

BUSINESS AND CORPORATE REGULATIONS

BBA Semester 3 – Calicut University

DegreeLive

MODULE 1: INDIAN CONTRACT ACT, 1872

1. Introduction to Law, Sources of Law and Business Law

- Law refers to a set of rules recognized and enforced by the State to regulate human conduct.
- Law maintains order, protects rights and ensures justice.
- Business Law consists of legal rules governing business and commercial activities.

Sources of Law

- Constitution
- Legislation (Acts passed by Parliament and State Legislatures)
- Judicial Precedents
- Customs and Usages

Business Law

- Governs contracts, companies, sale of goods and commercial transactions.
- Provides legal protection to businesses and consumers.
- Helps resolve disputes arising from business activities.

Exam line: Business law regulates commercial activities and ensures legal certainty in business transactions.

2. Contract – Definition and Essentials of a Valid Contract

Contract

- Section 2(h) of the Indian Contract Act, 1872:
"A contract is an agreement enforceable by law."

Essentials of a Valid Contract

- Lawful offer and lawful acceptance.
- Intention to create legal relationship.
- Lawful consideration.
- Competent parties.
- Free consent.
- Lawful object.
- Certainty of terms.
- Possibility of performance.
- Not expressly declared void by law.

Formula

Agreement + Enforceability by Law = Contract

Exam line: Every contract is an agreement, but every agreement is not a contract.

3. Classification of Contracts

According to Validity

- Valid Contract
- Void Contract
- Voidable Contract
- Illegal Contract

- Unenforceable Contract

According to Formation

- Express Contract
- Implied Contract
- Quasi Contract

According to Performance

- Executed Contract
- Executory Contract

According to Liability

- Bilateral Contract
- Unilateral Contract

Exam line: Contracts can be classified based on validity, formation, performance and liability.

4. Offer, Acceptance, Consideration, Capacity and Free Consent

Offer

- Proposal made by one person to another.
- Must be clear and definite.
- Creates willingness to enter into a contract.

Acceptance

- Assent to an offer.
- Must be absolute and unconditional.
- Converts proposal into a promise.

Consideration

- Something given in return for a promise.
- May be money, service, act or abstinence.
- Consideration is the price of a promise.

Capacity to Contract

A person is competent if:

- He has attained majority.
- He is of sound mind.
- He is not disqualified by law.

Free Consent

Consent is free when it is not caused by:

- Coercion
- Undue Influence
- Fraud
- Misrepresentation
- Mistake

Definitions

- **Coercion:** Forcing a person into a contract through threats or unlawful acts.
- **Undue Influence:** Dominating another person's will to gain an unfair advantage.
- **Fraud:** Intentional deception to induce another person into a contract.

- **Misrepresentation:** False statement made without intention to deceive.
- **Mistake:** Wrong belief regarding facts or law affecting the agreement.

Exam line: Free consent is essential for the validity of a contract.

5. Discharge of Contract, Breach of Contract and Remedies

Discharge of Contract

A contract may be discharged by:

- Performance
- Mutual agreement
- Impossibility of performance
- Operation of law
- Breach of contract

Breach of Contract

Occurs when a party fails to perform contractual obligations.

Types: Actual Breach, Anticipatory Breach

Remedies

- Damages
- Specific Performance
- Injunction
- Rescission
- Quantum Meruit

Exam line: Breach of contract gives the aggrieved party a right to seek legal remedies.

6. Contingent Contracts and Quasi Contracts

Contingent Contract

- Contract dependent on the occurrence or non-occurrence of a future uncertain event.
- Enforceable only when the event occurs.
- Example: Insurance contracts.

Quasi Contract

- Not an actual contract.
- Created by law to prevent unjust enrichment.
- Based on principles of fairness and justice.
- Example: Payment made by mistake.

Exam line: A quasi contract is imposed by law even without an agreement between parties.

MODULE 2: SALE OF GOODS ACT, 1930

7. Contract of Sale of Goods, Essentials, Conditions and Warranties

Contract of Sale

Section 4 of the Sale of Goods Act, 1930:

A contract where the seller transfers or agrees to transfer ownership of goods to the buyer for a price.

