SCANNER®

CA FOUNDATION · PAPER 2 · BUSINESS LAWS

# 1.5-Day Revision Book

One hour a day for 36 days → revise the whole paper in 1.5 days → perform in the 3 hours that count

| 36 × 1 hour | 1.5 days | 3 hours |
| --- | --- | --- |
| Watch the 30-minute video, then solve the day's Scanner questions and fill your error log. | Revise every class in about 25 minutes using only this book. | Walk into the examination hall with every class fresh in mind. |

Shuchita Prakashan · Scanner series · www.scanneradda.com

# Contents


**How to use this book** 3

**Your 1.5-day revision timetable** 4

**Index of classes (with page numbers)** 5

**The 36 classes, chapter by chapter** 7

Chapter 1 · Indian Regulatory Framework · Day 1 7

Chapter 2 · The Indian Contract Act, 1872 · Days 2 – 14 9

Chapter 3 · The Sale of Goods Act, 1930 · Days 15 – 20 35

Chapter 4 · The Indian Partnership Act, 1932 · Days 21 – 26 47

Chapter 5 · The Limited Liability Partnership Act, 2008 · Days 27 – 28 59

Chapter 6 · The Companies Act, 2013 · Days 29 – 33 63

Chapter 7 · The Negotiable Instruments Act, 1881 · Days 34 – 36 73

**Final Sprint: every ★★★ One Liner** 79

**Before you leave for the examination hall** 83

# How to use this book

### DURING THE 36 DAYS

1. **Watch the day's video** (30 minutes) and keep this book open at the same day.
2. **Solve the day's Scanner questions** (about 30 minutes). Every wrong answer goes into "My error log" on that day's page: the question, why you got it wrong, and the rule to remember.
3. **Tick the weak spots** where you slipped. These ticks tell you where to slow down in your 1.5 days.

### IN THE 1.5 DAYS BEFORE THE EXAMINATION

1. **Follow the timetable** on the next page. Each day of the course takes about 25 minutes to revise.
2. **For each day, read in this order:** Exam in 60 seconds → One Liners (★★★ first) → Practical method and marks (where given) → Traps → your own error log.
3. **Do not open new material.** Everything you need for revision is already on these pages and in your error log.
4. **Keep the last evening for the Final Sprint** (the ★★★ One Liners at the end of this book) and your error log, then sleep well.

### READING THE STARS

★★★ asked 6 or more times · ★★ 3 – 5 times · ★ 1 – 2 times in ICAI papers, RTPs and MTPs.

# Your 1.5-day revision timetable

Fifteen hours of revision in nine sessions, with breaks. Move the clock times to suit your examination day; keep the order.

| Part | Time | Revise | Minutes |
|---|---|---|---|
| **Half day** | 2:00 – 4:00 pm | **Days 1 – 5 · from page 7**<br>Indian Regulatory Framework; Nature of Contract: Essentials, Types, Offer; Acceptance, Communication and Revocation … | 120 |
| **Half day** | 4:30 – 6:30 pm | **Days 6 – 9 · from page 17**<br>Vitiating Free Consent and Lawful Object; Void Agreements; Performance of Contract … | 112 |
| **Half day** | 7:30 – 9:30 pm | **Days 10 – 14 · from page 25**<br>Indemnity, Guarantee and Surety's Liability; Discharge and Rights of a Surety; Bailment: Duties, Rights and Termination … | 116 |
| **Full day** | 6:30 – 8:30 am | **Days 15 – 19 · from page 35**<br>Formation of the Contract of Sale; Conditions and Warranties (S.12 – 17); Caveat Emptor and Its Exceptions … | 127 |
| **Full day** | 9:00 – 11:00 am | **Days 20 – 24 · from page 45**<br>Unpaid Seller, Remedies and Auction Sale; Elements, True Test and Kinds of Partnership; Partners' Rights, Property and Authority … | 131 |
| **Full day** | 11:30 am – 1:30 pm | **Days 25 – 29 · from page 55**<br>Registration, Non-Registration and Dissolution; Consequences of Dissolution; LLP · Meaning, Partners and Characteristics … | 113 |
| **Full day** | 2:30 – 4:30 pm | **Days 30 – 34 · from page 65**<br>Classes of Companies Under the Act; Incorporation, Capital, Shares and Memorandum; Doctrine of Ultra Vires and Articles … | 126 |
| **Full day** | 5:00 – 6:00 pm | **Days 35 – 36 · from page 75**<br>Classification, Negotiation and Section 138; Presentment of Instruments and Compensation | 52 |
| **Full day** | 7:00 – 9:00 pm | **Final Sprint · page 79**<br>★★★ One Liners at the end of this book, then your error log for all 36 days. Sleep by 10:30 pm. | 120 |

*Take a 30-minute break between sessions: walk, drink water, and look away from the page.*

# Index of classes

Find any class by chapter. “Minutes” is its share of your 1.5-day revision; “Page” is where it starts in this book.


| Day | Class | Minutes | Page |
|---|---|---|---|
| **Chapter 1 · Indian Regulatory Framework** | | | |
| 1 | Indian Regulatory Framework | 27 | 7 |
| **Chapter 2 · The Indian Contract Act, 1872** | | | |
| 2 | Nature of Contract: Essentials, Types, Offer | 25 | 9 |
| 3 | Acceptance, Communication and Revocation | 21 | 11 |
| 4 | Consideration: Rules, Privity and Exceptions | 25 | 13 |
| 5 | Capacity to Contract and Free Consent | 22 | 15 |
| 6 | Vitiating Free Consent and Lawful Object | 25 | 17 |
| 7 | Void Agreements | 21 | 19 |
| 8 | Performance of Contract | 34 | 21 |
| 9 | Breach, Remedies, Contingent and Quasi Contracts | 32 | 23 |
| 10 | Indemnity, Guarantee and Surety's Liability | 22 | 25 |
| 11 | Discharge and Rights of a Surety | 24 | 27 |
| 12 | Bailment: Duties, Rights and Termination | 22 | 29 |
| 13 | Finder, Lien and Pledge | 21 | 31 |
| 14 | Agency: Principal, Agent and Third Parties | 27 | 33 |
| **Chapter 3 · The Sale of Goods Act, 1930** | | | |
| 15 | Formation of the Contract of Sale | 26 | 35 |
| 16 | Conditions and Warranties (S.12 – 17) | 29 | 37 |
| 17 | Caveat Emptor and Its Exceptions | 22 | 39 |
| 18 | Passing of Property, Risk and Title | 25 | 41 |
| 19 | Performance of the Contract of Sale | 25 | 43 |
| 20 | Unpaid Seller, Remedies and Auction Sale | 27 | 45 |
| **Chapter 4 · The Indian Partnership Act, 1932** | | | |
| 21 | Elements, True Test and Kinds of Partnership | 29 | 47 |
| 22 | Partners’ Rights, Property and Authority | 26 | 49 |
| 23 | Third-Party Liability, Minors and Reconstitution | 27 | 51 |
| 24 | Outgoing Partner's Rights and Guarantees | 22 | 53 |
| 25 | Registration, Non-Registration and Dissolution | 25 | 55 |
| 26 | Consequences of Dissolution | 20 | 57 |
| **Chapter 5 · The Limited Liability Partnership Act, 2008** | | | |
| 27 | LLP · Meaning, Partners and Characteristics | 22 | 59 |
| 28 | LLP Incorporation and Key Differences | 24 | 61 |
| **Chapter 6 · The Companies Act, 2013** | | | |
| 29 | Company: Meaning, Features and Corporate Veil | 22 | 63 |
| 30 | Classes of Companies Under the Act | 29 | 65 |
| 31 | Incorporation, Capital, Shares and Memorandum | 27 | 67 |
| 32 | Doctrine of Ultra Vires and Articles | 24 | 69 |

| Day | Class | Minutes | Page |
|---|---|---|---|
| 33 | Doctrine of Indoor Management | 21 | **71** |
| **Chapter 7 · The Negotiable Instruments Act, 1881** | | | |
| 34 | Negotiable Instruments: Notes, Bills, Cheques | 25 | **73** |
| 35 | Classification, Negotiation and Section 138 | 25 | **75** |
| 36 | Presentment of Instruments and Compensation | 27 | **77** |

**Final Sprint: page 79 · Before you leave for the hall: page 83**

DAY 1

# Indian Regulatory Framework

Chapter 1 Indian Regulatory Framework · Whole chapter

**Revise in about 27 minutes** · Video: Paper 2 Day 1 · Session 1 of your timetable

## EXAM IN 60 SECONDS

1. Law = government-imposed duties for welfare and justice; sources: Constitution, statutes, precedents, customs.
2. Bill → Lok Sabha → Rajya Sabha → President → Gazette → effective date → Act.
3. Four types: criminal, civil, common law, natural justice; give one example of each.
4. Executive enforces through ministries: Finance, Corporate Affairs, Home Affairs, Law and Justice.
5. Regulators: SEBI (1988, statutory 1992), RBI with BRBNM, NPCI, DICGC, and IBBI (2016).
6. Supreme Court > High Courts > District Courts; Article 141 makes Supreme Court decisions binding.

## ONE LINERS

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|---|---|---|
| **Topics 3–4 · Law, its making and its types** | | |
| 1 | ★ | Law = obligations and duties imposed by government; sources: Constitution · statutes · precedents · customs and usages; three lists (Central, State, Joint). |
| 2 | ★★ | Bill → Lok Sabha → Rajya Sabha → President's assent → Official Gazette → effective date → Act of Parliament. |
| 3 | ★★ | Four types: criminal (SM: IPC/CrPC; now BNS/BNSS) · civil (CPC 1908) · common law · natural justice. |
| 4 | ★★ | Common law = precedent, Article 141, stare decisis; natural justice = nemo judex in causa sua · audi alteram partem · reasoned decision; cannot override a statute. |
| 5 | ★ | Enforcement = executive through ministries; Cabinet Minister + Ministers of State; civil servants; Income Tax → MoF / CBDT / IRS. |
| **Topic 5 · Ministries and regulators** | | |
| 6 | ★ | MoF: Treasury, taxation, Union Budget; four civil services + ICMAS; six departments. |
| 7 | ★ | MCA: Companies Acts 2013 and 1956, LLP Act 2008, IBC 2016; ICLS cadre via UPSC; DGCoA at Apex Scale. |
| 8 | ★ | MHA: internal security and domestic policy; six departments (Border Management · Internal Security · J, K and Ladakh Affairs · Home · Official Language · States). |
| 9 | ★ | Law and Justice: Legal Affairs (advice) · Legislative (drafting) · Justice (administration of justice). |
| 10 | ★ | SEBI 12.4.1988 / statutory 30.1.1992; RBI — rupee, payment systems, BRBNM · NPCI · DICGC; IBBI 1.10.2016 — IPAs, IPs, IUs; NCLT + DRT. |
| **Topic 6 · Indian judicial system** | | |
| 11 | ★★★ | **Judiciary: interpretation · dispute resolution · fairness; Supreme Court > High Courts > District Courts; Article 141.** |
| 12 | ★★ | SC 26.1.1950, Art. 126, 34 judges, writ Art. 32 · HC Art. 214, 25 courts, writ Art. 226 · District ₹2 crore · Metropolitan ten lakh+. |
| 13 | ★★★ | **High Court decisions bind its own state and are only persuasive elsewhere; a Supreme Court decision is the final word.** |
| 14 | ★★ | District Judge → civil matters; Court of Sessions → criminal; CMM has CJM powers, MM has first-class Magistrate powers. |

## TRAPS TO AVOID

- ✕ A CA advises at a basic or threshold level, not as a legal expert arguing in the High Court.
- ✕ Legal textbooks are not a main source of law; the four sources are Constitution, statutes, precedents, customs.
- ✕ A proposed law is a Bill, not an Act; it becomes an Act only once notified and effective.
- ✕ Non-payment of dues to a lender or seller is a civil matter, not a criminal offence.
- ✕ A judgement can override or alter a common law, but it cannot override or change a statute.
- ✕ Department of States belongs to the Ministry of Home Affairs, not Finance; the SM's MCQ tests exactly this.
- ✕ Article 141 makes Supreme Court decisions binding; do not confuse it with Article 32, the writ petition.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Sources of law ☐ Making a law ☐ Types of law ☐ Common law and natural justice ☐ Ministries ☐ SEBI, RBI and IBBI ☐ Courts and hierarchy

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 2

# Nature of Contract: Essentials, Types, Offer

Chapter 2 The Indian Contract Act, 1872 · Unit 1 · Part 1 of 2

**Revise in about 25 minutes** · Video: Paper 2 Day 2 · Session 1 of your timetable

## EXAM IN 60 SECONDS

1. Contract = agreement + enforceability [2(h)]; all contracts are agreements, not vice versa.
2. Section 10: free consent, competent parties, lawful consideration and object, not declared void.
3. Social or domestic promise: no intention, no contract (Balfour); Section 25(1) is the exception.
4. Void [2(j)] v. voidable [2(i)]: meaning, enforceability, cause, performance, rights.
5. Coolie: implied; finder of lost goods: quasi-contract; tuition next month: executory.
6. Price tag, self-service, auction advertisement: invitation to offer; reward advertisement: general offer.

## ONE LINERS

| | | |
|---|---|---|
| **Topics 1–2 · Contract and its essentials** | | |
| 1 | ★ | Contract = agreement + enforceability [2(h)]; agreement = promises forming consideration [2(e)]; all contracts are agreements, not vice versa. |
| 2 | ★ | Section 10: agreement · free consent (coercion → invalid) · capacity · lawful consideration and object (cocaine → illegal) · not declared void. |
| 3 | ★★ | No intention to create legal relations → domestic promise unenforceable (Balfour); written + registered + natural love and affection → Section 25(1) exception. |
| 4 | ★ | Social invitation (birthday party) → no contract; contributory party → may be enforceable. |
| 5 | ★ | Uncertain meaning (unspecified biscuits, unspecified oil) → not enforceable. |
| **Topics 3–4 · Types of contracts and the offer** | | |
| 6 | ★ | Void [2(j)] v. voidable [2(i)]: meaning · enforceability · cause · performance · rights. |
| 7 | ★★★ | **Fire, death, disablement, rotten goods, import ban → void; subject matter already dead → void (Section 20).** |
| 8 | ★★ | Valid: all essentials (marriage bureau information) · voidable: work not done in time · unenforceable: time-barred debt. |
| 9 | ★★★ | **Express · implied (coolie) · tacit (ATM) · quasi (finder of lost goods) · e-contract; executed v. executory (tuition from next month).** |
| 10 | ★ | Offer [2(a)] — nine essentials; offer v. invitation to offer = intention to be bound. |
| 11 | ★★★ | **Reward advertisement → general offer (Carlill); price tag, self-service display, auction advertisement → invitation to offer (Harris v. Nickerson).** |

## TRAPS TO AVOID

- ✕ Intention to create legal relations is essential but is not one of the Section 10 elements.
- ✕ An order for 2,000 biscuit packets without the variety is uncertain; the supplier is not liable for non-supply.
- ✕ A loan agreed under a threat to shoot is coercion: not a valid contract, though B agreed.
- ✕ Tacit is not a separate form of contract; it falls within the scope of implied contracts.
- ✕ A mere statement of intention is not an offer; 'Will you marry me' added makes it one.
- ✕ 'If no reply in a week, I assume you accept' — such a term does not make a contract.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Agreement v. contract ☐ Intention to create legal relations ☐ Certainty of meaning ☐ Void v. voidable ☐ Implied and quasi-contracts ☐ Offer v. invitation to offer

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
|---|---|---|
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DAY 3

# Acceptance, Communication and Revocation

Chapter 2 The Indian Contract Act, 1872 · Unit 1 · Part 2 of 2

**Revise in about 21 minutes** · Video: Paper 2 Day 3 · Session 1 of your timetable

## EXAM IN 60 SECONDS

1. Acceptance [2(b)]: the offeree signifies assent; the proposal becomes a promise and cannot be revoked.
2. Seven rules: right person, absolute (s.7), communicated, mode, time, not silence, conduct (s.8).
3. Offer is complete when the offeree reads it; acceptance is complete against the proposer on posting.
4. Acceptance is complete against the acceptor only when it reaches the proposer; he can revoke until then.
5. An offer is revocable before acceptance is posted, even if promised open; revocation is complete on knowledge.
6. Seven modes of revocation; an unfulfilled condition precedent (s.6) lapses the offer without notice.

