

PAPER 2

FOUNDATION COURSE STUDY MATERIAL **BUSINESS LAWS**



Board of Studies (Academic)
The Institute of Chartered
Accountants of India
(Set up by an Act of Parliament)



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BEFORE WE BEGIN

The contents of the study material for Foundation have been designed and developed by the Board of Studies (Academic), ICAI with an objective to synchronize the syllabus with the International Education Standards (IESs) of IFAC (International Federation of Accountants) to instill and enhance the necessary pre-requisites for becoming a well-rounded, competent and globally competitive Accounting Professional.

The requirements of “IES 1 Entry Level Requirements” have been kept in mind while developing the different chapters of study material.

This study material also lays emphasis on National Education Policy 2020 (NEP 2020) initiatives like conceptual clarity rather than rote learning and new pedagogical and curriculum restructuring based on the use of technology while teaching.

Laws in general, regulate the relationship of business and profession with the society. As Business forms an integral part of the society, so, law is essential for regulating the rules by which people and businesses connect with each other. Law affects almost every function and area of business. In order to resolve the conflicts between social groups and commercial establishments, Law has to be in place. Study of Law is also important because it gives a legal framework which is ultimately accepted in society.

This paper on Business Laws intends to make the students aware of legal background relating to business laws. As a student aspiring to become a Chartered Accountant, he should have knowledge of those legal frameworks, which influences the business transactions. The syllabus of Business Laws has been segregated into seven chapters covering the following:

Chapter 1, Indian Regulatory Framework: In this chapter, the students will be familiarised with some of the major Regulators and the laws which are enforced by them.

Chapter 2, The Indian Contract Act, 1872: This Act basically identifies the ingredients of a legally enforceable valid contract in addition to dealing with certain special type of contractual relationships like indemnity, guarantee, bailment, pledge, quasi contracts, contingent contracts, etc.

Chapter 3, The Sale of Goods Act, 1930: This is one of the specific forms of contracts recognized and regulated by law in India. Sale is a typical bargain between the buyer and the seller. The provisions of the Act are applicable to the contracts related to the sale of goods which means movable properties.

Chapter 4, The Indian Partnership Act, 1932: This Act provides Rules and Regulations for a general form of Partnership when two or more people come together as partners.

Chapter 5, The Limited Liability Partnership Act, 2008: This Act provides Rules and Regulations which contains elements of both 'corporate structure' as well as 'partnership firm structure'. In order to acquaint the students with this significant Act, only introduction is covered at this level so they can easily understand its application at Intermediate level.

Chapter 6, The Companies Act, 2013: The Act regulates the functioning of Companies in India. This is the most important piece of legislation that empowers the Central Government to regulate the formation, financing, functioning and winding up of companies. In order to apprise the students with this prominent Act, only introduction is covered at this level so they can easily understand it and apply the same for practical scenarios at further levels.

Chapter 7, The Negotiable Instruments Act, 1881: The Law in India relating to negotiable instruments is contained in the Negotiable Instruments Act, 1881. This is an Act to define and enforce the law relating to promissory notes, bills of exchange and cheques.

We hope that the introduction to Business Laws will set a good foundation for students to understand significant provisions of select business laws and acquire the ability to address basic application- oriented issues.

Also, for the benefit of the students, the chapters are inclusive of following:

- ♦ *Learning outcomes and chapter overview at the beginning of each chapter for better understanding*
- ♦ *Step by step approach is followed in each chapter*
- ♦ *Appropriate explanation of the text through examples*
- ♦ *Summary*
- ♦ *Questions along with their answers*

We hope that students will find this study material user friendly and in case of any queries that they may have while reading the material, they are welcome to write at bosnoida@icai.in

Happy Reading and Best Wishes!

SYLLABUS

PAPER – 2: BUSINESS LAWS (100 MARKS)

Objective:

To develop general legal knowledge of the law of Contracts, Sales and understanding of various forms of businesses and their functioning to regulate business environment and to acquire the ability to address basic application-oriented issues.

Contents:

1. **Indian Regulatory Framework-** Major Regulatory Bodies such as Ministry of Finance, Ministry of Corporate Affairs, SEBI, RBI, IBBI, Ministry of Law and Justice etc.
2. **The Indian Contract Act, 1872:** General nature of contract, Consideration, Other essential elements of a valid contract, Performance of contract, Breach of contract, Contingent and Quasi Contract, Contract of Indemnity and Guarantee, Contract of Bailment and Pledge, Contract of Agency.
3. **The Sale of Goods Act, 1930:** Formation of the contract of sale, Conditions and Warranties, Transfer of ownership and Delivery of goods, Unpaid seller and his rights.
4. **The Indian Partnership Act, 1932:** General Nature of Partnership, Rights and Duties of partners, Reconstitution of firms, Registration and Dissolution of a firm.
5. **The Limited Liability Partnership Act, 2008:** Introduction-covering nature and scope, Essential features, Characteristics of LLP, Incorporation and Differences with other forms of organizations.
6. **The Companies Act, 2013:** Essential features of company, Corporate veil theory, Classes of companies, Types of share capital, Incorporation of company, Memorandum of Association, Articles of Association, Doctrine of Indoor Management.
7. **The Negotiable Instruments Act, 1881:** Meaning of Negotiable Instruments, Characteristics, Classification of Instruments, Different provisions relating to Negotiation, Presentment of Instruments, Rules of Compensation.

Note: *If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from dates notified by the Institute.*

The specific inclusions/ exclusions in the various topics covered in the syllabus will be effected every year by way of Study Guidelines, if required.

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