CMA INTERMEDIATE

VIVITSU

REVIEWER™

GROUP – I

BUSINESS LAWS AND ETHICS

5

APPLICABLE FOR JUNE '26 & DECEMBER '26

CHAPTER-WISE COMPILATION OF PYP + MQP + WORKBOOK + SM + MCQ BANK

- REFERENCE TO ALL QUESTIONS
- LAST DAY REVISION QUESTIONS MARKED
- ABC ANALYSIS
- QUICK RECAP OF IMPORTANT CONCEPTS

REVIEWER™

BUSINESS LAWS AND ETHICS

CMA Intermediate

1st Edition

Publisher:

VIVITSU
STRIVING TOWARDS KNOWLEDGE

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Reviewer™

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To the one who's not just dreaming CMA —
but becoming it

CMA

Write your name here

What Matters in CMA?

1 CONCEPTUAL CLARITY

Law isn't about memorising sections — it's about *understanding logic*, rights, and duties. When the "why" behind each provision is clear, writing answers becomes effortless. Use this *Reviewer to test your understanding* right after studying a concept. Apply the law, don't just read it.

2 CONSISTENCY

Law needs *regular revision*. Just a few case-based or objective questions daily can help retain legal language and presentation.

This *chapter-wise structure* helps you revise consistently and master each concept one at a time, without waiting for the full syllabus.

3 CONFIDENCE

CMA exams demand crystal clear clarity and understanding of Laws. Practising how to *apply concepts while writing answers* builds confidence.

This book gives you *ICMAI-style* questions and solving practice to help you get the right answer.

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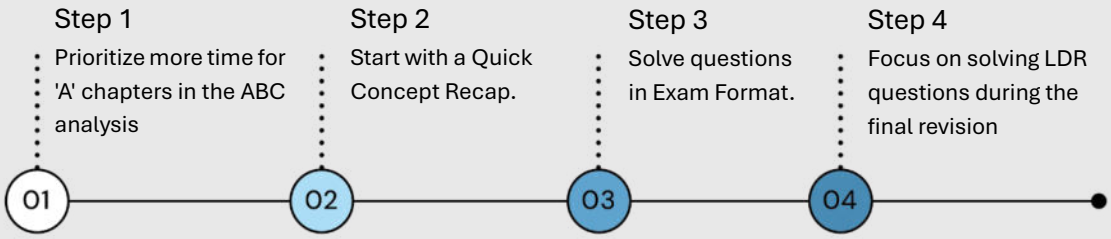
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Your journey from a CMA student to a professional, starts here. Scan to connect with us on LinkedIn for industry insights, career guidance, and expert articles.

Don't just study—study smart. Watch renowned professors solve the Vivitsu Reviewer with you on YouTube, breaking down every concept, question, and answer for better understanding and stronger retention.

STRATEGY TO SCORE

60+ in BUSINESS LAWS AND ETHICS



Step 1: Prioritize your chapters

Topics in the index are categorized as A, B, or C based on their importance. Focus more on 'A' chapters, as they carry the most weight, and give adequate attention to 'B' chapters. While all chapters must be covered, this approach helps manage time efficiently for better results.

Step 2: Start with a Quick Concept Recap

Use this powerful summary for a quick brush-up on key concepts before you attempt the chapter. This helps you identify and understand the core principles. If a question gives you trouble, return to this section / main study material to solidify the concept, then come back and solve it again.

Step 3: Practice in Exam Format

Always solve the question on your own before looking at the answer. If you get confused in MCQs and options or make a conceptual mistake, be sure to mark it to review during your next revision.

Step 4: Last Day Revision (LDR)

Focus on solving LDR questions during the final revision. On the day before your exam, prioritize these questions as they cover the most critical concepts from each chapter. You'll find a quick summary of LDR question numbers listed right before each chapter for easy reference.

(MQP[1] 7 Marks June'24, MQP[2] 7 Marks June'25, PYP 7 Marks Dec'19)

"Chapter V provides the welfare measures to be taken in a factory" examine the measures prescribed in the Factory's Act 1948 to be provided by the factory to their workmen.

Answer 1

Chapter V provides the welfare measures to be taken in a factory for the workmen employed in the factory. The following are the welfare measures prescribed in the Act to be provided by the factory to their workmen:

- washing facilities;
- facilities for storing and drying clothing;
- facilities for sitting;
- first aid appliances;
- canteens;
- shelters, rest rooms and lunch rooms;
- [illegible]
- [illegible]

Includes 100% coverage of Work Book+ SM + MCQ Bank + MQP + PYP

→ [illegible]

use of male and female workers. The washing facility shall be conveniently accessible and shall be kept clean.

→ **Facilities for storing and drying clothing:**

Section 43 provides that the State Government may, in respect of any factory or class or description of factories, make rules requiring the provision therein of suitable places for keeping clothing not worn during working hours and for the drying of wet clothing.

→ **Facilities for sitting:**

Section 44 provides that suitable arrangements for sitting shall be provided and maintained for all workers obliged to work in a standing position, in order that they may take advantage of any opportunity for rest which may occur in the course of their work.

→ **First aid appliances:**

Section 45 provides that first aid appliances shall be provided and maintained so as to be readily accessible during all working hours or cupboards equipped with the prescribed contents and the number of such boxes or cupboards to be provided and maintained shall not be less than for every 150 workers at any one time in the factory. Each first aid box or cupboard shall be kept in charge of a separate reasonable person who holds a certificate in the first aid treatment recognized by the State Government and he should always be readily available during the working hours of the factory. I n a factory where more than 500 workers are employed an ambulance of the prescribed size containing the prescribed equipment, nursing staff etc., shall be provided and made readily available at all times.

→ **Canteens:**

Section 46 provides that if more than 250 workers are employed in a factory a canteen or canteens shall be provided and maintained by the occupier for the user of the workers. The items of expenditure in the running of the canteen which are not to be taken into account in fixing the cost of foodstuffs shall be borne by the employer.

