

# Referencer for Quick Revision



## Foundation Course Paper-2: Business Laws & Business Correspondence and Reporting

A compendium of subject-wise capsules published in the  
monthly journal "The Chartered Accountant Student"



**Board of Studies  
(Academic)  
ICAI**

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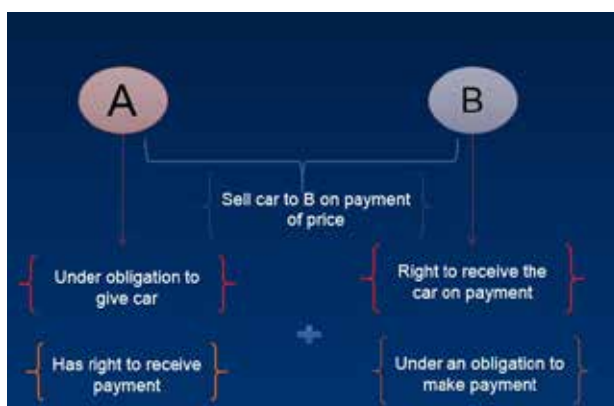
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## PAPER 2(SECTION A): BUSINESS LAWS

This capsule on Paper 2-Section A: Business Laws at Foundation, have been dealt with important concepts related to the formation of the valid contract under the Indian Contract Act, 1872. In this capsule, we have touched upon significant concepts that are required for making valid contract and the related concepts supported with relevant case laws to have conceptual understanding of the subject. This chapter is important from examination perspective as its form base for the understanding of the nature of the contract which constitutes unit 1 of Chapter 1 of the said paper in the Foundation course. Considering this capsule as summarised version of the unit 1 of chapter 1 will certainly benefit the students to recapitulate the important points while studying the subject.

### CONCEPTS RELATED TO ENTERING OF CONTRACT UNDER THE INDIAN CONTRACT ACT, 1872

#### I. Nature of Contract



The above situation talks about formation of an agreement. An agreement is the result of a proposal by one party and its acceptance by another with the consideration forming the foundation of any contract. Therefore, such an offer and its acceptance gives rise to right & obligation against each other.

An Agreement in order to be a Contract, must satisfy the conditions as specified under section 10 of the Indian Contract Act, 1872.

#### Requirement for an agreement to be a contract

- made by the free consent
- between parties competent to contract,
- for a lawful consideration and with a lawful object, and
- are not hereby expressly declared to be void

Since section 10 is not complete and exhaustive, so there are certain others sections which also contains requirements for an agreement to be enforceable.

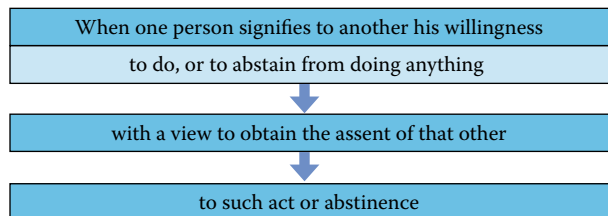
#### Not given by Section 10 but are also considered essentials of valid contracts

- Two parties
- Intention to create legal relationship
- Fulfillment of legal formalities
- Certainty of meaning
- Possibility of performance

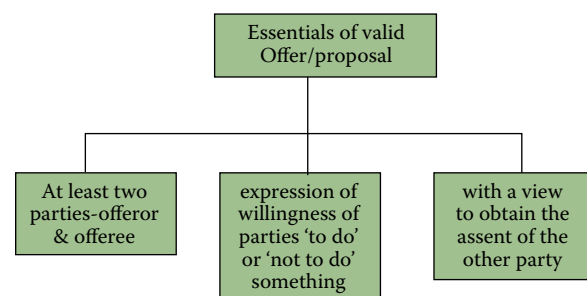
#### (1) Meaning of offer/proposal

As offer is the starting point in the making of an agreement. An offer is also called as proposal. Thus, for a valid offer, the party making it must express his willingness 'to do' or 'not to do' something.

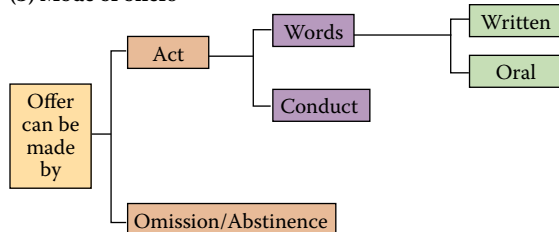
Law defines the term offer/proposal as –



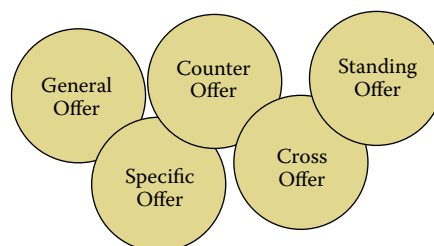
#### (2) Essentials of the offer/proposal:



#### (3) Mode of offers



#### (4) Classification of Offer



#### General offer

offer made to public at large and anyone can accept by performing the desired act

#### Special/specific offer

offer made to a specific / ascertained person, & can be accepted only by that specified person

#### Cross offer

2 parties exchange identical offers in ignorance of each other's offer at the same time. It is not binding

#### Counter offer

offeree offers to qualified acceptance of the offer subject to modifications and variations in the terms of original offer. Counter-offer amounts to rejection of the original offer

#### Standing / continuing / open offer

An offer of continuous nature which remains open for acceptance over a period of time

