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Vellore Institute of Technology

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Legal Aspects of Business

Dr. J Bhavani, Faculty,
Business School
Vellore Institute of Technology

Recapitulate

- Legal Environment & Business
- What is Law?
- Classification of Law

Content for Discussion

- Mercantile Law
- Sources of Mercantile Law
- Indian Contract Act, 1872
 - Introduction
 - Contract
 - Enforceability

Legal Aspects of Business

Module – I

Indian Contract Act, 1872

- Introduction
- Essential Elements of Valid Contract
- Classification of contract
- Offer and acceptance
- Consideration
- Capacity of contract
- Free consent
- Void agreements
- Performance of contract
- Discharge of contract
- Remedies and breach of contract

Mercantile Law

In term “Mercantile Law” or “Commercial Law” or “Business Law” is that Branch of civil Law which has a direct application to mercantile transactions.

It also lays down rules and regulations relation to the right and duties of the parties to be contract.

Source of Indian Mercantile law

Indian mercantile law is substantially based on the English law.

1. English Mercantile Law
2. Statutes law
3. Customs and usages
4. Past judicial decisions

The Indian Contract Act, 1872

Introduction

The law of contract is a very important branch of business law, which conclude the circumstance in which promises made by the parties to a contract shall legally bind to the promises, their formation, their performance and their enforceability.

The Indian contract Act 1872:

This act is based mainly on English common law. It extends to the whole of India (Except the state of Jammu & Kashmir) and came into force on the first day of September 1872.

The Act is not exhaustive because, it does not deal with all the Branches of the law of contract.

Contract

According to sec 2(h) of the Indian contract Act, An “Agreement enforceable by law is a contract”.

There are two elements in the above definition such as

1. An agreement and two parties.
2. Enforceability

Agreement= offer + Acceptance

Enforceability:

An agreement, to become a contract, should create legal obligation or duty.

So, agreement of moral, religious or social nature are not contracts, because they do not create legal obligations between the parties.

To sum up contract = agreement+ enforceability

Consensus ad-idem:

The essence of an agreement is there should be consensus ad-idem between the mind of the parties. Unless there is consensus ad-idem, there should be no contract.

Review Questions

1. Custom is
 - a) Neither written nor unwritten law
 - b) Both written and unwritten law
 - c) Unwritten law
 - d) Written law
2. Sources of Mercantile law
 - a) Statute law
 - b) Custom and usage
 - c) English law
 - d) All of the above
3. X promises Y to obtain employment for Y in the public service for a consideration, say Rs.1,00,000. Is the agreement legally enforceable?

Answer

1. Custom is

Answer: c). Unwritten law

2. Sources of Mercantile law

Answer: d) All of the Above

3. X promises Y to obtain employment for Y in the public service concern for a consideration, say Rs.1,00,000. Is the agreement legally enforceable?

Answer: No, because it is not legally enforceable by law.