→ **Shelters, rest rooms and lunch rooms:**

Section 47 provides that if more than 150 workers are employed adequate and suitable shelters or rest rooms and a suitable lunch room with provision for drinking water shall be provided and maintained for the use of the workers. The same shall be sufficiently lighted and ventilated and shall be maintained in a cool and clean condition.

→ **Creches:**

Section 48 provides that if more than 30 women workers are employed there shall be provided and maintained a suitable room for the use of children under the age of 6 years of such women. The same shall be adequately ventilated and shall be maintained in clear and sanitary conditions and under the charge of women trained in the care of children and infants.

→ **Welfare Officers:**

LDR Questions	Q 4, Q 7, Q 12, Q 14, Q 18, Q 25, Q 27 MCQ- 6, 24, 30, 33, 35, 44, 61, 65, 69, 76

Last Day Revision Questions

Last Day Revision Questions mentioned right at the beginning of each chapter
Easy to find 1 day before the exam

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Sr.	Particulars	2023		2024		2025		Average	Page No.	IMP
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2	Indian Contracts Act, 1872	19	25	23	16	23	25	23	2.1 – 2.12	A
3	Sale of Goods Act, 1930	8	7	2	2	6	9	6.33	3.1 – 3.13	B
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7	Factories Act, 1948	1	-	9	2	2	2	2.67	7.1 – 7.6	C
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9	Employees Provident Fund and Miscellaneous Provisions Act, 1952	3	-	-	2	-	7	2	9.1 – 9.5	C
10	Employees State Insurance Act, 1948	5	-	-	-	9	-	2.33	10.1 – 10.4	C
11	The Code on Wages, 2019	10	9	2	7	7	7	7	11.1 – 11.5	A
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12	Companies Act, 2013	38	40	47	47	47	41	43.33	12.1 – 12.44	A
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13	Business Ethics and Emotional Intelligence	14	18	18	18	18	16	17	13.1 – 13.15	A

Prioritize using ABC Analysis

Each chapter is categorized as A , B or C

A : Very Important, Read on priority

B : Moderately Important

C : Less Critical but still essential

LOK Questions	Q 1, Q 2 MCQ – 2, 8, 14, 20

QUICK REVIEW OF IMPORTANT CONCEPTS

Purpose: - A social welfare law enacted to protect factory workers and ensure proper health, safety, welfare and working conditions.

Applicability:

Applies across India to factories where:

- 10+ workers work with power, or
- 20+ workers work without power.

Important definitions:

- Factory: Place where manufacturing process is carried out.
- Worker: Any person employed in manufacturing or related work, with or without wages.
- Manufacturing process: Includes making, repairing, packing, cleaning, power generation, etc.
- Occupier: Person having ultimate control over factory operations.

Main objectives:

- Protect workers from exploitation
- Provide welfare facilities
- Ensure safe working environment
- Regulate working hours and employment conditions

Health provisions – Factories must maintain cleanliness, ventilation, lighting, drinking water, sanitation and waste disposal.

Safety provisions – Measures for machinery safety, fire prevention, protection from hazardous substances, dangerous fumes and accidents.

Welfare measures – Facilities like washing areas, seating, first aid, canteen (if 250+ workers), rest rooms (150+ workers), crèche (30+ women workers), and welfare officers (500+ workers).

Working hours:

- Maximum 9 hours per day and 48 hours per week
- Overtime allowed with double wages

Women and young persons:

- No child below 14 years allowed to work
- Women's working hours regulated for safety
- Adolescents need fitness certificate

Leave provisions: -Workers completing 240 days in a year get annual leave with wages.

Duties of occupier: - Ensure health, safety, welfare, maintain records, and comply with legal requirements.

Penalties: - Violation of the Act may lead to fines, imprisonment, or both for the occupier/manager.

Quick Review of Important Concepts

2. Contract Of Guarantee (Sec 126–147)

- Surety Promises To Discharge Liability Of Principal Debtor If He Defaults.
- Three Parties: Creditor, Principal Debtor, Surety.
- Liability Of Surety Is Co-Extensive With Principal Debtor.
- Includes Continuing Guarantee, Revocation, Discharge, And Rights Of Surety (Subrogation, Securities, Indemnity).

3. Bailment (Sec 148 Onwards)

- Delivery Of Goods By Bailor To Bailee
- Bailee Must Take Reasonable Care An
- Bailment Ends When Purpose Is Ach

Topic-wise Break up

4. Pledge

- Bailment Of Goods As Security For P ment of Debt Or Performance of Promise.
- Parties: Pawnor And Pawnee.
- Pawnee Can Retain G Expenses, Or Sell Them On Default After Notice.

5. Agency (Sec 182 Onwards)

- Agent Acts On Be f Of Principal In Dealings with Third Parties.
- Authority May Be Express Or Implied; Consideration Not Necessary.
- Agent Must Follow Instructions, Act With Skill And Honesty, And Maintain Accounts.
- Principal Must Indemnify Agent For Lawful Acts.
- Agency Terminates By Revocation, Completion Of Work, Death, Insanity, Or Insolvency.

Question & Answer

Essential Elements of a Contract, Offer and Acceptance

Question 1 [MCQP (1) 2 Marks June 20]

X offered to sell his Activa for ₹ 1,50,000. Y accepted the offer by E-mail. On the next day Y sent a fax revoking the acceptance which X reached X before the E-mail. Examine the validity of revocation. Inspect whether would it make any difference if both the E-mail of acceptance and the fax of revocation of acceptance reach X at the same time.

Answer 1

The problem is related with the communication and time of acceptance and its revocation. As per Section 4 of the Indian Contract Act, 1872, the communication of an acceptance is complete as against the acceptor when it comes to the knowledge of the proposer. An acceptance may be revoked at any time before the communication of the acceptance is complete as against the acceptor, but not afterward. Referring to the above provisions

(i) Yes, the revocation of acceptance by Y (the acceptor) is valid.

(ii) If X reads the Fax first, the acceptance stands revoked. If he opens the email first and reads it, revocation of acceptance is not possible as the contract has already been concluded.

Question 2 [MCQP (1) 10 Marks June'23]

What are the essential elements of a contract?