#### Important case laws

Name of the case laws	Facts of the case	Decision
<b>Carlill Vs. Carbolic Smoke Ball Co.</b>	In this famous case, Carbolic smoke Ball Co. advertised in several newspapers that a reward of £100 would be given to any person who contracted influenza after using the smoke balls produced by the Carbolic Smoke Ball Company according to printed directions. One lady, Mrs. Carlill, used the smoke balls as per the directions of company and even then suffered from influenza.	Held, she could recover the amount as by using the smoke balls she had accepted the offer. In terms of Sec. 8 of the Indian Contract Act, anyone performing the conditions of the offer can be considered to have accepted the offer. Until the general offer is retracted or withdrawn, it can be accepted by anyone at any time as it is a continuing offer.
<b>Lalman Shukla Vs. Gauri Dutt</b>	Gauri Dutt sent his servant Lalman to trace his missing nephew. He then announced that anybody who traced his nephew would be entitled to a certain reward. Lalman traced the boy in ignorance of this announcement. Subsequently when he came to know of the reward, he claimed it.	Held, he was not entitled to the reward, as he did not know the offer. Section 4 of the Indian Contract Act states that the communication of a proposal is complete when it comes to the knowledge of the person to whom it is made.  In Lalman case, the defendant's nephew absconded from home. The plaintiff who was defendant's servant was sent to search for the missing boy.  After the plaintiff had left in search of the boy, the defendant announced a reward of Rs. 501 to anyone who might find out the boy. The plaintiff who was unaware of this reward, was successful in searching the boy.








Name of the case laws	Facts of the case	Decision
		When he came to know of the reward, which had been announced in his absence, he brought an action against the defendant to claim this reward. It was held that since the plaintiff was ignorant of the offer of reward, his act of bringing the lost boy did not amount to the acceptance of the offer and therefore he was not entitled to claim the reward.
<b>Boulton Vs. Jones</b>	Boulton had taken over the business of one Brocklehurst, with whom Jones had previous dealings. Jones sent an order for goods to Brocklehurst, which Boulton supplied without informing Jones that the business had changed hands. When Jones found out that the goods had not come from Brocklehurst, he refused to pay for them and was sued by Boulton for the price.	<b>Held:</b> Jones is not liable to pay for the good. It is a rule of law that offer made to a specific / ascertained person can be accepted only by that specified person.

#### (5) Difference between Offer and Invitation to Offer, and Invitation to Treat

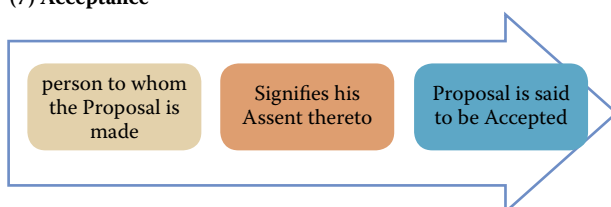
Case laws	Facts of the case	Decision
<b>Harvey Vs. Face</b>	In this case, Privy Council briefly explained the distinction between an offer and an invitation to offer. In the given case, the plaintiffs through a telegram asked the defendants two questions namely, (i) Will you sell us Bumper Hall Pen? and (ii) Telegraph lowest cash price. The defendants replied through telegram that the "lowest price for Bumper Hall Pen is £900". The plaintiffs sent another telegram stating "we agree to buy Bumper Hall Pen at £900". However, the defendants refused to sell the property at the price. The plaintiffs sued the defendants contending that they had made an offer to sell the property at £900 and therefore they are bound by the offer.	Held that the mere statement of the lowest price at which the vendor would sell contained no implied contract to sell to the person who had enquired about the price.

Case laws	Facts of the case	Decision
<b>Mac Pherson Vs. Appanna</b>	The owner of the property had said that he would not accept less than ₹ 6000/- for it.	It was held that this statement did not indicate any offer but indicated only an invitation to offer.
<b>Harris Vs. Nickerson</b>	An auctioneer advertised in a newspaper that a sale of office furniture will be held on a particular day. Plaintiff (Harris) with the intention to buy furniture came from a distant place for auction but the auction was cancelled.	It was held that plaintiff cannot file a suit against the auctioneer for his loss of time and expenses because the advertisement was merely a declaration of intention to hold auction and not an offer to sell. The auctioneer (Nickerson) does not contract with any one who attends the sale. The auction is only an advertisement to sell but the items are not put for sale though persons who have come to the auction may have the intention to purchase.
<b>Pharmaceutical Society of Great Britain Vs. Boots Cash Chemists Ltd</b>	The goods were displayed in the shop for sale with price tags attached on each article and self-service system was there. One customer selected the goods but the owner refused to sell.	In this case, it was held that display of goods alongwith price tags merely amounts to invitation to treat and therefore if an intending buyer is willing to purchase the goods at a price mentioned on the tag, he makes an offer to buy the goods. Thus, the shopkeeper has the right to accept or reject the same. The contract would arise only when the offer is accepted. Hence there was no contract and customer had no rights to sue the owner.