Essentials

- Two parties.
- Goods.
- Transfer of ownership.
- Price.
- Valid contract.

Conditions

- Essential terms of the contract.
- Breach allows rejection of goods.

Warranties

- Secondary terms.
- Breach allows claim for damages only.

Difference

Condition	Warranty
Essential term	Subsidiary term
Rejection possible	Rejection not possible
Major importance	Minor importance

Exam line: A condition is essential to the contract while a warranty is collateral to it.

8. Caveat Emptor, Sale by Non-Owners, Delivery of Goods and Unpaid Seller

Caveat Emptor

- Meaning: "Let the Buyer Beware."
- Buyer must inspect goods before purchase.
- Seller is generally not responsible for defects known to the buyer.

Exceptions: Fraud by seller, Misrepresentation, Sale by description, Sale by sample.

Sale by Non-Owners

- **General Rule:** Only the owner can transfer ownership.
- **Exceptions:** Sale by mercantile agent, Sale by estoppel, Sale under voidable contract, Sale by seller in possession.

Delivery of Goods

- Actual Delivery
- Symbolic Delivery
- Constructive Delivery

Unpaid Seller

Seller who has not received full payment.

Rights of Unpaid Seller

- **Against Goods:** Right of lien, Right of stoppage in transit, Right of resale.
- **Against Buyer:** Suit for price, Claim for damages.

Exam line: An unpaid seller enjoys special rights against both goods and buyer.

MODULE 3: COMPANIES ACT, 2013

9. Introduction to Companies Act, 2013 and History

Evolution

- Joint Stock Companies Act, 1850.
- Companies Act, 1956.
- Companies Act, 2013.

Objectives

- Improve corporate governance.
- Enhance transparency.
- Protect shareholders.
- Strengthen accountability.

Importance

- Governs incorporation and management of companies.
- Regulates rights and duties of stakeholders.

Exam line: Companies Act, 2013 is the primary legislation governing companies in India.

10. Meaning, Definition and Features of Company

Definition

A company is an artificial legal person created by law having a separate legal entity, perpetual succession and common seal.

Features

- Separate Legal Entity.
- Artificial Person.
- Perpetual Succession.
- Limited Liability.
- Transferability of Shares.
- Common Seal.
- Separate Property.
- Capacity to Sue and Be Sued.

Exam line: A company has a legal existence separate from its members.

11. Kinds of Companies

- **Private Company:** Restricts transfer of shares. Minimum 2 members.
- **Public Company:** Shares freely transferable. Can invite public subscription.
- **One Person Company (OPC):** Single member company.
- **Small Company:** Small capital and turnover.
- **Government Company:** At least 51% government ownership.
- **Associate Company:** Significant influence by another company.
- **Dormant Company:** Formed for future projects. No significant transactions.
- **Producer Company:** Formed by producers for mutual benefit.

Exam line: Companies Act, 2013 recognizes different forms of companies to suit different business needs.

12. Lifting of Corporate Veil, Ultra Vires and Indoor Management

Lifting of Corporate Veil

- Ignoring separate legal personality.
- Courts identify real persons behind the company.
- **Reasons:** Fraud, Tax evasion, Improper conduct.

Doctrine of Ultra Vires

- Company cannot act beyond powers stated in Memorandum of Association.
- Such acts are void.

Doctrine of Indoor Management

- Outsiders may assume internal procedures are properly followed.
- Protects persons dealing with the company.

Exam line: Ultra vires acts are void while indoor management protects outsiders dealing with companies.

13. Memorandum of Association, Articles of Association and Prospectus

Memorandum of Association (MOA)

- Fundamental document of company.
- Defines powers and objectives.
- **Main Clauses:** Name Clause, Registered Office Clause, Object Clause, Liability Clause, Capital Clause.

Articles of Association (AOA)

- Internal rules and regulations.
- Governs company management.

Prospectus

- Invitation to public for subscription of shares.
- Contains company information and financial details.

Alteration

MOA and AOA may be altered following legal procedures.

Exam line: MOA defines external limits while AOA governs internal management.