Answer 2

Essential Elements of a valid contract

Section 10 provides that all agreements are contracts if they are made by the free consent of parties, competent to contract, for a lawful consideration and with a lawful object, and are not otherwise expressly declared to be void.

The following are the elements for a valid contract

- There shall be an offer or proposal by one party and acceptance of the proposal by the other party which results in an agreement.
- There shall be an intention to create legal relations or intent to legal consequences.
- The agreement shall be supported by lawful consideration.

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3	Sale of Goods Act, 1930	8	7	2	2	9	9	6.17	3.1 – 3.13	A
4	Negotiable Instruments Act, 1881	2	2	9	16	2	2	5.5	4.1 – 4.14	B
5	Indian Partnership Act, 1932	14	7	9	-	7	9	7.67	5.1 – 5.13	A
6	Limited Liability Partnership Act, 2008	-	2	-	9	2	4	2.83	6.1 – 6.12	C
	SECTION B: INDUSTRIAL LAWS									
7	Factories Act, 1948	1	-	9	2	2	2	2.67	7.1 – 7.6	C
8	Payment of Gratuity Act, 1972	5	16	7	7	-	-	5.83	8.1 – 8.7	B
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ABC Analysis

A Very Important, Read on priority

B Moderately Important

C Less critical but still essential

Ensure you thoroughly read all chapters without skipping any. The ABC analysis is designed to help you prioritize based on past trends, but it should not replace comprehensive preparation.

WHAT DOES REVIEWER INCLUDE?

This Reviewer offers 100% coverage, including all questions from:

- **SM: ICMAI Study Material Questions**
- **MCQ Bank**
- **PYP: Past Year Papers**
- **MQP: Model Question Papers (1 or 2 denotes MQP 1 or MQP 2)**

CHAPTER 1: INTRODUCTION TO LAW AND LEGAL SYSTEM IN INDIA

B

LDR Questions	Q 3 MCQ 3, 22, 30, 36

QUICK REVIEW OF IMPORTANT CONCEPTS

INTRODUCTION TO THE CONSTITUTION OF INDIA

Indian Constitution

- Lengthiest written Constitution.
- Mix of rigidity + flexibility.
- Federal system with unitary features.
- Parliamentary form of government.
- Independent judiciary.
- Includes emergency provisions for governance.

Preamble (Intro of Constitution)

- Adopted on 26 November 1949.
- India declared: Sovereign, Socialist, Secular, Democratic, Republic.
- Promises:
  - Justice – social, economic, political
  - Liberty – thought, expression, belief, faith, worship
  - Equality – status & opportunity
  - Fraternity – dignity, unity, integrity of nation

Purpose of Preamble

1. Shows source of Constitution (people of India).
2. States date of adoption.
3. Explains rights & freedoms aimed for citizens.
4. Declares nature of government.

Legal Position

- In Kesavananda Bharti v. State of Kerala: Preamble is part of Constitution.
- Helps in interpretation of Constitution.
- Not enforceable in courts.
- Not a source of legislative power and does not restrict legislature.

FUNDAMENTAL RIGHTS

Aim: Protect basic rights like life, liberty, speech, faith; called Magna Carta of India.

Right to Equality (Art 14–18):

- Equality before law; no discrimination (religion, race, caste, sex, place of birth).
- Equal opportunity in public employment; reservation allowed for backward classes, SC/ST.
- Untouchability abolished; titles abolished (except military/academic).

Right to Freedom (Art 19–22):

- 6 freedoms: speech & expression, assembly, association, movement, residence, profession.
- Subject to reasonable restrictions (security, public order, morality, etc.).
- Free & compulsory education for children 6–14 years (Art 21A).

Right Against Exploitation (Art 23–24):

- Prohibits human trafficking, forced labour, child labour in hazardous work.

Right to Freedom of Religion (Art 25–28):

- Freedom to profess, practice, propagate religion.

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- Religious groups can manage institutions.
- No tax or forced religious instruction by the State.

Cultural & Educational Rights (Art 29–30):
- Protect language, script, culture.
- Minorities can establish and manage educational institutions.

Right to Constitutional Remedies (Art 32):
- Citizens can approach Supreme Court.
- Court issues writs to protect Fundamental Rights.

SOURCES OF LAW

Main Sources

1. Custom | 2. Judicial Precedent | 3. Legislation

Custom
- Long-established, continuous practices accepted by society.
- Valid if ancient, continuous, reasonable, moral, and not against law.
- Types: General, Local, Conventional.
- Importance reduced today but still relevant in personal laws.

Judicial Precedent
- Decisions of higher courts binding on lower courts.
- Supreme Court binding on all; High Court within its state.
- Parts of judgment:
  - Ratio decidendi – binding principle.
  - Obiter dicta – persuasive remarks.

Legislation
- Most important modern source; law made by State.
- Types:
  - Primary legislation – laws by Parliament.
  - Subordinate legislation – made under authority (bye-laws, rules, delegated laws).
- Delegated legislation used due to lack of time, technical issues, emergencies.

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PRIMARY & SUBORDINATE LEGISLATION

Primary legislation
- Laws made directly by Parliament/Legislature.
- Main and supreme form of law (within Constitution).

Subordinate (delegated) legislation
- Made by executive/local authorities under powers given by legislature.
- Includes rules, regulations, bye-laws.
- Depends on parent law and must work within its limits.

Need
- Legislature sets policy; detailed rules made by experts/executive.
- Saves time, ensures flexibility, speed, and practical implementation.

Limit
- Cannot override, replace, or modify the main law.

LEGISLATIVES PROCESSES IN INDIA
- Laws regulate society; Constitution is the supreme law and basis of all legislation.
- Ministry identifies need, conducts studies, consults stakeholders/public, and prepares proposal.
- Draft Bill prepared with Ministry of Law & Justice and approved by Cabinet.
- Bill introduced in Parliament: Money Bill only in Lok Sabha; other Bills in either House.
- Bill must be passed by both Houses; joint sitting possible in case of disagreement.
- Special procedure for Money Bills (Rajya Sabha gives recommendations only).