## (6) Rules as to Valid Offer

-  Intention to create Legal Relationship
-  Certain, Definite and not Vague.
-  Expressed or Implied
-  Different from an Invitation to Offer
-  Offer must be communicated
-  Offer may be conditional.
-  No term of the non compliance amounting to Acceptance

## (7) Acceptance



## (8) Acceptance of an offer

General Rule- Offer can be Accepted only by the person or persons to whom it is made

Specific Offer-accepted only by that definite person or particular group of persons to whom it has been made

General Offer-Accepted by any person by complying with the terms of the Offer

## (9) Legal rules for a valid acceptance

Absolute and Unqualified

Communicated to Offeror

Prescribed Mode

Time limit

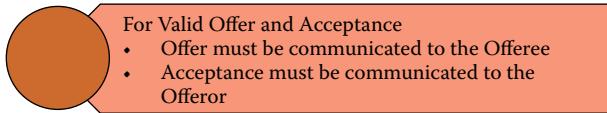
Before the lapse of Offer

## Relevant Case laws

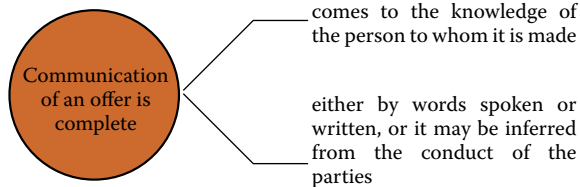
Case laws	Facts	Decision
<b>Felthouse Vs. Bindley</b>	F offered by letter to buy a nephews horse, saying, "If I hear no more about it, I shall consider the horse mine." The nephew did not reply but he told an auctioneer not to sell that particular horse as he had sold it to his uncle. By mistake, the auctioneer sold the horse. F sued for conversion against his nephew.	Held, F could not succeed as his nephew had not communicated acceptance and there was no contract.
<b>Carlill Vs. Carbolic &amp; Smoke Balls Co.</b>	In this famous case Carbolic smoke Ball Co. advertised in several newspapers that a reward of £100 would be given to any person who contracted influenza after using the smoke balls produced by the Carbolic Smoke Company according to printed directions. One lady, Mrs. Carlill, used the smoke balls as per the directions of company and even then suffered from influenza. Here company took the defend that there was no communication of acceptance of an offer by Mrs. Carlill and so there was no contract between them.	In case of a general offer, it is not necessary to communicate the acceptance if it is made by acting upon the terms of the offer.
<b>Neale Vs. Merret</b>	M offered to sell his land to N for £280. N replied purporting to accept the offer but enclosed a cheque for £ 80 only. He promised to pay the balance of £ 200 by monthly installments of £ 50 each.	It was held that N could not enforce his acceptance because it was not an unqualified one

Case laws	Facts	Decision
<b>Brogden vs. Metropolitan Railway Co.</b>	Brogden a supplier, sent a draft agreement relating to the supply of coal to the manager of railway Co. viz, Metropolitan railway for his acceptance. The manager wrote the word "Approved" on the same and put the draft agreement in the drawer of the table Intending to send it to the company's solicitors for a formal contract to be drawn up. By an oversight the draft agreement remained in drawer.	Held, that there was no contract as the manager had not communicated his acceptance to the supplier, Brogden.

## (10) Rules for Communication of Offer and Acceptance



## (11) When communication of offer is complete?



## Relevant Case laws

Case laws	Facts	Decision
<b>Lilly White Vs. Mannuswamy</b>	Plaintiff delivered some clothes to drycleaner for which she received a laundry receipt containing a condition that in case of loss, customer would be entitled to claim 15% of the market price of value of the article, Plaintiff lost her new saree.	Held, the terms were unreasonable and Plaintiff was entitled to recover full value of the saree from the drycleaner. The receipt carries special conditions and are to be treated as having been duly communicated to the customer and therein a tacit acceptance of these conditions is implied by the customer's acceptance of the receipt

## (12) When is communication of acceptance complete?

As against the Proposer-  
when put in course of transmission to the Proposer

As against the Acceptor  
when it comes to the knowledge of the Proposer

## (13) Communication of acceptance by post

As against the Proposer-	As against the Acceptor
when the letter of acceptance is posted	when the letter reaches the proposer

## (14) Acceptance over telephone or telex or fax

Offer is made by instantaneous communication- Contract is completed	
When the Acceptance is received by the Offeror,	The Contract is made at the place where the Acceptance is received

## (15) When revocation of offer and acceptance is complete

as against the person who makes it-	• when it is put into a course of transmission
as against the person to whom it is made-	• when it comes to his knowledge.

## (16) When a Proposal and Acceptance can be revoked?

### Proposal

may be revoked at any time before the communication of its acceptance is complete as against the proposer

### Acceptance

may be revoked at any time before the communication of the acceptance is complete as against the acceptor

## (17) Modes of revocation of offer by

Notice of Revocation	Lapse of specified or reasonable time	Death or Insanity of the parties	Non fulfilment of Conditions of Offer	Counter Offer
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## PAPER 2(SECTION A): BUSINESS LAWS

"This capsule on Paper 2(Section A): Business Laws at the Foundation Level, is in continuation to previous issue of July month of the Student Journal. In that issue, we have covered important concepts related to "Offer and Acceptance". In this issue, we are covering other important requirements necessitated for the formation of valid contract under the Indian Contract Act, 1872. These concepts in summarized forms with supported case laws, will help students to recapitulate important points while revision of the subject."

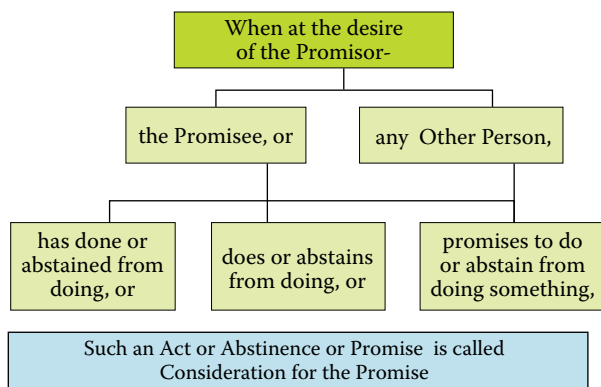
### CONCEPTS RELATED TO THE ENTERING OF CONTRACT UNDER THE INDIAN CONTRACT ACT, 1872

