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B.Com Honours | Semester III | Calicut University

Business Regulations

Course Code: COM3CJ201 • Module 1 Notes

1. Introduction to Business Regulations & Indian Contract Act, 1872

Business regulation refers to the legal framework, statutes, and government policies that govern commercial activities. It ensures fair competition, protects consumers and investors, enforces contracts, and maintains market stability. This module covers the fundamentals of business law, the Indian Contract Act of 1872, essential elements of valid contracts, vitiating factors of free consent, and remedies for breach of contract.

Essentials of a Valid Contract

According to Section 10 of the Indian Contract Act, an agreement becomes a legally binding contract if it fulfills key legal criteria:

Offer, Acceptance, & Consideration

- **Offer and Acceptance:** A lawful offer by one party and an unconditional acceptance by the other.
- **Lawful Consideration:** Price paid for the promise ((Quid Pro Quo)), which must be real and lawful.
- **Capacity to Contract:** Parties must be majors (above 18 years), of sound mind, and not disqualified by law.

Consent, Object, & Formality

- **Free Consent:** Consent must be given without coercion, undue influence, fraud, misrepresentation, or mistake.
- **Lawful Object:** The purpose of the contract must not be fraudulent, immoral, or opposed to public policy.
- **Writing and Registration:** Necessary legal formalities must be completed where required by statute.

Vitiating Factors of Free Consent

If consent is influenced by vitiating factors, the contract becomes voidable at the option of the aggrieved party:

Vitiating Factor	Legal Definition & Nature	Legal Effect on Contract
Coercion (Sec 15)	Committing or threatening to commit any act forbidden by the IPC to compel consent.	Voidable at the option of the coerced party.
Undue Influence (Sec 16)	Dominating the will of another person due to a real/apparent authority or fiduciary relationship.	Voidable; court may set aside the contract absolutely or conditionally.
Fraud (Sec 17)	Intentional misrepresentation or active concealment of facts to deceive another party.	Voidable; aggrieved party can rescind and claim damages for loss.
Misrepresentation (Sec 18)	Innocent or non-intentional false statement of fact made without intent to deceive.	Voidable; party may rescind but cannot claim damages.

Discharge of Contract & Remedies for Breach

A contract is **Discharged** when the legal obligations created under it come to an end (by performance, mutual agreement, supervening impossibility, or breach). When a breach occurs, the injured party has access to specific legal remedies:

- **Rescission:** Cancelling the contract and releasing the injured party from performance.
- **Damages:** Monetary compensation awarded for losses suffered (Ordinary, Special, Exemplary, or Nominal damages).
- **Specific Performance:** A court order directing the defaulting party to carry out their promised obligation.
- **Injunction & Quantum Meruit:** Restraining orders against wrongful acts, or payment for work done so far ("as much as earned").