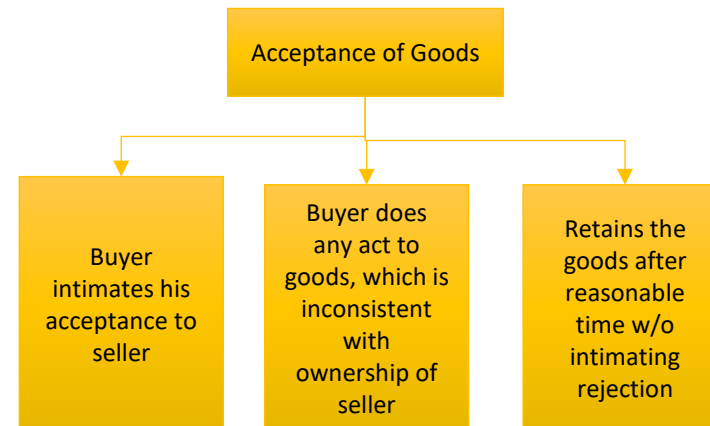
5. Assent may be express or implied

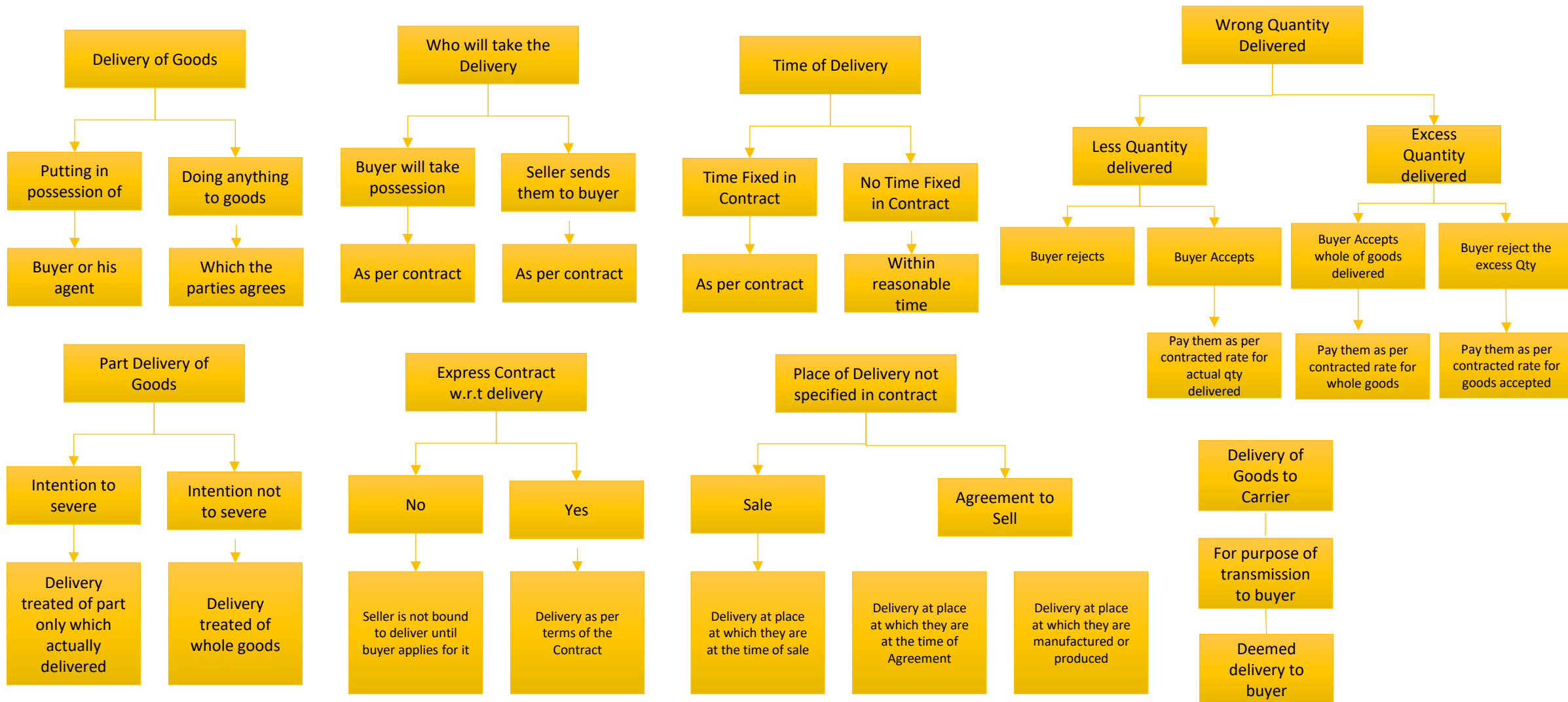
6. Assent may be given either before or after appropriation.

7. Appropriation must be made by :-
a) Buyer with the assent of seller or
b) Seller with the assent of buyer



Sale for cash only or Return :-
 where the goods have been delivered by a person on “sale or return” on the terms that the goods were to remain the property of the seller till they are paid for, the property therein does not pass to the buyer until the terms are complied with, i.e., cash is paid for.





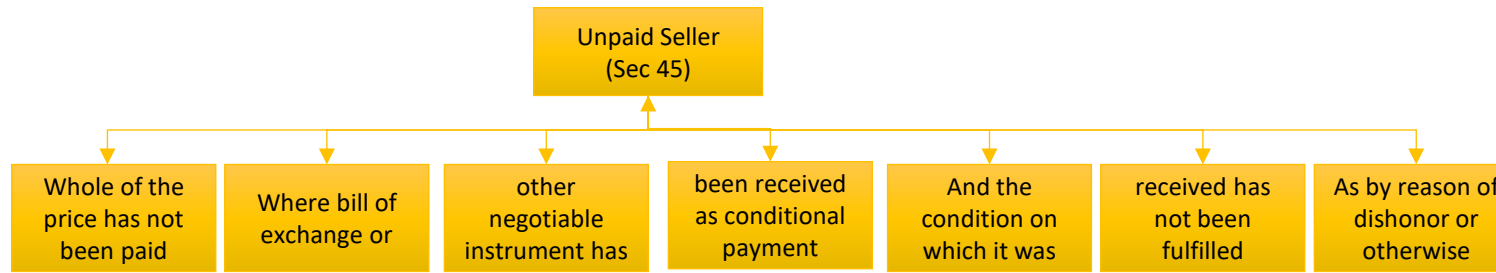
Note :- Expenses of and incidental to putting goods into deliverable state must be borne by seller in absense of contract to contrary

Note :- Buyer must have a reasonable opportunity to examine the goods on delivery if not previously examined

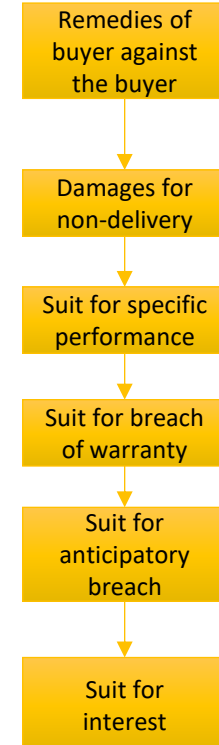
Exceptions to
Nemo Dat Quod
non habet

Sale by Mercantile Agent	Sale by One of the Joint Owners (Sec 28)	Sale in case of voidable contract (Sec 29)	Sale by person who has already sold the goods (Sec 30)	Sale by buyer obtaining possession before property is transferred to buyer (Sec 30)	Sale by unpaid seller (Sec 54)	Sale under the provisions of other act	Effect of Estoppel
Agent has Possession of Goods/docum ent with consent of owner	One joint owner has sole possession of goods	Buyer acquire a good title to the goods sold by seller	Sale by person who has already sold the goods but continues with the possession	Sale by buyer obtaining possession before property is transferred to buyer	Sale by unpaid seller who had exercised his right of lien or stoppage in transit	Sale by official receiver/ Liquidator of company will give valid title	Where the owner is estopped by the conduct from denying the seller's authority
Sale made by agent in ordinary course of business as agent	Possession is with the consent of other joint owners	Who obtained possession of goods under voidable contract	Of goods or documents of title, he may sell them to third person	He may sell, pledge or otherwise dispose of the goods to a third person	who resells the goods to other person	Purchase of goods from a finder of goods under certain circumstances	The transferee will get a good title against the true owner
Buyer acted in good faith, no notice of fact that seller has not authority to sell	Buyer acted in good faith, no notice of fact that seller has not authority to sell	Contract has not been rescinded until the time of the seller	Buyer acted in good faith, without notice of previous sale	Buyer acted in good faith, without notice of lien or other right that	Buyer acquires a valid title against the original buyer	A Sale by Pawnee can convey a good title to the buyer	Proof that true owner has actively suffered /held out other person as owner

UNIT 4



Unpaid seller includes any person who is in the position of seller for instance – agent of seller



Auction Rules (Sec 64)

1. Separate contract of sale for each lot
2. Contract completed on fall of hammer
3. Right to bid may be reserved expressly
4. Fraud if right to bid not notified
5. Reserved or upset price may be notified
6. Sale voidable if seller use pretending bidding to raise price

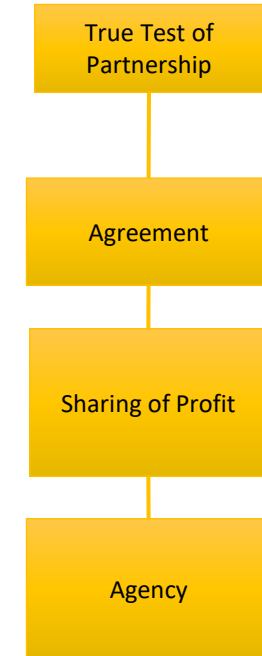
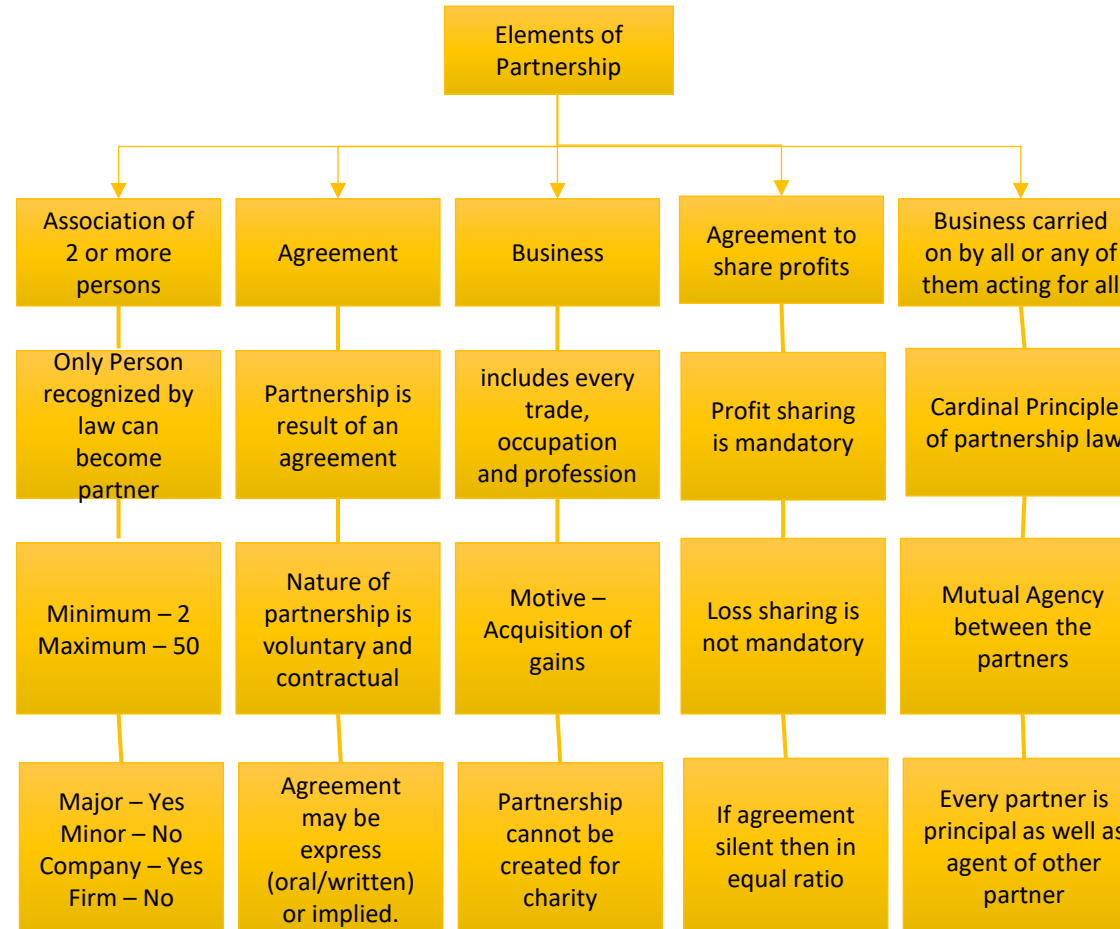
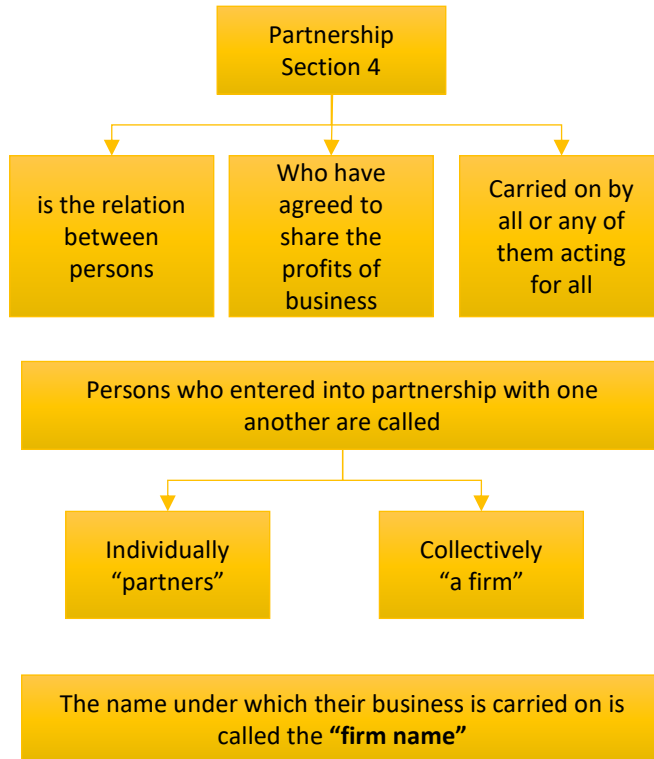
Sec 64A

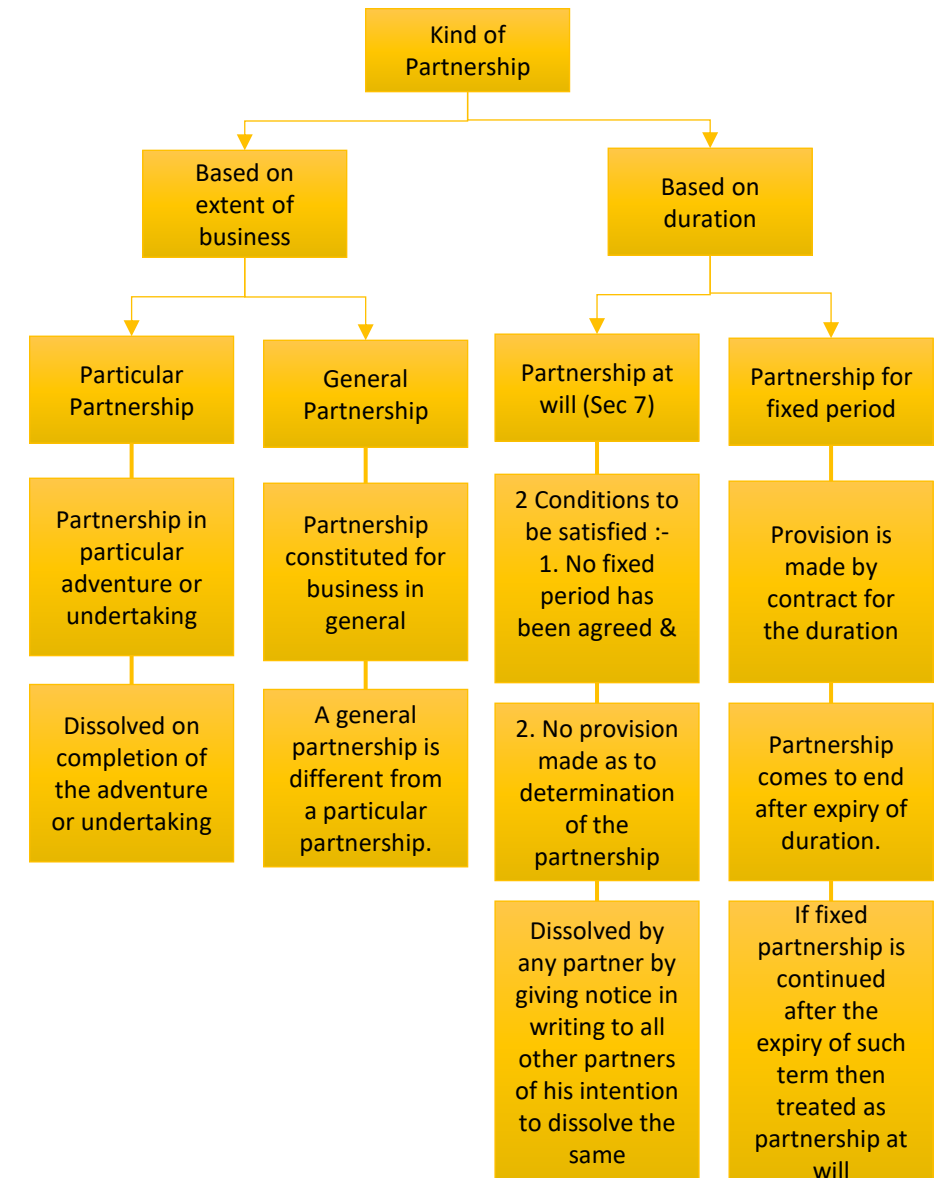
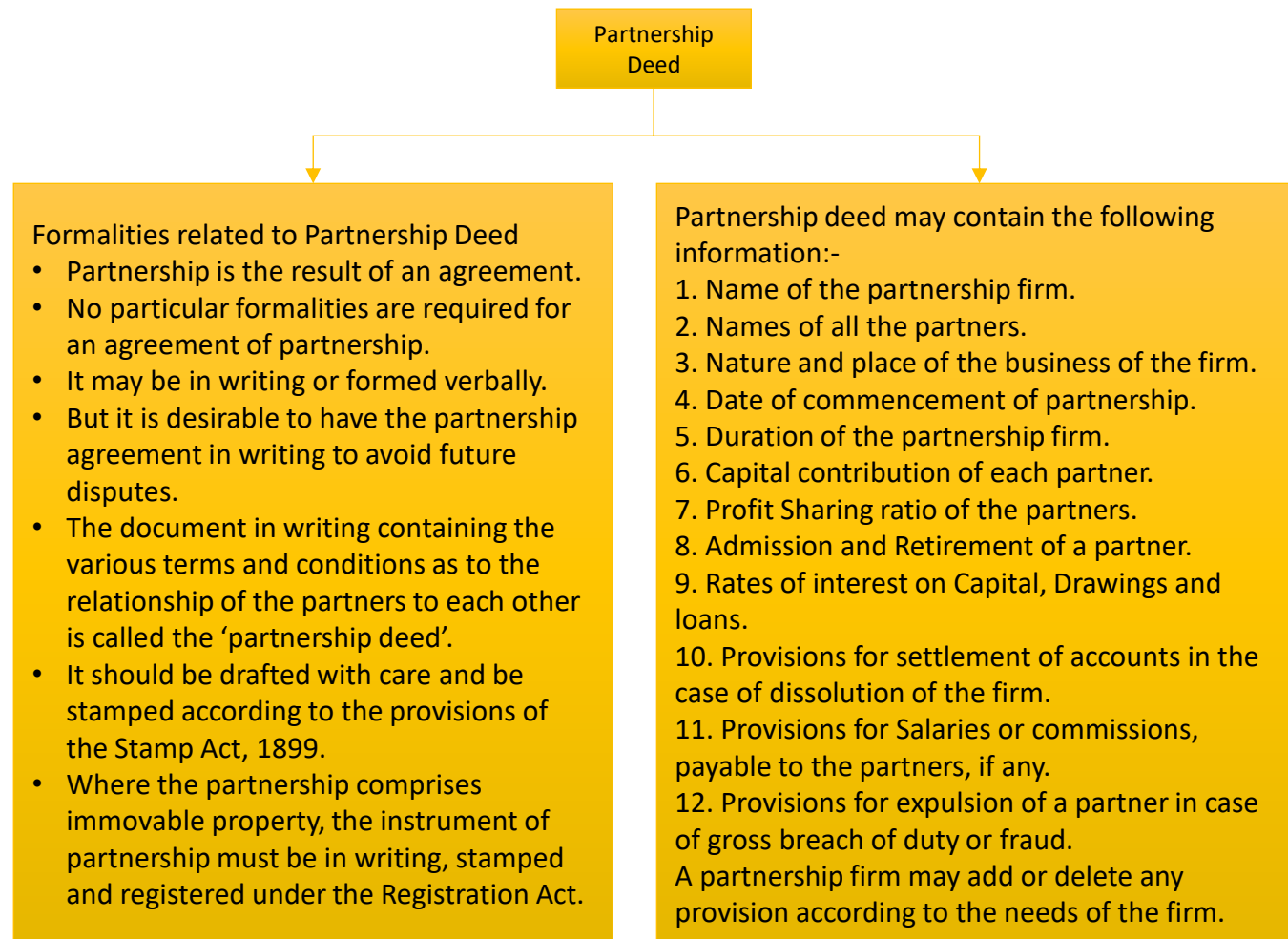
When tax on goods (like excise/custom/GST) increase or decrease after entering into contract of sale but before performance, then buyer would have to pay the revised price considering the revised tax rates.