#### I. Consideration

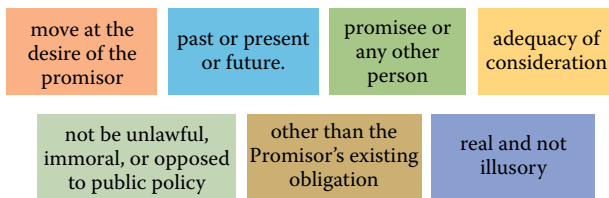
##### (1) Importance of consideration



##### (2) Meaning of consideration



##### (3) Requirements of valid consideration

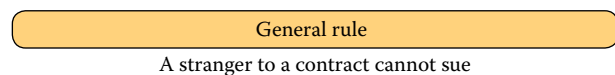


##### Relevant Case Law

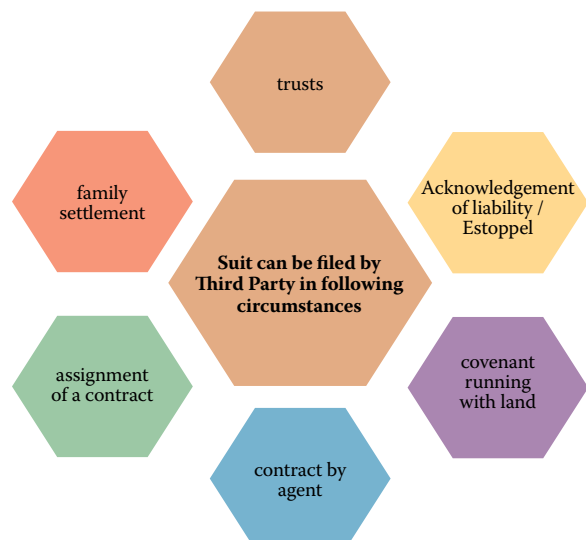
Caselaws	Facts	Decision
<b>Durga Prasad v. Baldeo</b>	D (defendant) promised to pay to P (plaintiff) a certain commission on articles which would be sold through their agency in a market. Market was constructed by P at the desire of the C (Collector), and not at the desire of the D (Promisor)	D was not bound to pay commission as it was without consideration and hence void.

Caselaws	Facts	Decision
<b>Chinnayya vs. Ramayya</b>	An old lady made a gift of her property to her daughter with a direction to pay a certain sum of money to the maternal uncle by way of annuity. On the same day, the daughter executed a writing in favour of the maternal uncle and agreeing to pay him annuity. The daughter did not, however, pay the annuity and the uncle sued to recover it.	It was held that there was sufficient consideration for the uncle to recover the money from the daughter.

##### (4) Suit by a Third Party on an Agreement (Doctrine of Privity of Contract)

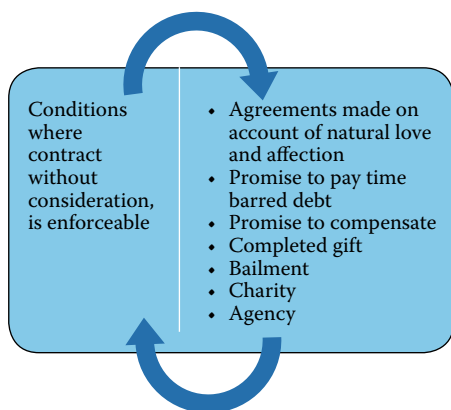


##### Exceptions to the said rule



# BUSINESS LAWS ||

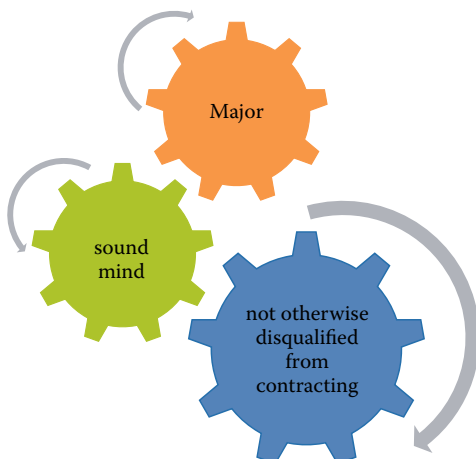
## (5) Contracts without consideration



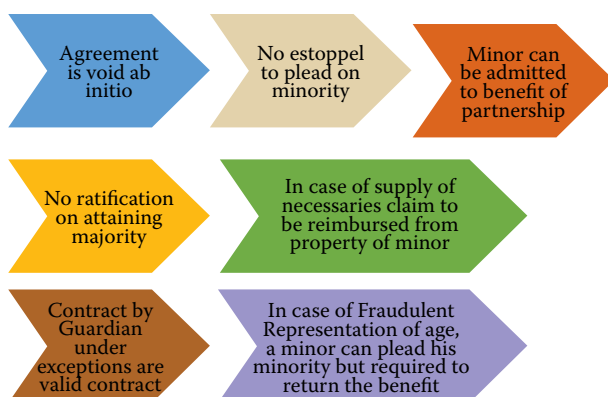
**Relevant CaseLaw:** In *Kedarnath Vs. Gorie Mohammad*, it was held that if a promisee undertakes the liability on the promise of the person to contribute to charity, there the contract shall be valid.