14. Directors and Key Managerial Personnel

Directors

Elected individuals managing company affairs.

- **Appointment:** Appointed according to Companies Act and company rules.
- **Removal:** Can be removed by shareholders following legal procedure.
- **Powers:** Manage company business. Enter contracts. Make policy decisions.
- **Duties:** Act in good faith. Exercise reasonable care. Protect company interests.
- **Types of Directors:** Executive Director, Non-Executive Director, Independent Director, Additional Director, Nominee Director.

Key Managerial Personnel (KMP)

- Managing Director.
- Chief Executive Officer.
- Company Secretary.
- Chief Financial Officer.

Exam line: Directors act as the brain of the company and manage its affairs.

15. Company Secretary

- **Qualification:** Must possess prescribed professional qualifications.
- **Appointment:** Mandatory for specified classes of companies.
- **Duties:** Ensure legal compliance, Maintain company records, Organize meetings, Advise directors on legal matters, File statutory returns.

Exam line: Company Secretary acts as the compliance officer of the company.

MODULE 4: CORPORATE MEETINGS AND LIQUIDATION

16. Company Meetings

Meaning

Meeting of shareholders, directors or other stakeholders for company decisions.

Types

- **Statutory Meeting:** Held as required by law.
- **Annual General Meeting (AGM):** Held once every year. Discusses company performance.
- **Extraordinary General Meeting (EGM):** Conducted for urgent business.
- **Board Meeting:** Meeting of directors.

Essentials of a Valid Meeting

- Proper notice.
- Quorum.
- Competent chairman.
- Agenda.
- Voting procedure.

Exam line: Proper notice and quorum are essential for a valid company meeting.

17. Winding Up of Companies

Meaning

Process through which company existence comes to an end.

Modes

- Compulsory Winding Up.
- Voluntary Winding Up.

Purpose

- Realize assets.
- Pay liabilities.
- Distribute remaining assets.

Exam line: Winding up is the legal process of closing a company.

18. Compulsory Winding Up by Tribunal

Meaning

Tribunal orders winding up of a company under specified circumstances.

Grounds

- Inability to pay debts.
- Fraudulent activities.
- Acting against public interest.
- Default in statutory requirements.
- Just and equitable grounds.

Procedure

- Petition filed.
- Tribunal examines case.
- Winding-up order issued.

Exam line: The Tribunal may order winding up when continuation of the company becomes undesirable.

19. Voluntary Winding Up

Meaning

Company decides to wind up its affairs voluntarily.

Reasons

- Completion of objectives.
- Financial difficulties.
- Business restructuring.

Process

- Resolution passed.
- Liquidator appointed.
- Assets realized.
- Liabilities paid.
- Company dissolved.

Exam line: Voluntary winding up takes place through the decision of members or creditors.

20. Contributories and Payment of Liabilities

Contributories

- Persons liable to contribute towards company assets during winding up.
- Usually present and past members.

Payment of Liabilities

Priority generally follows:

1. Winding-up expenses.
2. Secured creditors.
3. Preferential creditors.

4. Unsecured creditors.
5. Shareholders.

Importance

- Ensures fair settlement of claims.
- Protects interests of creditors and members.

Exam line: Contributories help meet company liabilities during winding up when required.

LAST-MINUTE EXAM FACTS

- Contract = Agreement + Legal Enforceability.
- Free Consent must be free from coercion, undue influence, fraud, misrepresentation and mistake.
- Quasi Contract is created by law.
- Caveat Emptor = Let the Buyer Beware.
- Condition → major term; Warranty → minor term.
- Unpaid Seller has right of lien, stoppage in transit and resale.
- Company = Separate Legal Entity.
- MOA = Constitution of company.
- AOA = Internal rules.
- Prospectus = Invitation to public.
- Ultra Vires = Beyond powers of company.
- Indoor Management protects outsiders.
- Directors manage company affairs.
- Company Secretary ensures compliance.
- AGM = Annual General Meeting.
- Winding Up = Legal closure of company.
- Tribunal can order compulsory winding up.
- Contributories contribute towards liabilities during winding up.