- Sent to President for assent; may return once (except Money Bill).
- After assent, published in Gazette of India → becomes enforceable law.

LEGAL METHODS INCLUDING JUDICIAL ALTERNATIVE DISPUTE RESOLUTION (ADR) PROCESS IN INDIA

Ways to Resolve Disputes

- Through courts/tribunals (litigation) or ADR methods.
- Two types:
  - Adjudicative: decision by judge/arbitrator.
  - Consensual: parties settle with mutual agreement.

Litigation

- Formal court process; judgment binding; appeal allowed.
- Time-consuming and costly.

ADR (Alternative Dispute Resolution)

- Faster, flexible, private; used in civil, commercial, family disputes.
- Includes arbitration, conciliation, mediation, Lok Adalat.

Arbitration

- Dispute decided by arbitrator; decision binding.
- Requires written arbitration agreement; quicker and confidential.

Conciliation

- Neutral conciliator helps parties reach settlement.
- Voluntary, flexible; not binding until agreement signed.

Mediation

- Mediator facilitates negotiation; parties control outcome.
- Quick, confidential, preserves relationships.

Lok Adalat

- People's courts; settle disputes through compromise.
- Based on Legal Services Authorities Act & Sec 89 CPC.

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Question & Answers

1.2 Fundamental Rights

Question 1 **(MQP [2] 8 Marks June'23)**

Critically assess how the fundamental rights guarantee equality of citizens.

Answer 1

"Equality is a dynamic concept with many aspects and dimensions and it cannot be described, cabined and confined" within traditional limits from a positivistic point of view, equality is antithesis to arbitrariness.

In fact equality and arbitrariness are sworn enemies, one belongs to the rule of law in a republic while the other, to the whim and caprice of an absolute monarch. Where an act is arbitrary, it is implicit in it that it is unequal both according to political logic and constitutional law and is therefore violated of Article 14.

Article 15(1) provides that the state shall not discriminate against any citizen on grounds of only :-

- Religion
- Race
- Caste
- Sex
- Place of birth or
- Any of them

Article 15 (2) provides that :- No citizen shall be on above grounds, subject to any disability, liability, restriction or condition with regard to:

a) access to shops, public restaurants, hotels and places of public entertainment; or

b) the use of wells, tanks, bathing ghats, roads and places of public resort maintained wholly or partly out of State funds or dedicated to the use of the general public.

Exceptions :- Article 15 (3), (4) and (5) contain exceptions to the general principal laid down under Article 15 (1) and (2):-

Nothing in this article shall prevent the State from making any special provision for women and children.

Nothing in this article shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes.

Nothing in this article shall prevent the State from making any special provision, by law, for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes or the Scheduled Tribes in so far as such special provisions relate to their admission to educational institutions including private educational institutions, whether aided or unaided by the State, other than the minority educational institution.

Article 16: Equality of opportunity in matters of public employment :-

- There shall be equality of opportunity for all citizens in matters relating to employment or appointment to any office under the State.
- No citizen shall, on grounds only of: religion, race, caste, sex, descent, place of birth, residence, or any of them, be ineligible for, or discriminated against in respect of, any employment or office under the State.

Exceptions:-

- Nothing in this article shall prevent Parliament from making any law prescribing, in regard to a class or classes of employment or appointment to an office under the Government of, or any local or other authority within, a State or Union territory, any requirement as to residence within that State or Union territory prior to such employment or appointment.
- Nothing in this article shall prevent the State from making any provision for the reservation of appointments or posts in favour of any backward class of citizens which, in the opinion of the State, is not adequately represented in the services under the State.
- Nothing in this article shall prevent the State from making any provision for reservation in matters of promotion, with consequential seniority, to any class or classes of posts in the services under the State in favour of the Scheduled Castes and the Scheduled Tribes which, in the opinion of the State, are not adequately represented in the services under the State.
- Nothing in this article shall affect the operation of any law which provides that the incumbent of an office in connection with the affairs of any religious or denominational institution or any member of the governing body thereof shall be a person professing a particular religion or belonging to a particular denomination.

Abolition of Untouchability "Untouchability" is abolished and its practice in any form is forbidden. The enforcement of any disability arising out of "untouchability" shall be an offence punishable in accordance with law. However, the term "Untouchability" is not defined under the Constitution. However, it refers to social disabilities imposed on certain class of person by reason of their birth in certain caste. However, it does not cover social boycott of a few individuals.

Abolition of Titles:

- No title, not being a military or academic distinction, shall be conferred by the State.
- No citizen of India shall accept any title from any foreign State.
- No person who is not a citizen of India shall, while he holds any office of profit or trust under the State, except without the consent of the President any title from any foreign State.
- No person holding any office of profit or trust under the State shall, without the consent of the President, accept any present, emolument, or office of any kind from or under any foreign State.

Article 17: abolishes the practice of untouchability in any form, making it an offense punishable by law.

Article 18: prohibits the State from conferring any titles other than military or academic distinctions, and the citizens of India cannot accept titles from a foreign state. Thus, Indian aristocratic titles and title of nobility conferred by the British have been abolished. However, military and academic distinctions can be conferred on the citizens of India.

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CHAPTER 2: INDIAN CONTRACTS ACT, 1872

A

LDR Questions	Q 4, Q 7, Q 12, Q 14, Q 18, Q 25, Q 27 MCQ- 6, 24, 30, 33, 35, 44, 61, 65, 69, 76

QUICK REVIEW OF IMPORTANT CONCEPTS

ESSENTIAL ELEMENTS OF A CONTRACT, OFFER AND ACCEPTANCE

Contracts

- Present In Daily Life (Buying Goods, Tickets, Online Orders).
- Define Rights & Duties of Parties; Breach Lead to Dispute Resolution.
- Governed By Indian Contract Act, 1872.
- Contract = Agreement Enforceable by Law (Sec 2h).

Agreement Vs Contract

- Agreement: Promise Between Parties.
- Void Contract: Not Enforceable.
- Contract: Agreement + Legal Enforceability.