## ONE LINERS

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| **Topics 5 and 6 · Acceptance and its communication** | | |
| 12 | ★ | Acceptance [2(b)] — seven rules: right person · absolute (s.7) · communicated · mode · time · silence · conduct (s.8). |
| 13 | ★ | 'No reply = acceptance' term ineffective; late acceptance → no contract. |
| 14 | ★ | Modes (s.3): act · omission · conduct; acceptance complete (s.4): against proposer on posting, against acceptor on knowledge. |
| 15 | ★ | Acceptance leaked by an unauthorised member → not communicated → no contract. |
| **Topics 6 and 8 · Revocation and performance** | | |
| 16 | ★ | Acceptance posted before revocation reaches offeree → effective; but uncertain 'oil' → void. |
| 17 | ★ | Act-for-reward general offer → performance is acceptance; revocation arriving after performance → not binding. |
| 18 | ★ | Offer revocable before acceptance even if promised open (s.5). |
| 19 | ★ | Offer by post complete when read; acceptance revocable until it reaches proposer; telegram first or together → revocation absolute. |
| 20 | ★ | Seven modes of revocation; condition precedent unfulfilled (documents) → lapse without communication (s.6). |

## TRAPS TO AVOID

- ✕ Writing that every acceptance needs words; Section 8 treats performance as acceptance.
- ✕ Equating omission with silence; omission is conduct or forbearance that conveys assent, silence conveys nothing.
- ✕ Saying acceptance is complete for both parties on posting; for the acceptor it is complete only on arrival.
- ✕ Insisting the performer must first inform the offeror; that is needed only where the offer requires it.
- ✕ Thinking a promise to keep the offer open binds the offeror; a mere offer can still be withdrawn.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Seven rules of acceptance ☐ Silence and time ☐ Communication complete (s.4) ☐ Revocation of acceptance by post ☐ Revocation of offer (s.5) ☐ Modes of revocation (s.6)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
|---|---|---|

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DAY 4

# Consideration: Rules, Privity and Exceptions

Chapter 2 The Indian Contract Act, 1872 · Unit 2

**Revise in about 25 minutes** · Video: Paper 2 Day 4 · Session 1 of your timetable

## EXAM IN 60 SECONDS

1 Sec. 2(d): act, abstinence or promise at the promisor's desire = consideration; quid pro quo.
2 Eight rules: desire, any person, executed/executory, past/present/future, adequacy, legal duty, real, lawful.
3 Inadequacy does not void a free agreement (Expl. 2, Sec. 25); it is only evidence on consent.
4 Stranger to consideration may sue (Chinnayya vs. Ramayya); stranger to contract cannot, except seven cases.
5 Sec. 25: no consideration, no contract, except love and affection, past service, time-barred debt.
6 Also valid without consideration: agency, completed gift, bailment, charity with liability incurred.

## ONE LINERS

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|---|---|---|
| **Topics 1–2 · Meaning and legal rules** | | |
| 1 | ★★★ | **Consideration = quid pro quo; Sec. 2(d): act, abstinence or promise at the desire of the promisor (Misa v. Currie).** |
| 2 | ★★★ | **Eight rules: desire of promisor; promisee or any other person; executed/executory; past/present/future; adequacy; not a legal duty; real; lawful.** |
| 3 | ★★ | Inadequacy no bar (Expl. 2, Sec. 25) — but gross inadequacy = evidence consent not free. |
| 4 | ★ | Stranger to consideration may sue, not stranger to contract — annuity to uncle (Chinnayya vs. Ramayya). |
| **Topics 3–4 · Privity and the Section 25 rule** | | |
| 5 | ★★ | Privity: only a party sues; 7 exceptions — trust, written family settlement, marriage, assignment (no personal skill), acknowledgement/estoppel, covenant running with land, agent. |
| 6 | ★ | Covenant running with land binds purchaser with notice → seller's son enforces. |
| 7 | ★★ | No consideration, no contract (Sec. 25) — 7 exceptions. |
| 8 | ★★★ | **Sec. 25(1): love and affection + near relation + writing + registration; unregistered deed fails; friends fail.** |
| **Topic 4 · Other exceptions to Section 25** | | |
| 9 | ★ | Sec. 25(2): past voluntary service — voluntary, for promisor, promisor existing, intent to compensate. |
| 10 | ★★★ | **Sec. 25(3): written promise signed by debtor (or agent) to pay time-barred debt.** |
| 11 | ★★ | Agency (Sec. 185) and bailment (Sec. 148) need no consideration. |
| 12 | ★ | Completed gift valid — Expl. 1 to Sec. 25. |
| 13 | ★★ | Charity: promisee incurs liability on the promise → enforceable (Kadarnath v. Gorie Mohammad). |

## TRAPS TO AVOID

× Do not treat every act that benefits the promisor as consideration; it must be done at his desire.
× Pleading 'the uncle gave no consideration' fails: in India consideration may move from any other person.
× 'Consideration must be adequate' is wrong; write that inadequacy matters only as evidence of no free consent.
× A bare promise to donate is void; charity is enforceable only when the promisee has undertaken liability.
× Writing alone is not enough under 25(1); an unregistered deed fails, and friends are not near relations.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Section 2(d) definition ☐ Eight legal rules ☐ Adequacy of consideration ☐ Stranger to consideration ☐ Privity exceptions ☐ Section 25(1) and 25(3) ☐ Charity and completed gift

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 5

# Capacity to Contract and Free Consent

Chapter 2 The Indian Contract Act, 1872 · Unit 3 · Part 1 of 3

**Revise in about 22 minutes** · Video: Paper 2 Day 5 · Session 1 of your timetable

## EXAM IN 60 SECONDS

1. Section 10: competent parties, free consent, lawful consideration and object, not expressly declared void.
2. Section 11: competent = major (18 years), sound mind, not disqualified by law.
3. Minor's agreement void ab initio (Mohori Bibi); no ratification, no estoppel, no specific performance.
4. Necessaries (Section 68): only the minor's property is liable, never personally, never beyond value.
5. Minor can benefit and act as agent but cannot bind parents; an adult surety stays liable.
6. Section 12: unsound mind makes it void; Section 13: same thing in the same sense.

## ONE LINERS

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|---|---|---|
| **Topic 3.1 · Minor's agreements and necessaries** | | |
| 1 | ★★★ | **Minor's agreement void ab initio (Mohori Bibi, 1903); no ratification; no claim against parents.** |
| 2 | ★ | Minor as beneficiary: promissory note in his favour enforceable; benefits of partnership with all partners' consent. |
| 3 | ★★ | False representation of age → still pleads minority; unspent money only. |
| 4 | ★★ | Necessaries (Sec. 68): estate liable, never personally; education counts; recovery capped at his assets. |
| **Topics 3.1 – 3.2 · Agent, surety, sound mind, consent** | | |
| 5 | ★ | Minor as agent: not liable to principal; buyer from agent keeps goods. |
| 6 | ★ | Adult surety for minor liable; minor surety → guarantee void. |
| 7 | ★★ | Unsound mind (Sec. 12) → void. |
| 8 | ★★ | Sec. 13: same thing in the same sense; different flat/car in mind → no contract. |

## TRAPS TO AVOID

- ✗ A person short of 18 years even by a day is a minor for contracting.
- ✗ Writing that the minor may ratify on turning 18; there is nothing to ratify in a void agreement.
- ✗ Holding the minor liable because he lied about his age; a minor is never estopped from pleading minority.
- ✗ Saying 'a minor is liable to pay for necessaries'; the claim lies only against his property.
- ✗ Making the father pay because the minor named him; parents are liable only if the child acts as their agent.
- ✗ Saying both said 'yes', so a contract exists; agreement on different things is no consent at all.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Minor's agreement void ☐ Necessaries (Sec. 68) ☐ Minor as beneficiary ☐ Agent, surety and parents ☐ Unsound mind (Sec. 12) ☐ Consent (Sec. 13)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 6

# Vitiating Free Consent and Lawful Object

Chapter 2 The Indian Contract Act, 1872 · Unit 3 · Part 2 of 3

**Revise in about 25 minutes** · Video: Paper 2 Day 6 · Session 2 of your timetable

## EXAM IN 60 SECONDS

1. Coercion, undue influence, fraud, misrepresentation make contracts voidable; mistake makes them void.
2. Coercion (Sec. 15): IPC act or detaining property; anyone can coerce; refund under Section 72.
3. Undue influence (Sec. 16): relation, domination, unfair advantage; voidable or set aside on just terms (19A).
4. Silence is not fraud unless there is a duty to speak or silence equals speech.
5. Fraud gives rescission and damages; misrepresentation gives rescission only; affirming the contract ends rescission.
6. Section 23: unlawful object or consideration makes agreements void; Section 24: void unless severable.

## ONE LINERS

| | | |
|---|---|---|
| **Topic 3.3 · Coercion and undue influence** | | |
| 9 | ★★ | Coercion (Sec. 15): IPC act or detaining property; voidable (Sec. 19), refund (Sec. 72); suicide threat = coercion. |
| 10 | ★ | Undue influence (Sec. 16): authority, fiduciary, mental distress, unconscionable bargain; burden of proof. |
| 11 | ★★★ | **Employer/teacher/doctor dominance → voidable (Sec. 19A); doctor gets normal fee only.** |
| 12 | ★ | False criminal-complaint threat + caretaker's sway → coercion and undue influence, gift voidable. |
| **Topic 3.3 · Fraud and misrepresentation** | | |
| 13 | ★★ | Fraud (Sec. 17): five acts with intent to deceive. |
| 14 | ★★★ | **Silence not fraud unless duty to speak or silence = speech; horse examples (A) no, (B) son yes, (C) yes.** |
| 15 | ★★ | Fraud remedies: rescind, damages, insist on performance; exceptions — ordinary diligence, consent not caused. |
| 16 | ★★★ | **Misrepresentation (Sec. 18): three limbs; innocent; no damages.** |
| 17 | ★ | Means of discovering truth → not voidable (working fuel meter). |
| 18 | ★★ | Affirmation by accepting repair offer → no rescission; innocent reseller → misrepresentation only. |
| **Topic 3.4 · Legality of object and consideration** | | |
| 19 | ★★ | Sec. 23: six heads of unlawful object/consideration; collateral loan for murder also void. |
| 20 | ★★ | Sec. 24: unlawful in part → void unless severable (smuggling void; house sale severable). |
| 21 | ★ | Public policy list of nine. |
| 22 | ★★ | Trafficking in public office (pay to retire, Padma award); stifling prosecution (compoundable exception). |
| 23 | ★★ | Paying lawyer/judicial officer not to act for opponent → void (justice; Sec. 27). |

## TRAPS TO AVOID

- × Mistake makes the agreement void, not voidable; and a mistake of Indian law gives no relief (Example 30).
- × Coercion need not come from a party to the contract, nor be aimed at the other party; a stranger can coerce.
- × Buying an article worth ₹500 believing it worth ₹1,000 is not misrepresentation by the seller; the contract is valid.

✗ Paying a public servant to retire so another gets the post is void, even if he agrees freely.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Coercion v undue influence ☐ Domination of will ☐ Silence and fraud ☐ Fraud v misrepresentation ☐ Affirmation and rescission ☐ Section 23 and public policy

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
|---|---|---|
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DAY 7

# Void Agreements

Chapter 2 The Indian Contract Act, 1872 · Unit 3 · Part 3 of 3

**Revise in about 21 minutes** · Video: Paper 2 Day 7 · Session 2 of your timetable

## EXAM IN 60 SECONDS

1. Eleven agreements are expressly void; quote the section: 11, 20, 23–30 and 56.
2. S.26: restraint of marriage of a major is void, even for good consideration.
3. S.27: restraint of trade void to that extent; goodwill exception needs similar business and reasonable limits.
4. Employees during service and partners under the Partnership Act may be validly restrained.
5. S.28: absolute bar on suits void; arbitration or one of two competent courts valid; S.29: uncertainty void.
6. S.30: wager void; chit fund, delivery trades, skill games, insurance are not wagers.

## ONE LINERS

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| **Topic 5 · Restraints and unlawful object** | | |
| 24 | ★★★ | **Sec. 27 goodwill exception: similar business, local limits, reasonable; employee during service valid.** |
| 23 | ★★ | Paying lawyer/judicial officer not to act for opponent → void (justice; Sec. 27). |
| 25 | ★★ | Sec. 28: absolute bar on suits void; choice of one competent court valid. |
| 20 | ★★ | Sec. 24: unlawful in part → void unless severable (smuggling void; house sale severable). |
| 30 | ★★ | Immoral consideration (divorce-and-marry loan) → void. |
| **Topic 5 · Uncertainty, wager and mistake** | | |
| 26 | ★ | Sec. 29 uncertainty (oil example). |
| 27 | ★★ | Sec. 30 wager: essentials; not void — chit fund, delivery trades, skill games ≤ ₹1,000, insurance, horse-race prize ≥ ₹500. |
| 28 | ★ | Insurance v wager: seven points. |
| 29 | ★★ | Sec. 20 bilateral mistake as to existence (dead horse, destroyed flat) → void. |

## TRAPS TO AVOID

- ✕ Thinking payment makes it valid: a major's promise not to marry is void even for good consideration.
- ✕ A restraint over 'the whole of India for ten years' fails the reasonableness test, so the buyer has no remedy.
- ✕ Calling a 'one court only' clause void: choosing one of two courts with jurisdiction is not an absolute bar.
- ✕ Writing only 'uncertain agreements are void' and missing the proviso that loses half the marks.
- ✕ Saying a wager is illegal: under the Contract Act it is void, and no suit lies to recover the amount won.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ List of void agreements ☐ Restraint of trade (S.27) ☐ Legal proceedings (S.28) ☐ Uncertainty (S.29) ☐ Wager and its exceptions ☐ Insurance v wager ☐ Unlawful in part (S.24)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 8 Performance of Contract

Chapter 2 The Indian Contract Act, 1872 · Unit 4

**Revise in about 34 minutes** · Video: Paper 2 Day 8 · Session 2 of your timetable

## EXAM IN 60 SECONDS

1. S. 37: perform or offer to perform; valid tender is unconditional, timely, inspectable and whole.
2. Personal skill ends with the promisor; other contracts bind representatives up to value inherited.
3. S. 41: performance accepted from a third person discharges the promisor to that extent.
4. S. 43: compel any joint promisor for the whole; contribution equal; default shared equally.
5. Appropriation: debtor's choice, then creditor's (not disputed debts), then order of time.
6. S. 56 supervening impossibility makes the contract void; S. 65 requires the advance to be restored.

## ONE LINERS

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| **Topics 1 and 3 · Performance and by whom** | | |
| 1 | ★ | S. 37: perform or offer to perform; actual or attempted; representatives bound unless personal skill. |
| 2 | ★★ | Valid tender: unconditional · proper time and place · chance to examine · whole obligation. |
| 3 | ★ | By whom (Ss. 40–42): promisor himself · agent · legal representative (to value inherited) · accepted third person · joint promisors. |
| 4 | ★ | S. 41: third-party payment accepted discharges promisor pro tanto — sue for balance only. |
| 5 | ★ | Allowing performance after default = acquiescence (S. 39): no termination, damages only. |
| 6 | ★★ | Painter dies or is disabled — contract ends; deliverer dies — representatives bound. |
| **Topic 5 · Joint promisors and promisees** | | |
| 7 | ★★ | S. 42 liabilities / S. 45 rights: jointly → survivors + deceased's representative → representatives of all. |
| 8 | ★★★ | **S. 43: promisee may compel any one for the whole — joint and several.** |
| 9 | ★★★ | **S. 43: equal contribution; defaulter's share borne equally by the rest.** |
| 10 | ★ | S. 44: release of one ≠ discharge of others; released one still contributes. |
| **Topics 7 and 8 · Reciprocal promises and appropriation** | | |
| 11 | ★★ | S. 51: simultaneous promises — no readiness to pay, no duty to deliver. |
| 12 | ★ | S. 55: time of essence → voidable; late acceptance bars compensation unless notice given. |
| 13 | ★ | Novation (S. 62) then supervening illegality (S. 56) → void, no damages. |
| 14 | ★★ | Ss. 59–61: debtor's choice → creditor's choice (time-barred yes, disputed no) → order of time / proportionate. |
| 15 | ★★★ | **Exact-amount cheque implies the matching debt.** |
| 16 | ★ | No intimation — creditor may prefer the unguaranteed loan. |
| **Topics 9 and 10 · Need not be performed and discharge** | | |
| 17 | ★★ | Need not be performed: Ss. 62, 63, 64, 65, 67 (S. 66 communication). |
| 18 | ★★ | Novation: new contract, parties may change; alteration: same parties, some terms change. |
| 19 | ★★★ | **Supervening impossibility (S. 56): change in law · destruction · incapacity · war → void.** |
| 20 | ★★ | Discharge: performance, agreement, impossibility, lapse of time, law, breach, remission, S. 67, merger. |

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| 21 | ★★★ | **Contract becomes void → restore advance (S. 65).** |

## TRAPS TO AVOID

- ✕ A tender of part of the goods, or without time to inspect, is not valid performance even if made in good faith.
- ✕ Students let the promisee sue for the whole debt because the promisor did not authorise the third person's payment.
- ✕ When all promisors are dead, the promisee cannot pick only one representative; representatives of all are liable jointly.
- ✕ Do not divide a defaulter's shortfall among all promisors, including the defaulter; only the remaining promisors share it equally.
- ✕ Accepting late performance bars compensation for the delay unless the promisee gives notice at the time of acceptance.
- ✕ The creditor may apply payment to a time-barred debt, but never to a disputed debt.
- ✕ Merger is not novation: when a lessee buys the land, the lease ends because ownership rights are superior.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Section 37 and valid tender ☐ By whom performed and personal skill ☐ Joint promisors: contribution ☐ Reciprocal promises and time ☐ Appropriation of payments ☐ Supervening impossibility and refund ☐ Need not be performed and discharge

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 9

# Breach, Remedies, Contingent and Quasi Contracts

Chapter 2 The Indian Contract Act, 1872 · Units 5 and 6

**Revise in about 32 minutes** · Video: Paper 2 Day 9 · Session 2 of your timetable

## EXAM IN 60 SECONDS

1. Anticipatory breach comes before the due date; Section 39 lets the promisee rescind and sue at once.
2. Section 73: natural loss and loss known at contracting are recoverable; remote or indirect loss never.
3. Special damages need previous notice: remember Hadley v Baxendale.
4. Section 74: reasonable compensation, never above the sum named; India ignores the penalty label.
5. Contingent contract: collateral, uncertain event; Sections 32 – 36 decide when it is enforceable or void.
6. Quasi contracts are imposed by law under Sections 68 – 72; a finder is treated as a bailee.

