INTERMEDIATE (IPC) COURSE

STUDY MATERIAL

PAPER : 2

BUSINESS LAW, ETHICS AND COMMUNICATION

MODULE – 1

BOARD OF STUDIES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

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A WORD ABOUT STUDY MATERIAL

Laws and rules, in general, regulate the relationship between business and profession. In specific, an accounting student should have knowledge of the legal framework, which influences business transactions. This paper on Business Laws, Ethics and Communication intends to make the students aware of legal background relating to business and company law. Besides, in today’s scenario, ethics form a core part of any profession and it is indeed imperative for the students of Chartered Accountancy to know the value of ethics in business. Further, a student needs to develop good business communication skills and a sound understanding of related legal deeds and documents. The syllabus is, therefore, comprehensive and has been segregated into three parts with Part I covering Business Laws and the Company Law, Part II covering Business Ethics and Part III covering Business Communication. This paper prescribes a working level knowledge of all the segments covered.

The Company Law is one of the most significant and pervasive statute amongst the various corporate legislations and so forms an important subject of the Chartered Accountancy Course. The Companies Act, 2013 has been enacted to meet the contemporary national and international economic environment and to further accelerate the expansion and growth of our economy. To keep pace with the developments the Institute has revised the syllabus of the Company Law.

- Learning objective given at beginning of each chapter for better understanding.
- Step by step approach follow in each chapter.
- Appropriate explanation of the text through illustrations & practical examples.
- Feedback form is given in this Module wherein students are encouraged to give their feedback/suggestions.
Finally, we would welcome suggestions to make this book more helpful and ‘student-friendly’. In case of any doubt, students are welcome to write at shraddha.saxena@icai.in, nisha.gupta@icai.in, megha.goel@icai.in.
**SIGNIFICANT ADDITIONS/MODIFICATIONS IN 2015**
**EDITION OVER 2014**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Unit</th>
<th>Amendment related to the topic</th>
<th>Content</th>
<th>Page. No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unit 1- Preliminary</td>
<td>Associate Company</td>
<td>Vide General Circular no. 24/2014 dated 25th of June 2014 Ministry of Corporate Affairs issued a clarification with regard to holding of shares in a fiduciary capacity by associate company under section 2(6) of the Companies Act, 2013.</td>
<td>6.11</td>
</tr>
<tr>
<td>2</td>
<td>Unit 1- Preliminary</td>
<td>Memorandum, Companies with charitable objects, &amp; Alteration of memorandum</td>
<td>As per the Notification S.O. 1353(E), dated 9th Of July, 2014. In exercise of powers conferred by Section 458 of the Companies Act, 2013 &amp; in supersession of the notification of the Government of India, MCA, dated the 10.07.2012 vide no. S.O. 1538(E), dated 10.07.2012, Central Government hereby delegates to the ROC the power &amp; functions vested in it under the following sections of the said Act- 4(2), 8, 13(2).</td>
<td>6.13, 6.26, 6.29</td>
</tr>
<tr>
<td>3</td>
<td>Unit 1- Preliminary</td>
<td>Memorandum, Companies with charitable objects, &amp; Alteration of memorandum, Rectification of name of company and Commencement of business.</td>
<td>Vide Notification S.O. 1352(E) dated 21.05.2014 in exercise of powers conferred by Section 458 of the Companies Act, 2013 &amp; in supersession of the notification of the Government of India, MCA, dated the 10.07.2012 under Section 3, Sub-Section (ii) vide no. S.O. 1539(E), dated 10.07.2012, in so far as it relates to items (a) to (f) &amp; items (n), except as respect things done or omitted to be done before such supersession, the Central Govt. hereby delegates to the RD at Mumbai, Kolkata, Chennai, Noida, Ahmedabad, Hyderabad &amp; Shillong, the power &amp; functions vested in it under the following sections of the said Act, subject</td>
<td>6.13, 6.23, 6.30, 6.32</td>
</tr>
<tr>
<td>Unit</td>
<td>Subject</td>
<td>Details</td>
<td>Page</td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Unit 1 - Preliminary</td>
<td>Registration of names of the Companies to the condition that the Central Govt. may revoke such delegation of powers or may itself exercise the powers &amp; functions under the following sections, if in its opinion, such course of action is necessary in the public interest: 8(6), 13(4) &amp; (5), 16, 11(3)</td>
<td>6.28</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Unit 1 - Preliminary</td>