Offer (Sec 2a)

- Proposal Showing Willingness to Enter Contract.
- Types: Specific Offer and General Offer.
- Must Be Clear, Definite, Communicated.
- Can Be Revoked Before Acceptance Is Complete.

Acceptance

- Assent To Offer; Must Be Absolute & Unqualified.
- Silence ≠ Acceptance.
- Can Be Oral/Written/Express/Implied.
- Can Be Revoked Before Communication Is Complete.

Essentials of A Valid Contract

1. Offer & Acceptance: Clear Proposal and Absolute Acceptance.
2. Intention To Create Legal Relations: Parties Must Intend Legal Binding.
3. Lawful Consideration: Something Valuable Exchanged.
4. Competent Parties: Major, Sound Mind, Not Disqualified by Law.
5. Free Consent: No Coercion, Fraud, Misrepresentation, Undue Influence, Mistake.
6. Lawful Object: Purpose Must Be Legal and Not Against Public Policy.
7. Certainty Of Terms: Terms Must Be Clear and Definite.
8. Possibility Of Performance: Contract Must Be Capable of Being Performed.
9. Not Expressly Void: Must Not Fall Under Void Agreements.

VOID AND VOIDABLE AGREEMENTS

Void Agreement (Sec 2g)

- Agreement Not Enforceable by Law.
- Main Types:
  - Unlawful Consideration/Object (Sec 24)
  - Restraint Of Marriage (Sec 26)
  - Restraint Of Legal Proceedings (Sec 28)
  - Wagering Agreements (Sec 30)
  - Without Consideration (Sec 25, With Few Exceptions)
  - Restraint Of Trade (Sec 27)
  - Uncertain Agreements (Sec 29)

Agreement Without Consideration (Sec 25) — Exceptions

- Written & Registered Due To Natural Love/Affection.
- Promise To Compensate Past Voluntary Act.
- Written Promise to Pay Time-Barred Debt.

Voidable Contract (Sec 2i)

- Enforceable At the Option of One Party Only.

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Key Void Agreements Explained

- Restraint Of Marriage: Restricting Marriage Is Void.
- Restraint Of Trade: Restricting Lawful Business Is Void (Except Sale of Goodwill).
- Restraint Of Legal Proceedings: Cannot Restrict Right to Go to Court (Except Arbitration).
- Uncertainty: Vague Agreements Void.
- Wagering: Betting Agreements Not Enforceable.

CONSIDERATION

- Consideration = Something Done, Promised, Or Abstained in Return far A Promise (Sec 2d).

Essential For a Valid Contract.

- Must Be at the Desire of the Promisor.
- Must Have Value; Can Be Act, Abstinence, Or Promise.
- Need Not Be Adequate but Must Be Real and Lawful.
- May Move From Promisee or Any Other Person.
- Can Be Past, Present, Or Future.

Rule: No Consideration = No Contract.

Exceptions (Sec 25)

- Natural Love & Affection (Written & Registered).
- Promise To Pay Time-Barred Debt.
- Compensation For Past Voluntary Act.
- Gifts, Agency, Charitable Subscriptions.

Unlawful Consideration Makes the Agreement Void.

LEGALITY OF OBJECT

- Object = Purpose of the Contract.
- Agreement Valid Only If Object and Consideration Are Lawful.

Unlawful If:

- Forbidden By Law.
- Causes Injury to Person/Property.
- Defeats Provisions of Law.
- Immoral Or Against Public Policy.
- Fraudulent.

→ Such Agreements Are Void.

E-CONTRACTS - ESSENTIAL REQUIREMENTS FOR ENFORCEABILITY

Electronic, Paperless Contracts Formed Online Through Software/Email.

- Same Essentials as Normal Contracts: Offer, Acceptance, Lawful Consideration, Intention, Competent Parties, Free Consent, Lawful Object, Certainty & Possibility of Performance.

Features

- Fast, Accurate, Reliable.
- Digital Signatures Used Instead of Manual Signing.
- Governed By Information Technology Act, 2000.
- Click-Wrap/Email Agreements Valid and Enforceable If Contract Conditions Are Met.

CONSTRAINTS TO ENFORCE CONTRACTUAL OBLIGATIONS

Who Are Competent to Contract? (Sec 11)

- Person Must Be:
  1. Major (18+, Or 21 If Guardian Appointed)
  2. Of Sound Mind
  3. Not Disqualified By Law

Not Competent

- Minor → Agreement Void Ab Initio; Liable Only for Necessities; Cannot Ratify.
- Unsound Mind → Must Understand Contract & Judge Its Effects at Times Of Agreement.
- Disqualified Persons → Alien Enemy, Foreign Sovereign, Convicts, Insolvents, Companies Beyond Powers.

Free Consent (Sec 13–14)

- Consent = Agreement on Same Thinking Same Sense.
- Free When Not Caused By: Coercion, Undue Influence, Fraud, Misrepresentation OR Mistake

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Coercion (Sec 15)

- Threat Or Act Forbidden by IPC Or Unlawful Detention of Property.
- Includes Threat to Commit Suicide.
- Contract Voidable at Option of Aggrieved Party.

Undue Influence (Sec 16)

- One Party Dominates Will of Other and Gains Unfair Advantage.
- Presumed In Fiduciary Relations (Parent-Child, Doctor-Patient, Etc.).
- Contract Voidable (Sec 19A).

Fraud (Sec 17)

- Intentional False Statement or Concealment.
- Silence Amounts to Fraud When Duty to Speak Exists.
- Contract Voidable.

Misrepresentation (Sec 18)

- False Statement Made Innocently.
- Contract Voidable, Unless Truth Could Be Discovered by Due Diligence.

Mistake (Sec 20–22)

- Bilateral Mistake of Fact → Agreement Void.
- Unilateral Mistake → Generally Not Void.
- Mistake Of Indian Law → No Excuse; Foreign Law → Treated As Fact.

QUASI-CONTRACTS, CONTINGENT CONTRACTS, TERMINATION OR DISCHARGE OF CONTRACTS

Quasi-Contract

- Not A Real Contract; Created by Law to Prevent Unjust Enrichment.
- No Offer or Agreement, But Obligation Imposed.
- Examples: Supply Of Necessaries, Payment by Mistake, Finder of Goods, Quantum Meruit.