## ONE LINERS

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| **Unit 5 · Topics 1 and 3 · Breach and damages** | | |
| 1 | ★★★ | **S. 39: refusal in entirety → promisee may end contract unless he acquiesced; damages either way (S. 75).** |
| 2 | ★★★ | **Anticipatory breach: before due date, by words or conduct; rescind and sue now, or wait and bear the risks.** |
| 3 | ★ | Damages = (market − contract price) × quantity; special loss only if known; minimise loss. |
| 4 | ★★★ | **S. 73: natural loss + loss contemplated at contracting; never remote or indirect loss.** |
| 5 | ★★★ | **Hadley v Baxendale: special loss needs previous notice.** |
| 6 | ★ | Exemplary damages: promise to marry; cheque wrongly dishonoured (Gibbons). |
| 7 | ★ | Late delivery: S. 55 if time of essence; lost outside contract only on notice. |
| **Unit 5 · Topic 4 · Section 74 and other remedies** | | |
| 8 | ★★ | S. 74: reasonable compensation ≤ sum named; no LD/penalty divide in India; Government bond exception. |
| 9 | ★ | Kinds: ordinary · special · liquidated. |
| 10 | ★★ | Quantum meruit: contract discharged + claimant not in default; six cases. |
| 11 | ★★ | Specific performance where damages inadequate (unique goods). |
| **Unit 6 · Topics 1 and 2 · Contingent contracts** | | |
| 1 | ★★★ | **S. 31: contingent on a collateral event; essentials — depends on event · collateral · not mere will · uncertain.** |
| 2 | ★★★ | **S. 32 happening · S. 33 not happening · S. 34 living person's conduct · S. 35 within fixed time · S. 36 impossible event = void.** |
| 3 | ★ | Covid payout within 3 months → contingent (S. 31); no infection by then → void (S. 35). |
| 4 | ★ | Insurance = valid contingent contract; wager = void, no interest, event is core factor; life insurance not indemnity. |
| **Unit 6 · Topic 3 · Quasi contracts** | | |
| 5 | ★★★ | **Quasi contract: imposed by law · right to money · against particular persons; 'No man must grow rich out of another's loss'.** |
| 6 | ★★ | Five cases: S. 68 necessaries · S. 69 interested person · S. 70 non-gratuitous act · S. 71 finder · S. 72 mistake/coercion. |

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| 7 | ★★★ | **Finder = bailee: care, no appropriation, restore; holds against all but true owner (Hollins vs. Howler).** |
| 8 | ★ | S. 68: from the incapable person's property only; medical aid to dependant included; diamond set not necessaries. |
| 9 | ★★ | S. 69: rent paid to free own carriage, tenant pays landlord's power bill → reimbursed. |
| 10 | ★ | S. 72: goods delivered by mistake → return or pay (Shivprasad Vs Sirish Chandra). |

## TRAPS TO AVOID

- ✗ Keeping the contract alive helps the guilty party too: a supervening impossibility may then discharge it.
- ✗ Claiming profit lost on an outside deal without notice: that is special loss and needs previous notice.
- ✗ Calling a sum 'liquidated damages' does not decide it; an extravagant sum is a penalty whatever its label.
- ✗ Specific performance is discretionary; it is ordered only where money damages are not an adequate remedy.
- ✗ Paying for a swimming pool only on its completion is not contingent: the event is part of the contract.
- ✗ A quasi contract is not voluntarily created: there is no offer, acceptance or consent, yet the law imposes the duty.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Anticipatory breach (S. 39) ☐ Damages and remoteness (S. 73) ☐ Penalty v liquidated damages (S. 74) ☐ Quantum meruit and other remedies ☐ Contingent contracts (Ss. 31 – 36) ☐ Quasi contracts (Ss. 68 – 72)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 10 Indemnity, Guarantee and Surety's Liability

Chapter 2 The Indian Contract Act, 1872 · Unit 7 · Part 1 of 2

**Revise in about 22 minutes** · Video: Paper 2 Day 10 · Session 3 of your timetable

## EXAM IN 60 SECONDS

1 S. 124: indemnity is a promise to save from loss by conduct of promisor or another.
2 S. 125: indemnity-holder recovers damages, costs and compromise sums, acting within his authority.
3 S. 126: guarantee has three parties, surety, principal debtor and creditor, and three contracts.
4 Valid guarantee: debt, consideration (S. 127), enforceable liability, no misrepresentation or concealment, co-surety joins.
5 Indemnity: two parties, primary liability; guarantee: three parties, secondary liability, creditor's security.
6 S. 128: surety's liability is co-extensive and secondary; creditor may sue the surety first.

## ONE LINERS

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| **Topics 1–2 · Indemnity and guarantee** | | |
| 1 | ★★ | S. 125: indemnity-holder recovers damages · costs · compromise sums. |
| 2 | ★ | S. 124 limited to conduct of promisor or another; fire/marine = indemnity, life insurance not → True. |
| 3 | ★ | S. 126: three parties; essentials — debt · consideration (S. 127) · enforceable liability · no misrepresentation/concealment · oral or written · co-surety condition. |
| 8 | ★ | S. 127: consideration received by the principal debtor suffices; past consideration is no consideration. |
| **Topics 2, 4, 5 · Cases, distinction, S. 128** | | |
| 4 | ★★ | Instalment guarantor pays balance ₹30,000 (S. 128); creditor's misrepresentation → invalid (S. 142). |
| 5 | ★ | Bhusan: lost security + set-off → ₹60 lakh; capped equal shares 10/10/20/20; variance → discharged. |
| 6 | ★★ | Indemnity v. guarantee: 2 v. 3 parties · primary v. secondary · contingency v. existing debt · request · right to sue · purpose · competency. |
| 7 | ★ | S. 128: co-extensive · secondary · ends with defect in document · creditor may sue surety first. |
| 9 | ★ | Guarantee invalid: creditor's misrepresentation (S. 142) · concealment (S. 143) · agreed co-surety does not join (S. 144). |
| 10 | ★ | Surety on a dishonoured bill pays the amount plus interest and charges due (Example 15). |

## TRAPS TO AVOID

× Forgetting that an indemnity with an unlawful object, like beating C, cannot be enforced at all.
× Saying the Act fixes the time; it is silent, and the rule comes from judicial pronouncements.
× Writing that an indemnity also has three contracts; it has only one, between indemnifier and indemnified.
× A guarantee stays valid if the principal debtor is incompetent, but is void if the surety is incompetent.
× Saying the creditor must first sue the principal debtor; he may proceed against the surety first.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Scope of S. 124 and insurance ☐ Indemnity-holder's rights (S. 125) ☐ Essentials of a valid guarantee ☐ Indemnity v. guarantee ☐ Surety's liability (S. 128) ☐ Guarantee case analysis

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
11

# Discharge and Rights of a Surety

Chapter 2 The Indian Contract Act, 1872 · Unit 7 · Part 2 of 2

**Revise in about 24 minutes** · Video: Paper 2 Day 11 · Session 3 of your timetable

## EXAM IN 60 SECONDS

1. A surety is discharged three ways: revocation, creditor's conduct, invalidation of the guarantee.
2. Revocation: notice (S. 130) or death (S. 131) ends future liability; past transactions remain; novation (S. 62).
3. Creditor's conduct: variance (S. 133), release (S. 134), composition/time/not to sue (S. 135), impairing remedy (S. 139).
4. Not discharged: time given through a third person (S. 136) or mere forbearance to sue (S. 137).
5. Invalid guarantee: misrepresentation (S. 142), concealment (S. 143), co-surety not joining (S. 144).
6. Rights: subrogation, indemnity; securities, set-off, share reduction; equal contribution within limits (SS. 146, 147).

## ONE LINERS

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| **Topic 7 · Discharge of a surety** | | |
| 8 | ★ | Discharge — revocation: notice (S. 130), death (S. 131), novation (S. 62). |
| 9 | ★ | Creditor's conduct: S. 133 variance · S. 134 release · S. 135 composition/time/not to sue · S. 139 impairing remedy; not S. 136, S. 137. |
| 10 | ★★ | Invalidation: S. 142 misrepresentation · S. 143 concealment · S. 144 co-surety not joining. |
| 11 | ★★ | Salary cut, higher rent, smaller loan on fewer properties → discharged after variance (S. 133). |
| 12 | ★ | Hidden past dishonesty → guarantee invalid (S. 143). |
| 13 | ★ | Notice → liable before, not after (S. 130); death → estate liable for prior supplies only, up to its value (S. 131). |
| 14 | ★ | Lower interest + more time without consent → discharged (SS. 133, 135). |
| **Topic 8 · Rights of a surety** | | |
| 15 | ★★★ | **Rights: subrogation (S. 140), indemnity (S. 145); securities (S. 141), set-off, share reduction; contribution (SS. 146, 147).** |
| 16 | ★ | Mortgage cancelled → discharged to value ₹80,000 (S. 141). |
| 17 | ★★ | Co-sureties share equally without any contract among them (S. 146). |
| 18 | ★ | Different limits → equal within caps: 10/16/16; 1/1.5/1.5 lakh; 1/2/3 lakh (S. 147). |

## TRAPS TO AVOID

- ✕ Notice does not wipe out the past: the surety still pays for transactions made before the notice.
- ✕ It is immaterial that the change benefits the surety or does not hurt him; any variance without consent discharges.
- ✕ Do not confuse a promise to give time (S. 135, discharged) with mere forbearance to sue (S. 137, not discharged).
- ✕ Costs of defending the suit are recoverable only if the defence was on reasonable grounds (Example 31).
- ✕ The surety is not fully discharged; he is discharged only to the value of the security lost.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Revocation by notice and death ☐ Variance (S. 133) cases ☐ Sections 136 and 137 exceptions ☐ Invalidation of guarantee ☐ Rights against creditor and debtor ☐ Co-sureties' contribution

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
12

# Bailment: Duties, Rights and Termination

Chapter 2 The Indian Contract Act, 1872 · Unit 8 · Part 1 of 2

**Revise in about 22 minutes** · Video: Paper 2 Day 12 · Session 3 of your timetable

## EXAM IN 60 SECONDS

1 Bailment (S.148): delivery of movable goods, for a purpose, upon a contract, to be returned.
2 Possession passes, ownership does not; no consideration needed; money and land cannot be bailed.
3 Hire: bailor liable for faults known or unknown (S.150) and bears extraordinary expenses (S.158).
4 Bailee: ordinary prudent care (S.151–152); late return makes him liable despite care (S.161).
5 Inconsistent use: voidable at bailor's option (S.153); mixing governed by Sections 155 to 157.
6 Early recall only for gratuitous loans (S.159); wrong-doer sued by either party (S.180–181).

## ONE LINERS

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| **Topics 8.1 – 8.3 · Bailment, bailor's duties, care** | | |
| 1 | ★★ | Bailment (S.148): contract + delivery of movable goods + purpose + possession (not ownership) + return of same goods. |
| 2 | ★ | Custody without possession (own keys, bank locker) ≠ bailment; customs seizure = bailment. |
| 3 | ★ | Hire: bailor liable for faults known or not (S.150); extraordinary expenses on bailor (S.158). |
| 4 | ★ | Early recall only in gratuitous bailment, with compensation (S.159); not in hire. |
| 5 | ★ | Ordinary-prudence care (S.151); reasonable care → no liability for theft (S.152). |
| **Topics 8.3 – 8.7 · Use, mixing, return, wrong-doer, end** | | |
| 6 | ★ | Inconsistent use → voidable, not void (S.153); compensate loss (S.154). |
| 7 | ★ | Mixing: consent → proportion (S.155); separable → cost of separation (S.156); inseparable → compensation (S.157). |
| 8 | ★ | Not returned in time → liable for loss despite care (S.161). |
| 9 | ★★ | Wrong-doer: bailor or bailee may sue (S.180); share relief by interest (S.181). |
| 10 | ★ | Termination: period over, purpose done, notice, death (gratuitous), destruction. |

## TRAPS TO AVOID

× Writing 'consideration is essential' — the SM says no consideration is necessary for a valid bailment.
× Accepting 'I did not know of the fault' in a hire case — under Section 150 the hiring bailor is liable anyway.
× Assuming the bailee is liable for every loss — he is not, if he took ordinary prudent care.
× Calling the contract 'void' — the exact statement ICAI set in May 2022 was not valid for this reason.
× Pleading accident or reasonable care after the due date — Section 161 makes the late bailee liable anyway.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Essentials of bailment ☐ Bailor's liability for faults (hire) ☐ Bailee's care and late return ☐ Inconsistent use: voidable ☐ Mixing of goods ☐ Early recall and termination ☐ Suit against wrong-doer

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
13

# Finder, Lien and Pledge

Chapter 2 The Indian Contract Act, 1872 · Unit 8 · Part 2 of 2

**Revise in about 21 minutes** · Video: Paper 2 Day 13 · Session 3 of your timetable

## EXAM IN 60 SECONDS

1 Finder: retain till compensated; sue only for offered reward; never gift (S.168).
2 Finder sells only if perishing or charges reach two-thirds of value (S.169).
3 Particular lien needs labour or skill (S.170); general lien for bankers etc., unless contract says otherwise (S.171).
4 Pledge = bailment of goods as security; pawnee retains, sues or sells on notice (S.173 – 176).
5 Pawnee's six duties include returning accretion; pawnor may redeem before actual sale (S.177).
6 Non-owner pledges valid with pawnee's good faith; all pledges are bailments, not vice versa.

## ONE LINERS

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| **Topics 8 – 10 · Finder, lien and pawnee's rights** | | |
| 11 | ★ | Finder: no suit for expenses, may retain; may sue for offered reward (S.168); cannot gift. |
| 12 | ★ | Finder's sale: perishing, or charges = 2/3 of value (S.169). |
| 13 | ★ | General lien of bankers etc. yields to contract to contrary (S.171); subsequent debts only by contract (S.174). |
| 14 | ★ | Pawnee: retain (S.173), subsequent debts by contract (S.174), extraordinary expenses by suit (S.175), sue or sell on notice (S.176). |
| **Topics 10 – 12 · Pledge, non-owners, bailment v pledge** | | |
| 15 | ★★ | Pawnee's six duties; return accretions (S.163); pawnor may redeem (S.177). |
| 16 | ★ | Non-owner pledges: mercantile agent (S.178); voidable contract (S.178A). |
| 17 | ★ | Agent's indemnity: lawful (S.222), good faith (S.223), not criminal (S.224). |
| 18 | ★ | Bailment v. pledge: purpose, consideration, right to sell, right to use. |

## TRAPS TO AVOID

× A finder is not the owner: he cannot gift or keep the goods as his own.
× Selling just because the owner did not turn up; that alone is never enough.
× Ignoring the contract: an express particular-lien clause stops the bank holding gold for a later unsecured loan.
× Extraordinary expenses do not give a right to retain; the pawnee must sue the pawnor for them.
× Thinking default ends the pawnor's rights; he can redeem until the goods are actually sold.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Finder of lost goods ☐ Particular and general lien ☐ Rights of pawnee ☐ Duties of pawnee and pawnor ☐ Pledge by non-owners ☐ Bailment v pledge

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 14 Agency: Principal, Agent and Third Parties

Chapter 2 The Indian Contract Act, 1872 · Unit 9

**Revise in about 27 minutes** · Video: Paper 2 Day 14 · Session 3 of your timetable

## EXAM IN 60 SECONDS

1. Agent and principal defined in S.182; agency is not defined; no consideration is needed.
2. Ratification needs full knowledge, the whole act, a valid act, no third-party injury and communication.
3. Emergency authority (S.189): five conditions; perishables sold to save loss leave the agent not liable.
4. Sub-agent answers to the agent and falls with him; substituted agent is the principal's own agent.
5. Agent personally liable: foreign, undisclosed or incompetent principal, pretended agent, excess of authority.
6. Revocation binds only when known (S.208); agency coupled with interest is irrevocable (S.202).

## ONE LINERS

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| **Topics 3 – 4 · Creation and extent of authority** | | |
| 1 | ★ | Agent and principal defined (S.182); 'agency' not defined. |
| 2 | ★ | Ratification (S.196): express/implied, full knowledge, whole act, no third-party injury, reasonable time, communicated, valid act. |
| 3 | ★ | Defective knowledge → no valid ratification (S.198). |
| 4 | ★ | Unauthorised notice to quit cannot be ratified against tenant (S.200). |
| 5 | ★ | Emergency authority (S.189): five conditions; distress sale of perishables protected. |
| **Topics 5 – 8 · Sub-agents, substitutes and duties** | | |
| 6 | ★★ | Sub-agent (S.191) falls with agent's authority (S.210). |
| 7 | ★ | Substituted agent = principal's own agent (S.194). |
| 8 | ★ | Sub-agent v. substituted agent: control, privity, liability, remuneration. |
| 9 | ★ | Nine duties of agent (S.211 – 218, S.190); follow directions (S.211). |
| 10 | ★ | Counter-offer through broker ends original offer — no contract (Unit 1). |
| **Topics 10 – 12 · Liability and termination** | | |
| 11 | ★ | Excess of authority: separable → bound for authorised part (S.227); not separable → not bound (S.228). |
| 12 | ★★★ | **Agent personally liable: foreign, undisclosed or incompetent principal, pretended agent, excess of authority (S.230); sue either or both (S.233).** |
| 13 | ★ | Termination modes (S.201); revocation rules (S.203 – 207). |
| 14 | ★ | Agency coupled with interest — irrevocable (S.202). |
| 15 | ★★ | Revocation effective only when known (S.208): commission earned on sales before receipt. |

## TRAPS TO AVOID

- ✕ The Act defines 'agent' and 'principal' in Section 182 but does not define 'agency' itself.
- ✕ Writing only the rule in emergency questions; list all five conditions, because each one carries marks.
- ✕ A properly appointed sub-agent answers to the agent, not the principal, except for fraud or wilful wrong.
- ✕ Do not say the principal is never bound when the agent exceeds authority; first check whether the excess is separable.
- ✕ Agency ends on the principal's insolvency, not the agent's; but death or insanity of either party ends it.
- ✕ Dating the revocation from the day the letter is posted instead of the day the agent learns of it.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Ratification essentials ☐ Emergency authority ☐ Sub-agent v. substituted agent ☐ Duties of an agent ☐ Agent's personal liability ☐ Termination and S.208 ☐ Agency coupled with interest

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 15

# Formation of the Contract of Sale

Chapter 3 The Sale of Goods Act, 1930 · Unit 1

Revise in about 26 minutes · Video: Paper 2 Day 15 · Session 4 of your timetable

## EXAM IN 60 SECONDS

1 Goods = movable property except actionable claims and money; includes shares, growing crops, grass.
2 Goods are existing, future or contingent; future and contingent goods give only an agreement to sell.
3 Delivery is voluntary transfer of possession: actual, constructive (attornment) or symbolic (bill of lading, key).
4 Property passing now = sale; at a future time or on a condition = agreement to sell [S.4].
5 Hire-purchase: property on last instalment; hirer is a bailee, may terminate, cannot pass title.
6 Price: by contract, agreed manner or dealings, else reasonable; valuer fails → void unless goods appropriated.

