

BUSINESS REGULATIONS

B.Com Semester 3 – Calicut University

MODULE 1: INTRODUCTION TO BUSINESS REGULATIONS

Business Regulations and Business Law

Business Regulations

1. Business Regulations are legal rules that control how businesses operate.
2. They protect consumers, employees, investors and businesses.
3. They ensure fairness, transparency and ethical conduct in business.

Business Law

1. Business Law is the branch of law dealing with commercial and business activities.
2. Important areas: Contract Law, Sale of Goods, Agency, Consumer Protection and Cyber Law.

Indian Contract Act, 1872

Contract

1. A contract is an agreement enforceable by law.
2. Every contract is an agreement, but every agreement is not a contract.
3. Example: A promise to sell a laptop for ₹30,000 accepted by another person becomes a contract.

Essentials of a Valid Contract

1. Offer and Acceptance.
2. Intention to create legal relationship.
3. Lawful consideration.
4. Competent parties.
5. Free consent.
6. Lawful object.
7. Certainty of terms.
8. Possibility of performance.

Classification of Contracts

1. **Based on Validity**
 - a. Valid Contract.
 - b. Void Contract.
 - c. Voidable Contract.
 - d. Illegal Contract.
 - e. Unenforceable Contract.
2. **Based on Formation**
 - a. Express Contract (spoken/written).
 - b. Implied Contract (created by conduct).
 - c. Quasi Contract (created by law).
3. **Based on Performance**
 - a. Executed Contract.
 - b. Executory Contract.

Offer, Acceptance, Consideration and Free Consent

Offer

1. A proposal made by one person to another.
2. Must be clear and capable of acceptance.

Acceptance

1. Agreement to the offer.
2. Must be absolute and unconditional.

Consideration

1. Something given in return for a promise.
2. Called the "price of a promise."
3. Can be money, service, goods or an act.

Capacity to Contract

A person can contract if:

1. He is a major (18 years or above).
2. Of sound mind.
3. Not disqualified by law.

Free Consent

Consent is free when it is not caused by:

1. **Coercion:** Forcing a person through threats or unlawful acts.
2. **Undue Influence:** Using a position of power to obtain consent.
3. **Misrepresentation:** False statement made without intention to deceive.
4. **Fraud:** Intentional deception to obtain consent.
5. **Mistake:** Wrong belief about a fact related to the agreement.

Void Agreements, Discharge and Breach of Contract

Void Agreement

1. An agreement that cannot be enforced by law.
2. Has no legal effect.
3. Examples:
 - a. Agreements with illegal objects.
 - b. Agreements restraining marriage or trade.

Discharge of Contract

A contract comes to an end by:

1. Performance.
2. Mutual agreement.
3. Impossibility of performance.
4. Operation of law.
5. Breach of contract.

Breach of Contract

1. Failure of a party to perform contractual obligations.

Remedies for Breach

1. Damages (monetary compensation).
2. Specific Performance (court orders performance).
3. Injunction (court stops an act).
4. Rescission (contract cancelled).
5. Quantum Meruit (payment for work already done).

Contingent Contracts and Quasi Contracts

Contingent Contract

1. A contract dependent on a future uncertain event.

2. Becomes enforceable only when the event happens.
3. Example: Insurance contracts.

Quasi Contract

1. Not a real contract because no agreement exists.
2. Created by law to prevent unfair benefit.
3. Examples:
 - a. Payment made by mistake.
 - b. Supply of necessities to a minor.

MODULE 2: AN OVERVIEW OF SPECIAL CONTRACTS

Contract of Indemnity

1. One person promises to compensate another for a loss.
2. The person giving protection is the Indemnifier.
3. The protected person is the Indemnity Holder.
4. Commonly used in insurance contracts.

Rights of Indemnity Holder

1. Recover damages.
2. Recover legal costs.
3. Recover amounts paid under settlements.

Rights of Indemnifier

1. Recover money paid where legally permitted.

Contract of Guarantee

1. A promise to pay another person's debt if that person fails to pay.

Parties

1. **Creditor** → Person who gives loan.
2. **Principal Debtor** → Person who borrows.
3. **Surety** → Person who guarantees payment.

Rights of Surety

1. Recover money from debtor after payment.
2. Claim benefit of securities held by creditor.

Liability of Surety

1. Generally equal to liability of debtor.

Discharge of Surety

1. Revocation of guarantee.
2. Change in contract without surety's consent.
3. Release of principal debtor.
4. Loss of securities.

Contract of Bailment and Pledge

Bailment

1. Transfer of possession of goods for a specific purpose.
2. Ownership does not transfer.

Parties

1. **Bailor** → Gives goods.
2. **Bailee** → Receives goods.

Duties of Bailor

1. Disclose defects in goods.
2. Bear extraordinary expenses.

Duties of Bailee

1. Take reasonable care.
2. Return goods after purpose is completed.

Pledge

1. Bailment of goods as security for a loan or debt.

Parties

1. Pledger (Pawnor).
2. Pledgee (Pawnee).

Rights of Pledgee

1. Retain goods until debt is paid.
2. Sell goods after giving notice if debt remains unpaid.

Remember: Every pledge is a bailment, but every bailment is not a pledge.