<td>Registration of names of the Companies Vide General Circular No. 29/2014 dated 11th of July 2014 the Ministry of Corporate Affairs directed Registrar to ensure that registration of names of the Companies shall be in consonance with the provisions of the Emblems and Names (Prevention of Improper Use) Act, 1950</td>
<td>6.27</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Unit 2 - Prospectus</td>
<td>Private Placement General Circular No. 02/2014, dated 11.02.2014 was issued on the use of word ‘National’ and ‘Bank’ in the names of Companies or LLP</td>
<td>6.61</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Unit 2 - Prospectus</td>
<td>Acceptance of deposits from public As per the Companies (Removal of Difficulties) Second Order, 2014 dated 2nd of June, 2014, Central government makes an order to remove certain difficulties that have arisen in giving effect to the provisions of Section 73.</td>
<td>6.64</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Unit 2 - Prospectus</td>
<td>Acceptance of deposits from public As per the Companies (Removal of Difficulties) Fourth Order, 2014 dated 6th of June 2014, the Central Government hereby makes the order that until a date is notified by the Central Government, the Company Law Board shall exercise the jurisdiction, powers, authority and functions of the Tribunal.</td>
<td>6.65</td>
<td></td>
</tr>
<tr>
<td>Unit</td>
<td>Section</td>
<td>Description</td>
<td>Details</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>---------</td>
<td>-------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Unit 3-</td>
<td>Further issue of Capital</td>
<td>As per the Companies (Share Capital and Debenture) Amendment Rules, 2014, dated 18th of June, 2014, after Sub-Rule (2) of rule 13 related to issue of shares on preferential basis, following sub-rule (3) has been inserted stating that the price of shares or other securities to be issued on preferential basis shall not be less than the price determined on the basis of valuation report of a registered valuer.”</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Debenture</td>
<td>Conditions for the issue of secured debentures by a company prescribed under the Companies (Share Capital and Debentures) Rules, 2014. And inclusion of amendment as per the Companies (Share Capital and Debentures) Amendment Rules, 2014.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Debenture redemption reserve (DRR) account</td>
<td>After the “RBI (Amendment) Act, 1997” the following is inserted “and for Housing Finance Companies registered with the National Housing Bank” as per the Companies (Share Capital and Debentures) Amendment Rules, 2014.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Declaration in respect of beneficial interest in any share</td>
<td>A proviso has been inserted under Rule 9 sub rule 3 by the Companies (Management and Administration) Second Amendment Rules, 2014 with respect to section 89 of the Companies Act, 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Unit 4-Meetings</th>
<th>Return to be filed with Registrar in case promoters' stake changes</th>
<th>As per the Companies (Management and Administration) Second Amendment Rules, 2014, through Notification dated 24th July 2014, a change has been carried out in the Companies (Management and Administration) Amendment Rules, 2014 in Rule 13 (Stated above) whereby the words “either value or volume of the shares” is omitted along with the explanation giving meaning of ‘change.’</th>
<th>6.126</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit 4-Meetings</td>
<td>Place of keeping and inspection of registers, returns, etc</td>
<td>Vide Notification dated 31st March, 2015, the Central Government hereby delegates to the Regional Directors at Mumbai, Kolkata, Chennai, Noida, Ahmedabad, Hyderabad and Shillong, the powers and functions vested in it under sub-section (5) of section 94 of the Companies Act, 2013.</td>
<td>6.126</td>
</tr>
<tr>
<td>Unit 4-Meetings</td>
<td>Resolution requiring special notice</td>
<td>Vide Notification G.S.R. 537(E), dated 24th July 2014, by the Companies (Management and Administration) Second Amendment Rules, 2014, in Rule 23 subrule(1), for the words “not less than five lakh rupees”, the words “not more than five lakh rupees” shall be omitted</td>
<td>6.159</td>
</tr>
</tbody>
</table>
STUDY PLAN – KEY TO EFFECTIVE LEARNING

Study Tips

Since the level of knowledge required for the subject is 'working knowledge' and the objective is to gain knowledge of those branches of laws relating to business transactions, certain corporate bodies and related matters and their application to practical commercial situations, students need to prepare on these lines. For this, they have to focus their study based on the major legal provisions, case laws, if any, and understand their practical implications. Besides, students should also give importance to the terms/definitions for proper conceptualisation of the answers.