## ONE LINERS

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|---|---|---|
| **Topics 2 – 3 · Goods, delivery and essentials** | | |
| 1 | ★★ | Delivery = voluntary transfer of possession [S. 2(2)]: actual / constructive (attornment) / symbolic (bill of lading, RR, key). |
| 2 | ★★★ | **Unascertained = by description or sample (1 of 100 packets); ascertained = identified after contract (50 bales set aside) ≈ specific [S. 2(14)].** |
| 3 | ★★★ | **Future goods [S. 2(6)] (crop this year) → always agreement to sell.** |
| 4 | ★★ | Six essentials: two parties, goods, money price, transfer of property, absolute/conditional [S. 4(2)], valid contract. |
| **Topics 3 – 5 · Sale, ATS and hire-purchase** | | |
| 5 | ★★★ | **S. 4(3)/(4): property passes later or on condition → agreement to sell (ruby bangles: avoid, refund).** |
| 6 | ★ | Ownership passes now = sale even if price in instalments → buyer must pay balance. |
| 7 | ★ | Sale vs ATS: executed/executory, price/damages, risk, jus in rem/in personam, resale, insolvency. |
| 8 | ★★ | Hire-purchase: property on last instalment; hirer = bailee, may terminate, cannot pass title. |
| **Topics 7 – 8 · Subject matter and price** | | |
| 9 | ★★ | S. 7 perished before contract → void; S. 8 perished after ATS, before risk passes → avoided. |
| 10 | ★ | Specific future goods destroyed (flooded crop) → void, refund price. |
| 11 | ★ | Contingent goods [S. 6(2)] (goods on a ship) → only ATS; no sale, no claim. |
| 12 | ★★★ | **S. 9: price by contract / agreed manner (valuer) / course of dealing; else reasonable price.** |
| 13 | ★★★ | **S. 10: valuer fails → void; party at fault → damages; goods received and appropriated → reasonable price.** |

## TRAPS TO AVOID

× A debt is an actionable claim, not goods; but stock and shares, and even Fixed Deposit Receipts, are goods.
× Calling goods coming on a ship future goods; their acquisition depends on a contingency, so they are contingent goods.
× A share certificate is a document showing title, not a document of title; a mate's receipt is also not one.
× Calling a deal an agreement to sell just because price is payable in instalments: 100 chairs, ownership passed, so sale.

- ✕ Letting the farmer keep the price for a flooded crop: the agreement is void and the price must be returned.
- ✕ Calling a car sale void because price was never discussed: it is valid; B gets the car, A a reasonable price.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Kinds of goods ☐ Forms of delivery ☐ Sale v. agreement to sell ☐ Sale v. hire-purchase ☐ Perishing and contingent goods ☐ Price by valuer (S.10)

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
16

# Conditions and Warranties (S.12 – 17)

Chapter 3 The Sale of Goods Act, 1930 · Unit 2 · Part 1 of 2

**Revise in about 29 minutes** · Video: Paper 2 Day 16 · Session 4 of your timetable

## EXAM IN 60 SECONDS

1 Condition is essential, breach allows repudiation; warranty is collateral, breach gives damages only.
2 Construction decides: a stipulation may be a condition though called a warranty [S.12(4)].
3 S.13: waiver, election, non-severable acceptance or excuse by law turns condition into warranty.
4 Implied conditions: title, description, sample, sample plus description, fitness, merchantability, wholesomeness.
5 Sample: bulk matches, chance to compare, no latent defect; apparent defects give no remedy.
6 Implied warranties: quiet possession, no encumbrance, trade usage, warning of dangerous goods.

## ONE LINERS

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|---|---|---|
| **Topics 2 – 4 · Condition, warranty, S.13 and title** | | |
| 1 | ★★★ | **Condition = essential, repudiate [S. 12(2)]; warranty = collateral, damages only [S. 12(3)]; construction decides [S. 12(4)].** |
| 2 | ★★★ | **S. 13: waiver / election / non-severable + acceptance / excused by law → damages only.** |
| 3 | ★ | Origin or packing is part of description → reject all, or elect damages. |
| 4 | ★★ | Title [S. 14(a)]: return goods to true owner, recover price from seller. |
| **Topic 4 · Description and sample** | | |
| 5 | ★★ | Description [S. 15]: peas not beans — table fan, 30-tin boxes, non-Italian couch. |
| 6 | ★★★ | **Sample [S. 17]: bulk = sample, chance to compare, no latent defect.** |
| 7 | ★★★ | **Defect apparent on sample → no remedy; exact length specified → description, reject.** |
| 8 | ★★ | Chain of sales by sample: last buyer rejects; intermediate buyers damages only. |
| 9 | ★★★ | **Sample + description [S. 15]: must match both (Burfi, washing machine).** |
| **Topic 4 · Fitness, merchantability, wholesomeness** | | |
| 10 | ★★★ | **Fitness [S. 16(1)]: purpose known + reliance + seller deals; not for brand name.** |
| 11 | ★★ | Purpose / sensitivity not disclosed → caveat emptor (tweed coat, uniform cloth). |
| 12 | ★ | Timber 1–1.4 inch but commercially fit → Scanner: no rejection. |
| 13 | ★★ | Merchantability [S. 16(2)]: by description from dealer; examination bars only discoverable defects. |
| 14 | ★ | Wholesomeness for eatables: stone in bun, contaminated sealed juice. |
| **Topic 4 · Warranties and mixed cases** | | |
| 15 | ★★★ | **Implied warranties: quiet possession, no encumbrance, trade usage, dangerous goods.** |
| 16 | ★ | Severable items: reject only the unfit ones. |
| 17 | ★ | Sale on approval: no rejection in time → property passes, pay price. |
| 18 | ★ | Undue influence [S. 16, ICA] — misfiled. |

## TRAPS TO AVOID

× Writing that a breach of warranty can be treated as a breach of condition; the conversion runs one way only.
× Calling election a waiver; in election the buyer keeps the condition but chooses damages instead of rejection.
× Letting the buyer keep the goods against the true owner; he must hand them over and sue the seller.

- ✗ Defects apparent on reasonable examination of the sample give no remedy; only latent defects are covered by S.17(c).
- ✗ Applying fitness to goods bought under a trade or patent name, like the 'Merrit' sewing machine; no condition is implied.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Condition v. warranty ☐ Section 13 situations ☐ Condition as to title ☐ Sale by description ☐ Sale by sample ☐ Fitness and merchantability ☐ Implied warranties

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 17 Caveat Emptor and Its Exceptions

Chapter 3 The Sale of Goods Act, 1930 · Unit 2 · Part 2 of 2

**Revise in about 22 minutes** · Video: Paper 2 Day 17 · Session 4 of your timetable

## EXAM IN 60 SECONDS

1. Caveat emptor means 'let the buyer beware'; it is in the opening words of Section 16.
2. No implied condition or warranty as to quality or fitness for any particular purpose.
3. Seller liable if purpose made known, reliance placed and he deals in such goods [S. 16(1)].
4. Brand-name buying: no fitness condition, but merchantable quality still applies [S. 16(2)].
5. Description, sample, trade usage and fraud or active concealment are further exceptions.
6. Case answers: provision, facts tested one by one, a clear conclusion on liability.

## ONE LINERS

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| **Topic 2.5 · The rule and its exceptions** | | |
| 19 | ★★★ | **Caveat emptor (opening words S. 16) + eight exceptions.** |
| 22 | ★★★ | **Let the buyer beware: buyer selects; seller need not disclose defects.** |
| 23 | ★★ | Exceptions: purpose + reliance, brand, description, merchantable, sample, sample + description, trade usage, fraud. |
| 24 | ★★ | Patent or brand name: no implied condition of fitness for a particular purpose [S. 16(1)]. |
| **Topic 2.5 · Caveat emptor in case studies** | | |
| 20 | ★★★ | **Purpose disclosed and relied on → seller liable (marble, laptop); warned tiles overloaded → buyer's risk.** |
| 21 | ★ | Latent defect in talc → manufacturer and dealer both liable [S. 16(2)]. |
| 25 | ★★ | Marble for an uninspected floor; mango wood for doors → seller must replace [S. 16(1)]. |
| 26 | ★ | Laptop for graphic design bought on salesman's advice fails → Ms S may sue. |
| 27 | ★ | Brand-name proviso excludes only fitness for purpose, not merchantable quality. |

## TRAPS TO AVOID

- × Students quote Section 16(1) as the rule; the rule is in the opening words of Section 16, the exceptions follow.
- × Writing 'seller is liable' without showing purpose, reliance and the seller's line of business from the facts.
- × Assuming the buyer must always state the purpose; for a single-purpose article the purpose is implied.
- × The brand-name proviso removes only fitness for a particular purpose, not the condition of merchantable quality.
- × Applying the examination proviso to hidden defects; it covers only defects that the examination ought to have revealed.
- × Writing only the general rule of caveat emptor and forgetting the exception that actually decides the case.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Rule in Section 16 ☐ Eight exceptions with sections ☐ Purpose, reliance and dealer tests ☐ Brand name vs merchantable quality ☐ Latent defects ☐ Warning given by seller

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
18

# Passing of Property, Risk and Title

Chapter 3 The Sale of Goods Act, 1930 · Unit 3 · Part 1 of 2

**Revise in about 25 minutes** · Video: Paper 2 Day 18 · Session 4 of your timetable

## EXAM IN 60 SECONDS

1. Property passes on identification (S.18) and intention (S.19): terms, conduct and circumstances.
2. Specific goods: ready → on contract (S.20); work or weighing pending → when done and buyer notified.
3. Unascertained goods pass on unconditional appropriation with assent (S.23); delivery to a carrier counts.
4. Sale or return (S.24): approval, adopting act, retention beyond time, pledge or resale pass property.
5. S.25 reserves disposal until payment; S.26: risk follows property, whether delivered or not.
6. Nemo dat (S.27): no better title than the seller's, except eight cases protecting bona fide buyers.

## ONE LINERS

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|---|---|---|
| **Topic 1 · Specific and unascertained goods** | | |
| 1 | ★ | Property passes: identification (s.18 — unascertained → no property) + intention (s.19: terms, conduct, circumstances; ss.20–24 are the presumptions). |
| 2 | ★★ | Specific goods: deliverable → on contract (s.20); something to be done → when done + buyer notified (s.21); weigh/measure/test for price → same (s.22). |
| 3 | ★ | Alteration or repair pending + buyer not told → still seller's goods and seller's risk. |
| 4 | ★★★ | **Unascertained: appropriation s.23(1) — 7 essentials, assent either way, before or after.** |
| 5 | ★ | Delivery to carrier, no reservation = unconditional appropriation s.23(2) → buyer bears transit loss. |
| **Topic 1 · Sale or return and Section 25** | | |
| 6 | ★★★ | **Sale or return s.24: approval/adopting act, retention beyond time, pledge or sale → property passes; pledgee keeps goods, owner claims price.** |
| 7 | ★★ | 'Cash only or return' → no property till paid; pledge void, owner recovers. |
| 8 | ★★ | Damaged on approval before any s.24 event → seller's loss. |
| 9 | ★★ | s.25 reservation of disposal: RR/bill of lading to seller's order; bill of exchange + RR wrongfully kept → no property. Conditional vs s.23(2) unconditional. |
| **Topics 2 – 3 · Risk and title by non-owners** | | |
| 10 | ★★ | Risk follows property (s.26) — except agreement, delay by party at fault, bailee duties. |
| 11 | ★★★ | **Nemo dat (s.27) + 8 exceptions: mercantile agent, joint owner, voidable contract, seller/buyer in possession, estoppel, unpaid seller resale, other Acts.** |
| 12 | ★★ | Mercantile agent below authorised price → buyer in good faith still wins. |
| 13 | ★★ | Voidable contract not yet rescinded → innocent buyer good title (s.29). |
| 14 | ★ | Seller in possession resells [s.30(1)]; buyer in possession on instalments resells [s.30(2), Lee v Butler]. |

## TRAPS TO AVOID

- ✕ Forgetting notice: under Sections 21 and 22 the work must be done and the buyer must know it.
- ✕ If the seller reserves the right of disposal, there is no unconditional appropriation; that is Section 25.
- ✕ Saying risk passes with delivery; in Example 11 the hammer damaged the painting while the seller still owned it.
- ✕ Listing estoppel without its condition: the true owner must have held out the seller as owner or authorised to sell.

✗ Thinking a sale below the owner's minimum price defeats the buyer; the owner must proceed against the agent.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Specific goods (S.20 – 22) ☐ Appropriation (S.23) ☐ Sale or return (S.24) ☐ Reservation of disposal (S.25)
☐ Risk and property (S.26) ☐ Nemo dat exceptions ☐ Mercantile agent sale

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 19

# Performance of the Contract of Sale

Chapter 3 The Sale of Goods Act, 1930 · Unit 3 · Part 2 of 2

**Revise in about 25 minutes** · Video: Paper 2 Day 19 · Session 4 of your timetable

## EXAM IN 60 SECONDS

1. Seller delivers; buyer accepts and pays (Section 31); delivery and payment are concurrent (Section 32).
2. Delivery is voluntary transfer of possession: actual, symbolic or constructive.
3. Part delivery in progress of the whole is delivery of the whole (Section 34).
4. Goods with a third party: delivered only when he acknowledges holding for the buyer [36(3)].
5. Wrong quantity (Section 37): less, more or mixed; whatever is accepted is paid at contract rate.
6. Acceptance: intimate, inconsistent act, retain (42); no need to return rejected goods (43); liability (44).

## ONE LINERS

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| **Topic 3.4 · Delivery rules (Sections 34 – 36)** | | |
| 17 | ★ | Part delivery s.34; place of delivery s.36(1). |
| 17a | ★ | Part delivery in progress of the whole = whole; with intent to sever = not the remainder. |
| 17b | ★ | Place: goods sold where they are at sale; agreed to be sold, at agreement; future, where made. |
| 18 | ★★ | Third party acknowledges holding for buyer → delivery complete [s.36(3)]. |
| 18a | ★★ | Kishore holds wheat for Akash → constructive delivery; no price back after flood. |
| **Topic 3.4 · Wrong quantity (Section 37)** | | |
| 16 | ★★ | Wrong quantity s.37: short → reject or pay contract rate; excess → part/whole; mixed → conforming only or reject all. |
| 16a | ★★ | Excess: accept contract quantity, reject rest; reject whole; or accept whole at contract rate. |
| 16b | ★ | 25 agreed chairs + 25 others → accept 25, reject 25, or reject all 50 [s.37(3)]. |
| 16c | ★ | Accepted 700 kg of 1,000 kg → pay ₹70,000 at contract rate; cannot refuse [s.37(1)]. |
| **Topic 3.4 · Acceptance and unpaid price** | | |
| 15 | ★ | Acceptance s.42 (intimate, inconsistent act, retain); s.43 no duty to return; s.44 liable for not taking delivery. |
| 15a | ★ | Section 44: buyer liable for the loss and a reasonable charge for care and custody. |
| 19 | ★ | Goods delivered, price unpaid on due date → only rights against the buyer (Unit 4). |
| 19a | ★ | Unpaid seller who parted with goods: sue for price (s.55), damages (s.56), interest (s.61). |

## TRAPS TO AVOID

- × Calling the handing over of a warehouse key constructive delivery; the SM treats it as symbolic delivery.
- × Apart from contract, the law does not make the seller carry goods to the buyer's place.
- × Saying no delivery because the goods never moved; the acknowledgement alone completes delivery.
- × Writing that a rejecting buyer must send the goods back; Section 43 needs only intimation of refusal.
- × Claiming lien after delivery; once goods have parted from the seller, only rights against the buyer remain.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Types of delivery ☐ Part delivery and place of delivery ☐ Third-party acknowledgement [36(3)] ☐ Wrong quantity (Section 37) ☐ Acceptance and rejection (Sections 42 – 43) ☐ Buyer's liability (Section 44)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 20 Unpaid Seller, Remedies and Auction Sale

Chapter 3 The Sale of Goods Act, 1930 · Unit 4

**Revise in about 27 minutes** · Video: Paper 2 Day 20 · Session 5 of your timetable

## EXAM IN 60 SECONDS

1. Unpaid seller (S.45): whole price unpaid, or a conditional cheque or bill dishonoured.
2. Lien (S.47): cash sale, credit expired or insolvency; lost by carrier, buyer's possession, waiver, estoppel.
3. Stoppage (S.50): unpaid, parted, in transit, buyer insolvent; ends when buyer or agent takes delivery.
4. Re-sale (S.54): perishable, after notice, after lien or stoppage, or expressly reserved.
5. Seller sues for price (S.55) or non-acceptance (S.56); buyer claims non-delivery (S.57) or specific performance (S.58).
6. Auction (S.64): complete at fall of hammer; seller bids only if reserved; puffing makes sale voidable.