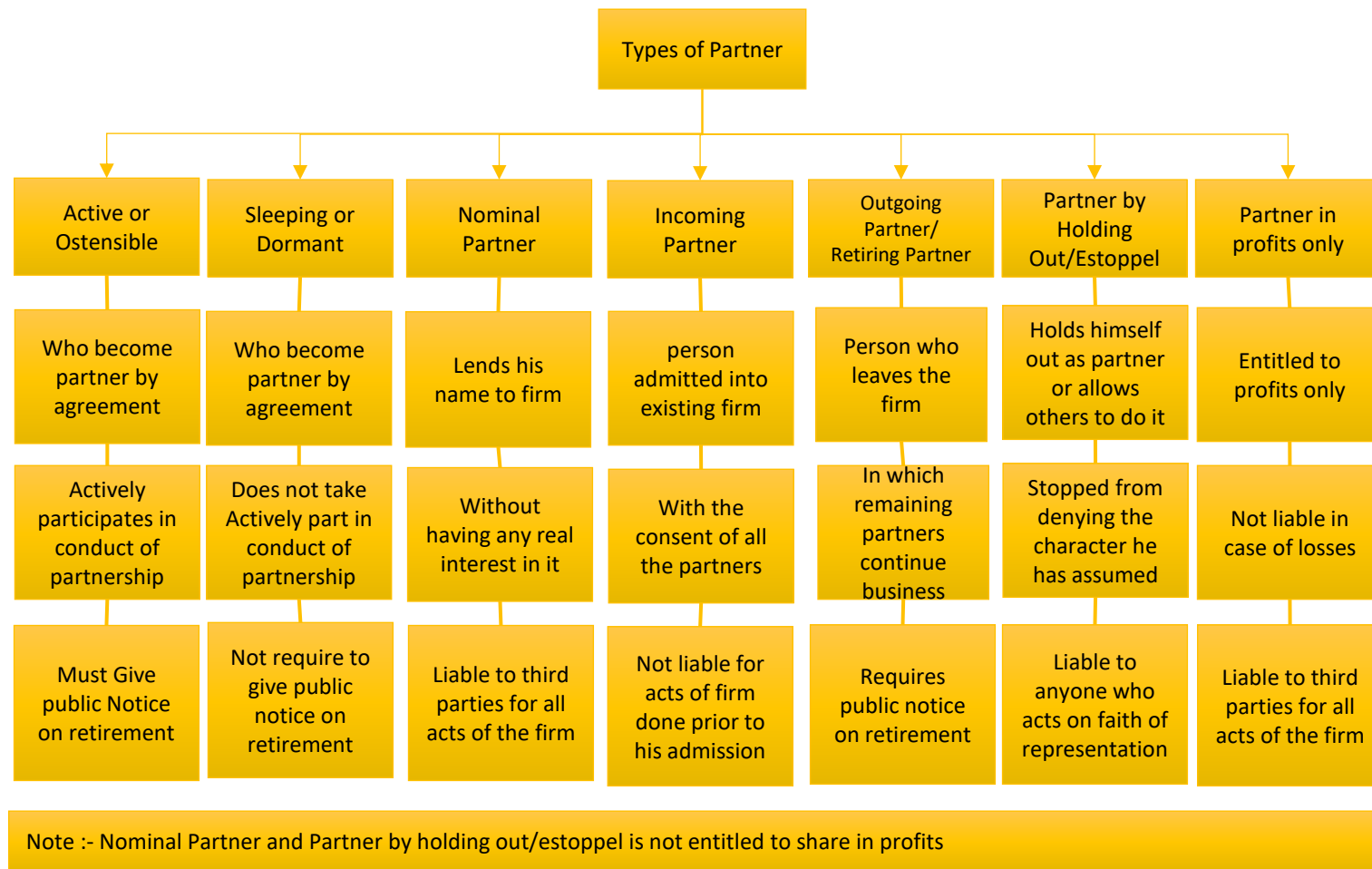
The effect of above provision can be excluded by an agreement to contrary

THE INDIAN PARTNERSHIP ACT, 1932

UNIT 1







UNIT 2

General Duties of Partner (Section 9):-

- Carry business to the greatest common advantages
- Observe the utmost good faith in his dealings
- To render true accounts to other partners or their legal representative
- To render full information of all things affecting firm to other partners or their legal representative

Sec 14 - Partnership property/partnership assets/joint stock/common stock/joint estate –



all property, rights and interests which Partners contributed to common business



all the property, rights and interest acquired or purchased by or for the firm



Goodwill of the business

Sec 15 - Subject to contract, partnership property shall be used by partners exclusively for the purpose of the business of firm only

What is property of partner?

Property which exclusively belong to the partner only

Duty to Indemnify (Sec 10)

Partner committing fraud in the conduct of the business of firm

must make good the loss sustained by the firm and amount should be divided b/w partners

Sec 13 –

Mutual Rights & Liabilities :- Subject to Contract,

Partner is not entitled to any remuneration for taking part in conduct of business of firm except in case of customs/express agreement

Both Profit & Losses to be shared equally amongst partners

where a partner is entitled to interest on the capital such interest shall be payable only out of profits;

partner making, for the purposes of the business, any payment or advance beyond the amount of capital he has agreed to subscribe, is entitled to interest thereon at the rate of 6 percent per annum

firm shall indemnify a partner in respect of payments made and liabilities incurred by him

Partner shall indemnify the firm for any loss caused to it by his wilful neglect

Rights & Duties of each partner (Sec 11)

Subject to provisions of the Act

Rights & duties of the partners of a firm may be determined by contract (express or implied)

Sec 12 - Conduct of Business :- Subject to Contract,

Every partner has a right to take part in the conduct of the business

Every partner is bound to attend diligently to his duties in the conduct of the business

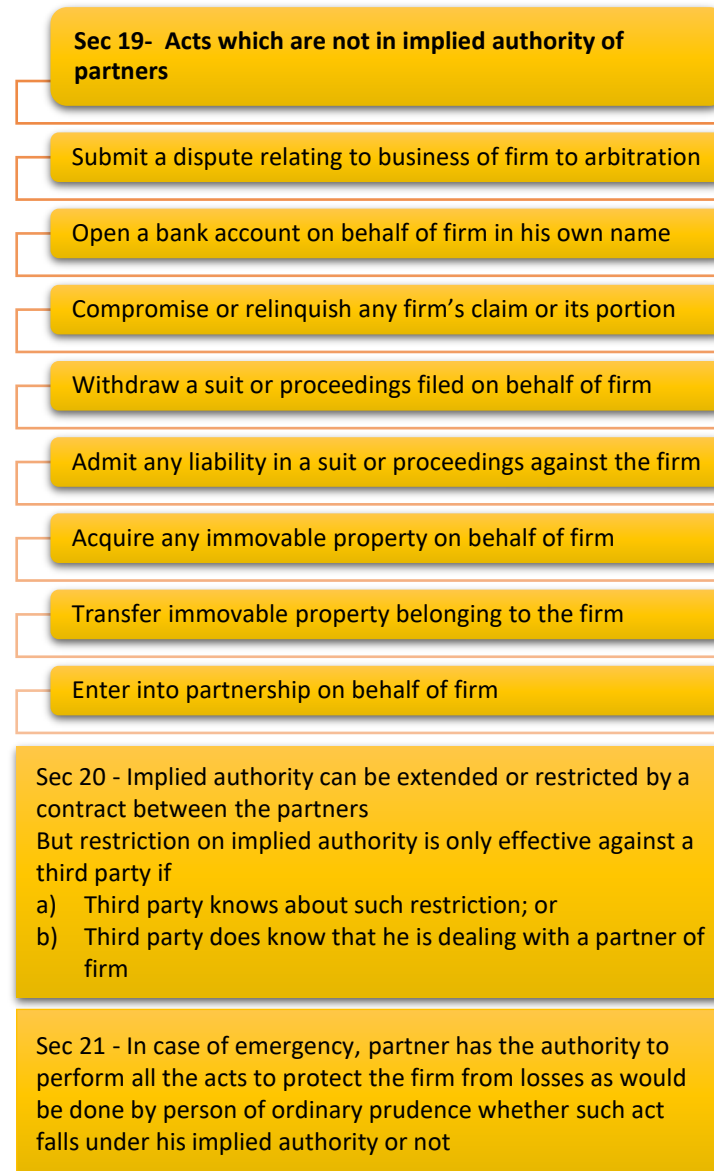
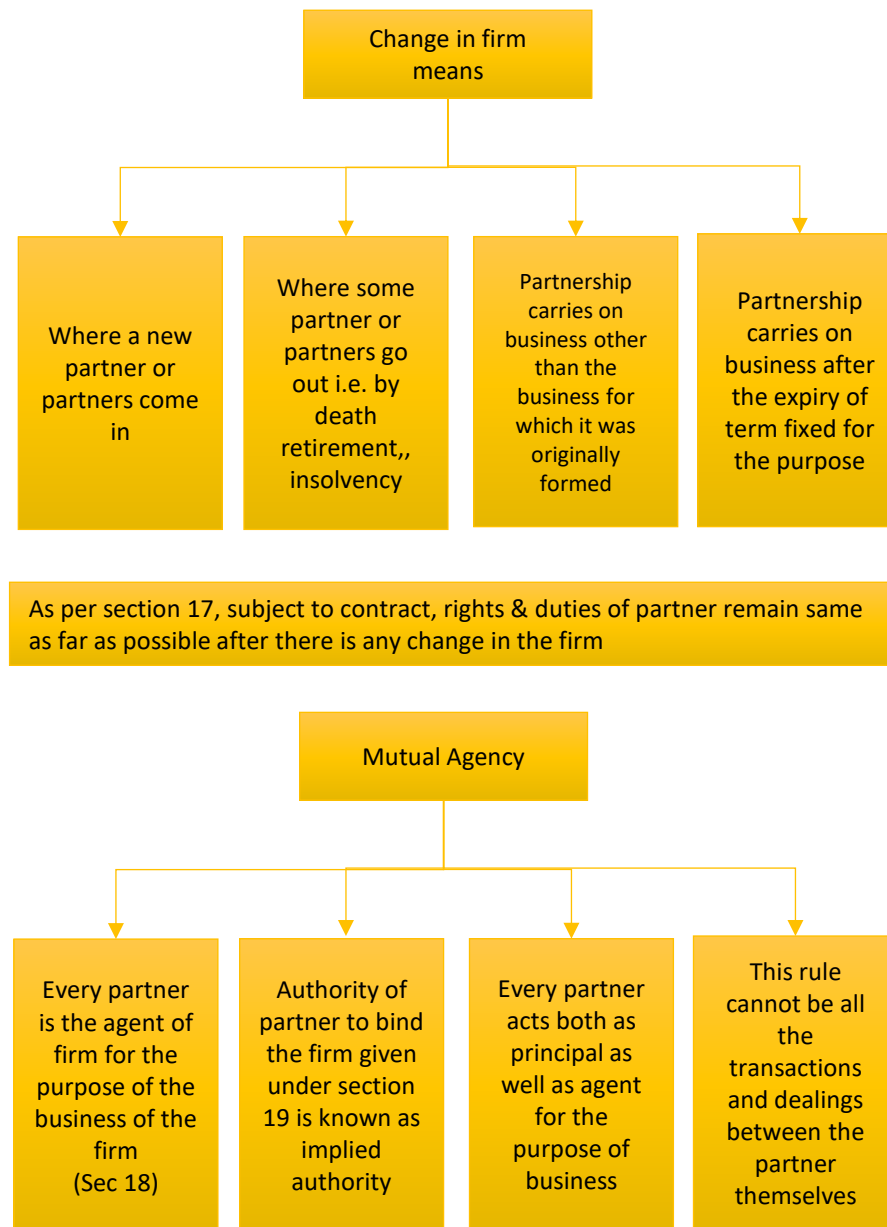
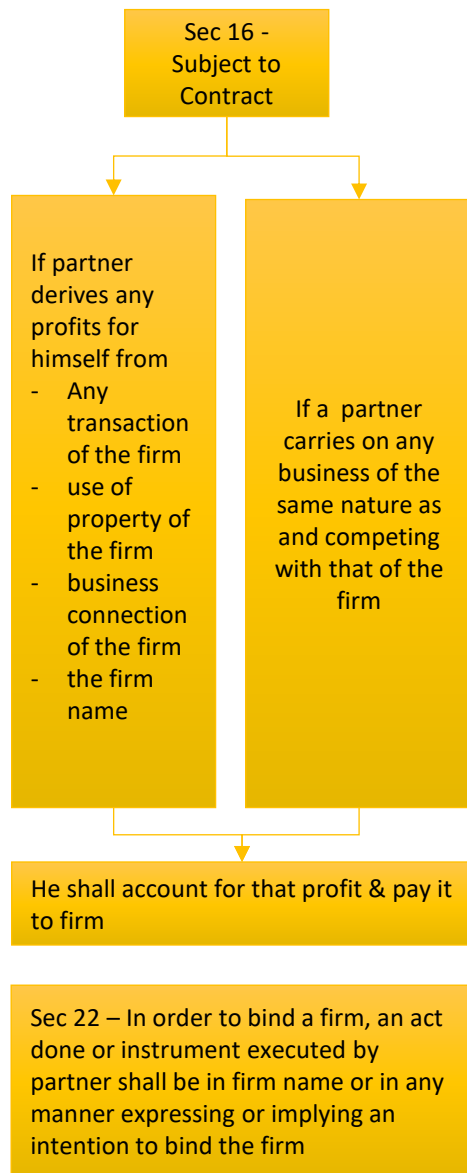
Every partner has right to express his opinion on business matters

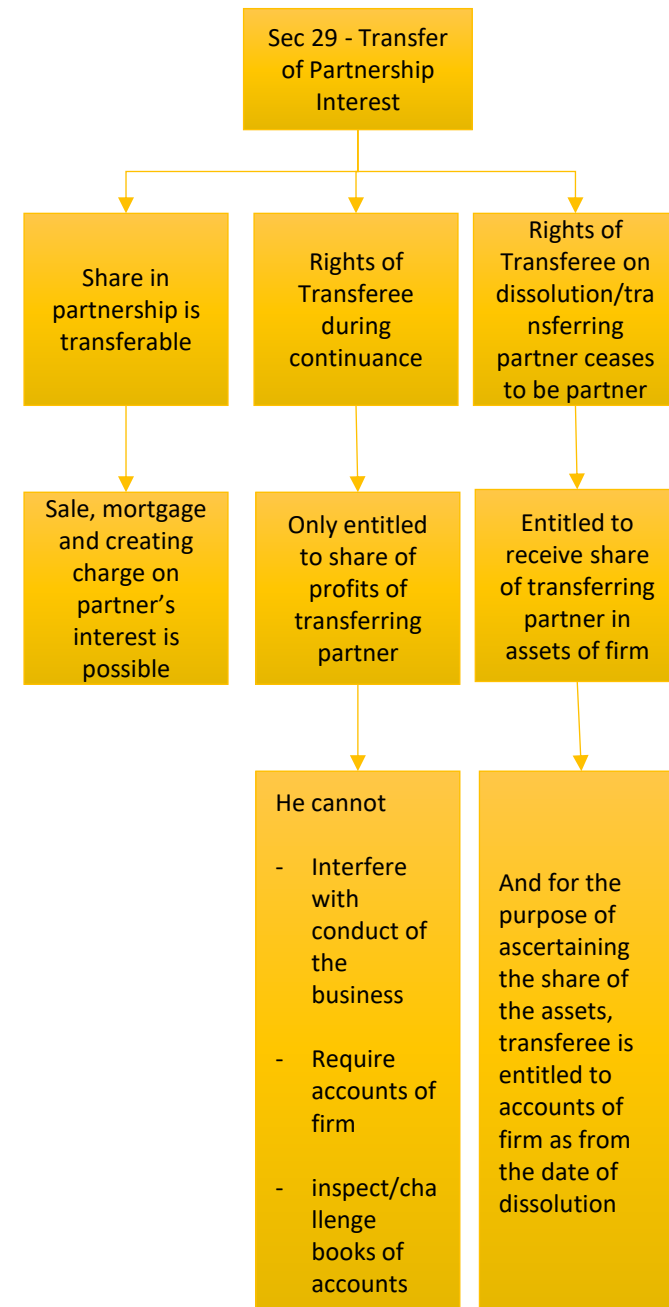
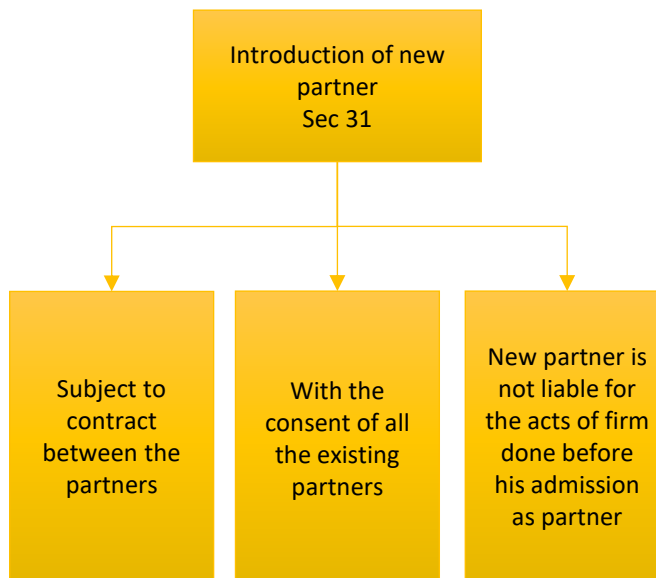
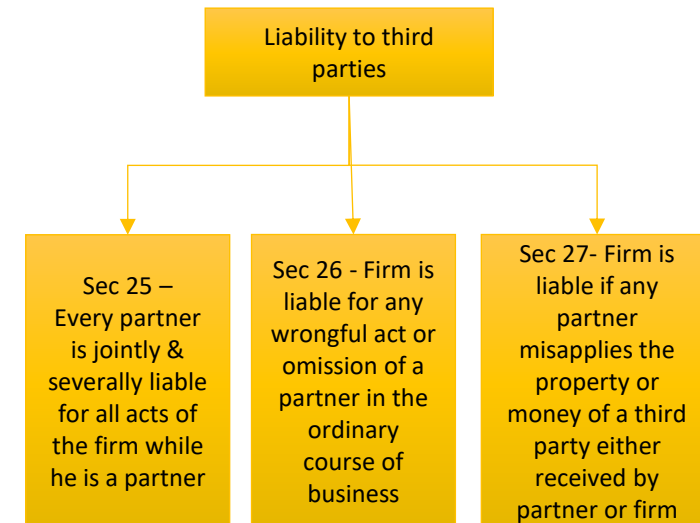
Ordinary matters are decided by majority of partners