As stated earlier, students should also go through the Bare Acts to get a better understanding of the provisions contained in various statutes.
A comprehensive study of the subject can be done by keeping the following points in the mind:

- Make a study plan covering the entire syllabus and then decide how much time you can allocate to the subject on daily/weekly basis.
- Maintain the time balance amongst various subjects such as purely descriptive type and numerical-based papers.
- First of all, have an overview of the chapter to understand the broad contents and sequence of various sub-topics.
- Do the introspection while going through the chapter and ask various questions to yourself.
- Read each chapter slowly to ensure that you understand and assimilate the main concept. If need be, read once again with concentration and then try to attempt exercise at the end of the chapter or given in the Practice Manual.
- Recapitulate the main concept after going through each chapter by way of brief notes.
- Always assess your preparation periodically, say, on monthly basis. If necessary, revise your plan and allocate more time for the subject in which you feel deficient.
- Read, understand and assimilate each chapter.
- Always try to attempt the past year examination question paper/ Mock Test Papers under examination conditions.
- Revision of material should never be selective in any case. Because broad coverage of the syllabus is more important than preparing 2-3 chapters exhaustively.
Examination Techniques

- Plan your time so that equal time is awarded for each mark. Keep sometime for revision as well.
- Always attempt to do all questions. Remember that six average answers fetch more marks than five best answers. Therefore, it is important that you must finish each question within allocated time.
- Read the question carefully more than once before starting the answer to understand very clearly as to what is required by the paper-setter.
- Always be concise and write to the point and do not try to fill pages unnecessarily.
- There must be logical expression of the answer.
- Answer the problem oriented questions by explaining the relevant /applicable provisions of the relevant enactments followed by answers thereof.
- In case a question is not clear, you may state your assumptions and then answer the question.
- While writing answers in respect of essay-type questions, try to make sub-readings so that it catches the examiner’s eye.
- Revise your answers carefully underline important points before leaving the examination hall.

Best Wishes and Happy Learning
### FEEDBACK FORM

1. **Name of the Student**
2. **Registration No.**
   - Contact detail with e-mail id, mobile number, etc.
3. **Subject & Paper No.**
   - Paper: 2: Business Laws, Ethics and Communication
4. **Name of Publication**
   - Study Material
5. **Edition**
6. **Do you find the publication student-friendly?**
7. **Do the illustrations in the Study Material assist in understanding of the provisions contained in the Study Material?**
8. **Does the Practice Manual contain adequate and sufficient questions to help in better understanding of the concepts explained in the Study Material?**
9. **Are there any errors which you have noticed in the publication? If yes, give the specific details:***

<table>
<thead>
<tr>
<th>Type of Error (Specify nature of error)</th>
<th>Chapter No. (Unit No., if applicable)</th>
<th>Page No.</th>
<th>Para No. &amp; line of the para</th>
<th>Text or problem (containing the error) as per the publication</th>
<th>Suggested Correction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typographical/Printing/Computational/Conceptual/Updation</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

10. **Do you feel that the publication can be made more value additive? If so, please give your specific suggestions.**

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**Note:** Use separate sheet, if necessary. You are also encouraged to send your response by e-mail at feedbackbos@icai.org

Please send feedback form to:

**Director, Board of Studies**

**The Institute of Chartered Accountants of India**

**A-29, Sector-62, Noida- 201 309.**
PAPER – 2: BUSINESS LAW, ETHICS AND COMMUNICATION

(One paper – Three hours — 100 Marks)

Level of Knowledge: Working knowledge

PART I – BUSINESS LAW (60 MARKS)

Objective:
To test working knowledge of Business Law and Company Law and their practical application in commercial situations.

Contents

Business Law (30 Marks)
1. The Indian Contract Act, 1872
2. The Negotiable Instruments Act, 1881
3. The Payment of Bonus Act, 1965
4. The Employees’ Provident Fund and Miscellaneous Provisions Act, 1952

Company Law (30 Marks)

The Companies Act, 2013 – Sections 1 to 122
(a) Preliminary
(b) Incorporation of Company and Matters Incidental thereto
(c) Prospectus and Allotment of Securities
(d) Share Capital and Debentures
(e) Acceptance of Deposits by companies
(f) Registration of Charges
(g) Management and Administration
(i) Company Law in a computerized Environment – E-filing.