## II. Competency of parties

### (1) Persons eligible to make a contract

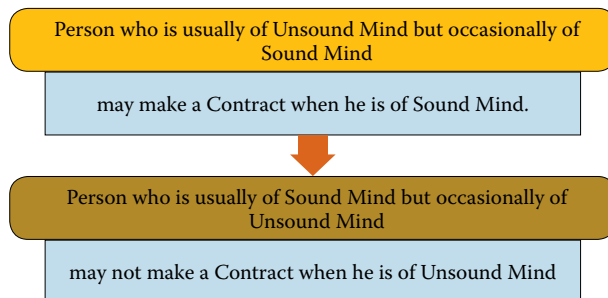


### (2) Law relating to Minor's agreement/ Position of minor



Case Law	Facts	Decision
<b>Mohori Bibi vs. Dharmo Das Ghose</b>	A, a minor borrowed ₹20,000 from B and as a security for the same executed a mortgage in his favour. He became a major a few months later and filed a suit for the declaration that the mortgage executed by him during his minority was void and should be cancelled.	It was held that a mortgage by a minor was void and B was not entitled to repayment of money.
<b>Sain Das vs. Ram Chand</b>	Where there was a joint purchase by two purchasers, one of them was a minor	It was held that the vendor could enforce the contract against the major purchaser and not the minor

### (3) Position of person of sound mind



### (4) Position of agreements with persons of unsound mind

While he is of Unsound Mind	While he is of sound mind
<ul style="list-style-type: none"> <li>• Cannot enter into any Contract</li> <li>• Contract entered during this period is altogether Void</li> <li>• Cannot be held Liable thereon</li> </ul>	<ul style="list-style-type: none"> <li>• Can enter into a valid contract</li> <li>• Liable for such contracts</li> </ul>

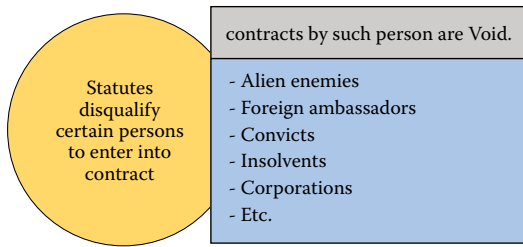
### (5) Positions of agreements in case of persons of permanently unsound mind (in case of Idiots)

A person who is permanently of unsound mind		
Cannot enter into any contract	Any agreement entered is altogether void	and not liable thereon

### (6) Positions of agreements in case of Drunken/Intoxicated person

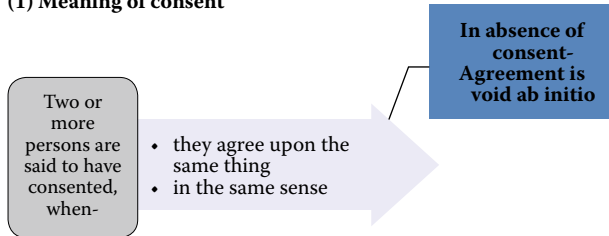
A Sane Person who is delirious from fever or who is so drunk cannot contract during such state because
<ul style="list-style-type: none"> <li>• cannot understand the terms of a contract,</li> <li>• cannot form a rational judgment as to its effect on his interest</li> </ul>

### (7) Persons disqualified by law

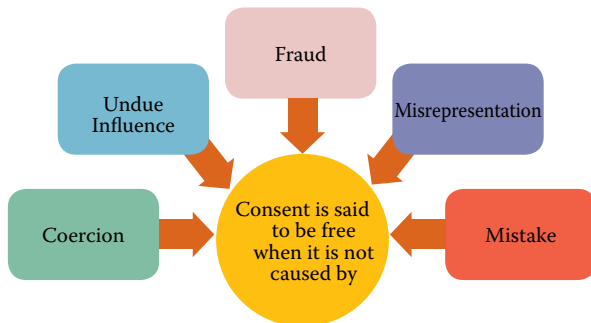


## III. Free Consent

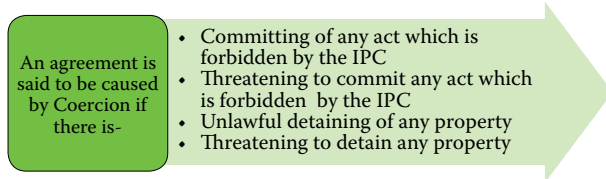
### (1) Meaning of consent



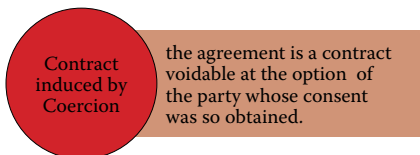
### (2) Free Consent



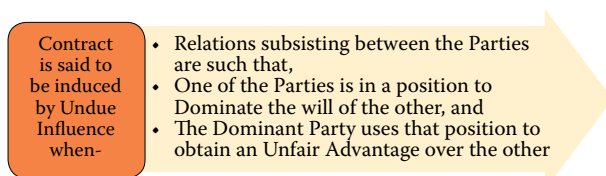
### (3) Agreement caused by coercion



### (4) Consequences of Coercion



### (5) Undue influence



### (6) Effect of undue influence

**when agreement caused by undue influence-**

- contract is voidable at the option of the party whose consent was obtained
- contract may be set aside

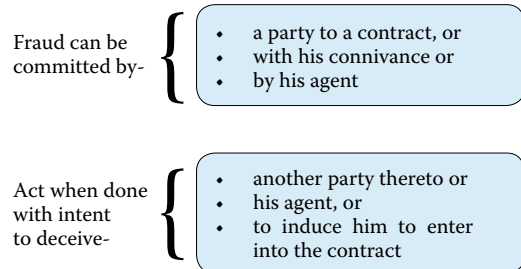
#### Relevant Case Law

In *Kirpa Ram vs. Sami-Ud-din Ad. Khan*, a youth of 18 years of age, spend thrift and a drunkard, borrowed Rs. 90,000 on a bond bearing compound interest at 2% per mensem (p.m.). It was held by the court that the transaction is unconscionable, the rate of interest charged being so exorbitant.