## ONE LINERS

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| **Topics 3 – 4 · Unpaid seller and lien (S.45 – 49)** | | |
| 1 | ★ | Unpaid seller s.45: price not paid/tendered, or conditional BoE dishonoured; 'seller' includes agent/consignor. |
| 2 | ★★ | Against goods s.46: lien, stoppage (insolvency), resale; withholding delivery if property not passed. |
| 3 | ★★★ | **Lien s.47: cash sale / credit expired / insolvency; s.48 part delivery; s.49 lost by carrier, buyer's possession, waiver, estoppel — not by decree.** |
| 4 | ★★ | No lien on mere fear of default during credit; any unpaid balance after due date supports lien. |
| **Topic 3 · Stoppage, sub-sale and re-sale (S.50 – 54)** | | |
| 5 | ★★★ | **Stoppage ss.50–52: unpaid, parted, in transit, insolvent; ends when buyer's agent takes delivery or carrier wrongfully refuses; undelivered part may be stopped.** |
| 6 | ★ | s.53: sub-sale no bar unless assent, or document of title passed to good-faith buyer for value. |
| 7 | ★★★ | **Resale s.54: perishable, notice + default, after lien/stoppage, express reservation.** |
| 8 | ★ | s.54(2): notice → recover loss, keep profit; no notice → no loss, return profit. |
| **Topics 4 – 6 · Buyer, remedies and auction (S.55 – 64)** | | |
| 9 | ★★ | Against buyer: price s.55(1)/(2), non-acceptance s.56, anticipatory breach s.60, interest s.61. |
| 10 | ★★★ | **Paid but delivery not taken after request → buyer bears loss (ss.44, 26).** |
| 11 | ★ | Buyer's remedies: non-delivery s.57, specific performance s.58 (specific/unique, damages inadequate), warranty s.59, s.60, s.61. |
| 12 | ★★★ | **Auction s.64: lots separate; complete at hammer/custom; retract till then; seller bids only if reserved; puffing → voidable.** |
| 13 | ★★ | Hammer damages lot → seller's loss; unnotified seller's bid unlawful. |

## TRAPS TO AVOID

- ✕ No lien merely on fear of default while credit runs and the buyer is solvent; only the three cases count.
- ✕ A decree for the price does not end the lien; the seller can still hold the goods.
- ✕ Stoppage does not rescind the contract; the buyer can still take delivery on paying the price.
- ✕ Saying any sub-sale ends the seller's rights; only his assent or a good-faith transfer of the document of title does.
- ✕ Forgetting that without notice the seller loses twice: no recovery of the loss and surrender of any profit.

- ✗ Suing for price when property has not passed and no day is fixed; then claim damages for non-acceptance.
- ✗ Treating payment or delivery as completion; the auction sale is complete at the fall of the hammer.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Lien: when and how lost ☐ Stoppage: end of transit ☐ Sub-sale and document of title ☐ Re-sale with or without notice ☐ Suit for price v non-acceptance ☐ Specific performance ☐ Auction: hammer and seller's bid

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 21

# Elements, True Test and Kinds of Partnership

Chapter 4 The Indian Partnership Act, 1932 · Unit 1

**Revise in about 29 minutes** · Video: Paper 2 Day 21 · Session 5 of your timetable

## EXAM IN 60 SECONDS

1 Section 4: two or more persons, agreement, business, share profits, all or any acting for all.
2 Firm or minor cannot be a partner; maximum 50; loss-sharing is not essential.
3 Section 6: real relation from all facts; profit share is prima facie, not conclusive.
4 Mutual agency is the true test; co-owners sharing rent and charities are not partnerships.
5 Firm differs from company, HUF and co-owners on entity, agreement, agency, liability and transfer.
6 Kinds: at will, fixed period, particular, general; nominal and held-out partners are liable.

## ONE LINERS

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| **Topic 2 · Elements of partnership** | | |
| 1 | ★★★ | **Sec. 4: relation + agreement + share profits + business + all or any acting for all — five elements.** |
| 2 | ★★★ | **Firm can't be a partner; minor only to benefits; max 50 (Sec. 464, CA 2013); agreement oral/written/implied.** |
| 3 | ★★ | Profit-sharing essential; loss-sharing not — one partner may bear all losses. |
| 4 | ★★★ | **No business, no partnership — co-owners sharing rent are not partners; each pays own share.** |
| **Topic 3 · True test of partnership** | | |
| 5 | ★★★ | **Sec. 6 test: real relation from all facts — agreement, profits, mutual agency; Sec. 5: contract, not status (HUF).** |
| 6 | ★★★ | **Profit share = prima facie only; lender, servant/agent, widow/child, goodwill seller ≠ partner.** |
| 7 | ★★ | Mutual agency = true test; act of one binds all. |
| 8 | ★ | Santiranjan Das Gupta: no records, no own accounts, no bank account, no intimation → no partnership. |
| 9 | ★★ | Business for profit in common = partnership (cotton bales, commodity X, 2 × 12 partners); charity ≠ partnership. |
| **Topics 4 – 6 · Distinctions, kinds and partners** | | |
| 10 | ★★ | vs HUF: agreement/birth, Karta, liability; vs Company: entity, agency, liability, transfer; vs co-owner: contract, agency, transfer. |
| 11 | ★★★ | **Kinds: at will (Sec. 7 — no period, no determination), fixed period, particular, general.** |
| 12 | ★★ | Deed: not mandatory, writing desirable; Stamp Act; 12 contents. |
| 13 | ★★ | Nominal partner: no profit share, liable to third parties as real partner. |
| 14 | ★★ | Sec. 28 holding out (estoppel): liable to one who gave credit on the representation; retired partner without public notice too. |

## TRAPS TO AVOID

× Writing that a minor or a firm can be a partner; a minor is only admitted to the benefits.
× Saying X, Y and Z are not partners because X alone bears losses; profit-sharing is enough.
× Treating profit-sharing as the true test; without mutual agency there is no partnership.
× Saying a firm is a legal person like a company; a firm has no personality distinct from its partners.

- ✕ Calling co-owners who share rent partners; they have no business and no mutual agency.
- ✕ Calling it 'at will' when either the duration or a mode of determination is agreed.
- ✕ Saying a nominal partner escapes liability because he takes no profits; he is liable like a real partner.
- ✕ Requiring proof of fraud; no fraudulent intention need be shown to fix holding-out liability.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Five elements (Sec. 4) ☐ Profit share not conclusive (Sec. 6) ☐ Mutual agency: true test ☐ Co-owners vs partners ☐ Firm vs company, HUF ☐ Kinds of partnership ☐ Nominal and holding out

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 22 Partners' Rights, Property and Authority

Chapter 4 The Indian Partnership Act, 1932 · Unit 2 · Part 1 of 3

**Revise in about 26 minutes** · Video: Paper 2 Day 22 · Session 5 of your timetable

## EXAM IN 60 SECONDS

1. S.12: take part, be consulted; majority for ordinary matters, all partners to change the business's nature.
2. S.13: no pay, equal profits and losses, 6% on advances, indemnity both ways.
3. S.14: firm property = brought in + acquired for firm + goodwill; intention decides.
4. S.16: secret profit from a firm transaction or competing business goes to the firm.
5. S.18 – 22: partner is agent; usual business, usual way, firm name; eight barred acts.
6. S.20, 21, 24: restriction needs outsider's knowledge; emergency acts bind; acting partner's notice binds.

## ONE LINERS

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|---|---|---|
| **Topic 1 · Relation of partners to one another** | | |
| 1 | ★ | S.12: take part · attend diligently · majority for ordinary matters, all for change in nature · access to books (heirs too). |
| 2 | ★ | S.13: no remuneration · equal profit/loss · interest on capital out of profits · advances 6% · indemnity both ways (13(e), (f); fraud S.10). |
| 3 | ★★ | Customary pay to working partners → new working partner also entitled; capital 3:1 but no ratio agreed → loss shared equally. |
| 4 | ★★ | Emergency sale below agreed price → binds firm, partner indemnified (S.21, 13(e)). |
| **Topics 2, 3, 5 · Property, profit and agency** | | |
| 5 | ★★★ | **S.14 property: brought in · acquired for firm · goodwill; test = intention; bought with firm money → firm's unless partner debits himself.** |
| 6 | ★★ | S.16: secret profit from firm's transaction or competing business → account to firm. |
| 7 | ★★★ | **S.18: principal and agent; S.19(1) + 22: usual way, kind of business, firm name.** |
| 8 | ★★ | S.19(2) eight barred acts: arbitration · bank account in own name · compromise · withdraw suit · admit liability · acquire / transfer immovable property · enter partnership. |
| **Topics 5, 7 · Third parties and notice** | | |
| 9 | ★ | S.20 restriction binds third party only if he knows it or does not know he deals with a partner. |
| 10 | ★★ | Borrowing or buying in firm name, then personal use → firm still liable to innocent lender or supplier. |
| 11 | ★★ | S.28 holding out: liable to the person who gave credit on the faith of the representation (Unit 1). |
| 12 | ★★★ | **S.24: notice to acting partner = notice to firm (not sleeping, not fraud); stolen goods → all liable.** |

## TRAPS TO AVOID

- ✕ Interest on capital is paid only out of profits [Section 13(c)] — never out of capital in a loss year.
- ✕ Capital ratio is not the profit-sharing ratio: with no agreed ratio Ajay bears half the ₹60,000 loss, i.e. ₹30,000.
- ✕ Mere use of a partner's own property for the firm's business does not make it firm property.
- ✕ Charging only the market price is no defence — hidden profit from a firm transaction must be paid over.
- ✕ Settling a claim, withdrawing a suit or buying immovable property needs the co-partner's consent — as Pramod learnt without Kumar.
- ✕ One partner, or even a majority, cannot restrict or extend implied authority — only all partners by contract.
- ✕ Forgetting the fraud exception: if the acting partner conspires against the firm, his knowledge is not the firm's.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Rights of partners (S.12 – 13) ☐ Indemnity and emergency ☐ Firm property and goodwill ☐ Secret profits (S.16) ☐ Implied authority (S.19 – 22) ☐ Barred acts (S.19(2)) ☐ Notice to partner (S.24)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 23

# Third-Party Liability, Minors and Reconstitution

Chapter 4 The Indian Partnership Act, 1932 · Unit 2 · Part 2 of 3

**Revise in about 27 minutes** · Video: Paper 2 Day 23 · Session 5 of your timetable

## EXAM IN 60 SECONDS

1. S.25: partners jointly and severally liable for acts of the firm done while they are partners.
2. S.26 – 27: firm liable for wrongs in ordinary course and for money or property misapplied.
3. S.29: transferee gets profits only while firm runs; assets and an account on dissolution or retirement.
4. S.30: minor admitted to benefits only; share-limited liability; must elect within six months of majority.
5. S.31 – 32: new partner liable from admission; retired partner liable until public notice.
6. S.33 – 35: expulsion needs contract, majority, good faith; insolvency and death need no notice.

## ONE LINERS

| | | |
|---|---|---|
| **Topic 8 · Liability to third parties** | | |
| 10 | ★★ | Borrowing or buying in firm name, then personal use → firm still liable to innocent lender or supplier. |
| 11 | ★★ | S.28 holding out: liable to the person who gave credit on the faith of the representation (Unit 1). |
| 12 | ★★★ | **S.24: notice to acting partner = notice to firm (not sleeping, not fraud); stolen goods → all liable.** |
| 13 | ★★★ | **S.25 joint and several; S.26 wrongful act in ordinary course; S.27 misapplication (a) apparent authority, (b) in firm's custody.** |
| **Topics 9 – 10 · Transferee and minor** | | |
| 14 | ★★★ | **S.29 transferee: no management, accounts or books while firm runs; share of assets plus account on dissolution or retirement.** |
| 15 | ★★ | Sale of share to a creditor valid; transferee cannot inspect books or challenge profits. |
| 16 | ★★★ | **S.31: no new partner without all; transfer does not make transferee a partner.** |
| 17 | ★★★ | **S.30 minor: benefits only, with consent of all · share-limited liability · 6 months after majority/knowledge · silence = partner, liable from admission.** |
| **Topic 11 · Coming in and going out** | | |
| 18 | ★★ | Incoming partner: liable from admission; old debts only by novation with creditor's consent. |
| 19 | ★★ | Partners-only agreement → Amar not liable; creditors' agreement without D → D not liable, nor as minor or on majority. |
| 20 | ★★ | S.32 retirement: consent · agreement · notice (at will); liable till public notice. |
| 21 | ★★★ | **S.33 expulsion: contract + majority + good faith (interest, notice, hearing); else void; S.32(2) – (4) apply.** |
| 22 | ★★★ | **S.34 insolvency: ceases on adjudication; no cross-liability after; no notice. S.35 death: estate not liable after death; no notice.** |

## TRAPS TO AVOID

- ✕ Receipt outside apparent authority is not the firm's receipt; others are liable only if the money reaches their control.
- ✕ Writing that the buyer of a share steps into the partner's shoes; he never does without all partners' consent.
- ✕ Saying a minor can sue for accounts at any time; he can do so only when severing his connection with the firm.
- ✕ Silence is not neutral: failing to give public notice makes him a partner, liable since admission to benefits.
- ✕ Making the newcomer liable for old debts just because partners agreed; the creditor must accept the new firm.

- ✗ A retired partner whose name stays on cards, with no public notice, is still liable to later suppliers.
- ✗ A unanimous vote alone is not enough; without the deed's power, notice and a hearing, the expulsion is void.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ S.25 – 27 liability to third parties ☐ S.27 misapplication ☐ S.29 transferee's rights ☐ S.30 minor's election
☐ S.31 novation ☐ S.32 retirement and public notice ☐ S.33 – 35 expulsion, insolvency, death

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 24

# Outgoing Partner's Rights and Guarantees

Chapter 4 The Indian Partnership Act, 1932 · Unit 2 · Part 3 of 3

**Revise in about 22 minutes** · Video: Paper 2 Day 24 · Session 5 of your timetable

## EXAM IN 60 SECONDS

1. An outgoing partner may compete and advertise his business (Section 36).
2. He may not use the firm name, represent the firm, or solicit its old customers.
3. A reasonable restraint by period or local limits is valid despite Section 27.
4. Unsettled accounts and business continued: profit share or 6% p.a., at his option (Section 37).
5. A purchase option duly exercised ends any further claim to profits.
6. Any change in constitution revokes a continuing guarantee for future transactions (Section 38).

## ONE LINERS

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| **Topics 11 – 12 · Death and competing business** | | |
| 22 | ★★★ | **S.34 insolvency: ceases on adjudication; no cross-liability after; no notice. S.35 death: estate not liable after death; no notice.** |
| A1 | ★ | C dies; name still on board and letter-heads: no notice needed; estate not liable for later furniture supply. |
| 23 | ★★ | S.36 outgoing partner may compete — no firm name, no representation, no soliciting old customers; reasonable restraint valid. |
| A2 | ★★ | Restraint within specified period or local limits valid despite Section 27, if reasonable. |
| **Topics 13 – 14 · Subsequent profits and guarantee** | | |
| 24 | ★★ | S.37 unsettled accounts: share of profits or 6% interest — higher at outgoing partner's option. |
| A3 | ★★ | Proviso: purchase option duly exercised — no further share of profits; non-compliance means account under S.37. |
| A4 | ★ | A (20%) retires and dies; legal representatives: 20% of profits or 6% interest on A's share. |
| 25 | ★ | Suman: ₹1,00,000 or ₹1,20,000, not ₹3 lakh; Alex: ₹60 lakh / ₹75 lakh beats interest. |
| 26 | ★★★ | **S.38: continuing guarantee revoked for future transactions on any change in constitution.** |
| A5 | ★★★ | **Change = death, retirement or admission; dissolution not needed; past transactions stay covered.** |

## TRAPS TO AVOID

- ✗ The soliciting bar covers only persons who dealt with the firm before he ceased to be a partner, not new customers.
- ✗ Calling every restraint on an outgoing partner void under Section 27; a reasonable restraint agreed among partners is valid.
- ✗ Giving the choice to the continuing partners; the option belongs to the outgoing partner or his representatives.
- ✗ Adding both options together; Section 37 gives one or the other, not both.
- ✗ Saying the guarantee ends only on dissolution, or for past debts too; a mere change revokes it for the future only.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Section 36 · three bars ☐ Restraint agreement and Section 27 ☐ Section 37 option working ☐ Purchase option proviso ☐ Section 38 continuing guarantee ☐ Section 35 · death, no notice

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 25

# Registration, Non-Registration and Dissolution

Chapter 4 The Indian Partnership Act, 1932 · Unit 3 · Part 1 of 2

**Revise in about 25 minutes** · Video: Paper 2 Day 25 · Session 6 of your timetable

## EXAM IN 60 SECONDS

1. Sec. 58: prescribed form and fee, six particulars, signed and verified by all partners.
2. Sec. 59: registration complete on delivery; Sec. 59A late penalty ₹100 per year of delay.
3. Unregistered firm cannot sue outsiders or claim set-off above ₹100; its partners cannot sue it.
4. Saved rights: third parties, dissolution and accounts, Official Assignee, up to ₹100, heirs, criminal action.
5. Sec. 39: dissolution of firm ends partnership among all partners; one leaving is only reconstitution.
6. Modes: agreement (40), compulsory (41), contingencies (42), notice (43), court on seven grounds (44).