Note:
(i) The provisions of the Companies Act, 1956 which are still in force would form part of the syllabus till the time their corresponding or new provisions of the Companies Act, 2013 are enforced.
(ii) If new legislations are enacted in place of the existing legislations, the syllabus would include the corresponding provisions of such new legislations with effect from a date notified by the Institute.

Part II – ETHICS (20 Marks)

Objective:
To have an understanding of ethical issues in business.

Contents:
1. Introduction to Business Ethics
   The nature, purpose of ethics and morals for organizational interests; Ethics and Conflicts of Interests; Ethical and Social Implications of business policies and decisions; Corporate Social Responsibility; Ethical issues in Corporate Governance.

2. Environment issues
   Protecting the Natural Environment – Prevention of Pollution and Depletion of Natural Resources; Conservation of Natural Resources.

3. Ethics in Workplace
   Individual in the organisation, discrimination, harassment, gender equality.

4. Ethics in Marketing and Consumer Protection
   Healthy competition and protecting consumer’s interest.

5. Ethics in Accounting and Finance
   Importance, issues and common problems.

Part III – COMMUNICATION (20 Marks)

Objective:
To nurture and develop the communication and behavioural skills relating to business

Contents:
1. Elements of Communication
   (a) Forms of Communication: Formal and Informal, Interdepartmental, Verbal and non-verbal; Active listening and critical thinking
   (b) Presentation skills including conducting meeting, press conference
   (c) Planning and Composing Business messages
   (d) Communication channels
   (e) Communicating Corporate culture, change, innovative spirits
(f) Communication breakdowns
(g) Communication ethics
(h) Groups dynamics; handling group conflicts, consensus building; influencing and persuasion skills; Negotiating and bargaining
(i) Emotional intelligence - Emotional Quotient
(j) Soft skills – personality traits; Interpersonal skills ; leadership

2. Communication in Business Environment
   (a) Business Meetings – Notice, Agenda, Minutes, Chairperson's speech
   (b) Press releases
   (c) Corporate announcements by stock exchanges
   (d) Reporting of proceedings of a meeting

3. Basic understanding of legal deeds and documents
   (a) Partnership deed
   (b) Power of Attorney
   (c) Lease deed
   (d) Affidavit
   (e) Indemnity bond
   (f) Gift deed
   (g) Memorandum and articles of association of a company
   (h) Annual Report of a company
## CONTENTS

### MODULE – 1
- Chapter 1 – The Indian Contract Act, 1872
- Chapter 2 – The Negotiable Instruments Act, 1881
- Chapter 3 – The Payment of Bonus Act, 1965
- Chapter 4 – The Employees’ Provident Funds and Miscellaneous Provisions Act, 1952
- Chapter 5 – The Payment of Gratuity Act, 1972

### MODULE – 2
- Chapter 6 – The Companies Act, 2013

### MODULE – 3
- Chapter 7 – Principles of Business Ethics
- Chapter 8 – Corporate Governance and Corporate Social Responsibility
- Chapter 9 – Workplace Ethics
- Chapter 10 – Environment & Ethics
- Chapter 11 – Ethics in Marketing and Consumer Protection
- Chapter 12 – Ethics in Accounting and Finance
- Chapter 13 – Essentials of Communication
- Chapter 14 – Interpersonal Communication Skills
- Chapter 15 – Group Dynamics
- Chapter 16 – Communication Ethics
- Chapter 17 – Communicating Corporate Culture, Change and Innovative Spirits
- Chapter 18 – Communication in Business Environment
- Chapter 19 – Basic understanding of Legal Deeds and Documents
DETAILED CONTENTS: MODULE – 1

PART I: LAW

BUSINESS LAW

CHAPTER 1: THE INDIAN CONTRACT ACT, 1872 ......................................... 1.1 – 1.100

Unit – 1: Background ....................................................................................... 1.1 – 1.18

1.1 What is a Contract? ......................................................................................... 1.1
1.2 Essentials of a Valid Contract ................................................................. 1.2
1.3 Types of Contract ........................................................................................ 1.4
1.4 Proposal/ Offer ........................................................................................... 1.8
1.5 Acceptance ................................................................................................. 1.11
1.6 Communication of Offer and Acceptance ............................................. 1.14
1.7 Communication of Performance .............................................................. 1.16
1.8 Revocation of Offer and Acceptance ...................................................... 1.17

Unit – 2: Consideration .................................................................................. 1.19 – 1.24