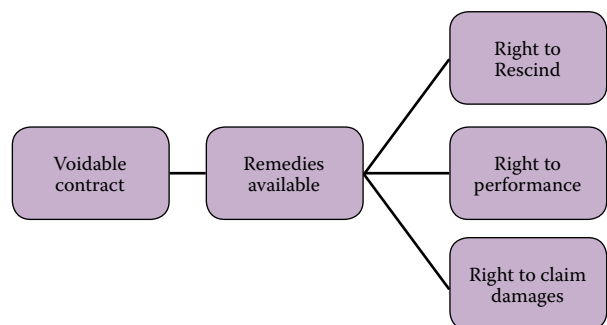
### (7) Fraud

Fraud includes any of the following acts-				
suggestion, as to a fact which is not true	active concealment of a fact	promise made without any intention of performing it	Any other act fitted to deceive	act or omission as to law specially declared to be fraudulent

### (8) By whom and when fraud is said to be exercised?



### (9) Effects of fraud



### (10) Does mere silence amount to fraud ?

**General Rule-** Mere silence as to facts,

- which is likely to affect the willingness of a person, to enter into a contract, **-is no fraud**

**Exceptions-** Mere silence as to facts,

- where it is the duty of a person to speak, or
- his silence is equivalent to speech, **-silence amounts to fraud**

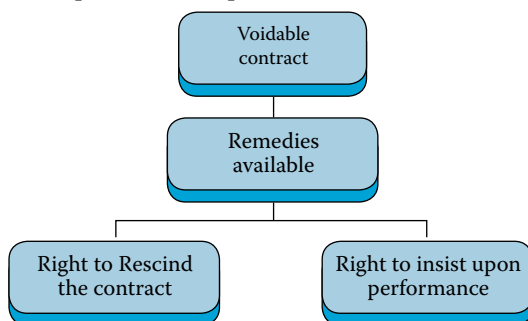
## Relevant Case Law

Caselaws	Facts	Decision
<b>Word vs. Hobbs</b>	H sold to W some pigs which were to his knowledge suffering from fever. The pigs were sold 'with all faults' and H did not disclose the fact of fever to W.	Held there was no fraud.
<b>Peek vs Gurney</b>	The prospectus issued by a company did not refer to the existence of a document disclosing liabilities. The impression thereby created was that the company was a prosperous one, which actually was not the case.	Held the suppression of truth amounted to fraud.
<b>Regier V. Campbell Staurt</b>	A broker was asked to buy shares for client. He sold his own shares without disclosing this fact.	Held that the client was entitled to avoid the contract or affirm it with a right to claim secret profit made by broker on the transaction since the relationship between the broker and the client was relationship of utmost good faith.

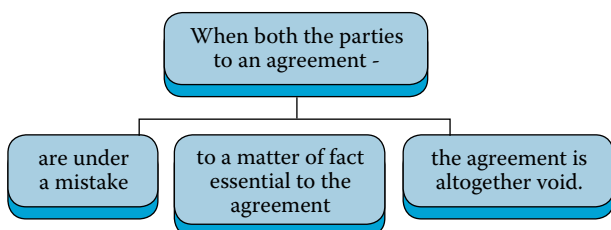
## (11) Misrepresentation

- When a person positively states that a fact is true when his information does not warrant it to be so
- When there is a breach of duty by a person without intention to deceive which brings an advantage to him, and loss to the other;
- When a party causes the other party to the agreement to make a mistake as to the subject matter.

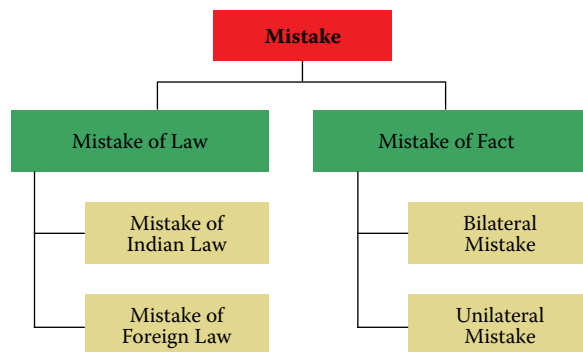
## (12) Consequences of misrepresentation



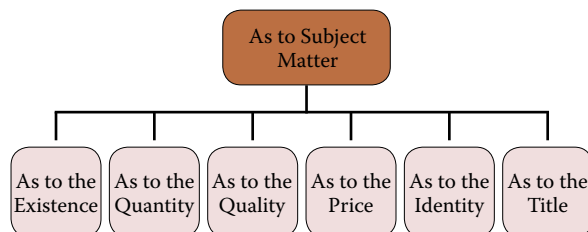
## (13) Mistake



## (14) Types of mistake



## (15) Bilateral Mistake



## (16) Unilateral Mistake

- Where only one party to the agreement is under a mistake { A Contract is not Voidable merely because it was caused by one of the parties to it being under a Mistake as to Matter of Fact.
- Exception, { The agreement is void where a unilateral mistake relates to the-
  - Identity of the person contracted with, or
  - Nature of the contract.

## (17) Effects of mistake

Nature of Mistake and the nature of Agreement	
In Bilateral Mistake -	The agreement is void.
In Unilateral Mistake -	<ul style="list-style-type: none"> <li>• The agreement is void.</li> <li>• The agreement is void.</li> <li>• The agreement is not void.</li> </ul>
• As to identity of the person contracted with	
• As to the nature of contract.	
• As to other matter.	