## ONE LINERS

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| **Topics 3.1 – 3.2 · Registration and Section 69** | | |
| 1 | ★★ | Sec. 58 statement: name, places, joining dates, partners' names/addresses, duration; Sec. 59 entry in Register of Firms. |
| 2 | ★ | Non-registration (Sec. 69): no suit v third party, no set-off > ₹100, no partner v firm suit; third party can sue. |
| 3 | ★★★ | **Rights unaffected: third parties; dissolution/accounts; Official Assignee; ≤ ₹100; heirs; criminal action.** |
| 4 | ★ | Sec. 69(2): registered firm + persons suing on register → suit lies after death/retirement. |
| **Topic 3.3 · Dissolution of firm** | | |
| 5 | ★★★ | **Sec. 39: dissolution of firm ≠ dissolution of partnership (5 distinctions).** |
| 6 | ★★★ | **Modes: agreement (all, Sec. 40), compulsory (Sec. 41), contingencies (Sec. 42), notice (Sec. 43), court (Sec. 44).** |
| 7 | ★ | Sec. 41: business unlawful → dissolved; separate lawful undertaking survives. |
| 8 | ★★★ | **Sec. 44 (7): unsound mind, incapacity, misconduct, persistent breach, transfer, losses, just and equitable.** |
| 9 | ★ | Transferee (Sec. 29, Unit 2): no inspection during continuance; account only from date of dissolution. |
| 11 | ★★ | Sec. 46 wind up and surplus; Sec. 47 authority only to wind up; no partner keeps firm assets. |

## TRAPS TO AVOID

- × Words like Crown, King, Queen, Royal or Imperial are barred in a firm name without the State Government's written consent.
- × Registration is optional, not compulsory; Section 69 disabilities only exert persuasive pressure to register.
- × The persons suing must all appear in the register and must be all the partners on the date of suit.
- × Only Section 44 needs a court; dissolution under Sections 40 to 43 happens without any court order.
- × A majority cannot dissolve by agreement; Section 40 needs every partner's consent or a contract already made.
- × Oral notice will not do; Section 43 requires notice in writing to all the other partners.
- × Misconduct need not relate to the business itself; what matters is its adverse effect on the business.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Section 58 particulars ☐ Section 69 disabilities ☐ Rights not affected ☐ Section 69(2) after change ☐ Firm v partnership dissolution ☐ Modes of dissolution ☐ Section 44 court grounds

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 26 Consequences of Dissolution

Chapter 4 The Indian Partnership Act, 1932 · Unit 3 · Part 2 of 2

**Revise in about 20 minutes** · Video: Paper 2 Day 26 · Session 6 of your timetable

## EXAM IN 60 SECONDS

1 Sec. 45: partners stay liable to third parties for firm acts until public notice of dissolution.
2 Exceptions: estate of deceased partner, insolvent partner and dormant partner are not liable for later acts.
3 Sec. 46: every partner can have firm property pay debts first and surplus shared.
4 Sec. 47: authority continues only to wind up and finish unfinished transactions; insolvent's acts never bind.
5 Sec. 48: losses from profits, capital, partners; assets to outsiders, advances, capital, residue.
6 Sec. 49: firm property pays firm debts first; separate property pays separate debts first.

## ONE LINERS

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| **Topic 3.4 · Liability and winding up (Secs. 45 – 47)** | | |
| 10 | ★ | Sec. 45: liable after dissolution till public notice (not deceased, insolvent, dormant). |
| A1 | ★ | No public notice: X buys from unaware Z, X turns insolvent — Y is liable to Z. |
| 11 | ★★ | Sec. 46 wind up and surplus; Sec. 47 authority only to wind up; no partner keeps firm assets. |
| A2 | ★ | Sec. 47: firm never bound by acts of a partner adjudicated insolvent. |
| A3 | ★ | Holding out as the insolvent's partner after adjudication still creates liability. |
| **Topic 3.4 · Settling accounts and debts (Secs. 48 – 49)** | | |
| 12 | ★★★ | **Sec. 48: losses — profits, capital, partners; assets — outsiders, advances, capital, residue.** |
| A4 | ★★★ | **Sec. 48 rules apply subject to agreement between the partners.** |
| A5 | ★★★ | **Sums partners contribute to make up capital deficiency count as the firm's assets.** |
| 13 | ★ | Sec. 49: firm property → firm debts first; separate property → separate debts first. |
| A6 | ★ | Sec. 49: surplus of firm property goes, as each partner's share, to his separate debts. |

## TRAPS TO AVOID

✗ Dissolution alone does not end liability to outsiders; only public notice of dissolution does.
✗ Losses are not shared equally by default; partners contribute in the proportions in which they shared profits.
✗ Do not repay capital before partners' advances; outsiders first, then advances, then capital, then residue.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Sec. 45 public notice ☐ Sec. 45 exceptions ☐ Secs. 46 – 47 winding up ☐ Sec. 48 order of losses ☐ Sec. 48 order of assets ☐ Sec. 49 firm vs separate debts

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 27

# LLP · Meaning, Partners and Characteristics

Chapter 5 The Limited Liability Partnership Act, 2008 · Part 1 of 2

**Revise in about 22 minutes** · Video: Paper 2 Day 27 · Session 6 of your timetable

## EXAM IN 60 SECONDS

1 LLP = hybrid: limited liability of a company plus flexibility of a partnership.
2 LLP liable to the full extent of its assets; partners only to agreed contribution.
3 Section 5: no unsound-minded person, undischarged insolvent or pending insolvency applicant as partner.
4 Section 6: minimum two partners; one partner beyond six months is personally liable.
5 Section 7: at least two individual designated partners, one resident in India (120 days).
6 Characteristics: body corporate, perpetual succession, no mutual agency, artificial person, seal optional, profit only.

## ONE LINERS

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| **Topic 1 · Meaning and partners** | | |
| 1 | ★★★ | **LLP = limited liability of a company + flexibility of a partnership; hybrid; LLP liable to full extent of assets, partners limited.** |
| 2 | ★★★ | **S. 5 — individual or body corporate; not: unsound mind (Court finding in force), undischarged insolvent, insolvency application pending.** |
| 3 | ★★ | S. 6 — minimum 2; below 2 for > 6 months → sole partner who knows is personally liable. |
| 4 | ★★★ | **S. 7 — ≥ 2 individual designated partners, ≥ 1 resident (120 days in the financial year); bodies corporate act through nominees.** |
| **Topic 1 · Small LLP and profit motive** | | |
| 5 | ★★ | Small LLP s. 2(1)(ta) — contribution ≤ ₹25 lakh (up to ₹5 crore) and turnover ≤ ₹40 lakh (up to ₹50 crore), or prescribed conditions. |
| 8 | ★ | Profit only — charitable/non-profit object → no LLP (Section 8 company). |
| 18 | ★ | Judiciary question misfiled here — revise from Chapter 1. |
| **Topic 2 · Characteristics of LLP** | | |
| 6 | ★★★ | **16 characteristics: body corporate · perpetual succession · separate entity · no mutual agency · agreement · artificial person · seal optional · limited liability.** |
| 7 | ★★ | Foreign LLP s. 2(1)(m) — formed outside India, place of business in India; can be a partner. |
| 9 | ★ | Advantages: agreement-based · flexible · easy to form · limited liability · flexible capital · easy to dissolve. |
| 17 | ★★★ | **Beyond SM: s. 27/28 agency, s. 30 fraud, s. 25 changes, s. 34 accounts, s. 64 winding up.** |

## TRAPS TO AVOID

× A corporation sole and a co-operative society are NOT bodies corporate under the LLP Act.
× Writing ₹5 crore and ₹50 crore as the basic limits; they are only the ceilings for prescribed higher amounts.
× The sole partner is liable only for obligations incurred after the six months, and only if he knows.
× An LLP cannot be formed for charitable or non-economic purposes; there is also no maximum number of partners.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Meaning of LLP as a hybrid ☐ Section 5 disqualified individuals ☐ Section 6 minimum partners ☐ Section 7 designated partners ☐ Small LLP limits ☐ Characteristics of LLP ☐ Profit motive case scenarios

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
28

# LLP Incorporation and Key Differences

Chapter 5 The Limited Liability Partnership Act, 2008 · Topics 3 – 4 · Part 2 of 2

**Revise in about 24 minutes** · Video: Paper 2 Day 28 · Session 6 of your timetable

## EXAM IN 60 SECONDS

1. Sec. 11: two or more persons, lawful business, view to profit; file with State Registrar.
2. Compliance statement by engaged professional and one subscriber; false statement — 2 years, ₹10,000 to ₹5 lakh.
3. Sec. 12: certificate in 14 days; statement may suffice; certificate is conclusive evidence.
4. Sec. 13: office change effective only on filing; Sec. 14: sue, property, optional seal, corporate acts.
5. Sec. 17: CG directs change in 3 months; notice 15 days; agreement 30 days; default — CG allots.
6. LLP v firm: 15 points; LLP v company: 8 points — registration, liability, compliance, management.

## ONE LINERS

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| **Topic 3 · Incorporation document and registration (Secs. 11 – 12)** | | |
| 10 | ★★★ | **S. 11 — 2+ persons, lawful business for profit, filed with State Registrar + professional's compliance statement; contents: name, business, office, partners, designated partners.** |
| 11 | ★ | False statement → up to 2 years + ₹10,000 – ₹5 lakh. |
| 12 | ★★ | S. 12 — certificate within 14 days; statement 'may' be sufficient evidence; certificate conclusive. |
| A1 | ★★ | Essentials: e-filing, 2 partners, registered office, 2 individual designated partners (one resident), agreement, 'LLP' name. |
| **Topic 3 · Office, effect of registration and name (Secs. 13 – 17)** | | |
| 13 | ★★ | S. 13 — registered office; change effective on filing; ₹500/day, max ₹50,000. |
| 14 | ★★ | S. 14 — sue/be sued · hold property · common seal · acts of bodies corporate. |
| 15 | ★★★ | **S. 17 — similar name → CG directs change in 3 months; notice 15 days; agreement 30 days; default → CG allots name.** |
| **Topic 4 · Differences, and Topic 3 beyond the SM** | | |
| 16 | ★★★ | **LLP v firm — 15 points; LLP v company — 8 points.** |
| 17 | ★★★ | **Beyond SM: s. 27/28 agency, s. 30 fraud, s. 25 changes, s. 34 accounts, s. 64 winding up.** |
| A2 | ★★ | S. 64 Tribunal winding up: LLP decides, partners below two over six months, sovereignty, five-year filing default, just and equitable. |

## TRAPS TO AVOID

- ✕ A not-for-profit purpose fails Section 11(1)(a): the business must be lawful and carried on with a view to profit.
- ✕ Do not write only 'fine up to ₹5 lakh': the minimum fine of ₹10,000 must also be stated.
- ✕ A change of registered office takes effect only when the notice is filed with the Registrar.
- ✕ A common seal is optional for an LLP: the Act says 'if it decides to have one'.
- ✕ The proprietor's application must come within 3 years of incorporation, registration or change of name.
- ✕ In a firm a partner binds the firm and the other partners; in an LLP he binds only the LLP.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Sec. 11 incorporation document ☐ Sec. 12 statement v certificate ☐ Sec. 13 registered office ☐ Sec. 14 effect of registration ☐ Sec. 17 change of name ☐ LLP v firm ☐ LLP v company

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 29

# Company: Meaning, Features and Corporate Veil

Chapter 6 The Companies Act, 2013 · Part 1 of 5

Revise in about 22 minutes · Video: Paper 2 Day 29 · Session 6 of your timetable

## EXAM IN 60 SECONDS

1 S. 2(20): company means a company incorporated under this Act or any previous company law.
2 Separate legal entity: company owns its property; members have no insurable interest (Macaura).
3 Perpetual succession: death of all members does not end it; shares go to heirs by transmission.
4 Artificial person: owns property, sues, is sued; cannot be jailed, take oath, marry, practise.
5 Common seal optional since 2015; no seal: two directors, or director and CS where appointed.
6 Veil lifted for enemy, tax, legal obligation, agent subsidiary, fraud; Salomon is the rule.

## ONE LINERS

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|---|---|---|
| **Topic 1 · Company: meaning and features** | | |
| 1 | ★★★ | **Features: separate legal entity · perpetual succession · limited liability · artificial legal person · common seal.** |
| 2 | ★★★ | **Common seal optional since 2015 (S. 9) → no seal: two directors, or director + CS where CS appointed.** |
| 3 | ★★★ | **Death of all members → company continues; shares transmitted to heirs.** |
| 4 | ★★★ | **Can own property, sue and be sued; cannot go to jail, take oath, marry, practise a profession.** |
| 5 | ★★ | Member/creditor has no insurable interest in company property — Macaura. |
| **Topic 2 · Corporate veil theory** | | |
| 9 | ★★★ | **Corporate veil: company identified separately; members shielded from its liability — corporate insulation.** |
| 6 | ★★ | Salomon — company distinct even from a near-sole shareholder; his secured debentures rank first. |
| 7 | ★★★ | **Veil lifted: enemy (Daimler) · tax (Dinshaw, Juggilal) · legal obligation (Associated Rubber) · agent subsidiary (Merchandise Transport) · fraud/sham (Gilford v Horne).** |
| 10 | ★★★ | **Ex-employee's company formed to dodge a non-solicit promise is a sham → veil lifted (Gilford).** |
| 8 | ★ | OPC sole member not liable as such; fraud → veil lifted. |

## TRAPS TO AVOID

× Being the major shareholder and creditor still gives no insurable interest; the timber had to be insured in the company's name.
× Never write that the company is dissolved; the deceased members' shares pass to legal heirs by transmission.
× Writing that a common seal is still compulsory, or forgetting the director-plus-Company Secretary option.
× Do not treat a one-man company as the man himself; family subscribers holding one share each changes nothing.
× Owning most of the shares is not enough to lift the veil; courts look at control and improper purpose.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Meaning and Section 2(20) ☐ Separate entity and Macaura ☐ Perpetual succession cases ☐ Artificial legal person ☐ Common seal (Section 9) ☐ Corporate veil and Salomon ☐ Grounds for lifting the veil

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 30

# Classes of Companies Under the Act

Chapter 6 The Companies Act, 2013 · Topic 3 · Part 2 of 5

**Revise in about 29 minutes** · Video: Paper 2 Day 30 · Session 7 of your timetable

## EXAM IN 60 SECONDS

1. Liability: shares callable any time; guarantee only on winding up; unlimited via liquidator only.
2. OPC: one member, Indian-citizen nominee, resident or not; no minor, no second OPC, no Section 8.
3. Private: 200 maximum, joint holders as one, employee members excluded; public subsidiary is deemed public.
4. Small: not public, paid-up ≤ ₹4 crore AND turnover ≤ ₹40 crore; never holding or subsidiary.
5. Subsidiary: Board control or more than one-half voting power; associate: at least 20%, not subsidiary.
6. Government ≥ 51% by Central/State only; Section 8 never pays dividend; dormant needs no significant transaction.

## ONE LINERS

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| **Topic 3 · Liability, OPC and private company** | | |
| 9 | ★ | Shares (S. 2(22)) — unpaid amount, callable any time; guarantee (S. 2(21)) — amount undertaken, only on winding up. |
| 10 | ★★ | Unlimited (S. 2(92)) — creditor can't sue member directly; liquidator calls unlimited contribution on winding up. |
| 11 | ★★★ | **OPC (S. 2(62)): one member; nominee with consent; change by notice, not MoA alteration; one OPC per person; no minor; no S. 8; no NBFI.** |
| 12 | ★★★ | **OPC test = Indian citizen, resident or not; foreign citizen can't be nominee; conversion either way allowed.** |
| 13 | ★★★ | **Private (S. 2(68)): ≤ 200 members — joint holders = 1; employees/ex-employee members excluded.** |
| **Topic 3 · Small, public and control** | | |
| 14 | ★★★ | **Small (S. 2(85)): private, paid-up ≤ ₹4 cr AND turnover ≤ ₹40 cr; not holding/subsidiary, S. 8 or special-Act company.** |
| 15 | ★ | Subsidiary of a public company = deemed public → shares freely transferable. |
| 16 | ★★★ | **Subsidiary (S. 2(87)): Board control or > 50% voting power (with subsidiaries); exactly 50% fails; non-voting preference ignored.** |
| 17 | ★★★ | **Associate (S. 2(6)): ≥ 20% voting power or agreement; includes JV.** |
| **Topic 3 · Listed, Government, foreign and others** | | |
| 18 | ★★ | Listed (S. 2(52)) — securities on a recognised stock exchange; unlisted — all others. |
| 19 | ★★★ | **Government company (S. 2(45)): ≥ 51% paid-up held by CG/SG(s) only — LIC, PSU, public excluded; private form irrelevant.** |
| 20 | ★★★ | **Foreign company (S. 2(42)): incorporated abroad + place of business in India + business activity in India.** |
| 21 | ★★★ | **S. 8: charitable objects · profits to objects · no dividend ever · licence · no 'Ltd.' · 14 days' notice · firm may be member.** |
| 22 | ★★★ | **S. 8 licence revoked after notice and hearing → 'Ltd.' added → amalgamation or winding up in public interest.** |
| 23 | ★★★ | **Dormant (S. 455): future project/asset or inactive 2 years; any transaction outside the four exclusions bars it.** |

| | | |
|---|---|---|
| 24 | ★ | PFI (S. 2(72)): LIC, IDFC, UTI specified co., S. 4A(2) institutions, others notified with RBI — ≥ 51% Government holding = eligible, not automatic. |

## TRAPS TO AVOID

- ✕ Saying a creditor can sue a member of an unlimited company directly. He must go through winding up.
- ✕ Calling a change of nominee an alteration of the memorandum. The Act says it is not.
- ✕ Counting employees, ex-employee members or each joint holder separately towards the limit of 200.
- ✕ Treating the two limits as 'or'. A company must satisfy both, and must not be public, holding or subsidiary.
- ✕ Adding LIC's or a PSU's holding to reach 51%. Only Central and State Government holdings count.
- ✕ Omitting the written notice and hearing; the licence cannot be revoked without them.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Liability-based classes ☐ OPC rules and eligibility ☐ Private company 200 count ☐ Small company limits ☐ Subsidiary and associate tests ☐ Government company 51% ☐ Section 8 and dormant companies

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 31

# Incorporation, Capital, Shares and Memorandum

Chapter 6 The Companies Act, 2013 · Topics 4 – 7 · Part 3 of 5

**Revise in about 27 minutes** · Video: Paper 2 Day 31 · Session 7 of your timetable

## EXAM IN 60 SECONDS

1 Promoter: named, in control, or Board follows his advice; professionals excluded.
2 Section 3: public 7, private 2, OPC 1; Section 7(1) lists the documents for the Registrar.
3 Certificate of incorporation, then CIN; false information means fraud under Section 447.
4 Section 9: body corporate with perpetual succession; Section 10: MoA and AoA bind as if signed.
5 Capital: authorised, issued, subscribed, called-up, paid-up; Section 43: equity and preference shares.
6 Memorandum is the charter and a public document: name, office, objects, liability, capital, association.