Change in nature of firm business require consent of all partners

Every partner & his duly authorized agent has right to have access to / inspect / take copy of books of firm

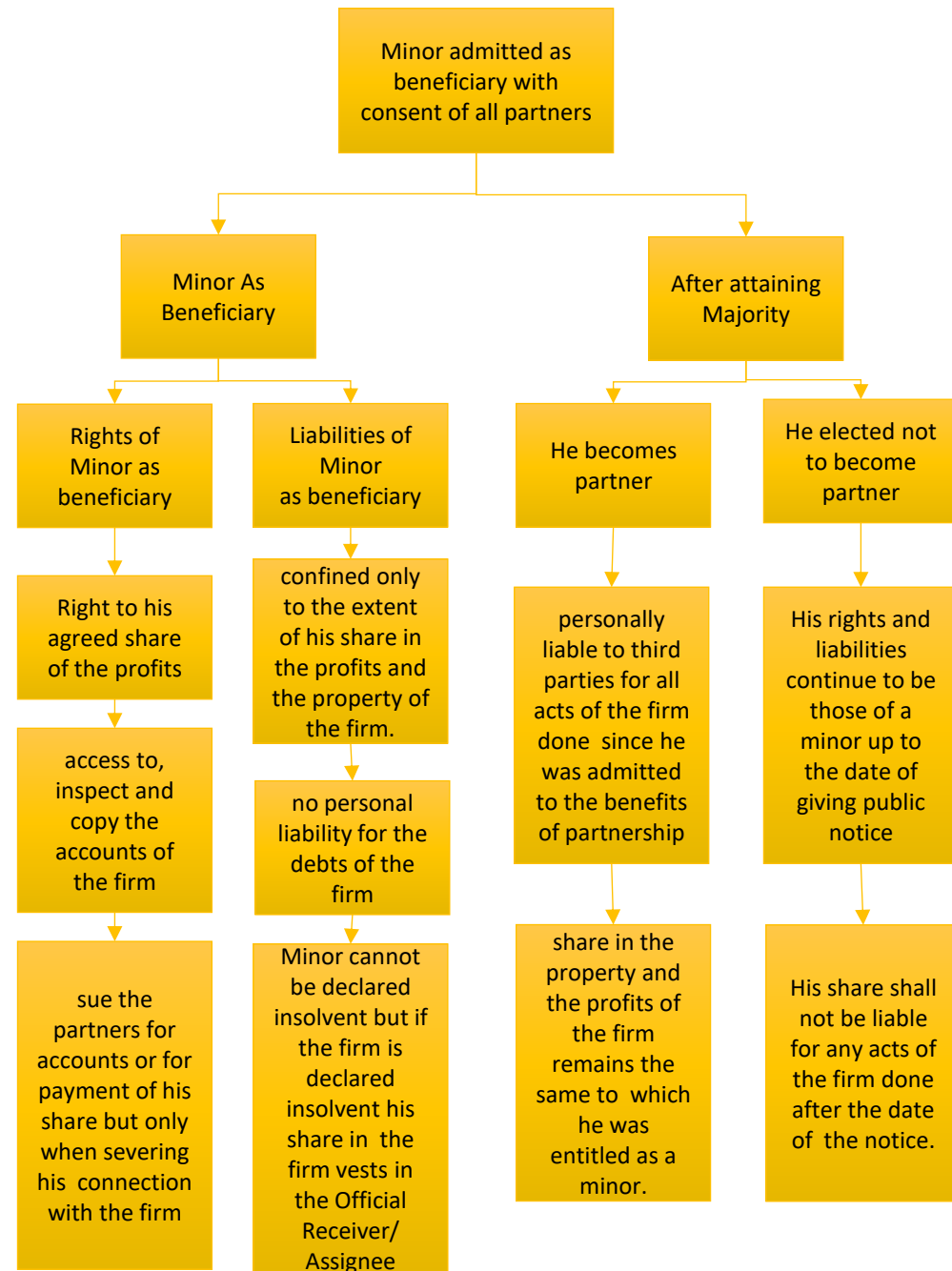
In event of death, partner's legal representative has right to have access to / inspect / take copy of books of firm

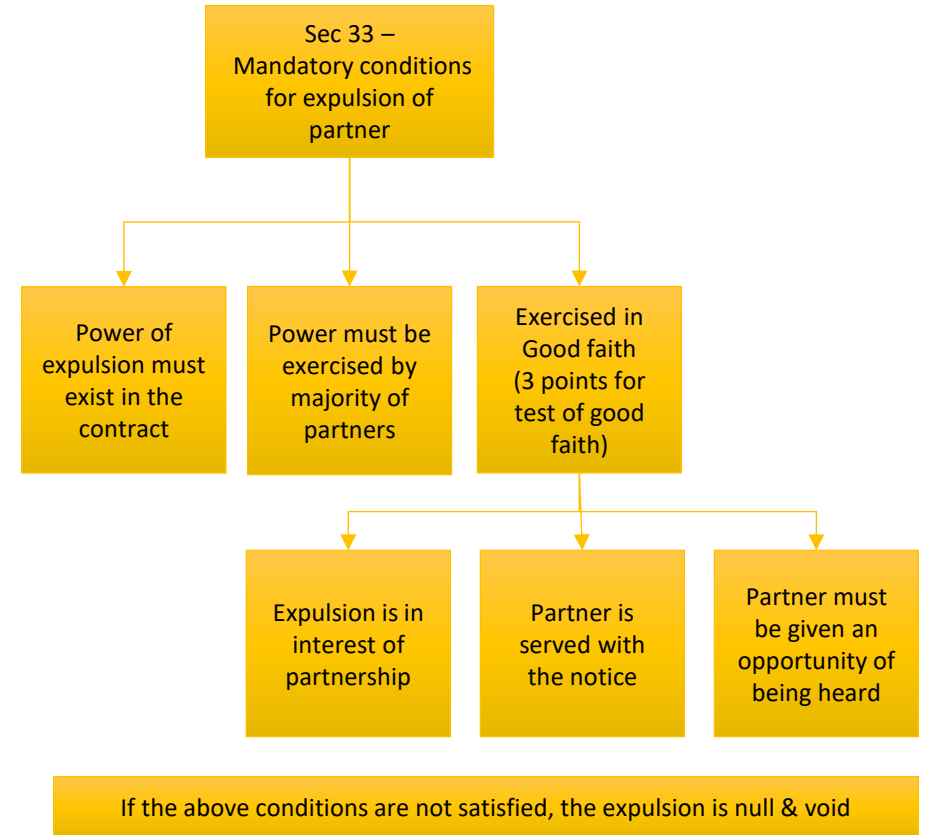
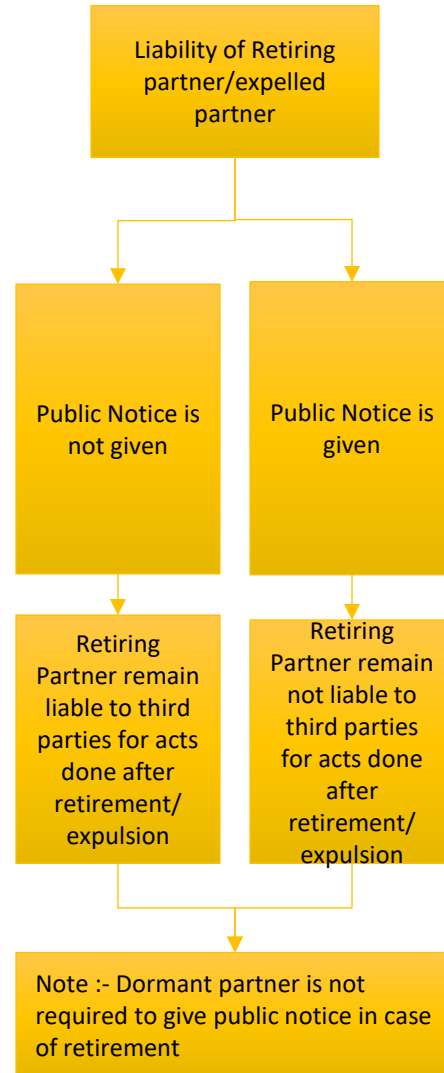
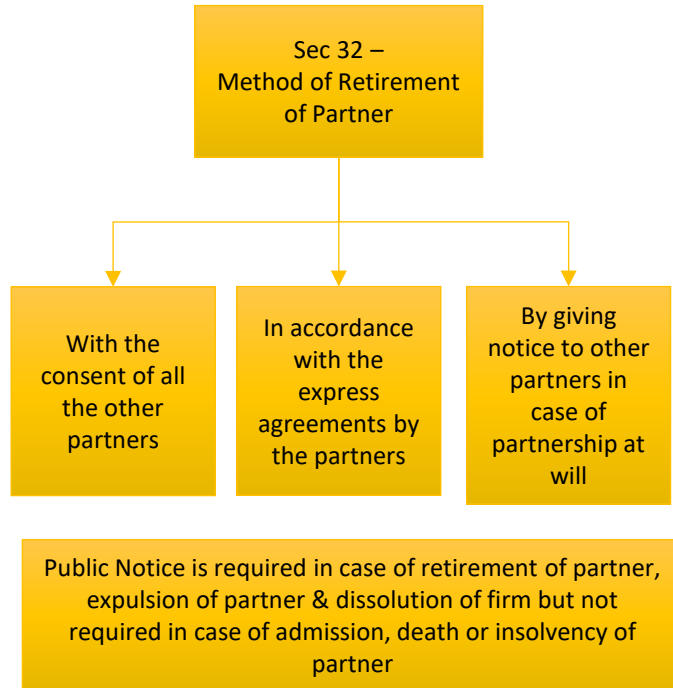




Sec 30 - Minor cannot become a partner in firm but can be admitted as beneficiary in the firm with the consent of all the existing partners

Within 6 months on attaining majority or obtaining knowledge that he is a beneficiary in firm, whichever date is later, such person require to give public notice that whether he has elected to become partner or not. If he fails to give notice within 6 months, then treated as partner of firm on expiry of said 6 months

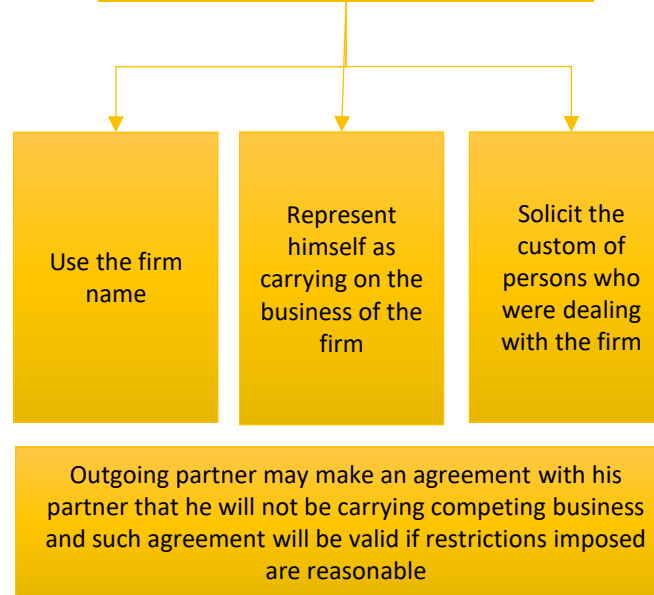




Sec 34 – Insolvency of a partner

1. No public notice is required in case any partner become insolvent
2. He will be ceased to be a partner from the very date on which the order of adjudication is made.
3. The insolvent partner cannot be continued as a partner.
4. The estate of the insolvent partner is not liable for the acts of the firm done after the date of order of adjudication.
5. The firm is also not liable for any act of the insolvent partner after the date of the order of adjudication,
6. Ordinarily but not invariably, the insolvency of a partner result in dissolution of a firm; but the partners are competent to agree among themselves that the adjudication of a partner as an insolvent will not give rise to dissolution of the firm

Sec 36 - Outgoing partner can carry competing business ,
But, Subject to contract, cannot

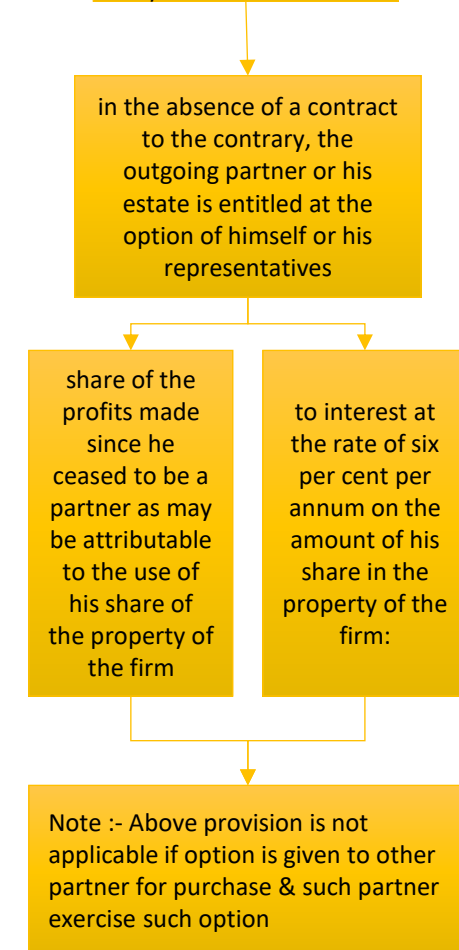


Sec 35 - LIABILITY OF ESTATE OF DECEASED PARTNER :-

Where under a contract between the partners, the firm is not dissolved by the death of a partner, the estate of a deceased partner is not liable for any act of the firm done after his death.

As per section 38, continuing guarantee given to a firm or to third party in respect of the transaction of a firm is, in the absence of an agreement to the contrary, revoked as to future transactions from the date of any change in the constitution of the firm.

Sec 37 - Right of outgoing partner/representative of deceased partner if a/cs are not settled



Steps for Registration of Firm (Section 58 & 59)

- Files statement with RoF in the prescribed form with prescribed Fees
- RoF of the area in which any place of business is situated
- Statement need to be signed by all the partners

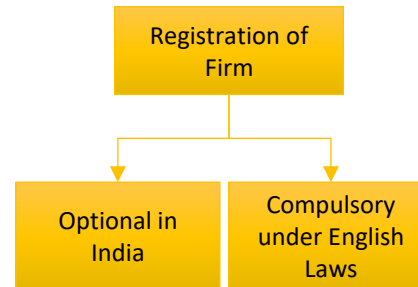
RoF issues Certificate of Registration after

- Satisfying all the provisions are being complied with
- Recording an entry in the register of firms

Effective Date of Registration :-

Registration is deemed to be completed as soon as an application in the prescribed form with the prescribed fee and necessary details concerning the particulars of partnership is delivered to the Registrar

Registered Firm shall use the bracket & word (Registered) immediately after its name



Content of Statement

1. The firm's Name
2. The place of principal place of business of firm
3. The names of any other place where the firm carries on business
4. The date when each partner joined the firm
5. The name in full and permanent addresses of the partners
6. The duration of the firm

Firm name shall not contain following words:-

Crown

Emperor

Empire

Imperial

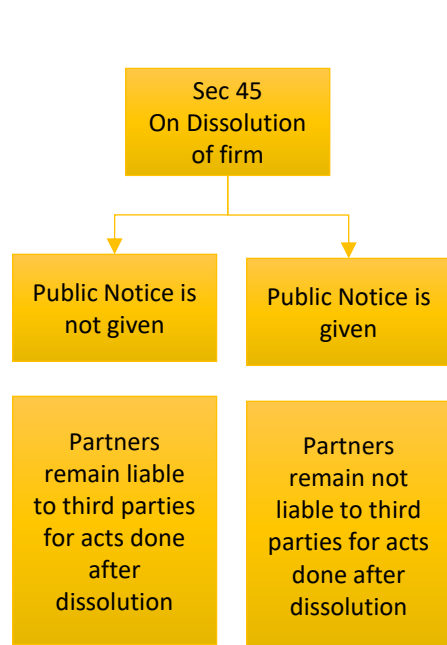
King

Queen

Royal

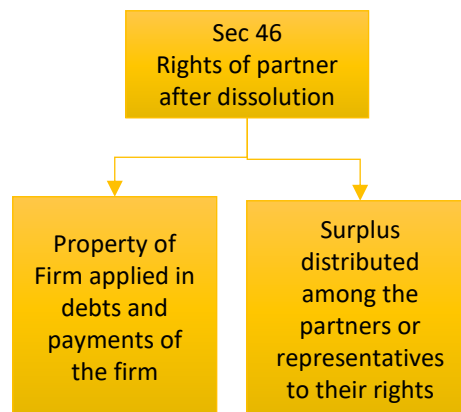
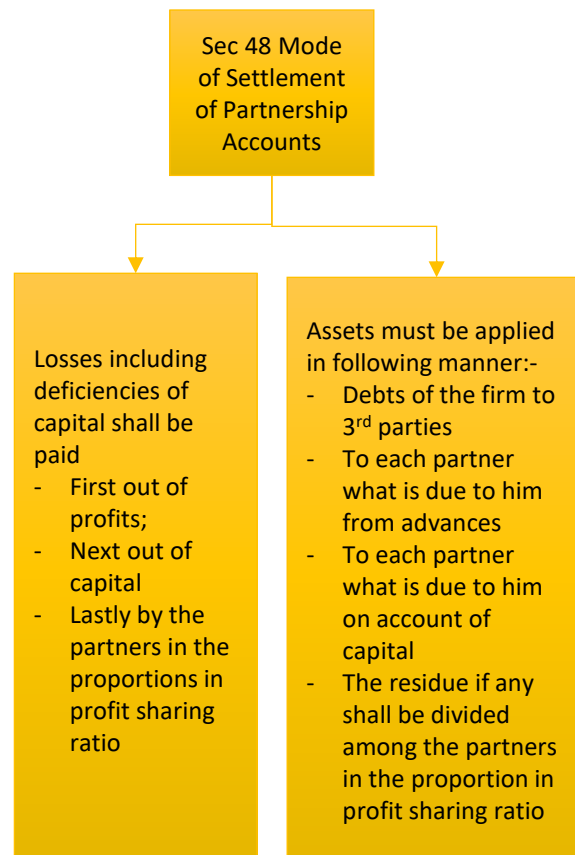
Govt linked