Contingent Contract (Sec 31)

- Contract Dependent on Happening/Non-Happening Of A Future Uncertain Event.
- Enforceable Only When Event Happens; Void If Event Becomes Impossible.

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Discharge Of Contract

Contract Ends When Rights and Duties Terminate. Modes:

1. Performance – Actual or Attempted.
2. Agreement – Novation, Alteration, Rescission, Remission, Waiver.
3. Lapse Of Time – Limitation Period Ends.
4. Operation Of Law – Death, Insolvency, Merger, Material Alteration.
5. Impossibility Of Performance – Act Becomes Impossible.
6. Breach – Failure to Perform Obligations.

Termination

- Contract Can Be Ended by Proper Notice to Other Party Within Reasonable Time.

ASSIGNMENT OF CONTRACTUAL RIGHTS AND OBLIGATIONS

Assignment: Transfer Of Contractual Rights/Liabilities to A Third Party; Assignee Can Enforce the Contract.
Sec 37: Parties Must Perform Promises Unless Excused or assigned.
Offer Of Performance (Sec 38): If Promisor Offers Proper Performance and It Is Refused, He Is Not Liable. Conditions: Unconditional, Proper Time/Place, Reasonable Opportunity to Check Performance.

REPRESENTATIONS AND WARRANTIES

Representation- Statement Of Fact Made to Induce a Party to Enter A Contract.

Misrepresentation (Sec 18)

- False Statement Believed to Be True.
- Breach Of Duty Misleading Another.
- Causing Mistake About Subject Matter.

Effect (Sec 19)

- Contract Voidable at Option of Aggrieved Party.
- Not Voidable If Truth Could Be Discovered with Reasonable Diligence.

Indemnity (Sec 124)

- Promise To Protect Another from Loss Caused by Promisor or Third Party.

Rights Of Indemnity-Holder (Sec 125)

- Can Recover Damages, Legal Costs, And Sums Paid in Settlement.

IMPOSSIBILITY AND FORCE MAJEURE

Sec 32 — Contingent Contracts

- Enforceable Only When the Uncertain Future Event Happens.
- If Event Becomes Impossible → Contract Void.

Sec 36

- Agreement Based on Impossible Event → Void from Start.

Sec 56 — Impossibility

- Agreement To Do Impossible Act → Void.
- If Act Becomes Impossible/Unlawful Later → Contract Void.
- Promisor Must Compensate If He Knew the Act Was Impossible.

Examples

- Marriage If Impossible Condition Fulfilled → Void.
- War, Death, Insanity Making Performance Impossible → Contract Void.

TERMINATION BY NOVATION

Novation, Rescission & Alteration (Sec 62) If Parties Substitute, Cancel, Or Change A Contract → Original Contract Need Not Be Performed.

Novation

- Old Contract Replaced by New One (May Involve New Parties).
- Old Obligations End.

Rescission

- Contract Cancelled by Mutual Consent or By Aggrieved Party.
- Benefits Received Must Be Returned (Sec 64).
- Rightful Rescission → Compensation Allowed (Sec 75).

Alteration

- Change In Terms of Contract with Consent of Parties.

Communication (Sec 66)

- Rescission Communicated Like Offer/Acceptance.

TENDER PROCEDURE OF GOVERNMENT CONTRACT

- Tender = Invitation to Offer; Bids Are Offers.
- Acceptance Of Bid → Contract Formed.

Tender Document: Specifications, Time, Conditions.
Govt Procurement: Guided by GFR 2017 → Transparency, Fairness, Competition, Reasonable Pricing.

SPECIAL CONTRACTS - INDEMNITY AND GUARANTEE; BAILMENT AND PLEDGE, LAWS OF AGENCY

1. Contract Of Indemnity (Sec 124–125)

- One Party (Indemnifier) Promises to Compensate Another (Indemnity Holder) For Loss Caused by HiorOr A Third Party.
- Can Be Express Or Implied.
- Indemnity Holder Can Recover Damages, Legal Costs, And Settlement Amounts From Indemnifier.

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2. Contract Of Guarantee (Sec 126–147)

- Surety Promises To Discharge Liability Of Principal Debtor If He Defaults.
- Three Parties: Creditor, Principal Debtor, Surety.
- Liability Of Surety Is Co-Extensive With Principal Debtor.
- Includes Continuing Guarantee, Revocation, Discharge, And Rights Of Surety (Subrogation, Securities, Indemnity).

3. Bailment (Sec 148 Onwards)

- Delivery Of Goods By Bailor To Bailee For A Specific Purpose, To Be Returned After Completion.
- Bailee Must Take Reasonable Care And Use Goods As Per Terms.
- Bailment Ends When Purpose Is Achieved, Time Expires, Or by Misuse/Death.

4. Pledge

- Bailment Of Goods As Security For Repayment of Debt Or Performance of Promise.
- Parties: Pawner And Pawnee.
- Pawnee Can Retain Goods, Claim Expenses, Or Sell Them On Default After Notice.

5. Agency (Sec 182 Onwards)

- Agent Acts On Behalf Of Principal In Dealings with Third Parties.
- Authority May Be Express Or Implied; Consideration Not Necessary.
- Agent Must Follow Instructions, Act With Skill And Honesty, And Maintain Accounts.
- Principal Must Indemnify Agent For Lawful Acts.
- Agency Terminates By Revocation, Completion Of Work, Death, Insanity, Or Insolvency.

Question & Answer

2.1 Essential Elements of a Contract, Offer and Acceptance

Question 1 **(MQP [1] 7 Marks Dec'24)**

X offered to sell his house to Y for ₹50,000. Y accepted the offer by E-mail. On the next day Y sent a fax revoking the acceptance which X reached X before the E-mail. Examine the validity of revocation. Inspect whether would it make any difference if both the E-mail of acceptance and the fax of revocation of acceptance reach X at the same time.