1.9 What is Consideration? ............................................................................. 1.19
1.10 Legal Requirements regarding Consideration .................................. 1.20
1.11 Suit by a third party to an Agreement ................................................ 1.22
1.12 Validity of an Agreement without Consideration .............................. 1.23

Unit – 3: Other Essential Elements of a Contract ....................................... 1.25 – 1.44

1.13 Free Consent ............................................................................................ 1.25
1.14 General consequences of Coercion, Fraud, Misrepresentation etc ....... 1.30
1.15 Mistake ..................................................................................................... 1.31
1.16 Capacity to Contract ............................................................................... 1.32
1.17 Lawful Object and Consideration .......................................................... 1.35
1.18 Unlawful Object ..................................................................................... 1.36
1.19 Unlawful Consideration .......................................................................... 1.36
1.20 Agreement expressly declared as Void .................................................. 1.41
Unit – 4: Performance of Contract ............................................................... 1.45 – 1.62

1.21 By whom a Contract may be Performed .................................................. 1.45
1.22 Distinction between Succession and Assignment ........................................ 1.46
1.23 Effects of refusal to accept Offer of Performance ...................................... 1.47
1.24 Effect of a refusal of a party to Perform Promise ....................................... 1.47
1.25 Liability of Joint Promisor & Promisee ....................................................... 1.48
1.26 Rights of Joint Promisees ........................................................................ 1.49
1.27 Time and Place for Performance of the Promise ....................................... 1.49
1.28 Performance of Reciprocal Promise ......................................................... 1.50
1.29 Effects of Failure to Perform at a time fixed in a Contract in which Time is essential .......................................................... 1.52
1.30 Impossibility of Performance ................................................................... 1.54
1.31 Appropriation of Payments ....................................................................... 1.57
1.32 Contract, which need not be Performed .................................................... 1.58
1.33 Restoration of Benefit under a Voidable Contract ...................................... 1.60
1.34 Obligations of Person who has received advantage under Void Agreement or one becoming Void .............................................................. 1.60
1.35 Discharge of a Contract ........................................................................... 1.61

Unit – 5: Breach of Contract ........................................................................ 1.63 – 1.68

1.36 Anticipatory Breach of Contract .............................................................. 1.63
1.37 Actual Breach of Contract ........................................................................ 1.64
1.38 Measurement of Damages ........................................................................ 1.64
1.39 Liability for Damages ............................................................................... 1.65
1.40 How to calculate the Damage .................................................................. 1.66
1.41 Compensation for Breach of Contract where the Penalty is stipulated for .... 1.66

Unit – 6: Contingent and Special Contracts .................................................. 1.69 – 1.73

1.42 Contingent Contract ............................................................................... 1.69
1.43 Rules relating to Enforcement .................................................................. 1.69
1.44 Quasi-Contracts ...................................................................................... 1.71
1.45 Types of Quasi-Contract ......................................................................... 1.71