State Govt can give approval to use firm name linked with govt. by order in writing

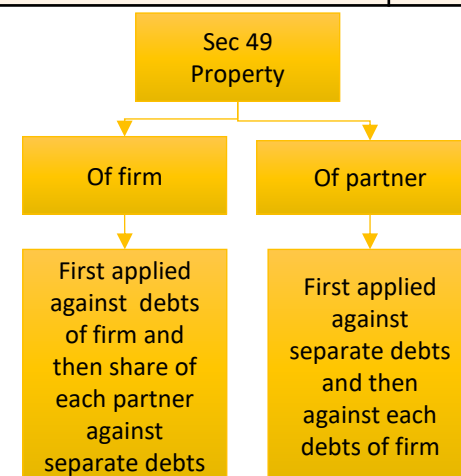


Note :- Insolvent Partner, Property of deceased partner and dormant partner are not liable to third party even if no public notice is given

Sec 47
After dissolution, each partner has the authority which is necessary to wind up the affairs of the firm and complete the unfinished transactions



Consequences of Non-Registration (Section 69)	Exceptions :- Non – Registration of firm does not, however the following rights
1. No suit in civil court by firm or other co-partners against third party	1. Right of third parties to sue the firm or any partner
2. No relief to firm or partner for set-off of claim	2. Right of partners to sue for the dissolution of the firm or for the settlement of the accounts of a dissolved firm, or for realization of the property of a dissolved firm.
3. Aggrieved partner cannot partner legal action against firm or other partners	3. The power of an Official Assignees, Receiver of Court to release the property of the insolvent partner and to bring an action
4. Third party can sue both registered or unregistered firm	4. The right to sue or claim a set-off if the value of suit does not exceed Rs. 100 in value
	5. The right to suit and proceeding instituted by legal representatives or heirs of the deceased partner of a firm for account s of the firm or to realise the property of the firm



Modes of Dissolution of Firm

Without Court Intervention

Dissolution by Agreement (Section 40)

Dissolution by notice (in partnership at will) (Section 43)

Compulsory dissolution of firm (Section 41)

1. All partners/ all partners except one as insolvent
2. Any event making firm business unlawful

Dissolution on happening of certain contingencies (Section 42)

1. After expiry of fixed term of partnership
2. Completion of adventure/undertaking
3. Death of a partner
4. Adjudication of partner as insolvent

With Court Intervention (Section 44)

Insanity / Unsound Mind

Permanent Incapacity

Misconduct

Persistent Breach of agreement

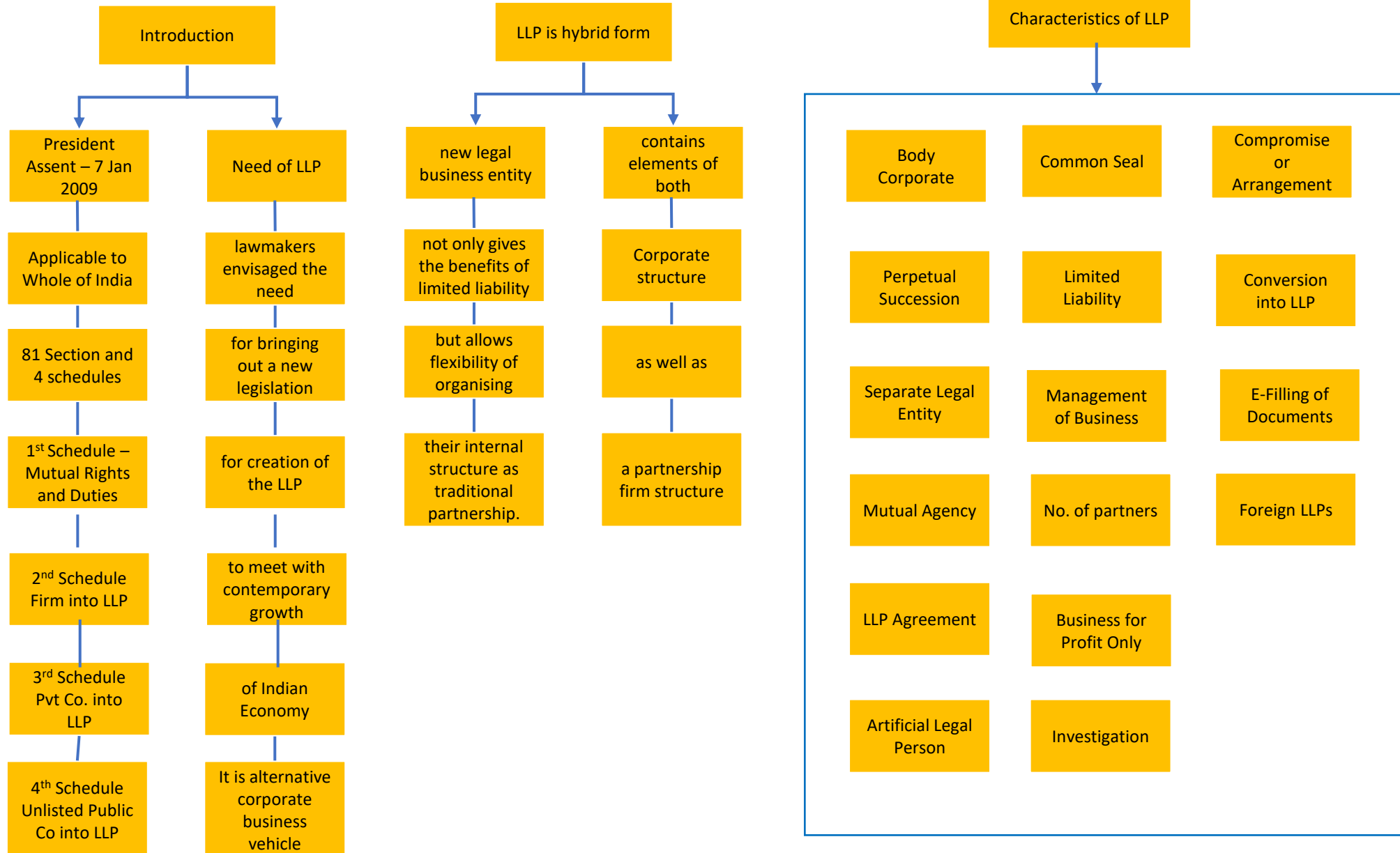
Transfer of Interest

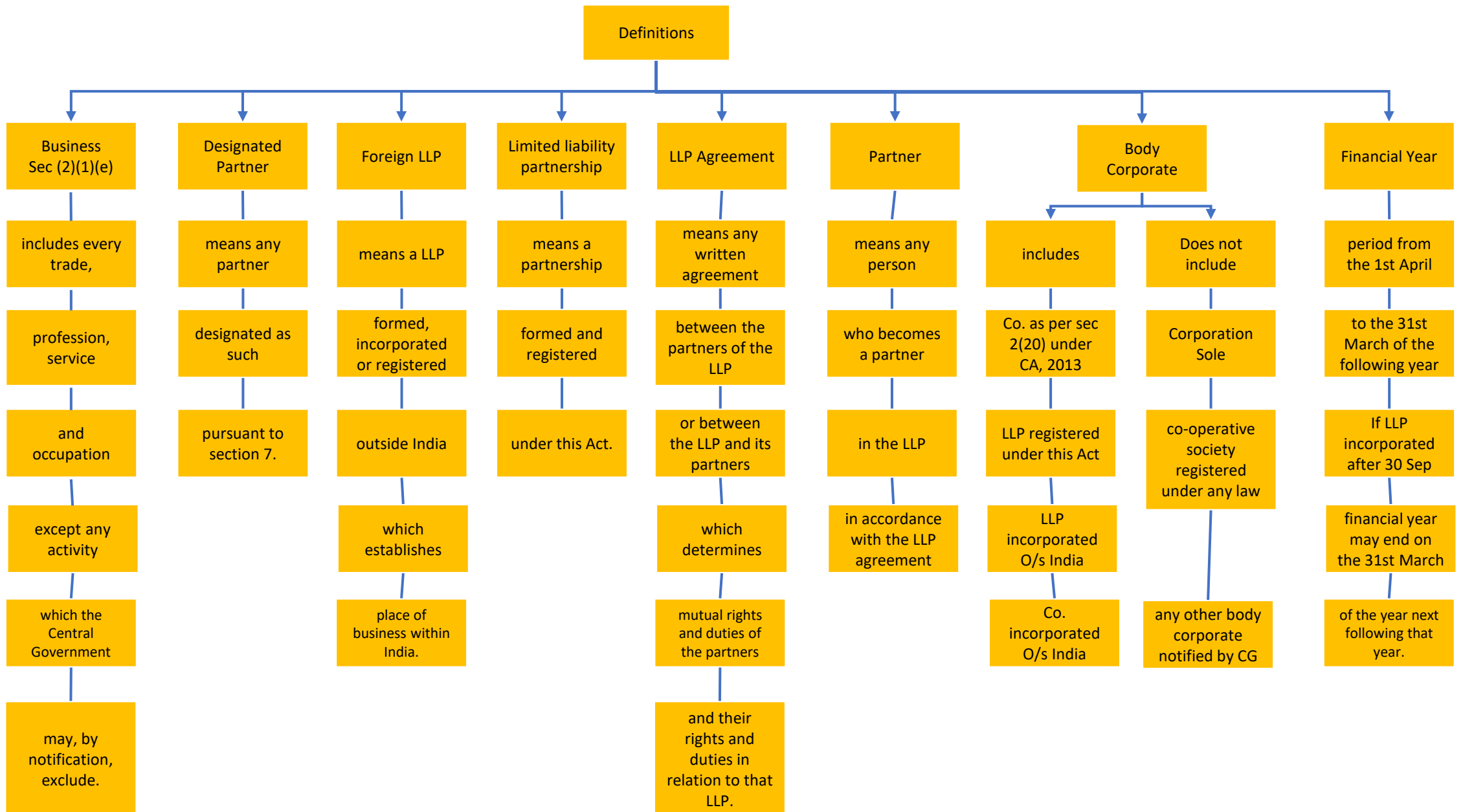
Continuous Losses / Perpetual Losses

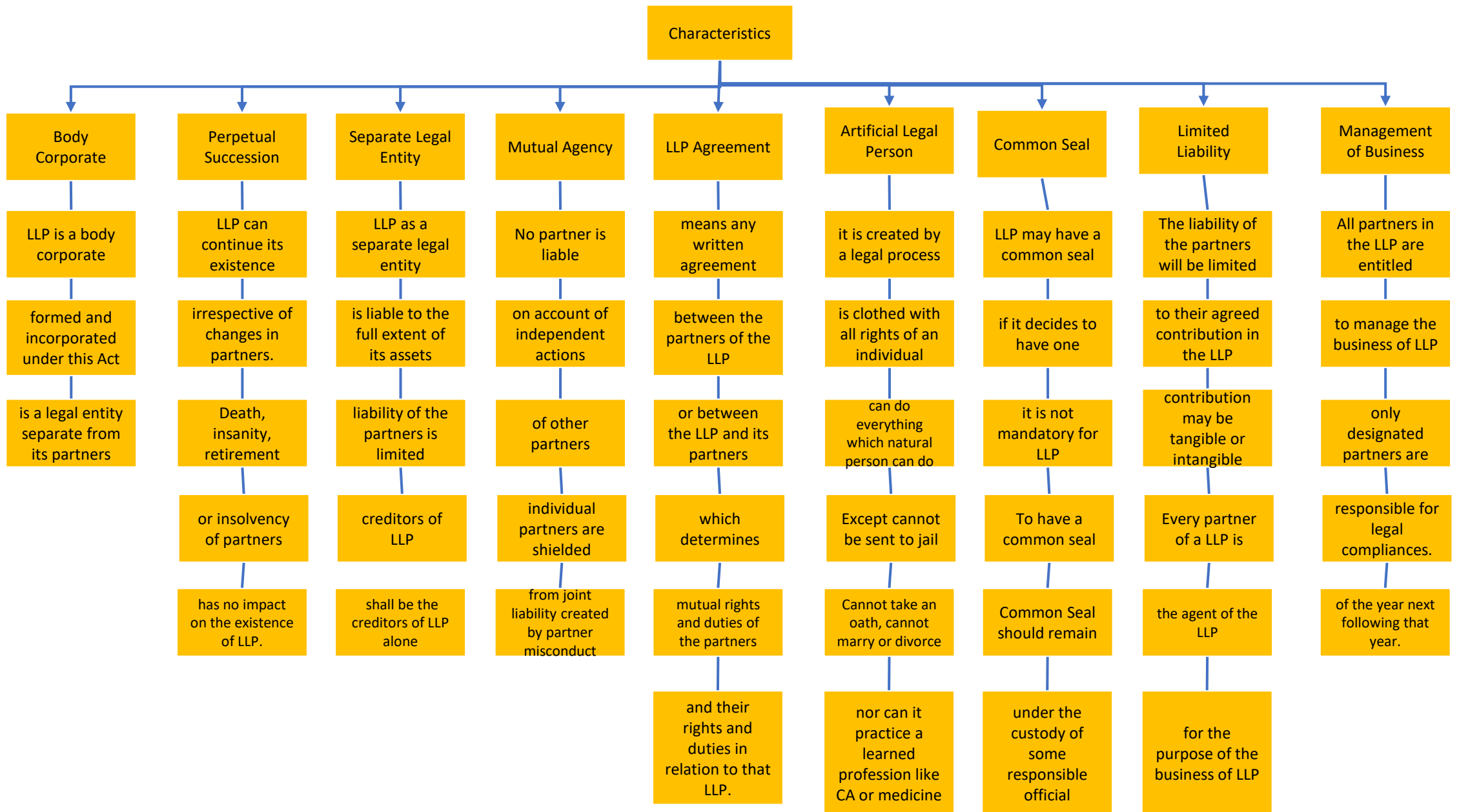
Just & equitable grounds

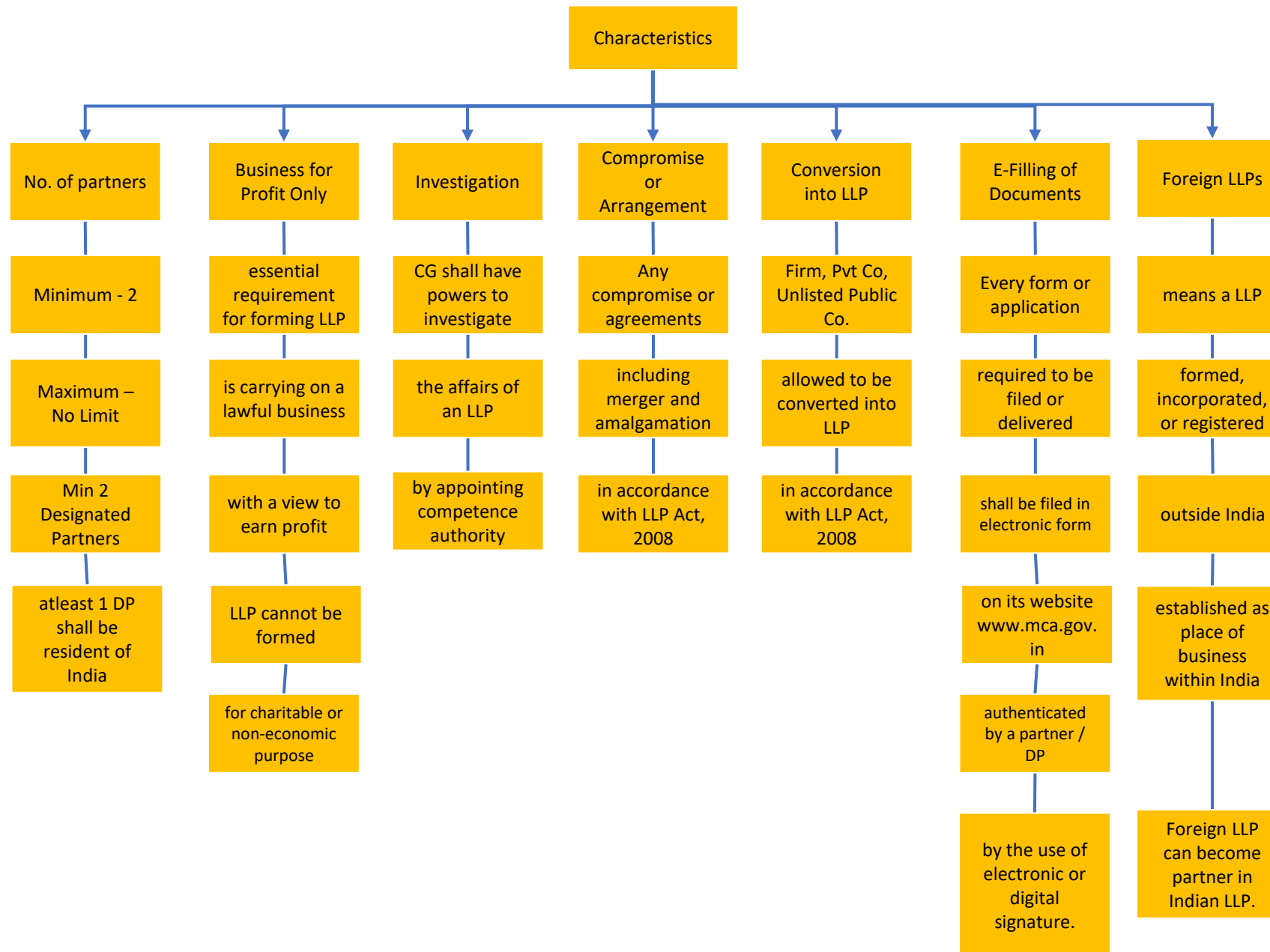
1. Deadlock in Management
2. Partners are not in talking terms
3. Loss of substratum
4. Gambling by partner on a stock exchange