## ONE LINERS

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|---|---|---|
| **Topic 4 · Registration and its effect** | | |
| 25 | ★★ | S. 7(1) incorporation documents; S. 10 — MoA/AoA bind company and members; dues = debt. |
| A1 | ★ | S. 7(1) declarations: practising advocate, CA, cost accountant or CS, and director/manager/secretary named in articles. |
| A2 | ★ | Subscribers and first directors declare: no conviction or fraud/misfeasance in five years; documents correct. |
| A3 | ★ | S. 10: money payable by a member under MoA/AoA is a debt due to the company. |
| **Topics 5 – 6 · Capital and shares** | | |
| 26 | ★★ | Capital: authorised → issued → subscribed → called-up → paid-up (= called-up − calls in arrears). |
| A4 | ★★ | Authorised capital = maximum in memorandum, stamp duty paid; issued includes non-cash allotments. |
| 27 | ★ | Share = interest measured by money (Borland); movable property (S. 44); numbered (S. 45). |
| 28 | ★★ | S. 43: equity (voting / differential rights) and preference (preferential dividend + capital repayment). |
| A5 | ★ | Preference stays preference even if it shares surplus dividend or capital; S. 43 optional for private co. by MoA/AoA. |
| A6 | ★ | DVRs: equity with differential rights (Tata 'A': 1 vote per 10 shares), no priority; preference: fixed dividend + capital first. |
| **Topic 7 · Memorandum of Association** | | |
| 29 | ★★ | MoA = charter; clauses: name · registered office · objects · liability · capital · association (+ OPC nominee). |
| A7 | ★★ | MoA is a public document (S. 399); outsiders are presumed to know its contents. |
| A8 | ★★ | Name ends 'Limited' / 'Private Limited' (not for Section 8); each subscriber takes at least one share. |

## TRAPS TO AVOID

× A solicitor, banker or accountant acting only in a professional capacity is not a promoter.
× Filing goes to the Registrar of the State where the registered office is proposed, not anywhere convenient.
× The Tribunal must hear the company and consider its transactions before passing any order.
× A shareholder who buys shares buys no interest in the company's property.
× Students stop at 'binding' and lose the mark for 'money payable by a member is a debt due'.

- ✗ A share is not a sum of money; it is an interest measured by a sum of money.
- ✗ A company cannot depart from its memorandum, however imperative; an act beyond it is ultra vires and void.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Section 7(1) documents ☐ Effect of registration ☐ Section 10 effect ☐ Five senses of capital ☐ Nature of shares ☐ Section 43 kinds ☐ MoA clauses

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
# 32

# Doctrine of Ultra Vires and Articles

Chapter 6 The Companies Act, 2013 · Part 4 of 5

**Revise in about 24 minutes** · Video: Paper 2 Day 32 · Session 7 of your timetable

## EXAM IN 60 SECONDS

1. Ultra vires = beyond the memorandum's objects; such an act is wholly void and not binding.
2. Company can neither sue nor be sued on it; outsider is deemed to know the public memorandum.
3. Ultra vires company: never ratifiable (Ashbury v. Riche); directors: GM ratifies; articles: alter by SR.
4. Ultra vires loan: unspent money — injunction; used for lawful debts — lender recovers to that extent.
5. Section 5: entrenchment on formation or amendment — all members (private), SR (public), notice to Registrar.
6. Memorandum v. articles: objects v. internal rules; outsiders v. members; RD/Tribunal v. SR; void v. ratifiable.

## ONE LINERS

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|---|---|---|
| **Topic 8 · Doctrine of ultra vires** | | |
| 30 | ★★★ | **Ultra vires company → void, unratifiable (Ashbury v Riche); ultra vires directors → GM ratifies; ultra vires articles → alter by SR.** |
| 30a | ★★★ | **Ultra vires act: company can neither sue nor be sued; memorandum is public, so outsider cannot enforce.** |
| 30b | ★★ | Business outside the object clause is void however wide the directors' powers; members' approval immaterial. |
| 31 | ★★★ | **Ultra vires loan: unspent → injunction; used for lawful debts → lender subrogated.** |
| 31a | ★★★ | **JV Ltd.: ₹1 crore within powers + ₹3 crore traced to lawful debts recoverable; untraced ₹1 crore lost.** |
| **Topic 9 · Section 5 and entrenchment** | | |
| 32 | ★★ | S. 5 articles: entrenchment — all members (private) / SR (public) + notice to ROC; Tables F–J. |
| 32a | ★ | Articles contain regulations for management, prescribed matters and any additional matters needed. |
| 32b | ★ | Model articles may be adopted wholly or partly; where not excluded or modified, they apply automatically. |
| 32c | ★★ | Private company entrenchment needs all members — an ordinary or special resolution is not enough. |
| **Topic 9 · Memorandum v. articles and binding effect** | | |
| 33 | ★ | MoA v AoA: objects v internal rules; outsiders v members; Act/RD/Tribunal v SR; void v ratifiable. |
| 34 | ★ | Articles bind members (official assignee bound); alterable by SR; outsider can't enforce. |
| 34a | ★ | Articles are a business document construed strictly (S.S. Rajkumar v. Perfect Castings). |
| 34b | ★ | Removing a legal adviser named in the articles by altering them is valid — he is an outsider. |

## TRAPS TO AVOID

- ✕ Writing that shareholders can ratify an ultra vires act unanimously — they cannot, not even all of them together.
- ✕ Saying the lender can sue the company for the whole loan as a debt — only unspent money or lawful-debt use helps.
- ✕ Arguing 'general contractors' covers any contract — the court read it with mechanical engineers, the main business.

× Saying a private company needs only a special resolution for entrenchment — it needs the agreement of all members.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Meaning and consequences of ultra vires ☐ Ratification of ultra vires acts ☐ Ultra vires loan: lender's remedies
☐ Section 5: contents of articles ☐ Entrenchment: private v. public ☐ Memorandum v. articles

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY
33

# Doctrine of Indoor Management

Chapter 6 The Companies Act, 2013 · Topic 10 · Part 5 of 5

**Revise in about 21 minutes** · Video: Paper 2 Day 33 · Session 7 of your timetable

## EXAM IN 60 SECONDS

1 Constructive notice (S.399): MoA, AoA and registered resolutions are public; outsiders presumed to know them.
2 Indoor management is its exception: outsiders need not enquire into internal proceedings.
3 Royal British Bank v Turquand: ordinary resolutions not registrable, so the bond was valid.
4 No protection where the outsider knew, or should have known, of the irregularity.
5 No protection on suspicious or unusual transactions, nor for forgery, which is a nullity.
6 Case answers: provision, facts, conclusion; loan without resolution means the company must repay.

## ONE LINERS

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| **Topic 10 · Constructive notice and the Turquand rule** | | |
| 35 | ★ | Constructive notice (S. 399) — presumed to have read MoA, AoA, registered resolutions. |
| A1 | ★ | S. 399: anyone may inspect Registrar's documents; contract beyond powers or authority gives no rights. |
| 36 | ★★★ | **Turquand rule — assume internal regularity; not for knowledge, suspicion/negligence or forgery.** |
| A2 | ★★★ | **Royal British Bank v. Turquand: outsider may assume internal formalities were complied with.** |
| **Topic 10 · Exceptions and case scenarios** | | |
| A3 | ★★★ | **Exceptions: knowledge (Howard; Morris v. Kanssen), suspicion (Anand Bihari Lal; Haughton), forgery (Ruben).** |
| A4 | ★★ | Borrowing authorised by articles — lender may assume resolution passed; company must repay. |
| A5 | ★ | Manager knew no board meeting was held — not protected; forged confirmation letter — a nullity. |
| A6 | ★★★ | **Payment to employee claiming authority — discharged; no sealed receipt arouses suspicion — liable.** |

## TRAPS TO AVOID

- ✕ Constructive notice covers the registered, public documents only; it never means notice of the company's internal proceedings.
- ✕ Do not reverse the parties: the bank was the outsider who lent; the company tried to escape the bond.
- ✕ Writing that the lender should have enquired; outsiders need not check whether internal resolutions were passed.
- ✕ Writing only two exceptions; a full answer names all three — knowledge, suspicion, forgery — each with its case.
- ✕ Treating every outsider as protected; unusual or out-of-course deals oblige the outsider to make the necessary enquiry.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Constructive notice (S.399) ☐ Turquand case facts ☐ Exception: knowledge ☐ Exception: suspicion ☐ Exception: forgery ☐ Loan without resolution ☐ Payment to an employee

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 34

# Negotiable Instruments: Notes, Bills, Cheques

Chapter 7 The Negotiable Instruments Act, 1881 · Part 1 of 3

**Revise in about 25 minutes** · Video: Paper 2 Day 34 · Session 7 of your timetable

## EXAM IN 60 SECONDS

1 NI: freely transferable document; Section 13 recognises only promissory notes, bills of exchange and cheques.

2 Order: payable to a specified person; bearer: 'pay bearer' or last indorsement in blank.

3 Eight characteristics: writing, signature, transfer, clean title, repeated transfer, unconditional money promise, certainty, delivery.

4 Promissory note (Sec 4): maker's unconditional written promise; never payable to bearer (Sec 31, RBI Act).

5 Bill of exchange (Sec 5): drawer's order to drawee; needs acceptance; never payable to bearer on demand.

6 Cheque (Sec 6): bill on a specified banker, always on demand; all cheques are bills, not vice versa.

## ONE LINERS

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| **Topics 1 – 2 · Meaning and promissory note** | | |
| 1 | ★★ | NI = freely transferable by delivery / indorsement + delivery; Sec 13: only P/N, BoE, cheque — to order or bearer. |
| 2 | ★★ | Order: expressed so / payable to specified person, transfer not prohibited. Bearer: 'pay bearer' / last indorsement in blank. |
| 3 | ★★ | 8 characteristics: writing, signed, transferable, title free, any number of times, unconditional money-only promise/order, certainty, delivery. |
| 4 | ★ | P/N (Sec 4) — 8 essentials; I.O.U. invalid; condition bound to happen OK; payee certain; never to bearer (Sec 31 RBI Act). |
| 5 | ★ | Note to unidentified finder of a dog — payee uncertain — invalid. |
| **Topic 3 · Bills of exchange** | | |
| 6 | ★★ | BoE (Sec 5): order v. promise; 3 parties v. 2; acceptance needed; bearer but never bearer on demand. |
| 7 | ★★ | Old-syllabus law (not in SM): Sec 42 fictitious drawer; forgery = nullity; Sec 86 qualified acceptance; Sec 40 cancelled indorsements; after sight = from acceptance. |
| A1 | ★ | Sec 42: acceptor cannot plead a fictitious drawer's name against a holder in due course — B must pay D. |
| A2 | ★ | Forged indorsement is a nullity — even a holder in due course in good faith gets no title. |
| A3 | ★ | 'After sight' means after acceptance — maturity runs from the drawee's acceptance. |
| **Topic 4 · Cheque** | | |
| 8 | ★★ | Cheque (Sec 6): BoE on specified banker, payable on demand; incl. truncated/electronic. All cheques are bills, not vice versa. |
| 9 | ★★ | Gifted cheque: holder, not HDC (no consideration). Sec 85 banker protected; Sec 26 minor binds others; Sec 87 drawer's own alteration binds him. |
| 10 | ★ | Bearer cheque for past service — valid. |
| A4 | ★ | Cheque parties: drawer (primary, conditional liability), drawee always a banker, payee may be the drawer himself. |
| A5 | ★ | Gifted cheque: the donee is a holder with valid title and can collect from the bank. |

## TRAPS TO AVOID

- ✕ Students think a named-payee cheque stays an order cheque forever — a blank last indorsement makes it bearer.
- ✕ A note with no payee is a bearer note — only the RBI or Central Government may issue one.
- ✕ 'On demand pay to the bearer ₹500' is an invalid bill — Section 31, RBI Act, 1934.
- ✕ Students call the payee the drawee — in a cheque the drawee is always the bank.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Order v. bearer instruments ☐ Eight characteristics of NI ☐ Promissory note essentials ☐ Note v. bill of exchange ☐ Cheque definition and parties ☐ Holder v. holder in due course ☐ Forgery and fictitious drawer

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 35

# Classification, Negotiation and Section 138

Chapter 7 The Negotiable Instruments Act, 1881 · Part 2 of 3

**Revise in about 25 minutes** · Video: Paper 2 Day 35 · Session 8 of your timetable

## EXAM IN 60 SECONDS

1. Bearer: blank payee, 'or bearer' or blank last indorsement; order: payable to a person or order.
2. Inland: made in India plus payable in India or drawn on an Indian resident; otherwise foreign.
3. Inchoate: holder recovers intended amount; holder in due course any amount the stamp covers.
4. Ambiguous: holder elects note or bill once; negotiation needs voluntary delivery, actual or constructive.
5. Indorser dies before delivery: legal representative cannot negotiate by mere delivery (Section 57).
6. Section 138: enforceable debt, 3 months, 30-day notice, 15 days; 2 years or 2× fine.

## ONE LINERS

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|---|---|---|
| **Topic 5 · Classification of instruments** | | |
| 11 | ★ | Bearer/order (Sec 13); inland = made in India + (payable in India OR drawn on Indian resident) (Sec 11); foreign = not inland (Sec 12). |
| 12 | ★★★ | **Drawn in India on Indian resident, payable abroad — inland; drawn in India, payable in India on foreign drawee — inland; drawn in India on and payable in London — foreign.** |
| 13 | ★ | Sec 134: drawer by law of place made; acceptor/indorser by law of place payable. |
| 14 | ★★★ | **Inchoate (Sec 20): holder — only intended amount; HDC — any amount within stamp; no delivery, no liability.** |
| 15 | ★★ | Ambiguous (Sec 17): holder elects P/N or BoE, then bound; self-drawn self-accepted bill → treat as note. |
| **Topic 6 · Negotiation and delivery** | | |
| 16 | ★ | Negotiation (Sec 14): bearer by delivery (Sec 47); order by indorsement + delivery (Sec 48). |
| 17 | ★★ | Delivery essential (Sec 46): voluntary; actual or constructive (to indorsee's agent); conditional delivery passes no property save to HDC. |
| 18 | ★★★ | **Indorser dies before delivery — legal representative cannot negotiate by delivery (Sec 57).** |
| 19 | ★ | Sec 43: no consideration — no obligation between those parties; holder for value and his successors can recover. |
| **Topic 7 · Dishonour of cheques (Sec 138 – 140)** | | |
| 20 | ★★★ | **Sec 138: legally enforceable debt + insufficient funds → up to 2 years / 2× amount / both; 3 months → 30-day notice → 15 days' default.** |
| 21 | ★★★ | **Gift, donation, security, moral obligation, illegal consideration — outside Sec 138.** |
| 22 | ★★★ | **Stop payment no escape; Sec 139 rebuttable presumption; Sec 140 'no reason to believe' is no defence.** |
| +1 | ★ | No complaint before written notice and the drawer's 15-day default; give notice within 30 days of the bank's information. |

## TRAPS TO AVOID

- ✕ Calling a bill foreign just because it is payable abroad; drawn in India on an Indian resident is inland.
- ✕ No delivery, no liability: a blank acceptance stolen from a drawer binds no one (Example 13).
- ✕ Writing that the drawer chooses the form; under Section 17 the election belongs to the holder.
- ✕ Filing a complaint without written notice or before the 15 days expire; the complaint is premature.

✗ Calling the Section 139 presumption conclusive; it is rebuttable, the accused may prove the contrary.

### WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Bearer vs order ☐ Inland vs foreign ☐ Inchoate: holder vs HDC ☐ Ambiguous instrument ☐ Delivery and Section 57 ☐ Section 138 conditions ☐ Cheques outside Section 138

### MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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DAY 36

# Presentment of Instruments and Compensation

Chapter 7 The Negotiable Instruments Act, 1881 · Topics 8–9 · Part 3 of 3

**Revise in about 27 minutes** · Video: Paper 2 Day 36 · Session 8 of your timetable

## EXAM IN 60 SECONDS

1. Sec 61–63: bill for acceptance, note for sight; drawee may take 48 hours, holidays excluded.
2. Sec 64: present for payment to maker, acceptor or drawee, or other parties are freed.
3. Exception: a demand note with no specified place charges the maker without presentment.
4. Sec 65–75: right hours, maturity, right place, right person — agent, legal representative or assignee.
5. Sec 75A excuses delay beyond the holder's control; Sec 76 lists eight cases needing no presentment.
6. Sec 117: holder gets amount plus expenses; paying indorser adds 18% p.a.; exchange rate for distance.