Answer 1

The problem is related with the communication and time of acceptance and its revocation. As per Section 4 of the Indian Contract Act, 1872, the communication of an acceptance is complete as against the acceptor when it comes to the knowledge of the proposer. An acceptance may be revoked at any time before the communication of the acceptance is complete as against the acceptor, but not afterward. Referring to the above provisions

(i) Yes, the revocation of acceptance by Y (the acceptor) is valid.

(ii) If X reads the Fax first, the acceptance stands revoked. If he opens the email first and reads it, revocation of acceptance is not possible as the contract has already been concluded.

Question 2 **(MQP [1] 10 Marks June'23)**

What are the essential elements of a contract?

Answer2

Essential Elements of a valid contract

Section 10 provides that all agreements are contracts if they are made by the free consent of parties, competent to contract, for a lawful consideration and with a lawful object, and are not otherwise expressly declared to be void.

The following are the elements for a valid contract

- There shall be an offer or proposal by one party and acceptance of the proposal by the other party which results in an agreement.
- There shall be an intention to create legal relations or intent to legal consequences.
- The agreement shall be supported by lawful consideration.

- The parties to the contract shall be competent to contract.
- There shall be free consent between the parties to the contract.
- The object and consideration of the contract shall be legal and the same shall not be opposed to public policy.
- The terms of the consent shall be certain.
- The agreement is capable of being performed and it is not impossible of being performed.

Examples:

1. A proposes, by letter, to sell a house to B at a certain price. B accepts A's proposal by a letter sent by post. The communication of the acceptance is complete, as against A when the letter is posted and as against B, when the letter is received by A.
2. R offers M his house for sale at Rs1 Crore on 5th July, 2022. M agrees to buy the same at the given time and price asked by R. Both R and M are 40 years old and are of sane mind.
   This is a contract as per Section 10 of the Indian Contract Act, 1872.

Question 3 **(SM, MQP[2] 7 Marks Dec'24)**

Analyze the conditions of enforceability of the standard form of contracts.

Answer 3

A standard form contract is a pre-drafted contract containing set terms and conditions, offered by one party on a "take it or leave it" basis, without negotiation or customization to the transaction or parties involved. They are also known as contracts of adhesion, signifying the weaker party simply adheres to the terms presented with little choice, or boilerplate contracts, containing standard boilerplate terms. Businesses use standard forms to maximize efficiency in mass contracting. However, they limit the free exercise of contracting powers and are prone to overreach.

Under section 10 of the Indian Contract Act, 1872, standard forms constitute valid contracts. The parties objectively manifest assent through signature or conduct. However, additional requirements may apply:

1. Reasonable notice of terms – Unexpected or surprising terms may be unenforceable if the adherent lacks reasonable notice.
2. Incorporation into contract – Terms must be incorporated into the contract rather than merely stated on an ancillary document like a receipt.
3. Absence of misrepresentation/fraud – If there is misrepresentation or fraud regarding the terms of the contract, this will vitiate consent and render the contract voidable at the instance of the affected party. This aligns with the Indian Contract Act, which makes a contract voidable if consent is obtained by misrepresentation or fraud (Section 19 and 17 of the Indian Contract Act).
4. Fundamental breach – Exclusion clauses cannot protect a party committing a fundamental breach. This means that if one party commits a major violation of the contract's terms, an exclusion clause (such as a clause that limits liability for breach) will not protect them.
5. Contra proferentem – The contra proferentem rule is applicable in interpreting ambiguous terms in a contract. This rule dictates that any ambiguity in the terms of a contract will be interpreted against the party that drafted the contract, typically the proferens (the offeror).
6. Contemporaneous notice – Notice of terms must be given at the time of contract formation.

These requirements flowing from fairness and public policy principles can limit oppressive terms in standard form contracts under Indian law.

Question 4 **(MQP [2] 7 Marks Dec'23)** LDR

Analyze the legal provisions relating to competence of parties to enter into a valid contract under "The Indian Contract Act 1872".

Answer 4

The law of Contract in India is contained in the Indian Contract Act,1872 and it is mainly based on English common law consisting of judicial precedents. The Act ensures that the rights and obligations arising out of the contract are honoured and the promises are kept. It provides for the appropriate legal remedies to the aggrieved party in case of breach of the contract.

(i) Proposal (Section 2 (a)): When one person signifies to another his willingness to do or to abstain from doing anything to obtain the assent of that other to such act or abstinence, he is said to make a proposal

(ii) (ii) Agreement (Section 2(e)): Every promise and every set of promises forming consideration for each other is called an agreement

(iii) Contract (Section 2(h)) →An agreement enforceable by Law[iii]: Offer + Acceptance = Promise Promise + consideration = agreement Agreement + enforceability = Contract.

Every contract is an agreement, but every agreement is not a contract. An agreement becomes a contract when the essentials mentioned in Section 10 and other sections of the Indian Contract Act,1872 are fulfilled, as then only an agreement becomes enforceable by law and the law will protect the parties to the contract against any breach of the terms and conditions of such contract.

Essentials of a valid contract

Section 10 of the Act lays down the following essentials which are required to make an agreement into a valid contract.

1. They are made with free consent
2. Made between two or more competent parties.
3. Made for lawful consideration.
4. Made with a lawful object.
5. Not expressly declared to be void.

Some other essentials of a valid contract are:

1. **Offer and acceptance: -** The first essential for creating a contract is an offer. The person making the proposal is called an offeror or promisor and the person accepting the offer is called the offeree or promisee.
   - **Essentials of a valid offer:**
     - ➤ An offeror expresses his willingness to do or abstain from doing with a view to obtain the assent of the offeree
     - ➤ Intention to create a legal relation.
     - ➤ A valid offer could be in expressed form i.e in words either written or spoken or implied form i.e by conduct.
     - ➤ The terms of the offer must be certain and not ambiguous.
     - ➤ The offer must be clearly communicated to the other party
     - ➤ When the proposal is accepted by the offeree it results in an agreement. Acceptance is the assent given to the proposal.
   - **Essentials of a valid acceptance: -**
     - ➤ The acceptance must be communicated to the offeror by the offeree - Communication of acceptance by post, Communication of acceptance by telephone
   - The acceptance must be unconditional and absolute

The contract is completed when the offeror had heard the acceptance at his end rather than when the acceptor has spoken the words of acceptance unlike the case when the letter of acceptance is posted and it gets completed the moment it is posted.