THE LIMITED LIABILITY PARTNERSHIP ACT, 2008









Advantages of LLP	Minimum Number of Partners (Sec 6)	Incorporation of LLP (Sec 11)
- Organised and operates on the basis of an agreement - Provides flexibility without imposing detailed legal and procedural requirements - Easy to form - All partners enjoy limited liability - Flexible capital structure - Easy to dissolve	- Every LLP shall have at least 2 partners - If at any time the number of partners is reduced below 2 and the LLP carries on business for more than 6 months only partner who has knowledge of this fact shall be liable personally for the obligations of the LLP incurred during that period.	- For incorporation of LLP, incorporation document to be filed with the registrar containing following details - Name of LLP - Proposed business of LLP - Address of registered office of LLP - Name & address of each partner - Name & address of each designated partner - Other info as may be prescribed - Along with Incorporation Document, statement to be filed - Made by advocate, CS, CA, cost accountant engaged in formation of LLP & - By any one person who subscribed his name to incorporation document - Containing that all the requirements of this Act and the rules made thereunder have been complied with - Penalty - If a person makes a statement as discussed above which he knows to be false or does not believe it to be true - He shall be punishable with imprisonment upto 2 years and fine minimum Rs 10000 and Maximum Rs 5 Lakhs
Partners (Sec 5)	Designated Partner (Sec 7)	
- Any individual or body corporate may be a partner in a LLP - an individual shall not be capable of becoming a partner of a LLP - found to be of unsound mind by a Court of competent jurisdiction - undischarged insolvent - applied to be adjudicated as an insolvent and his application is pending	- Every LLP shall have at least 2 designated partners who are individuals - At least 1 of them shall be a resident in India - Resident in India:- means a person who has stayed in India for a period of not less than 120 days during the financial year. - If in LLP, all the partners are bodies corporate or in which one or more partners are individuals and bodies corporate, at least two individuals who are partners of such LLP or nominees of such bodies corporate shall act as designated partners.	
	Provisions of the Indian Partnership Act, 1932 shall not apply to a LLP	

Incorporation by Registration (Sec 12)

1. Registrar shall retain the incorporation document
2. Registrar shall within a period of 14 days register the incorporation document and issue a certificate signed by registrar and authenticated by his official seal
3. Certificate shall be conclusive evidence that LLP is incorporated by name specified therein

Registered Office of LLP (Sec 13)

1. Every LLP Shall have a registered office to which all communication and notices may be addressed and where they shall be received
2. A document may be served on a LLP or a partner or designated partner by post under a certificate of posting or by registered post or by any other manner as prescribed at the registered office
3. LLP may change the place of its registered office and file the notice of such change with the Registrar
4. Such change shall be effective only upon such filing
5. If LLP contravenes, LLP and its every partner shall liable
 1. Penalty of Rs 500/day maximum of Rs 50,000

Effect of Registration (Sec 14)

On registration a LLP shall, by its name, be capable of

1. Suing and being sued
2. Acquiring, owning, holding and developing or disposing of property
3. Suing and being sued
4. doing and suffering such other acts and things as bodies corporate may lawfully do and suffer.
5. having a common seal, if it decides to have one

Name (Sec 15)

1. Every LLP shall have either the words "Limited Liability Partnership" or acronym 'LLP' as last word of its name
2. No LLP shall be registered by a name which is
 1. Undesirable
 2. identical or too nearly resembles to that of any other LLP or a company or a registered trade mark of any other person

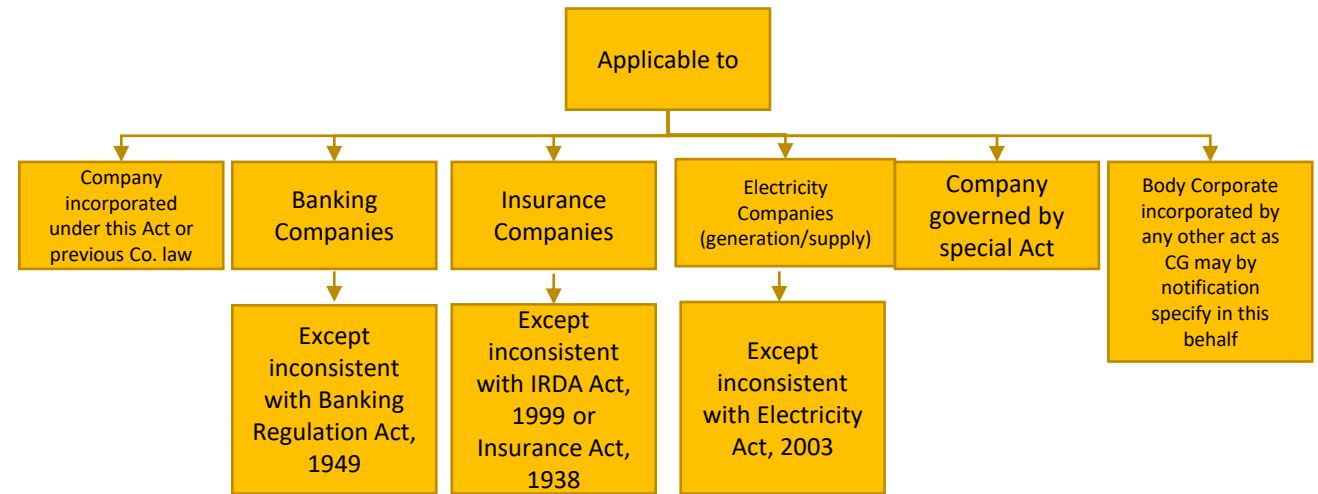
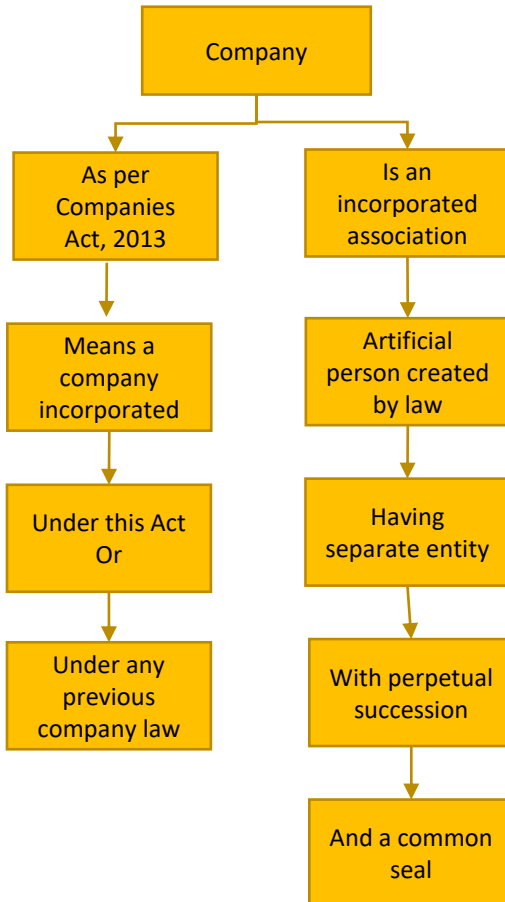
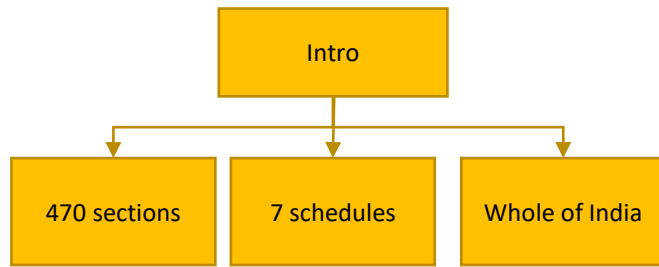
Reservation of name (Sec 16)

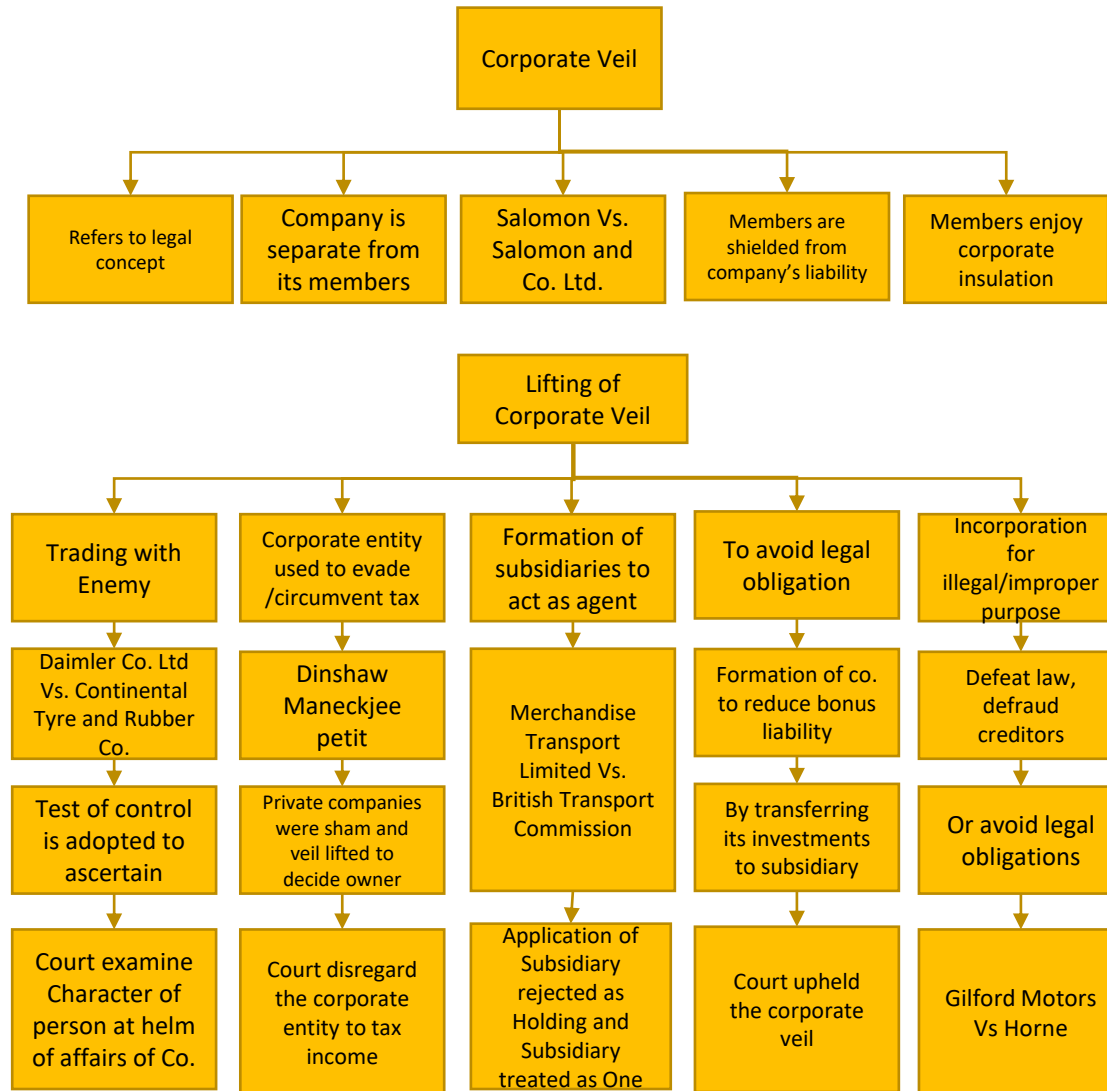
1. A person may apply to registrar for reservation of name mentioned in the application
 1. As name of new LLP
 2. As new name for existing LLP
2. The registrar may reserve the name for a period of 3 months from the date of intimation by Registrar

Rectification of Name (Sec 17)

1. If LLP is registered with a name which is identical or too nearly resembles to
2. On application, CG may direct such LLP to change its name within 3 months
3. If LLP Changes its name or obtains a new name, then LLP shall give notice to registrar along with CG order within 15 days from date of such change
4. Registrar shall carry out necessary changes in the certificate and within 30 days of changes in certificate of incorporation, LLP shall change the name in the LLP agreement
5. If LLP default, CG shall allot a name to the LLP and the registrar shall enter the new name in the register and issue a fresh certificate of incorporation

THE COMPANIES ACT, 2013

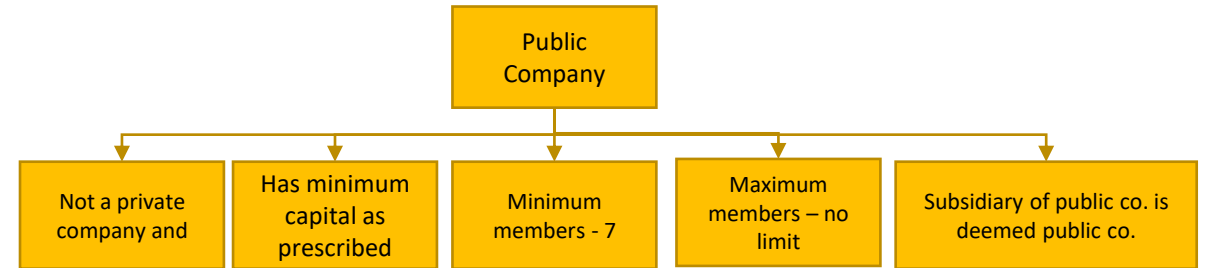
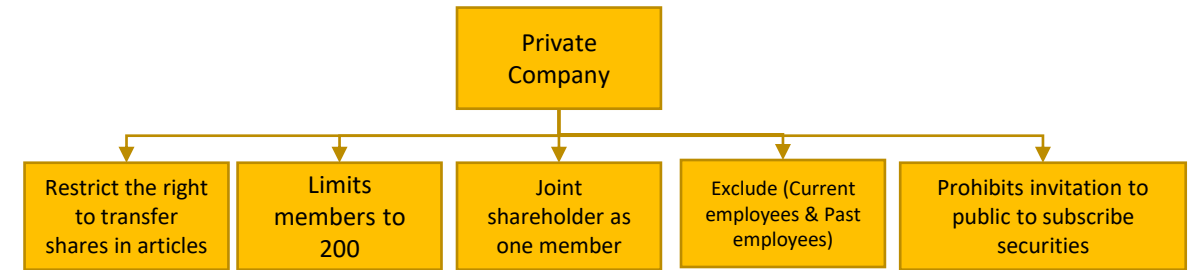
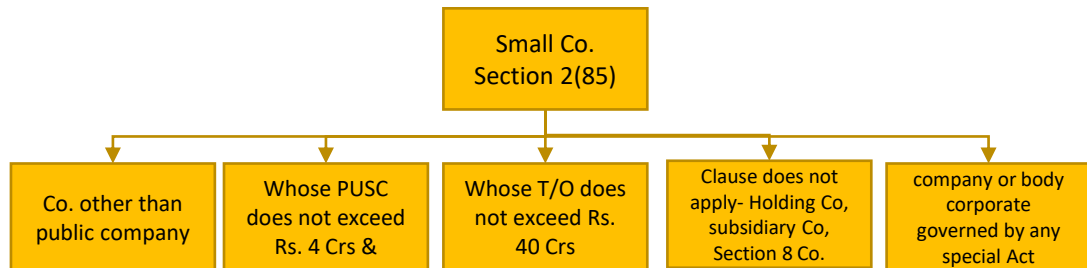
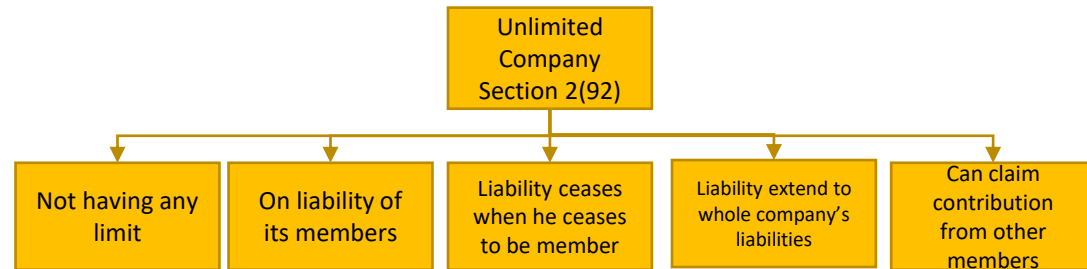
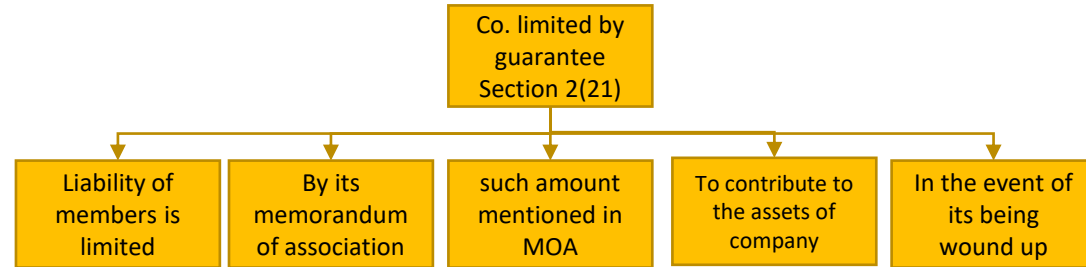
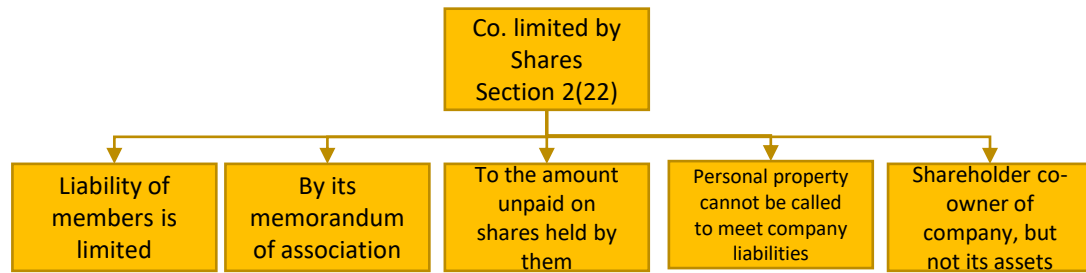




In **Salomon vs. Salomon & Co. Ltd.** the House of Lords laid down that a company is a person distinct and separate from its members. In this case one Salomon incorporated a company named “Salomon & Co. Ltd.”, with seven subscribers consisting of himself, his wife, four sons and one daughter. This company took over the personal business assets of Salomon for £ 38,782 and in turn, Salomon took 20,000 shares of £ 1 each, debentures worth £ 10,000 of the company with charge on the company’s assets and the balance in cash. His wife, daughter and four sons took up one £ 1 share each. Subsequently, the company went into liquidation due to general trade depression. The unsecured creditors to the tune of £ 7,000 contended that Salomon could not be treated as a secured creditor of the company, in respect of the debentures held by him, as he was the managing director of one-man company, which was not different from Salomon and the cloak of the company was a mere sham and fraud.

It was held by Lord Mac Naughten:

“The Company is at law a different person altogether from the subscribers to the memorandum, and though it may be that after incorporation the business is precisely the same as it was before and the same persons are managers, and the same hands receive the profits, the company is not in law the agent of the subscribers or trustees for them. Nor are the subscribers, as members, liable, in any shape or form, except to the extent and in the manner provided by the Act.”