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<table>
<thead>
<tr>
<th>Unit 7: Contract of Indemnity and Guarantee</th>
<th>1.74 – 1.81</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.46 Contract of Indemnity</td>
<td>1.74</td>
</tr>
<tr>
<td>1.47 Contract of Guarantee</td>
<td>1.75</td>
</tr>
<tr>
<td>1.48 Nature of Surety’s Liability</td>
<td>1.75</td>
</tr>
<tr>
<td>1.49 Continuing Guarantee</td>
<td>1.76</td>
</tr>
<tr>
<td>1.50 Discharge of a Surety</td>
<td>1.76</td>
</tr>
<tr>
<td>1.51 Rights of Surety against the Principal Debtor and Creditor</td>
<td>1.77</td>
</tr>
<tr>
<td>1.52 Contribution as between Co-Sureties</td>
<td>1.79</td>
</tr>
<tr>
<td>1.53 Distinction between a contract of Indemnity and a contract of Guarantee</td>
<td>1.80</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit 8: Bailment and Pledge</th>
<th>1.82 – 1.89</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.54 What is Bailment?</td>
<td>1.82</td>
</tr>
<tr>
<td>1.55 Bailor’s Duties and Rights</td>
<td>1.83</td>
</tr>
<tr>
<td>1.56 Care to be taken by Bailee</td>
<td>1.84</td>
</tr>
<tr>
<td>1.57 Duties and Rights of a Bailee</td>
<td>1.84</td>
</tr>
<tr>
<td>1.58 Rights and Duties of Finder of Goods</td>
<td>1.85</td>
</tr>
<tr>
<td>1.59 General Lien and Particular Lien</td>
<td>1.85</td>
</tr>
<tr>
<td>1.60 Pledge</td>
<td>1.87</td>
</tr>
<tr>
<td>1.61 Pledge by Mercantile Agents</td>
<td>1.88</td>
</tr>
<tr>
<td>1.62 Distinction between Bailment and Pledge</td>
<td>1.88</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Unit 9: Agency</th>
<th>1.90 – 1.100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.63 What is Agency?</td>
<td>1.90</td>
</tr>
<tr>
<td>1.64 Modes of Creation of Agency</td>
<td>1.91</td>
</tr>
<tr>
<td>1.65 Extent of Agent’s Authority</td>
<td>1.93</td>
</tr>
<tr>
<td>1.66 Duties and Obligations of an Agent</td>
<td>1.94</td>
</tr>
<tr>
<td>1.67 Rights of an Agent</td>
<td>1.95</td>
</tr>
<tr>
<td>1.68 Personal Liability of the Agent</td>
<td>1.95</td>
</tr>
<tr>
<td>1.69 Undisclosed Principal</td>
<td>1.96</td>
</tr>
<tr>
<td>1.70 Principal’s Liability for Agent’s act to third parties</td>
<td>1.96</td>
</tr>
</tbody>
</table>
CHAPTER 1: AGENTS AND AGENCY AGREEMENTS .................................................. 1.1 – 1.98
1.1 Agency ............................................................................................................. 1.1
1.2 Authority ......................................................................................................... 1.2
1.3 Agent ............................................................................................................... 1.2
1.4 Principal .......................................................................................................... 1.2
1.5 Agent’s Power .................................................................................................. 1.3
1.6 Employment of another Agent ......................................................................... 1.3
1.7 Termination of Agent’s Authority ................................................................. 1.4
1.8 Rights of the Agent ........................................................................................ 1.4
1.9 Irrevocable Agency .......................................................................................... 1.5
1.10 Sub-Agent ...................................................................................................... 1.5
1.11 Substituted Agent .......................................................................................... 1.6
1.12 Specific Agent ............................................................................................... 1.7
1.13 Exclusivity Agency ......................................................................................... 1.7
1.14 Partial Agency ................................................................................................ 1.8
1.15 Conditional Agency ....................................................................................... 1.8
1.16 Authority conferred by Agent ........................................................................ 1.9
1.17 Premise of an Agent ....................................................................................... 1.9
1.18 Termination of Principal’s Authority .............................................................. 1.9
1.19 Authority of a Successor in Interest ............................................................... 1.10
1.20 Rights of Successor of Principal ................................................................... 1.10
1.21 Rights of a Successor Agent .......................................................................... 1.10
1.22 Rights of Successor of a Sub-Agent .............................................................. 1.11
1.23 Termination of Agent’s Authority ................................................................ 1.11

CHAPTER 2: THE NEGOTIABLE INSTRUMENTS ACT, 1881.................................... 2.1 – 2.62
2.1 Introduction ..................................................................................................... 2.1
2.2 Meaning of Negotiable Instruments .............................................................. 2.1
2.3 Characteristics of Negotiable Instrument ...................................................... 2.2
2.4 Definitions ...................................................................................................... 2.2
2.5 Classification of Instruments ........................................................................... 2.18
2.6 Sight and Time Bills etc. (Sections 21 to 25). ................................................ 2.22
2.7 Negotiation, Negotiability, Assignability ..................................................... 2.24
2.8 Negotiability vs. Assignability ...................................................................... 2.29
2.9 Different Provisions relating to Negotiation ................................................ 2.30
2.10 Rights and Obligations of Parties to an Instrument obtained illegally ............ 2.43
2.11 Notice of Dishonour ..................................................................................... 2.49
2.12 Noting and Protesting .................................................................................. 2.51
2.13 Acceptance and Payment for Honour and Reference in Case of Need .......... 2.53
2.14 Presentment of Instruments ....................................................................... 2.54
2.15 Payment and Interest .................................................................................. 2.57
2.16 International Law regarding negotiable Instrument ...................................... 2.58
2.17 Different Types of Hundis .......................................................................... 2.60
2.18 Rules of Compensation .............................................................................. 2.61