## ONE LINERS

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|---|---|---|
| **Topic 8 · Acceptance and sight (Sec 61–63)** | | |
| 23 | ★ | Sec 61 acceptance within reasonable time; Sec 62 note for sight; Sec 63 48 hours excl. public holidays. |
| A1 | ★ | Drawee not found after reasonable search — the bill is dishonoured. |
| A2 | ★ | Registered post is enough only where agreement or usage authorises it. |
| A3 | ★ | Sent 3 pm, 14 August; 15 August a holiday — 48 hours run to 3 pm, 17 August. |
| **Topic 8 · Presentment for payment (Sec 64–75A)** | | |
| 24 | ★★ | Sec 64 present for payment — default frees other parties; demand note with no place needs no presentment to charge maker. |
| 25 | ★★ | Sec 66 at maturity; Sec 65 business hours; Sec 75 authorised agent; Sec 75A delay beyond control excused. |
| A4 | ★★ | Truncated cheque: on suspected fraud or forgery the bank may demand the cheque itself. |
| A5 | ★ | Bill left with an assistant not shown to be authorised — not valid presentment. |
| A6 | ★ | Excused delay: present within a reasonable time once the cause ceases. |
| **Topic 8 · Presentment unnecessary (Sec 76)** | | |
| 26 | ★★★ | **Sec 76: presentment unnecessary — prevention/closure/absence/not found; engaged to pay; part payment/promise/waiver; drawer suffers no damage.** |
| A7 | ★★★ | **(a) Maker, drawee or acceptor prevents, closes, is absent or cannot be found.** |
| A8 | ★★★ | **(b) Party has engaged to pay notwithstanding non-presentment.** |
| A9 | ★★★ | **(c) After maturity, knowing: part payment, promise to pay or waiver.** |
| A10 | ★★★ | **(d) As against the drawer, if he could suffer no damage.** |
| **Topic 9 · Rules of compensation (Sec 117)** | | |
| 27 | ★★ | Sec 117: holder — amount + presenting/noting/protesting expenses; exchange rate; paying indorser — 18% p.a.; re-draft at sight. |
| A11 | ★★ | Paying indorser: amount paid + 18% p.a. from payment to tender or realisation + expenses. |
| A12 | ★★ | Person charged at a different place: sum at the current rate of exchange. |
| A13 | ★ | Excused delay: Shah still owes amount, noting expenses and exchange difference. |
| A14 | ★ | Holder of a dishonoured note: amount plus expenses; 18% is for a paying indorser. |

## TRAPS TO AVOID

- ✕ Do not write that a promissory note is presented for acceptance; a note is presented to the maker for sight.
- ✕ Students count 48 clock hours straight through and forget to exclude the public holiday.
- ✕ A delay caused by the holder's own default, misconduct or negligence is never excused under Section 75A.
- ✕ Do not give the holder 18% interest; under Section 117(c) it belongs to an indorser who has paid.

## WEAK SPOTS — TICK WHERE YOU SLIPPED

☐ Acceptance and 48 hours (Sec 61–63) ☐ Presentment for payment (Sec 64) ☐ Time, place and person (Sec 65–75) ☐ Excused delay (Sec 75A) ☐ Presentment unnecessary (Sec 76) ☐ Compensation (Sec 117)

## MY ERROR LOG

| Question (Set and number) | Why I got it wrong | Rule to remember |
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# Final Sprint

Every ★★★ One Liner in the paper — the lines ICAI has tested most often. Read them on the last evening, then go through your error log.

| | |
|---|---|
| Day 1 | Judiciary: interpretation · dispute resolution · fairness; Supreme Court > High Courts > District Courts; Article 141. |
| | High Court decisions bind its own state and are only persuasive elsewhere; a Supreme Court decision is the final word. |
| Day 2 | Fire, death, disablement, rotten goods, import ban → void; subject matter already dead → void (Section 20). |
| | Express · implied (coolie) · tacit (ATM) · quasi (finder of lost goods) · e-contract; executed v. executory (tuition from next month). |
| | Reward advertisement → general offer (Carlill); price tag, self-service display, auction advertisement → invitation to offer (Harris v. Nickerson). |
| Day 4 | Consideration = quid pro quo; Sec. 2(d): act, abstinence or promise at the desire of the promisor (Misa v. Currie). |
| | Eight rules: desire of promisor; promisee or any other person; executed/executory; past/present/future; adequacy; not a legal duty; real; lawful. |
| | Sec. 25(1): love and affection + near relation + writing + registration; unregistered deed fails; friends fail. |
| | Sec. 25(3): written promise signed by debtor (or agent) to pay time-barred debt. |
| Day 5 | Minor's agreement void ab initio (Mohori Bibi, 1903); no ratification; no claim against parents. |
| Day 6 | Employer/teacher/doctor dominance → voidable (Sec. 19A); doctor gets normal fee only. |
| | Silence not fraud unless duty to speak or silence = speech; horse examples (A) no, (B) son yes, (C) yes. |
| | Misrepresentation (Sec. 18): three limbs; innocent; no damages. |
| Day 7 | Sec. 27 goodwill exception: similar business, local limits, reasonable; employee during service valid. |
| Day 8 | S. 43: promisee may compel any one for the whole — joint and several. |
| | S. 43: equal contribution; defaulter's share borne equally by the rest. |
| | Exact-amount cheque implies the matching debt. |
| | Supervening impossibility (S. 56): change in law · destruction · incapacity · war → void. |
| | Contract becomes void → restore advance (S. 65). |
| Day 9 | S. 39: refusal in entirety → promisee may end contract unless he acquiesced; damages either way (S. 75). |
| | Anticipatory breach: before due date, by words or conduct; rescind and sue now, or wait and bear the risks. |
| | S. 73: natural loss + loss contemplated at contracting; never remote or indirect loss. |
| | Hadley v Baxendale: special loss needs previous notice. |
| | S. 31: contingent on a collateral event; essentials — depends on event · collateral · not mere will · uncertain. |
| | S. 32 happening · S. 33 not happening · S. 34 living person's conduct · S. 35 within fixed time · S. 36 impossible event = void. |
| | Quasi contract: imposed by law · right to money · against particular persons; 'No man must grow rich out of another's loss'. |
| | Finder = bailee: care, no appropriation, restore; holds against all but true owner (Hollins vs. Howler). |
| Day 11 | Rights: subrogation (S. 140), indemnity (S. 145); securities (S. 141), set-off, share reduction; contribution (SS. 146, 147). |

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| Day 14 | Agent personally liable: foreign, undisclosed or incompetent principal, pretended agent, excess of authority (S.230); sue either or both (S.233). |
| Day 15 | Unascertained = by description or sample (1 of 100 packets); ascertained = identified after contract (50 bales set aside) ≈ specific [S. 2(14)]. |
| | Future goods [S. 2(6)] (crop this year) → always agreement to sell. |
| | S. 4(3)/(4): property passes later or on condition → agreement to sell (ruby bangles: avoid, refund). |
| | S. 9: price by contract / agreed manner (valuer) / course of dealing; else reasonable price. |
| | S. 10: valuer fails → void; party at fault → damages; goods received and appropriated → reasonable price. |
| Day 16 | Condition = essential, repudiate [S. 12(2)]; warranty = collateral, damages only [S. 12(3)]; construction decides [S. 12(4)]. |
| | S. 13: waiver / election / non-severable + acceptance / excused by law → damages only. |
| | Sample [S. 17]: bulk = sample, chance to compare, no latent defect. |
| | Defect apparent on sample → no remedy; exact length specified → description, reject. |
| | Sample + description [S. 15]: must match both (Burfi, washing machine). |
| | Fitness [S. 16(1)]: purpose known + reliance + seller deals; not for brand name. |
| | Implied warranties: quiet possession, no encumbrance, trade usage, dangerous goods. |
| Day 17 | Caveat emptor (opening words S. 16) + eight exceptions. |
| | Let the buyer beware: buyer selects; seller need not disclose defects. |
| | Purpose disclosed and relied on → seller liable (marble, laptop); warned tiles overloaded → buyer's risk. |
| Day 18 | Unascertained: appropriation s.23(1) — 7 essentials, assent either way, before or after. |
| | Sale or return s.24: approval/adopting act, retention beyond time, pledge or sale → property passes; pledgee keeps goods, owner claims price. |
| | Nemo dat (s.27) + 8 exceptions: mercantile agent, joint owner, voidable contract, seller/buyer in possession, estoppel, unpaid seller resale, other Acts. |
| Day 20 | Lien s.47: cash sale / credit expired / insolvency; s.48 part delivery; s.49 lost by carrier, buyer's possession, waiver, estoppel — not by decree. |
| | Stoppage ss.50–52: unpaid, parted, in transit, insolvent; ends when buyer's agent takes delivery or carrier wrongfully refuses; undelivered part may be stopped. |
| | Resale s.54: perishable, notice + default, after lien/stoppage, express reservation. |
| | Paid but delivery not taken after request → buyer bears loss (ss.44, 26). |
| | Auction s.64: lots separate; complete at hammer/custom; retract till then; seller bids only if reserved; puffing → voidable. |
| Day 21 | Sec. 4: relation + agreement + share profits + business + all or any acting for all — five elements. |
| | Firm can't be a partner; minor only to benefits; max 50 (Sec. 464, CA 2013); agreement oral/written/implied. |
| | No business, no partnership — co-owners sharing rent are not partners; each pays own share. |
| | Sec. 6 test: real relation from all facts — agreement, profits, mutual agency; Sec. 5: contract, not status (HUF). |
| | Profit share = prima facie only; lender, servant/agent, widow/child, goodwill seller ≠ partner. |
| | Kinds: at will (Sec. 7 — no period, no determination), fixed period, particular, general. |
| Day 22 | S.14 property: brought in · acquired for firm · goodwill; test = intention; bought with firm money → firm's unless partner debits himself. |

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| | S.18: principal and agent; S.19(1) + 22: usual way, kind of business, firm name. |
| | S.24: notice to acting partner = notice to firm (not sleeping, not fraud); stolen goods → all liable. |
| Day 23 | S.24: notice to acting partner = notice to firm (not sleeping, not fraud); stolen goods → all liable. |
| | S.25 joint and several; S.26 wrongful act in ordinary course; S.27 misapplication (a) apparent authority, (b) in firm's custody. |
| | S.29 transferee: no management, accounts or books while firm runs; share of assets plus account on dissolution or retirement. |
| | S.31: no new partner without all; transfer does not make transferee a partner. |
| | S.30 minor: benefits only, with consent of all · share-limited liability · 6 months after majority/knowledge · silence = partner, liable from admission. |
| | S.33 expulsion: contract + majority + good faith (interest, notice, hearing); else void; S.32(2) – (4) apply. |
| | S.34 insolvency: ceases on adjudication; no cross-liability after; no notice. S.35 death: estate not liable after death; no notice. |
| Day 24 | S.34 insolvency: ceases on adjudication; no cross-liability after; no notice. S.35 death: estate not liable after death; no notice. |
| | S.38: continuing guarantee revoked for future transactions on any change in constitution. |
| | Change = death, retirement or admission; dissolution not needed; past transactions stay covered. |
| Day 25 | Rights unaffected: third parties; dissolution/accounts; Official Assignee; ≤ ₹100; heirs; criminal action. |
| | Sec. 39: dissolution of firm ≠ dissolution of partnership (5 distinctions). |
| | Modes: agreement (all, Sec. 40), compulsory (Sec. 41), contingencies (Sec. 42), notice (Sec. 43), court (Sec. 44). |
| | Sec. 44 (7): unsound mind, incapacity, misconduct, persistent breach, transfer, losses, just and equitable. |
| Day 26 | Sec. 48: losses — profits, capital, partners; assets — outsiders, advances, capital, residue. |
| | Sec. 48 rules apply subject to agreement between the partners. |
| | Sums partners contribute to make up capital deficiency count as the firm's assets. |
| Day 27 | LLP = limited liability of a company + flexibility of a partnership; hybrid; LLP liable to full extent of assets, partners limited. |
| | S. 5 — individual or body corporate; not: unsound mind (Court finding in force), undischarged insolvent, insolvency application pending. |
| | S. 7 — ≥ 2 individual designated partners, ≥ 1 resident (120 days in the financial year); bodies corporate act through nominees. |
| | 16 characteristics: body corporate · perpetual succession · separate entity · no mutual agency · agreement · artificial person · seal optional · limited liability. |
| | Beyond SM: s. 27/28 agency, s. 30 fraud, s. 25 changes, s. 34 accounts, s. 64 winding up. |
| Day 28 | S. 11 — 2+ persons, lawful business for profit, filed with State Registrar + professional's compliance statement; contents: name, business, office, partners, designated partners. |
| | S. 17 — similar name → CG directs change in 3 months; notice 15 days; agreement 30 days; default → CG allots name. |
| | LLP v firm — 15 points; LLP v company — 8 points. |
| | Beyond SM: s. 27/28 agency, s. 30 fraud, s. 25 changes, s. 34 accounts, s. 64 winding up. |
| Day 29 | Features: separate legal entity · perpetual succession · limited liability · artificial legal person · common seal. |
| | Common seal optional since 2015 (S. 9) → no seal: two directors, or director + CS where CS appointed. |

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| | Death of all members → company continues; shares transmitted to heirs. |
| | Can own property, sue and be sued; cannot go to jail, take oath, marry, practise a profession. |
| | Corporate veil: company identified separately; members shielded from its liability — corporate insulation. |
| | Veil lifted: enemy (Daimler) · tax (Dinshaw, Juggilal) · legal obligation (Associated Rubber) · agent subsidiary (Merchandise Transport) · fraud/sham (Gilford v Horne). |
| | Ex-employee's company formed to dodge a non-solicit promise is a sham → veil lifted (Gilford). |
| Day 30 | OPC (S. 2(62)): one member; nominee with consent; change by notice, not MoA alteration; one OPC per person; no minor; no S. 8; no NBFI. |
| | OPC test = Indian citizen, resident or not; foreign citizen can't be nominee; conversion either way allowed. |
| | Private (S. 2(68)): ≤ 200 members — joint holders = 1; employees/ex-employee members excluded. |
| | Small (S. 2(85)): private, paid-up ≤ ₹4 cr AND turnover ≤ ₹40 cr; not holding/subsidiary, S. 8 or special-Act company. |
| | Subsidiary (S. 2(87)): Board control or > 50% voting power (with subsidiaries); exactly 50% fails; non-voting preference ignored. |
| | Associate (S. 2(6)): ≥ 20% voting power or agreement; includes JV. |
| | Government company (S. 2(45)): ≥ 51% paid-up held by CG/SG(s) only — LIC, PSU, public excluded; private form irrelevant. |
| | Foreign company (S. 2(42)): incorporated abroad + place of business in India + business activity in India. |
| | S. 8: charitable objects · profits to objects · no dividend ever · licence · no 'Ltd.' · 14 days' notice · firm may be member. |
| | S. 8 licence revoked after notice and hearing → 'Ltd.' added → amalgamation or winding up in public interest. |
| | Dormant (S. 455): future project/asset or inactive 2 years; any transaction outside the four exclusions bars it. |
| Day 32 | Ultra vires company → void, unratifiable (Ashbury v Riche); ultra vires directors → GM ratifies; ultra vires articles → alter by SR. |
| | Ultra vires act: company can neither sue nor be sued; memorandum is public, so outsider cannot enforce. |
| | Ultra vires loan: unspent → injunction; used for lawful debts → lender subrogated. |
| | JV Ltd.: ₹1 crore within powers + ₹3 crore traced to lawful debts recoverable; untraced ₹1 crore lost. |
| Day 33 | Turquand rule — assume internal regularity; not for knowledge, suspicion/negligence or forgery. |
| | Royal British Bank v. Turquand: outsider may assume internal formalities were complied with. |
| | Exceptions: knowledge (Howard; Morris v. Kanssen), suspicion (Anand Bihari Lal; Haughton), forgery (Ruben). |
| | Payment to employee claiming authority — discharged; no sealed receipt arouses suspicion — liable. |
| Day 35 | Drawn in India on Indian resident, payable abroad — inland; drawn in India, payable in India on foreign drawee — inland; drawn in India on and payable in London — foreign. |
| | Inchoate (Sec 20): holder — only intended amount; HDC — any amount within stamp; no delivery, no liability. |
| | Indorser dies before delivery — legal representative cannot negotiate by delivery (Sec 57). |
| | Sec 138: legally enforceable debt + insufficient funds → up to 2 years / 2× amount / both; 3 months → 30-day notice → 15 days' default. |

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| | Gift, donation, security, moral obligation, illegal consideration — outside Sec 138. |
| | Stop payment no escape; Sec 139 rebuttable presumption; Sec 140 'no reason to believe' is no defence. |
| **Day 36** | Sec 76: presentment unnecessary — prevention/closure/absence/not found; engaged to pay; part payment/promise/waiver; drawer suffers no damage. |
| | (a) Maker, drawee or acceptor prevents, closes, is absent or cannot be found. |
| | (b) Party has engaged to pay notwithstanding non-presentment. |
| | (c) After maturity, knowing: part payment, promise to pay or waiver. |
| | (d) As against the drawer, if he could suffer no damage. |

**BEFORE YOU LEAVE FOR THE EXAMINATION HALL**

- ☐ Admit card, photo identity and permitted stationery packed the night before.
- ☐ Light breakfast; reach the centre early.
- ☐ Use the 15 minutes of reading time to choose and plan your questions.
- ☐ Present answers the ICAI way: headings, formats, working notes and a clear conclusion.
- ☐ Keep an eye on the clock: about 1.8 minutes per mark.