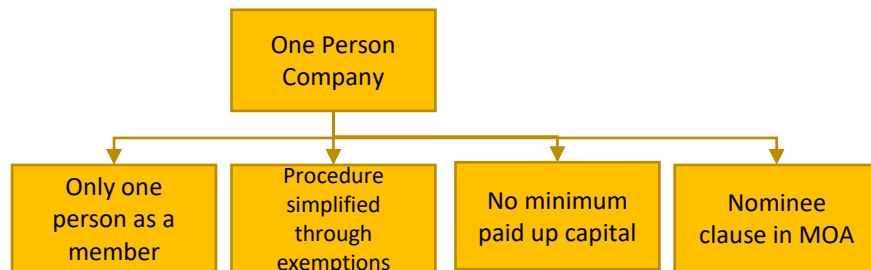


Private company - significant points

- ◆ No minimum paid-up capital requirement.
- ◆ Minimum number of members – 2
- ◆ Maximum number of members – 200, excluding present employee-cum-members and erstwhile employee-cum-members.
- ◆ Right to transfer shares restricted.
- ◆ Prohibition on invitation to subscribe to securities of the company.
- ◆ Small company is a private company.
- ◆ OPC can be formed only as a private company.

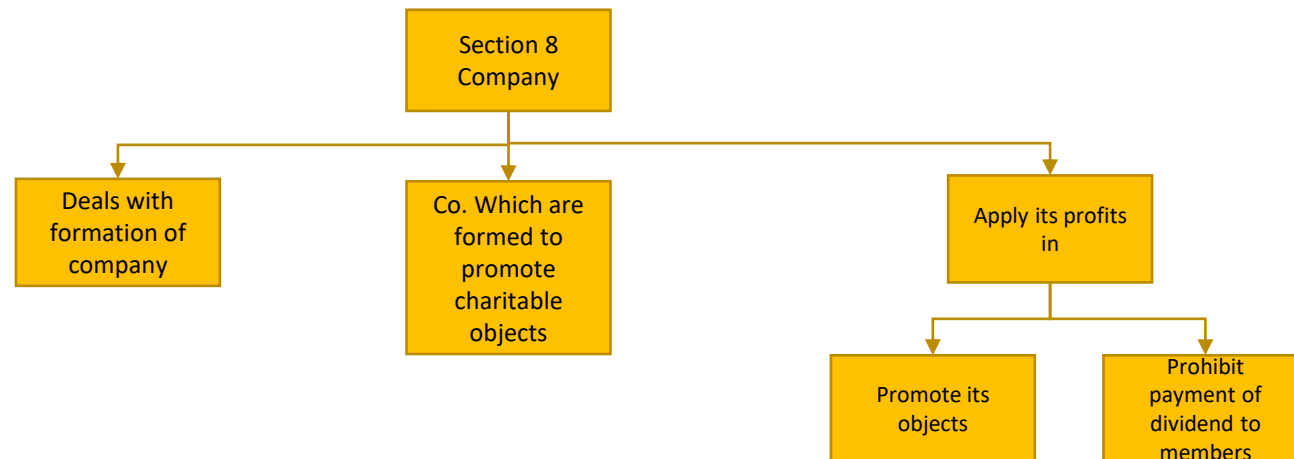
Public company - significant points

- ◆ Is not a private company (Articles do not have the restricting clauses).
- ◆ Shares freely transferable.
- ◆ No minimum paid up capital requirement.
- ◆ Minimum number of members – 7.
- ◆ Maximum numbers of members – No limit.
- ◆ Subsidiary of a public company is deemed to be a public company.



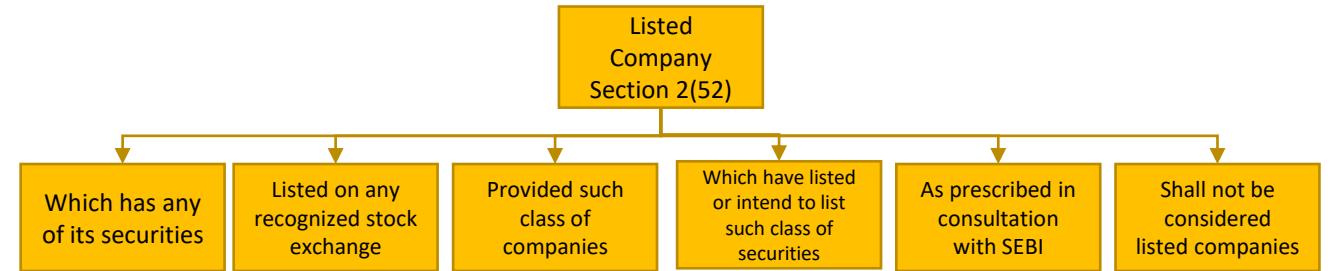
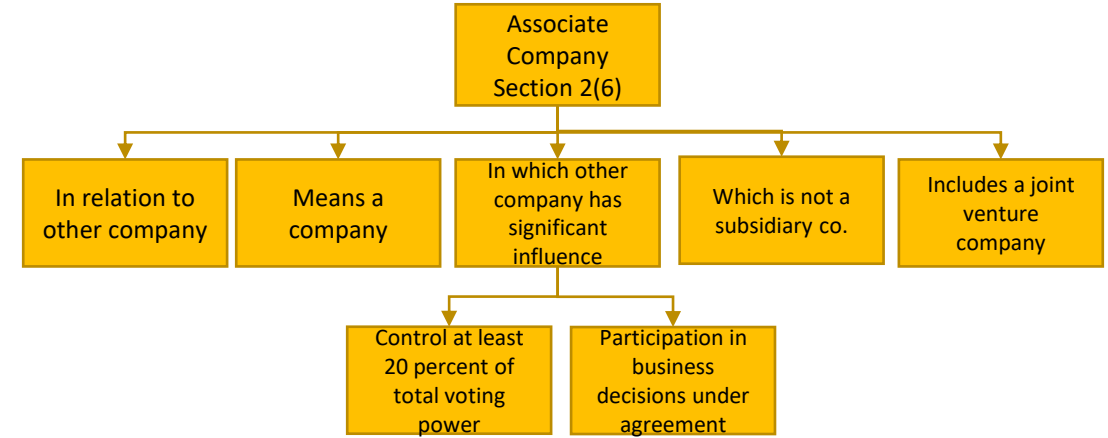
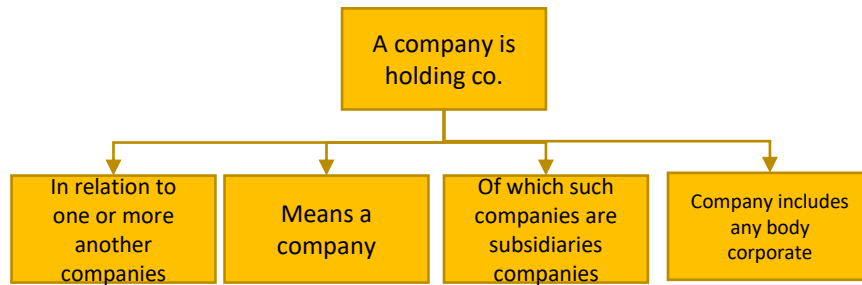
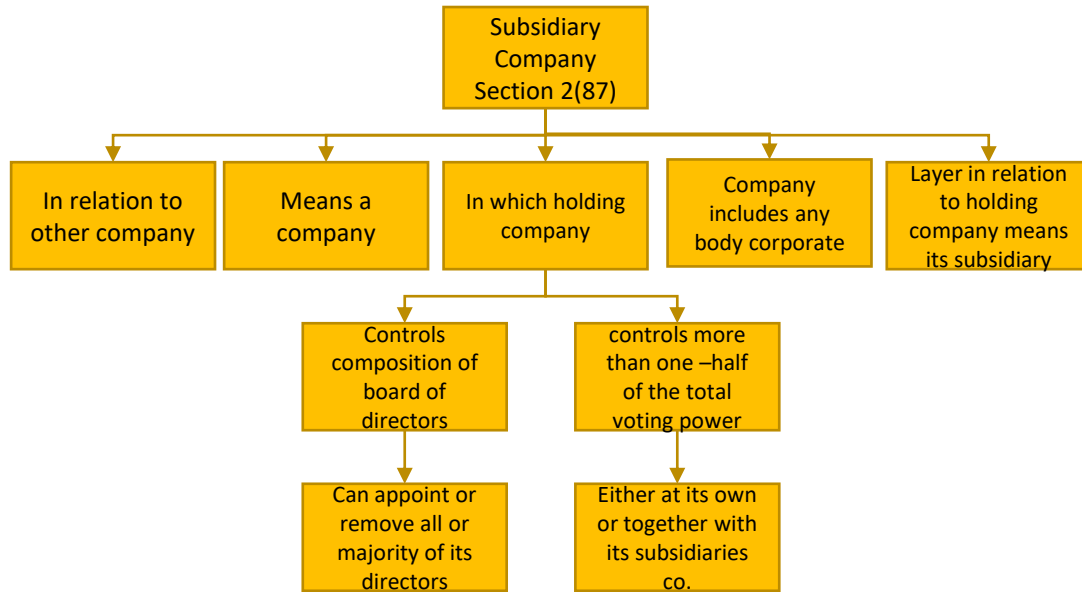
Significant points of OPC:-

- ◆ Only one person as member.
- ◆ Minimum paid up capital – no limit prescribed.
- ◆ The memorandum of OPC shall indicate the name of the other person, who shall, in the event of the subscriber's death or his incapacity to contract, become the member of the company.
- ◆ The other person whose name is given in the memorandum shall give his prior written consent in prescribed form and the same shall be filed with Registrar of companies at the time of incorporation of the company along with its e-memorandum and e-articles.
- ◆ Such other person may be given the right to withdraw his consent.
- ◆ The member of OPC may at any time change the name of such other person by giving notice to the company and the company shall intimate the same to the Registrar.
- ◆ Any such change in the name of the person shall not be deemed to be an alteration of the memorandum.
- ◆ Only a natural person who is an Indian citizen whether resident in India or otherwise
 - shall be eligible to incorporate a OPC;
 - shall be a nominee for the sole member of a OPC.
- ◆ No person shall be eligible to incorporate more than one OPC or become nominee in more than one such company.
- ◆ No minor shall become member or nominee of the OPC or can hold share with beneficial interest.
- ◆ Such Company cannot be incorporated or converted into a company under section 8 of the Act. Though it may be converted to private or public companies in certain cases.
- ◆ Such Company cannot carry out Non-Banking Financial Investment activities including investment in securities of any body corporate.
- ◆ Here the member can be the sole member and director.

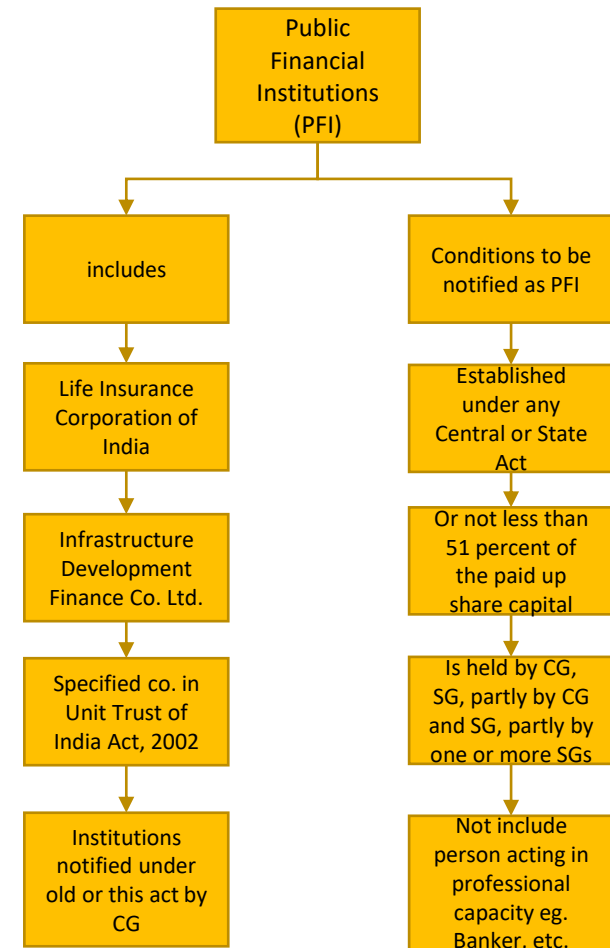
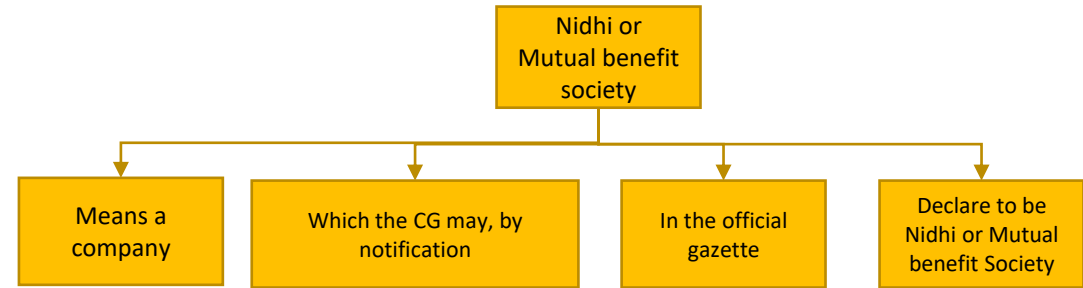
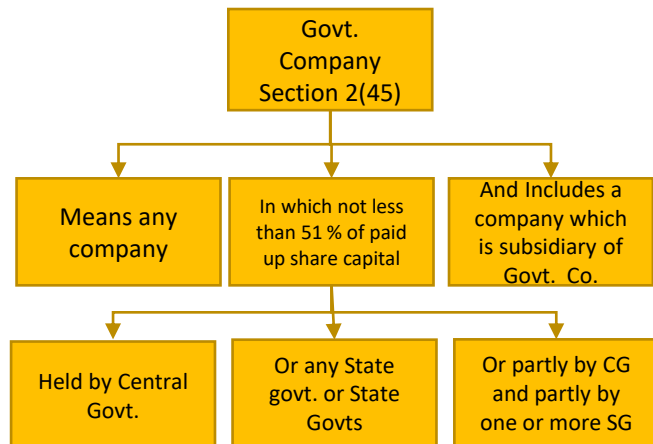
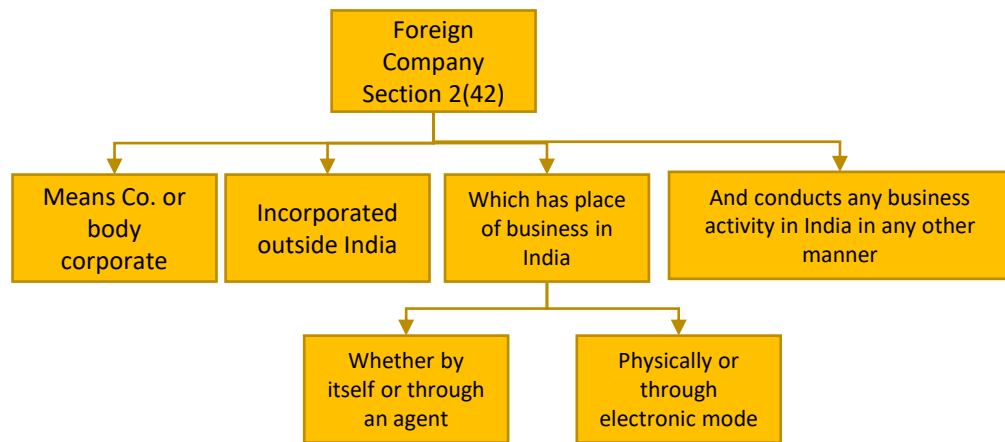


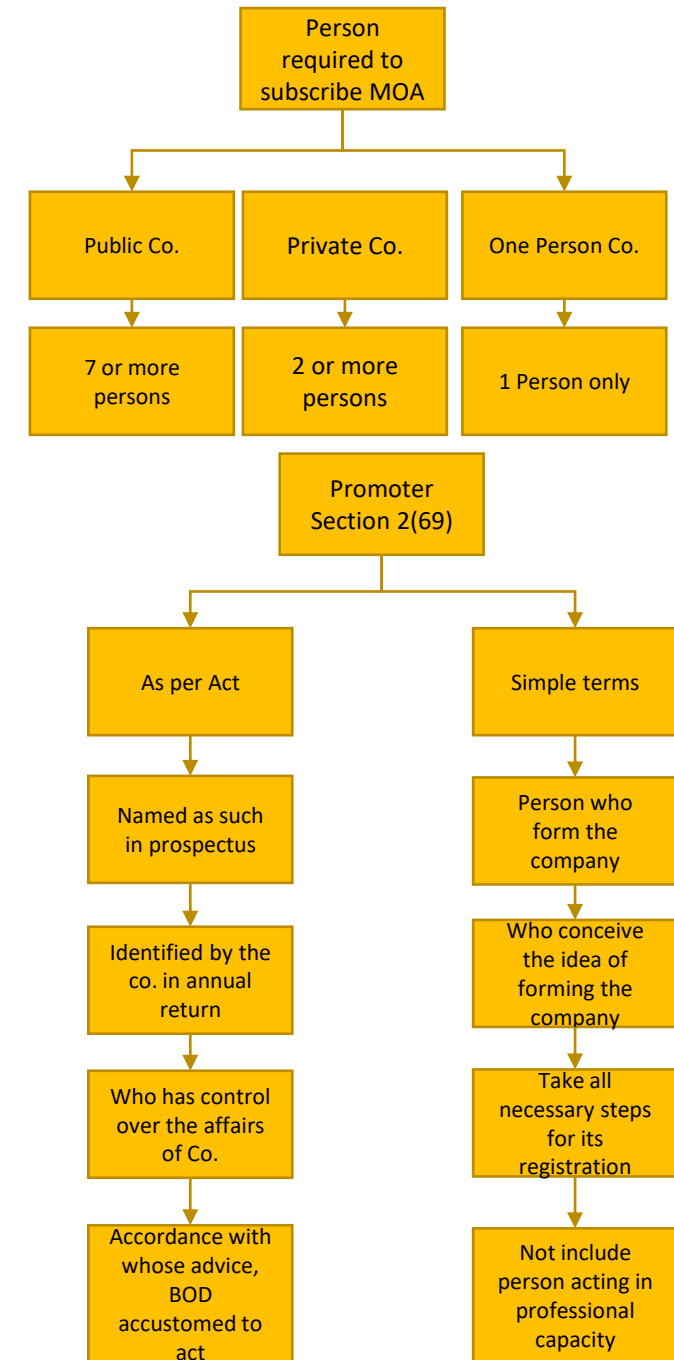
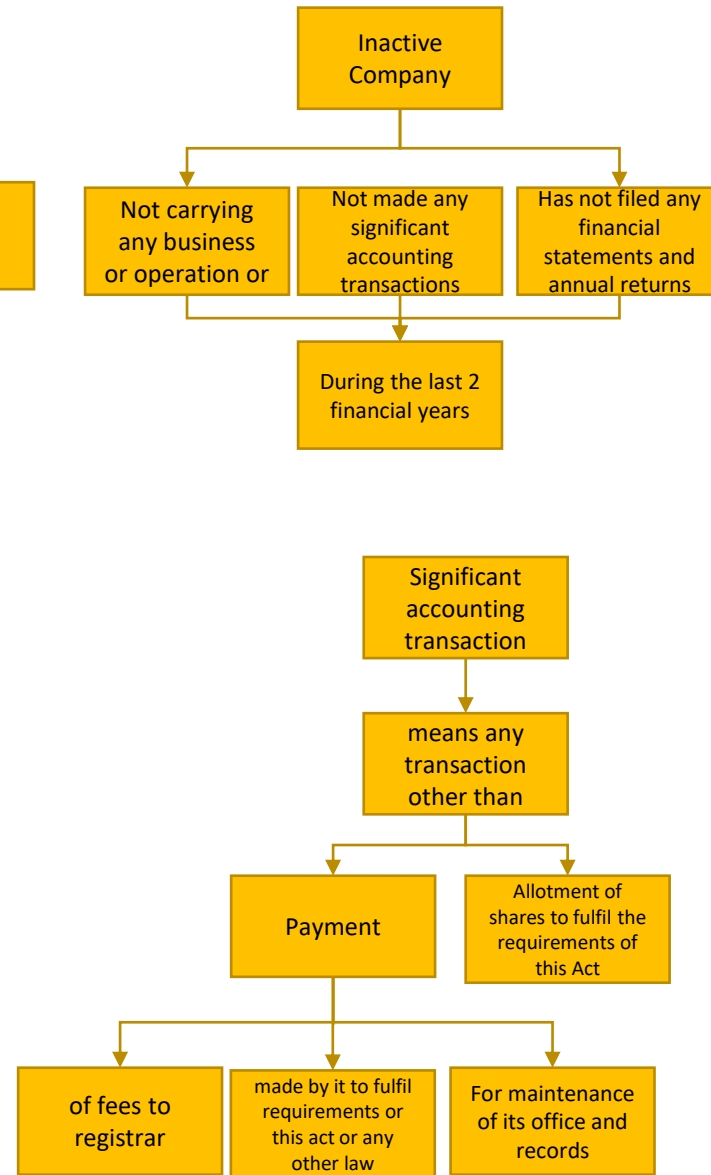
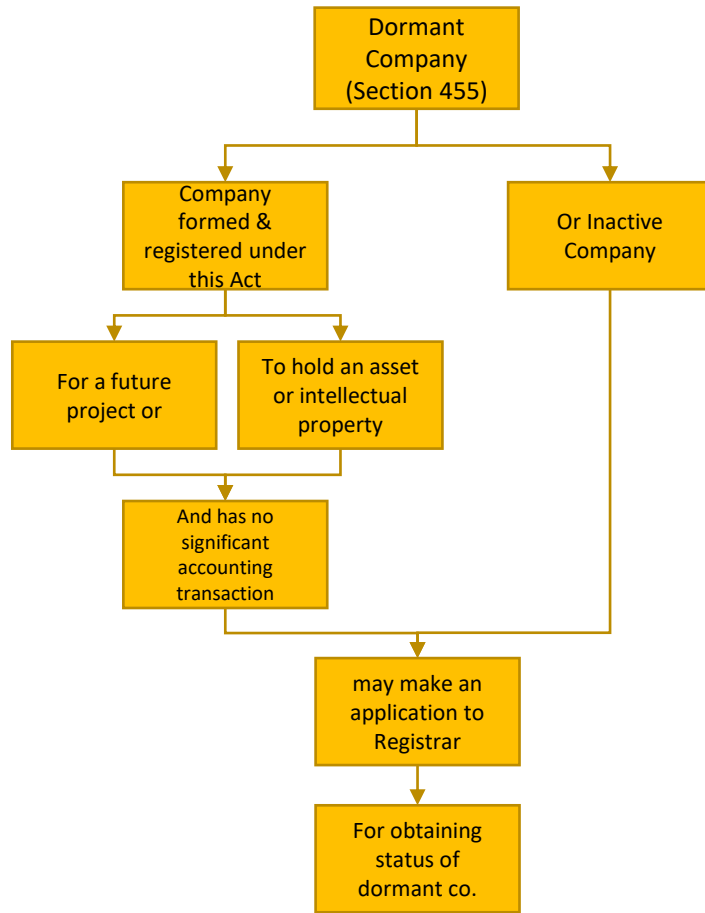
Significant Points of Section 8 Company