## (18) Remedies under mistake

Obligation of aggrieved party	He must restore any benefit received by him under the contract to the other party from whom the benefit had been received [Section 64].
Obligation of other party	The person to whom money has been paid or anything delivered by mistake must repay or return it. [Section 72]

**(19) Differences**

**Coercion and Undue influence**

Basis of difference	Coercion	Undue Influence
<b>Nature of action</b>	It involves the physical force or threat.	It involves moral or mental pressure.
<b>Involvement of criminal action</b>	It involves committing or threatening to commit any act forbidden by Indian Penal Code or detaining or threatening to detain property unlawfully.	No such illegal act is committed or a threat is given.
<b>Relationship between parties</b>	It is not necessary that there must be some sort of relationship between the parties.	Some sort of relationship between the parties is absolutely necessary.
<b>Exercised by whom</b>	Coercion need not proceed from the promisor nor need it be directed against the promisor. It can be used even by a stranger to the contract.	Undue influence is always exercised between parties to the contract.
<b>Enforceability</b>	The contract is voidable at the option of the party whose consent has been obtained by the coercion.	Where the consent is induced by undue influence, the contract is either voidable or the court may set aside or enforce it in a modified form.

**Fraud and misrepresentation**

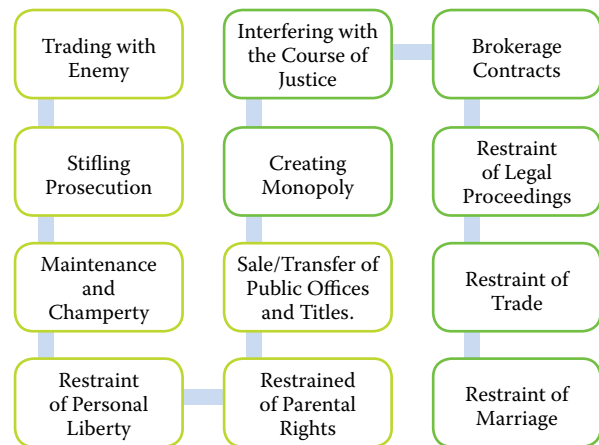
Basis of difference	Fraud	Misrepresentation
<b>Intention</b>	To deceive the other party by hiding the truth.	There is no such intention to deceive the other party.
<b>Knowledge of truth</b>	The person making the suggestion believes that the statement is untrue.	The person making the statement believes it to be true, although it is not true.
<b>Rescission of the contract and claim for damages</b>	The injured party can repudiate the contract and claim damages.	The injured party is entitled to repudiate the contract or sue for restitution but cannot claim the damages.
<b>Means discover to the truth</b>	The party using the fraudulent act cannot secure or protect himself by saying that the injured party had means to discover the truth.	Party can always plead that the injured party had the means to discover the truth.

**IV. Legality of Object and Consideration**

**(1) When there is an unlawful object & unlawful consideration in an agreement, its effect**

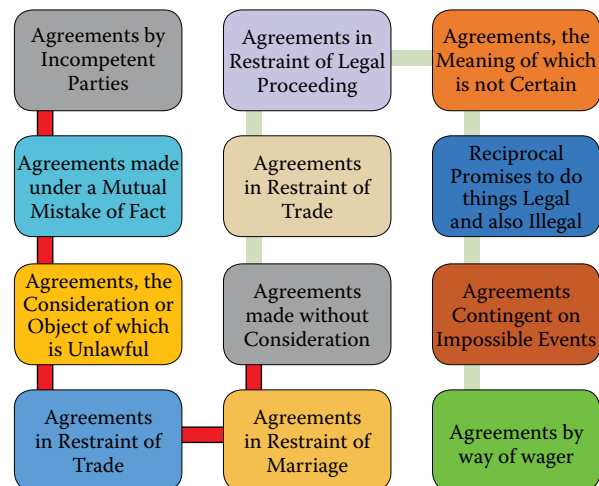
Consideration or Object of an agreement is unlawful, if-				
forbidden by law	defeats provision of any law	If it is fraudulent	involves or implies injury to a person or property of another	immoral or opposed to public policy
The Agreement is Void.	The agreement is void.	The agreement is void.	The agreement is void	The agreement is void.

**(2) Agreements against Public policy**

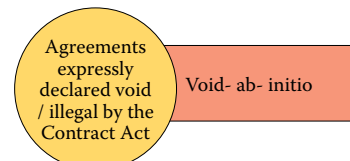


**V. Agreements which are expressly declared void**

**(1) Law declares following agreement to be either illegal or void**



**(2) Consequences of agreement expressly declared void**

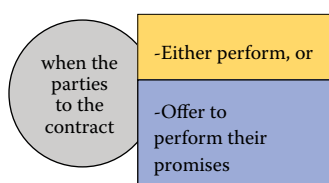


This Capsule deals with the significant concepts covered under units 4, 5 & 6 of Chapter 1 of the Study material of Foundation Paper 2 - Section A -Business Laws. It is in continuation to units 1, 2, & 3 of the chapter 1 published earlier in July 2020 and August 2020 edition of the Student Journal. This capsule itemize significant concepts related to "Performance and Breach of Contract", and "Special Contracts discussing Contingent and Quasi Contract under the Indian Contract Act, 1872. In order to have understanding of the related concepts, this capsule will help to revise and retain the important facet of the legal provisions.