Contract of Agency

1. Agency exists when one person acts on behalf of another.

Parties

1. Principal.
2. Agent.

Creation of Agency

1. Express agreement.
2. Implied agreement.
3. Necessity.
4. Ratification.
5. Estoppel.

Delegation of Authority

1. **General Rule:** Agent cannot delegate authority.
2. **Exceptions:**
 - a. Custom.

- b. Necessity.
- c. Trade usage.

Duties of Agent

1. Follow instructions.
2. Maintain proper accounts.
3. Act honestly and in good faith.

Duties of Principal

1. Pay remuneration.

2. Indemnify agent for lawful acts.

Termination of Agency

1. Mutual agreement.
2. Completion of work.
3. Death.
4. Insanity.
5. Revocation by principal.

MODULE 3: SALE OF GOODS ACT AND CONSUMER PROTECTION ACT, 2019

Contract for Sale of Goods

1. Agreement where ownership of goods is transferred for a price.
2. Governed by the Sale of Goods Act, 1930.
3. Involves two parties: Buyer and Seller.
4. Goods must be movable property.

Types

1. **Sale:** Ownership transferred immediately.
2. **Agreement to Sell:** Ownership transferred at a future date.

Essentials of a Contract of Sale

1. Two parties (buyer and seller).
2. Goods must exist.
3. Transfer of ownership.
4. Price must be in money.
5. Free consent.
6. Lawful object.

Sale vs Agreement to Sell

Sale	Agreement to Sell
Immediate transfer	Future transfer
Risk passes to buyer	Risk remains with seller
Creates ownership rights	Creates contractual rights

Conditions and Warranties

Condition

1. Essential term of the contract.
2. Breach allows buyer to reject goods.

Warranty

1. Secondary term.
2. Breach allows claim for damages only.

Example

1. Buying a car described as new when it is used → breach of condition.
2. Minor defect in music system → breach of warranty.

Caveat Emptor and Sale by Non-Owners

Caveat Emptor

1. Means "Let the Buyer Beware."
2. Buyer should inspect goods before purchase.
3. Seller is generally not responsible if buyer fails to check quality.

Exceptions

1. Fraud.
2. Misrepresentation.
3. Sale by sample.
4. Sale by description.

Sale by Non-Owners

1. **General Rule:** A person cannot transfer a better title than he possesses.
2. **Exceptions:**
 - a. Sale by mercantile agent.
 - b. Sale by estoppel.
 - c. Sale under voidable contract.
 - d. Sale by seller in possession.

Consumer Protection Act, 2019

Purpose

1. Protect consumer rights.
2. Prevent unfair trade practices.
3. Provide quick dispute resolution.

Consumer Rights

1. Right to Safety.
2. Right to Information.
3. Right to Choice.
4. Right to be Heard.
5. Right to Seek Redressal.
6. Right to Consumer Education.

Consumer Commissions

1. District Commission.
2. State Commission.
3. National Commission.

Important Features

1. Product Liability.

2. E-commerce regulation.

3. Central Consumer Protection Authority (CCPA).

MODULE 4: CYBER LAW

Introduction to Indian Cyber Law

1. Cyber Law deals with legal issues related to computers, internet and digital communication.
2. Main law: Information Technology Act, 2000.
3. Provides legal recognition to electronic records and digital signatures.
4. Helps prevent cyber crimes and protect digital information.

E-Commerce, Digital Signature and Electronic Contracts

E-Commerce

1. Buying and selling goods through the internet.

Advantages

1. Global market access.
2. Convenience.
3. Faster transactions.
4. Lower operating costs.

Digital Signature

1. Electronic method used to verify identity.
2. Ensures authenticity and security.

Electronic Contracts

1. Contracts formed through electronic means.
2. Legally valid in India.
3. Examples:
 - a. Online shopping agreements.
 - b. Software licence agreements.

Cyber Space and Cyber Crime

Cyber Space

1. Virtual environment created by interconnected computer networks.

Cyber Crime

1. Illegal activities committed using computers or the internet.

Types of Cyber Crime

1. Hacking.
2. Phishing.

3. Identity theft.
4. Cyber stalking.
5. Data theft.
6. Online fraud.
7. Malware attacks.

Penalties and Offences

Common Offences

1. Unauthorized access.
2. Hacking.
3. Data theft.
4. Identity theft.
5. Cyber terrorism.

Penalties

1. Fine.
2. Compensation.
3. Imprisonment.

Purpose

1. Protect users.
2. Prevent cyber crime.
3. Improve cyber security.

Intellectual Property Rights (IPR)

1. Legal rights protecting creations of the human mind.

Types

1. **Patent:** Protects inventions.
2. **Copyright:** Protects books, music, films and creative works.
3. **Trademark:** Protects brand names, logos and symbols.
4. **Industrial Design:** Protects appearance of products.
5. **Geographical Indication (GI):** Protects products linked to a particular region.
 - a. Example: Darjeeling Tea.

Importance

1. Encourages innovation.
2. Protects ownership.
3. Prevents unauthorized use.
4. Rewards creativity.