CHAPTER 3: THE PAYMENT OF BONUS ACT, 1965............................................ 3.1 – 3.30
3.1 Introduction .................................................................................................. 3.1
3.2 Applicability of the Act ............................................................................... 3.1
3.3 Act not to apply to certain classes of Employees (Section 32) ....................... 3.2
3.4 Application of the Act to establishments in certain cases (Section 20) .......... 3.3
3.5 Definition ........................................................................................................ 3.3
3.6 Who is Entitled to Bonus? ............................................................................ 3.6
3.7 Establishments to Include Departments, Undertakings and Branches (section 3) ........................................................... 3.7
3.8 Computation of gross profits under Section 4 ............................................. 3.8
3.9 The First Schedule ........................................................................................ 3.8
3.10 The Second Schedule ............................................................................... 3.11
3.11 A Prior deduction from gross profits ......................................................... 3.13
3.12 The Third Schedule .................................................................................. 3.14
3.13 Available Surplus .................................................................................... 3.17
3.14 Calculation of Direct Tax Payable By The Employer ............................... 3.17
3.15 Payment of Minimum Bonus (Section 10) ................................................. 3.18
3.16 Payment of Maximum Bonus (Section 11) ................................................ 3.18
3.17 Calculation of Bonus with respect to certain Employees (Section 12) ........ 3.19
3.18 Procedure for Calculation of Working Days and Proportionate Reduction in Bonus .......................................................... 3.19
3.19 Set on and Set Off of Allocable Surplus (Section 15) .............................. 3.20
3.20 The Fourth Schedule ............................................................................. 3.20
3.21 Special Provision with respect to Certain Establishments (Section 16) .... 3.22
3.22 Miscellaneous ......................................................................................... 3.22
3.23 Special Provision with respect to Bonus Linked with Production or Productivity (Section 31A) ......................................................... 3.27
3.24 Effect of laws and agreements in consistent ............................................ 3.27
3.25 Saving .................................................................................................... 3.27
3.26 Power of Exemption (Section 36) ............................................................... 3.27
3.27 Power to make Rules (Section 38) ............................................................. 3.28
3.28 Application of Certain Laws not Barred (Section 39) ............................... 3.29
CHAPTER 4: THE EMPLOYEES’ PROVIDENT FUNDS AND MISCELLANEOUS PROVISIONS ACT, 1952 ........................................................ 4.1 – 4.34

4.1 Introduction ..................................................................................................... 4.1
4.2 Definition (Section 2) ....................................................................................... 4.2
4.3 Employees’ Provident Fund Scheme (Section 5) ............................................... 4.5
4.4 Employees’ Pension Scheme 1995 (Section 6A) ............................................. 4.11
4.5 Employees’ Deposit-Linked Insurance Scheme ............................................... 4.14
4.6 Other Provisions ............................................................................................ 4.16

CHAPTER 5: THE PAYMENT OF GRATUITY ACT, 1972 ................................... 5.1 – 5.21

5.1 An Introduction ................................................................................................ 5.1
5.2 Aims and Objects of the Act ............................................................................. 5.1
5.3 Extent & Applicability ....................................................................................... 5.2
5.4 Important Definitions ........................................................................................ 5.3
5.5 Payment of Gratuity ......................................................................................... 5.7
5.6 Calculation of Gratuity Amount Payable ............................................................ 5.8
5.7 Forfeiture of Gratuity ........................................................................................ 5.9
5.8 Compulsory Insurance ................................................................................... 5.10
5.9 Power to Exempt ............................................................................................ 5.11
5.10 Nominations for Gratuity ................................................................................ 5.12
5.11 Application for the Payment of Gratuity .......................................................... 5.14
5.12 Employer's duty regarding the payment .......................................................... 5.14
5.13 Mode of payment of Gratuity .......................................................................... 5.15
5.14 Disputes ........................................................................................................ 5.16
5.15 Procedure for Dealing with application for direction ....................................... 5.17
5.16 Appeals ......................................................................................................... 5.18
5.17 Appointment of Inspectors .............................................................................. 5.18
5.18 Recovery ....................................................................................................... 5.19
5.19 Exemption of Employer from Liability ............................................................ 5.20
5.20 Cognizance of Offences .................................................................................. 5.20
5.21 Protection against action taken in Good Faith ................................................ 5.21
5.22 Protection of Gratuity ..................................................................................... 5.21
5.23 Miscellaneous ............................................................................................... 5.21