- ◆ Formed for the promotion of commerce, art, science, religion, charity, protection of environment, sports, etc.
- ◆ Requirement of minimum share capital does not apply.
- ◆ Uses its profits for the promotion of the objective for which it is formed.
- ◆ Does not declare dividend to members.
- ◆ Operates under a special licence from Central Government.
- ◆ Need not use the word Ltd./ Pvt. Ltd. in its name and adopt a more suitable name such as club, chambers of commerce etc.
- ◆ Licence revoked if conditions contravened.
- ◆ On revocation, Central Government may direct it to
 - Converts its status and change its name
 - Wind – up
 - Amalgamate with another company having similar object.
- ◆ Can call its general meeting by giving a clear 14 days' notice instead of 21 days.
- ◆ Requirement of minimum number of directors, independent directors etc. does not apply.
- ◆ Need not constitute Nomination and Remuneration Committee and Shareholders Relationship Committee
- ◆ A partnership firm can be a member of Section 8 company.



Unlisted Company means a company other than listed company





Section 7 – INCORPORATION OF COMPANY



SPICE+ = Simplified Proforma for Incorporating a Company Electronically Plus



Promoter

**Files SPICE+
form
with info
and
documents
and
declaration**



ROC

APPROVED

CIN

CORPORATE IDENTIFICATION NUMBER



**RoC issues Certificate of
Incorporation**

Information	Documents	Declaration
Address for Correspondence till its registered office is established	Memorandum and Articles Duly signed by all the subscribers	Declaration by person engaged in the formation of Co. (Advocate/CA/CMA/CS in practice) and by person named in articles as (director manager or secretary) - All the requirements of this Act and rules thereunder have been complied with
Particulars of Subscribers to MOA and First Directors	Proof of Identity of Subscribers to MOA and First Directors	
Particulars of interest of the person named as First Directors in Other Firm or Body Corporate	Written consent to Acts as director of The Company	
		Declaration from each Subscribers to MOA and First Directors - Not convicted of Offence involving promotion/formation/management of the Company - Not found guilty of fraud, misfeasance, breach of duty under this Act during last 5 years - All documents filed with RoC contain correct, complete and true info

1)

Pre - Incorporation :-

If any person furnishes any false or incorrect particulars of any information or suppresses any material information, of which he is aware in any of the documents filed with the Registrar in relation to the registration of a company, he shall be liable for action for fraud under section 447.

2)

Post - Incorporation :-

Where, at any time after the incorporation of a company, it is proved that the company has been got incorporated by furnishing any false or incorrect information or representation or by suppressing any material fact or information in any of the documents or declaration filed or made for incorporating such company, or by any fraudulent action, the promoters, the persons named as the first directors of the company and the persons making declaration under this section shall each be liable for action for fraud under section 447.

Where a company has been got incorporated by furnishing false or incorrect information or representation or by suppressing any material fact or information in any of the documents or declaration filed or made for incorporating such company or by any fraudulent action, the Tribunal may, on an application made to it, on being satisfied that the situation so warrants

- 1) pass such orders, as it may think fit, for regulation of the management of the company including changes, if any, in its memorandum and articles, in public interest or in the interest of the company and its members and creditors; or
- 2) direct that liability of the members shall be unlimited
- 3) Declaration that not convict/ not filed guilty for fraud
- 4) direct removal of the name of the company from the register of companies;
- 5) pass an order for the winding up of the company
- 6) pass such other orders as Tribunal may deem fit:

Before passing order, Tribunal

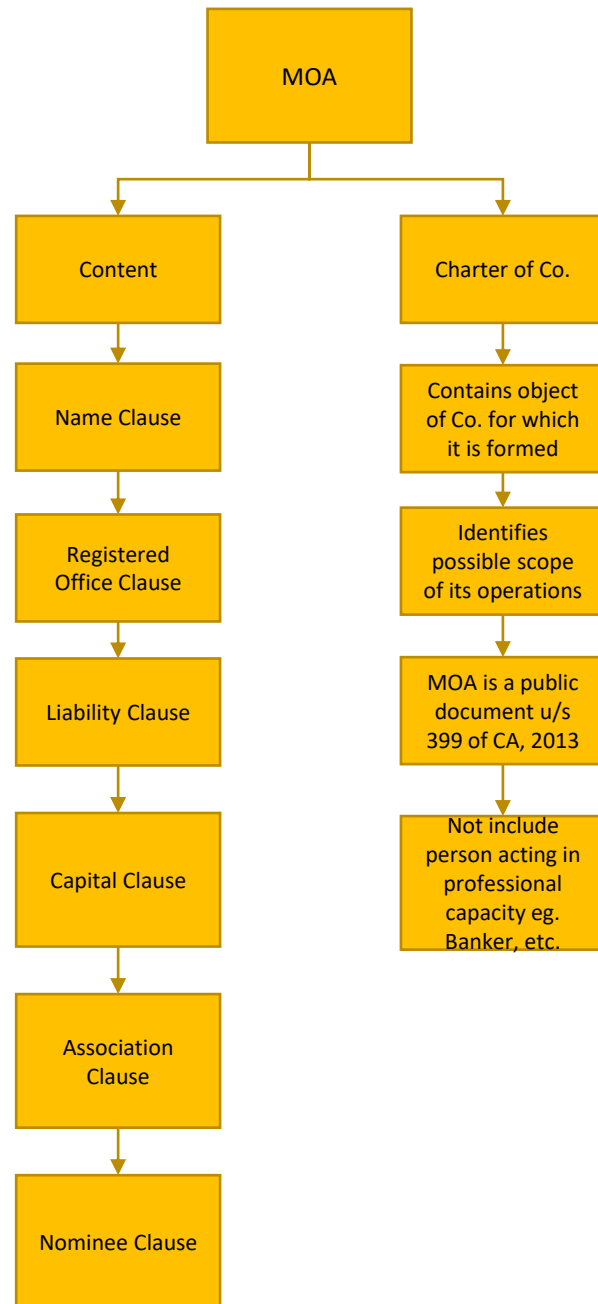
- 1) Give the company shall be given a reasonable opportunity of being heard in the matter &
- 2) shall take into consideration the transactions entered into by the company, including the obligations, if any, contracted or payment of any liability.

Section 9 - EFFECT OF REGISTRATION

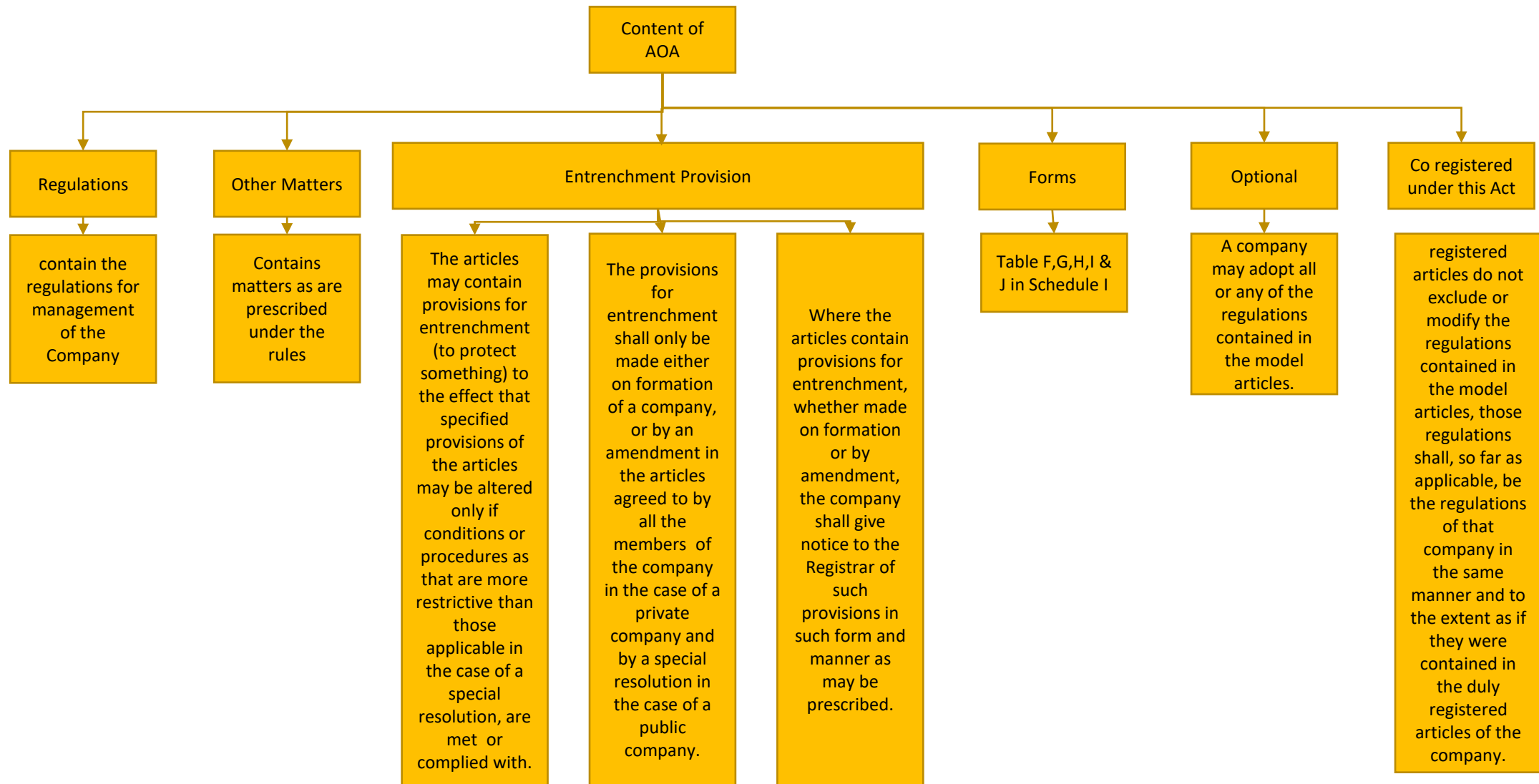
- 1) From date of incorporation, Company is separate from Subscriber to MoA (Separate legal entity)
- 2) A company purchase 100 percent shares of other company but still they are different
- 3) Central Govt owns 100 percent shares of all the company but still it is not an agent of Govt
- 4) Any money payable by members to company will be considered as debt due to company

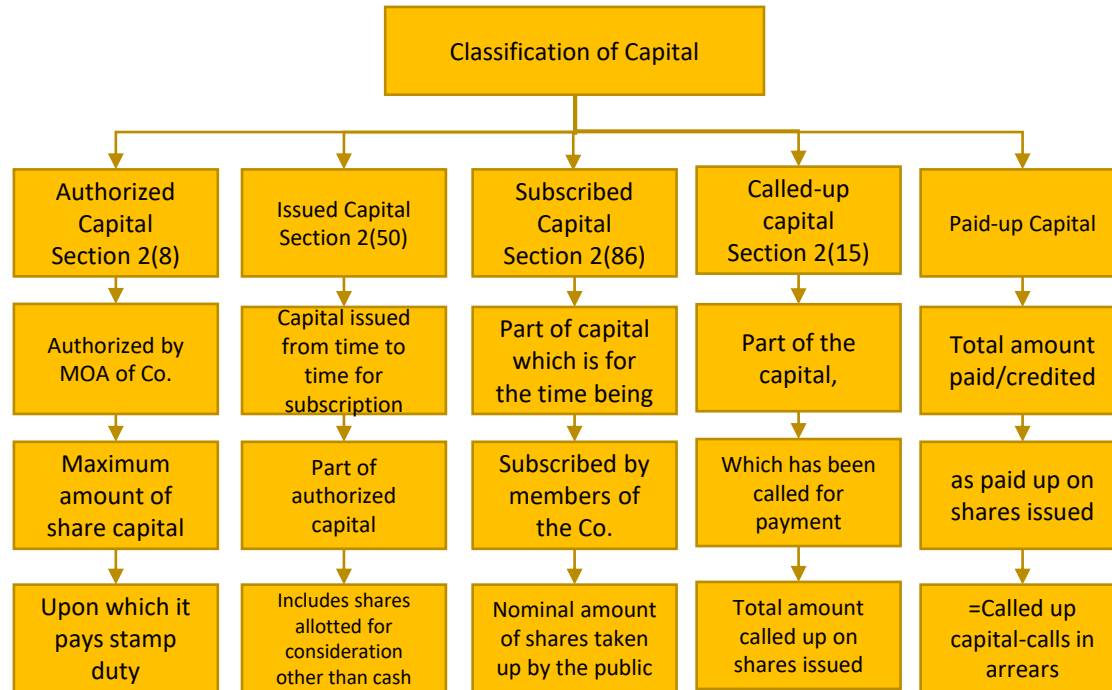
Section 10 - EFFECT OF MOA AND AOA

- 1) where the MOA and AOA when registered, shall bind the company and the members
- 2) All monies payable by any member to the company under the MOA or AOA shall be a debt due from him to the company.