2. **Intention to create a legal obligation:** - Agreements made by the parties without an intention to create a legal obligation are not enforceable by law. The law presumes that the parties in case of domestic and social agreements do not have an intention to create a legal obligation.
3. **The terms contained in an agreement must not be vague or uncertain:** - Lawful Consideration, Lawful Object, Free consent, Two or more competent parties, Terms of the agreement must be certain.
4. **The agreement must be capable of performance:** - According to Section 56 of the Contract Act, any agreement made to do an impossible or unlawful act is itself a void agreement.
   When a contract is made and afterward, it becomes impossible or unlawful to perform due to some reason which the promisor could not prevent, the contract becomes void. Here, the section provides for the subsequent or supervening impossibility which made the performance of the contract impossible. This is also known as the Doctrine of frustration.
5. **Other legal formalities:** - A contract can be in written form or can be entered orally. In certain cases, it is given under the Act that the contract must be in writing, registered or there must be witnesses, etc. All these legal formalities also decide the validity of a contract.

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CHAPTER 7: FACTORIES ACT, 1948

C

LDR Questions	Q 1, Q 2 MCQ - 2, 8, 16, 20

QUICK REVIEW OF IMPORTANT CONCEPTS

Purpose: - A social welfare law enacted to protect factory workers and ensure proper health, safety, welfare and working conditions.

Applicability:

Applies across India to factories where:

- 10+ workers work with power, or
- 20+ workers work without power.

Important definitions:

- Factory: Place where manufacturing process is carried out.
- Worker: Any person employed in manufacturing or related work, with or without wages.
- Manufacturing process: Includes making, repairing, packing, cleaning, power generation, etc.
- Occupier: Person having ultimate control over factory operations.

Main objectives:

- Protect workers from exploitation
- Provide welfare facilities
- Ensure safe working environment
- Regulate working hours and employment conditions

Health provisions-Factories must maintain cleanliness, proper ventilation, safe temperature, lighting, drinking water, sanitation and waste disposal.

Safety provisions - Measures for machinery safety, fire prevention, protection from hazardous substances, dangerous fumes and accidents.

Welfare measures - Facilities like washing areas, seating, first aid, canteen (if 250+ workers), rest rooms (150+ workers), crèche (30+ women workers), and welfare officers (500+ workers).

Working hours:

- Maximum 9 hours per day and 48 hours per week
- Overtime allowed with double wages
- Rest interval compulsory

Women and young persons:

- No child below 14 years allowed to work
- Women's working hours regulated for safety
- Adolescents need fitness certificate

Leave provisions: -Workers completing 240 days in a year get annual leave with wages.

Duties of occupier:- Ensure health, safety, welfare, maintain records, and comply with legal requirements.

Penalties: - Violation of the Act may lead to fines, imprisonment, or both for the occupier/manager.

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Question & Answers

Question 1 **(MQP[1] 7 Marks June'24, MQP[2] 7 Marks June'25, PYP 7 Marks Dec'19)** LDR

"Chapter V provides the welfare measures to be taken in a factory"-examine the measures prescribed in the Factory's Act 1948 to be provided by the factory to their workmen.

Answer 1

Chapter V provides the welfare measures to be taken in a factory for the workmen employed in the factory.
The following are the welfare measures prescribed in the Act to be provided by the factory to their workmen-

- washing facilities;
- facilities for storing and drying clothing;
- facilities for sitting;
- first aid appliances;
- canteens;
- shelters, rest rooms and lunch rooms;
- creches;
- appointment of welfare officers.

→ **Washing facilities:**

Section 42 provides that in every factory adequate and suitable facilities for washing shall be provided and maintained for the use of the workers. Separate and adequately screened facilities shall be provided for the use of male and female workers. The washing facility shall be conveniently accessible and shall be kept clean.

→ **Facilities for storing and drying clothing:**

Section 43 provides that the State Government may, in respect of any factory or class or description of factories, make rules requiring the provision therein of suitable places for keeping clothing not worn during working hours and for the drying of wet clothing.

→ **Facilities for sitting:**

Section 44 provides that suitable arrangements for sitting shall be provided and maintained for all workers obliged to work in a standing position, in order that they make take advantage of any opportunities for rest which may occur in the course of their work.

→ **First aid appliances:**

Section 45 provides that first aid appliances shall be provided and maintained so as to be readily accessible during all working hours or cupboards equipped with the prescribed contents and the number of such boxes or cupboards to be provided and maintained shall not be less than for every 150 workers at any one time in the factory. Each first aid box or cupboard shall be kept in charge of a separate reasonable person who holds a certificate in the first aid treatment recognized by the State Government and he should always be readily available during the working hours of the factory. I n a factory where more than 500 workers are employed an ambulance of the prescribed size containing the prescribed equipment, nursing staff etc., shall be provided and made readily available at all times.

→ **Canteens:**

Section 46 provides that if more than 250 workers are employed in a factory a canteen or canteens shall be provided and maintained by the occupier for the user of the workers. The items of expenditure in the running of the canteen which are not to be taken into account in fixing the cost of foodstuffs shall be borne by the employer.

→ **Shelters, rest rooms and lunch rooms:**

Section 47 provides that if more than 150 workers are employed adequate and suitable shelters or rest rooms and a suitable lunch room with provision for drinking water shall be provided and maintained for the use of the workers. The same shall be sufficiently lighted and ventilated and shall be maintained in a cool and clean condition.

→ **Creches:**

Section 48 provides that if more than 30 women workers are employed there shall be provided and maintained a suitable room for the use of children under the age of 6 years of such women. The same shall be adequately ventilated and shall be maintained in clear and sanitary conditions and under the charge of women trained in the care of children and infants.

→ **Welfare Officers:**

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