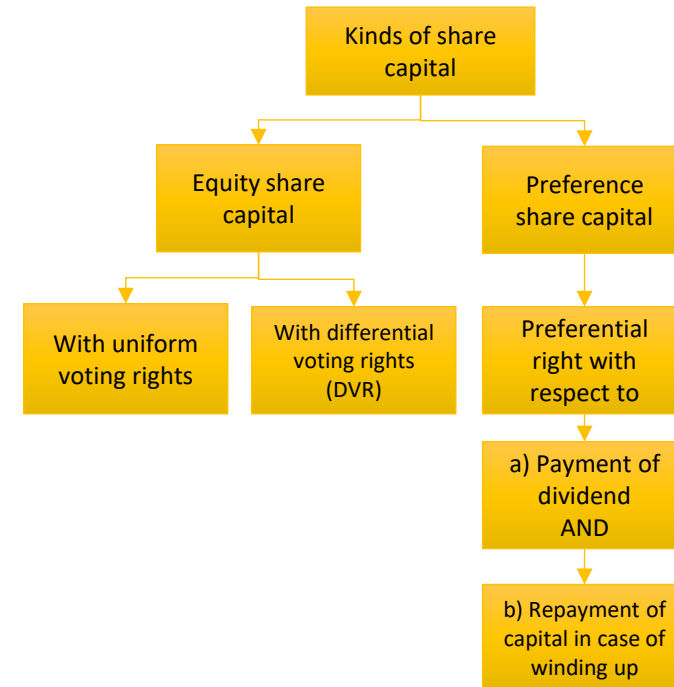


Type of Company	MOA	AOA
Limited by shares	Table A	Table F
Limited by guarantee and not having share capital	Table B	Table H
Limited by guarantee and having a share capital	Table C	Table G
Unlimited Company not having share capital	Table D	Table J
Unlimited Company having share capital	Table E	Table I

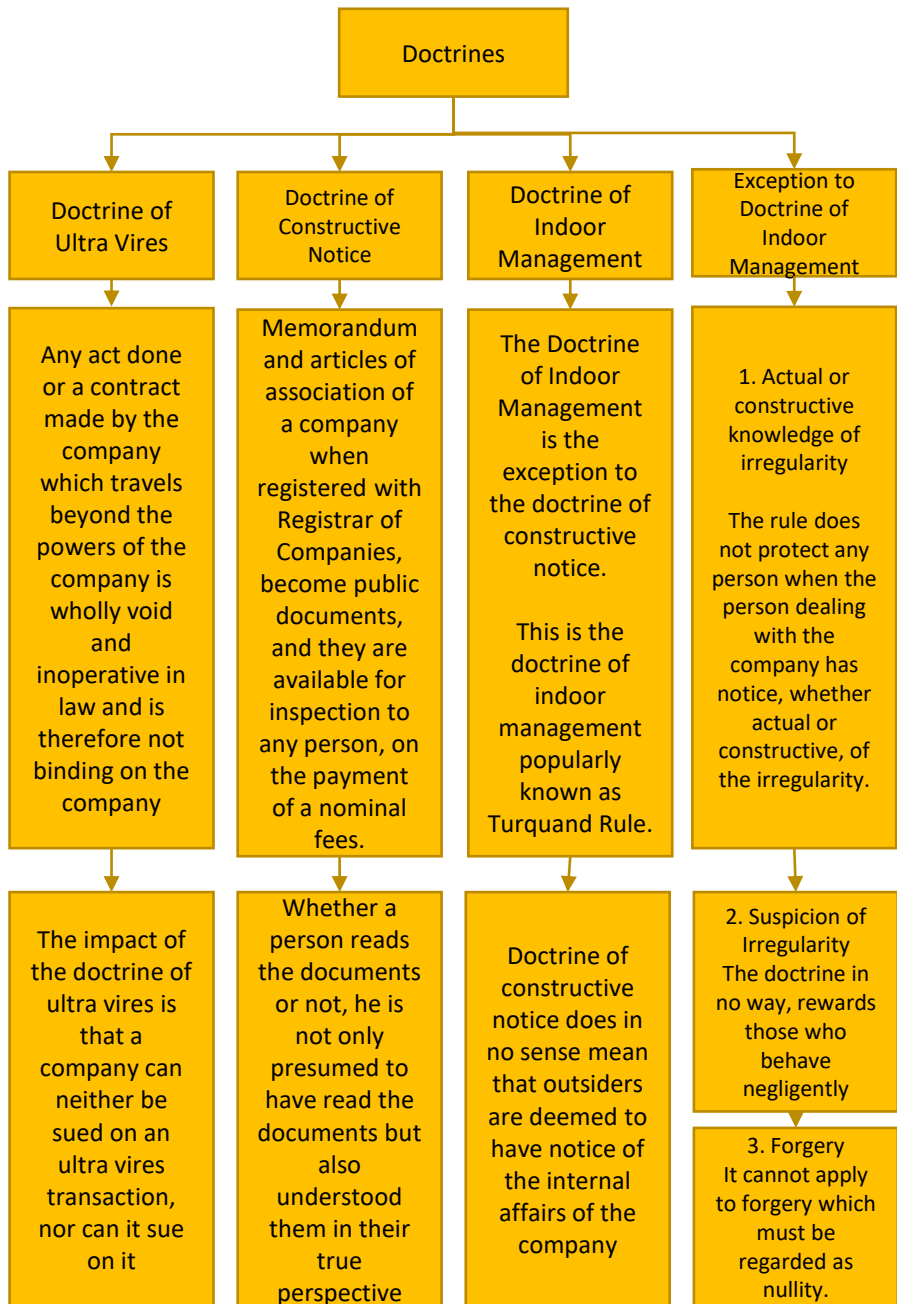




Where any notice, advertisement or other official communication or any business letter, bill head or letter paper of a company states the authorised capital, the subscribed and paid-up capital must also be stated in equally conspicuous characters. A default in this regard will make the company and every officer who is in default liable to pay penalty extending Rs. 10,000 and Rs. 5,000 respectively.



The term 'share' which means a share in the share capital of a company and includes stock. Shares are a movable property. Every share shall be numbered.



Ashbury Railway Carriage and Iron Company Limited v. Riche-(1875).

The facts of the case are:

The main objects of a company were:

- To carry on the business of mechanical engineers and general contractors.

The directors of the company entered into a contract with Riche, for financing the construction of a railway line in Belgium, and the company further ratified this act of the directors by passing a special resolution. The company however, repudiated the contract as being ultra- vires. And Riche brought an action for damages for breach of contract. His contention was that the contract was well within the meaning of the word general contractors and hence within its powers. Moreover, it had been ratified by a majority of shareholders.

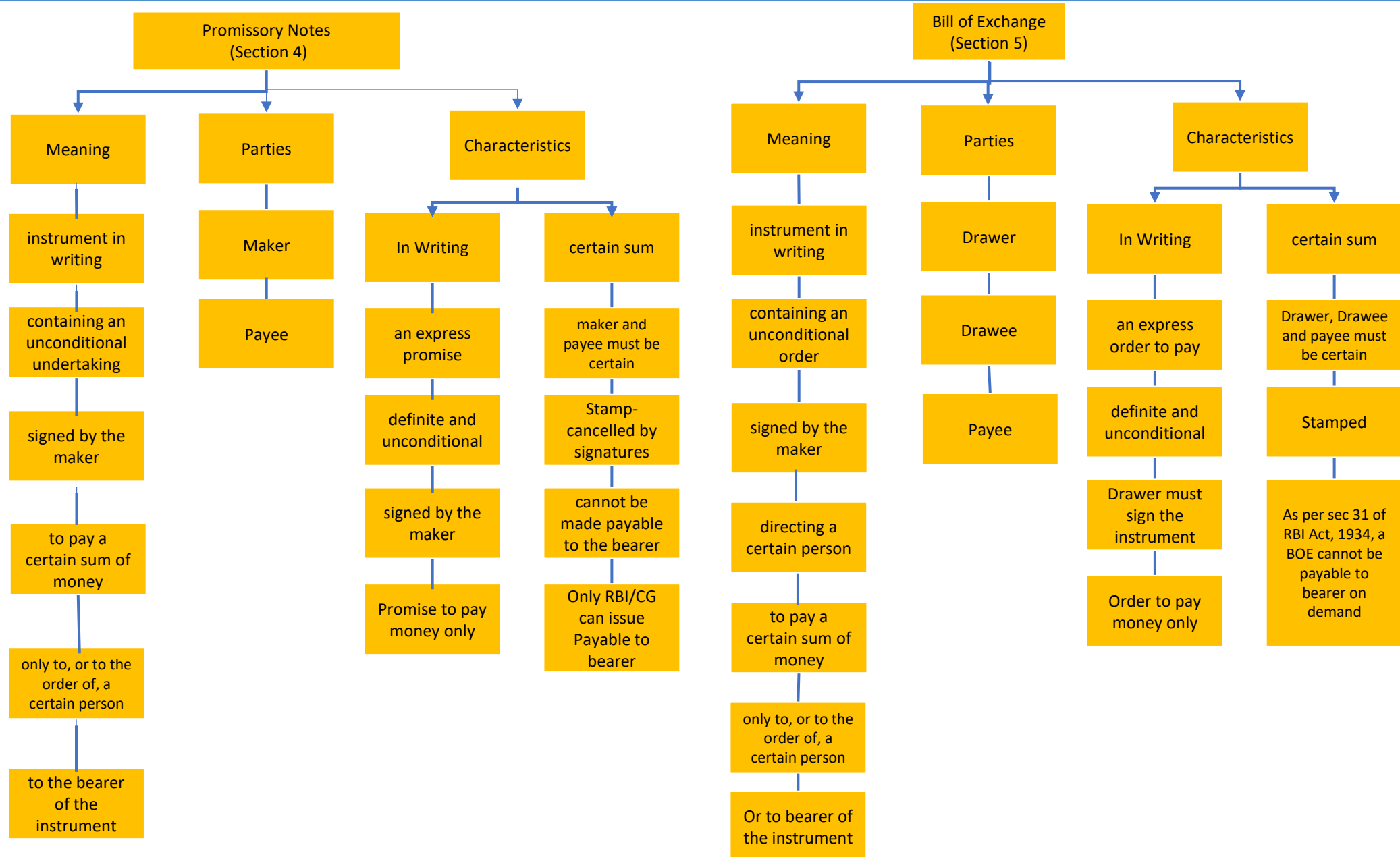
Held :- However, it was held by the Court that the contract was null and void. It said that the terms general contractors was associated with mechanical engineers, i.e. it had to be read in connection with the company's main business. If, the term general contractor's was not so interpreted, it would authorize the making of contracts of any kind and every description, for example, marine and fire insurance.

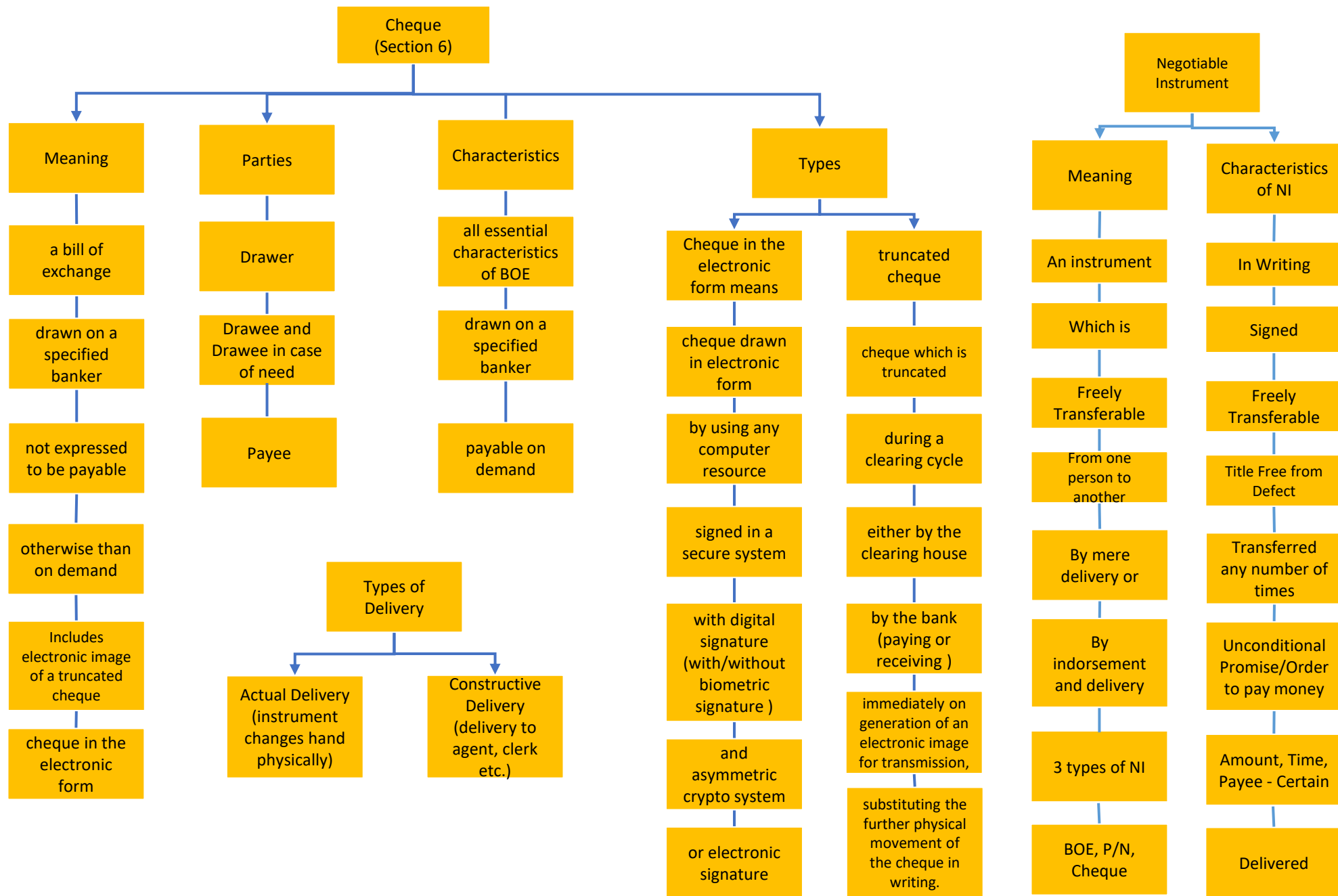
FACTS of the Royal British Bank vs. Turquand

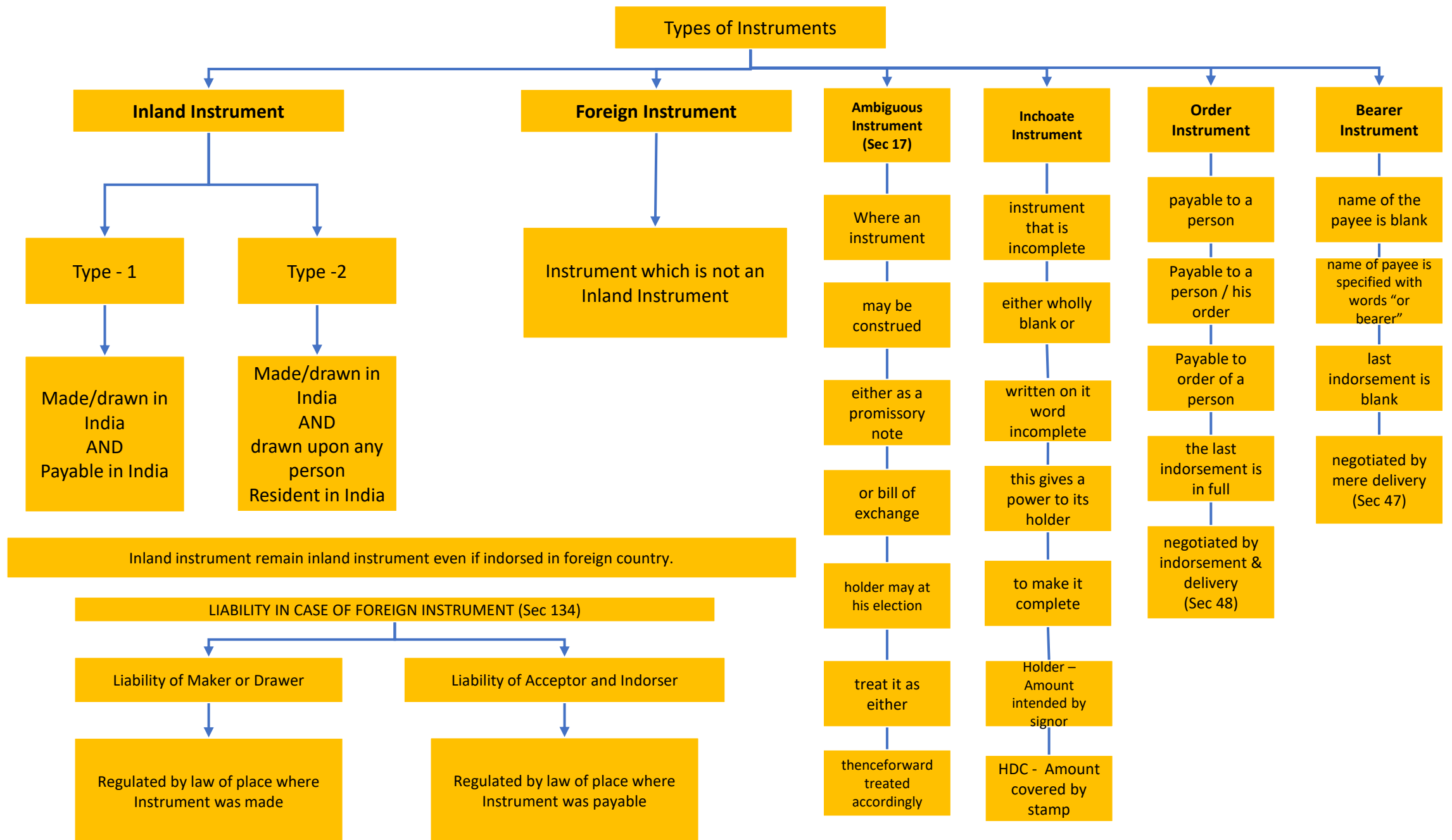
Mr. Turquand was the official manager (liquidator) of the insolvent Cameron's Coalbrook Steam, Coal and Swansea and Loughor Railway Company. It was incorporated under the Joint Stock Companies Act, 1844. The company had given a bond for £ 2,000 to the Royal British Bank, which secured the company's drawings on its current account. The bond was under the company's seal, signed by two directors and the secretary. When the company was sued, it alleged that under its registered deed of settlement (the articles of association), directors only had power to borrow up to an amount authorized by a company resolution. A resolution had been passed but not specifying how much the directors could borrow.

Held, it was decided that the bond was valid, so the Royal British Bank could enforce the terms. He said the bank was deemed to be aware that the directors could borrow only up to the amount resolutions allowed. Articles of association were registered with Companies House, so there was constructive notice. But the bank could not be deemed to know which ordinary resolutions passed, because these were not registrable. The bond was valid because there was no requirement to look into the company's internal workings. This is the indoor management rule, that the company's indoor affairs are the company's problem.

THE NEGOTIABLE INSTRUMENTS ACT, 1881







Presentment for Acceptance (BOE)	
BOE payable after sight	Must be presented within reasonable time, in business hours on a business day
In default of presentment	No party liable there to
Directed to drawee at particular place	Must be presented at such place
Drawee not found after reasonable search	BOE is Dishonored
Time for Acceptance	48 Hours Excluding Public Holidays

Presentment of Promissory Note for Sight	
P/N payable at a certain period after sight	Must be presented within reasonable time, in business hours on a business day
In default of presentment	No party liable there to

When Presentment is unnecessary	
1. Maker, Drawee or acceptor prevents the payment 2. Payable at business place & that's closed on business day during usual business hours 3. Payable at a specified place & liable party doesn't attend place 4. Not payable at specified place & liable party not found after search 5. Liable party engaged to pay non-withstanding non-presentment 6. Liable party makes part payment 7. Liable party waives off his right to take advantage 8. If drawer could not suffer damage from want of such presentment	

Rules as to Compensation (Section 117)
In case of Dishonor of NI, holder can claim: 1. Amount due upon NI 2. Expenses incurred in presenting, noting & protesting 3. Interest 18%p.a. from due date of payment to date of realization Note :- when person charged and holder reside at different places, Current Range of exchange

Section 57
If the person makes indorsement but dies before delivery, the legal representative of deceased person cannot negotiate the same by delivery of negotiable instrument

Rules regarding presentment for payment	
To whom	Maker (P/N), Acceptor (BOE), Drawee (Cheque)
If default in presentment	No Party liable thereto
Exception	If P/N is payable on demand and is not payable at a specified place, no presentment is necessary
Time of presentment	During usual business hours
If instrument payable after date/sight	Must be presented for payment at maturity
If instrument payable on demand	Must be presented for payment within reasonable time
P/N payable in instalments	Presented on 3 rd day after date fixed for each instalment
Instrument payable at specified place	Must be presented for payment at specified place
No exclusive place is specified	Must be presented at Place of business or usual residence
Unknown place of business or residence	Presentment made to him in person wherever he can be found
Delay in presentment for acceptance or payment can be excused if the delay is caused by circumstances beyond the control of holder	

Dishonor of Cheque (Section 138 – 140)

Applicability – Where any cheque drawn by a person is returned by the bank unpaid, either because of the—
amount of money standing to the credit of that account is insufficient to honor the cheque, or that it exceeds the amount arranged to be paid from that account by an agreement made with that bank,

Conditions –

- (1) Cheque presented within a period of 3 months
 - (2) payee or the holder in due course makes the demand by written notice within 30 days
 - (3) Drawer fails to pay within 15 days of receipt of demand
 - (4) Cheque issued for discharge of any debt or other liability (gift, donations not covered)
- Punishment** - imprisonment up to 2 years or fine up to twice the amount of cheque or both.

Rebuttable Presumption – Holder received the cheque for discharge of debt or liability

Defence not Allowed – Drawer had no reason to believe that cheque may be dishonored on presentment for reasons mentioned in section 138