### CONCEPTS RELATED TO PERFORMANCE AND BREACH OF CONTRACT AND SPECIAL CONTRACT UNDER THE INDIAN CONTRACT ACT, 1872

#### I. Performance of Contract

##### (1) Meaning of Performance



A contract is said to be performed

##### (2) Types of performance of the Contract

Actual performance	Attempted Performance
<ul style="list-style-type: none"> <li>Where a Promisor, made an offer of performance, to Promisee, and the offer has been accepted by the Promisee</li> </ul>	<ul style="list-style-type: none"> <li>Where a Promisor, made an offer, to the Promisee, and the offer has not been accepted by the Promisee</li> </ul>

##### (3) Effects of the performance of the contract

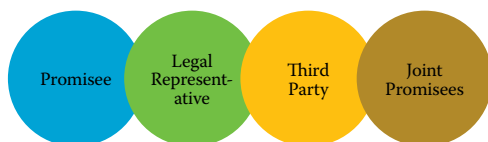
**Actual Performance**

- Liability of the Promisor comes to an end with the performance of the Act, and there remains nothing to be done by him

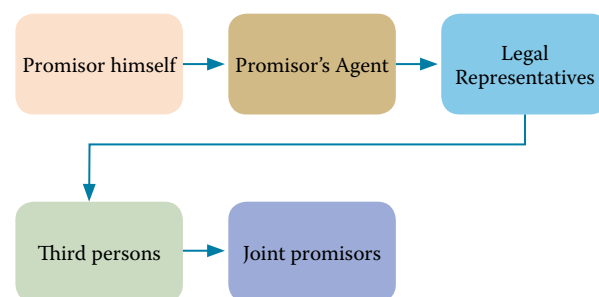
**Attempted Performance**

- the Promisor is not responsible for non-performance, and have right to claim.

##### (4) Who may demand performance of contract



##### (5) Who may perform the contract



##### (6) Liability of joint promisor

General rule-If two or more persons have made a joint promise, all of them must jointly fulfill the promise.

After death of any one of them-  
his legal representative jointly with the survivor/survivors

After the death of the last survivor-  
the legal representatives of all the original co-promisors

##### (7) Rules as to time and place for performance of the promise

Case where	Rule as to performance
Time not specified	Within the reasonable time
Time specified but promise is to be performed without promisee's application	During the usual business hours on that particular day
Time specified but promise is to be performed on promisee's application	The promisee must apply for performance at a proper place and within usual business hours
Place not specified	The promisor must apply to the promisee to appoint a reasonable place for the performance and to perform the promise at such place.
Manner for performance	The promise must be performed in the manner and at the time prescribed by the promisee.

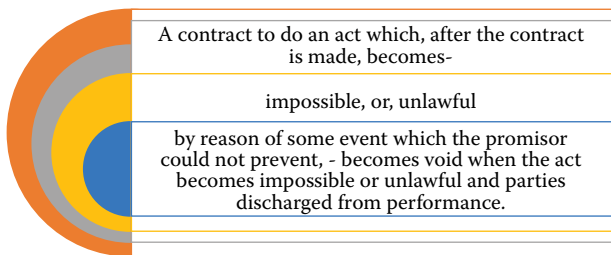
**(8) Is time an essence of Contract?**

Cases, where-	When time is essence of contract
Parties have Expressly agreed	Time is considered to be essence of Contract
Non-performance at the specified time results in an injury to the Party	Time is considered to be essence of Contract
Nature and necessity requires the performance of the Contract within the specified time	Time is considered to be essence of Contract

**(9) Consequences of Non-performance within the specified time**

Cases where time is essence of the contract	Cases where time is not essence of a contract
<ul style="list-style-type: none"> <li>Contract becomes Voidable at the option of the Promisee</li> <li>If performance beyond the specified time is accepted by the Promisee- The Promisee cannot claim compensation for any loss caused by non-performance at the agreed time, unless at the time of acceptance, he has given a notice to the Promisor of his intention to claim compensation.</li> </ul>	<ul style="list-style-type: none"> <li>Contract does not become voidable at the option of the Promisee</li> <li>The Promisee is entitled to claim compensation for any loss occasioned to him by non-performance of the promise at the agreed time.</li> </ul>

**(10) Impossibility of performance**



**(11) Impossibility existing at the time of contract or Initial Impossibility**

Case	Effects
If the impossibility is known to the parties	Such an agreement is void-ab-initio
If unknown to the parties	Such an agreement is void on the ground of mutual mistake
If known to the promisor only	Such promisor must compensate for any loss which such promisee sustains through the non performance of the promise.

**(12) Supervening impossibility**

Case	Effects
Where an act becomes impossible after the contract is made	The contract becomes void when the act becomes impossible.
Where an act becomes unlawful by reason of some event beyond the control of promisor	The contract becomes void when the act becomes unlawful.
Where the promisor alone knows about the impossibility	Promisor must compensate the promisee for any loss which might have suffered on account of non-performance of the promise.
Where an agreement is discovered to be void or where a contract becomes void	Any person who has received any benefit under such agreement or contract is bound to restore it or to make compensation to the person from whom he received it.

**(13) Discharge of a contract**

- Discharge by performance
- Discharge by mutual agreement
- Discharge by impossibility of performance
- Discharge by lapse of time
- Discharge by operation of law
- Discharge by breach of contract

**II. Breach of contract**

**(1) When breach of contract take place?**

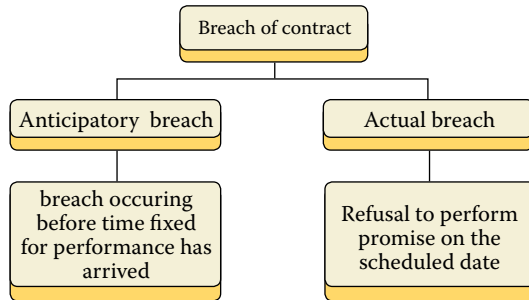
Breach of contract occurs, if any party-			
refuses, or	Fails to perform his part of the contract, or	By his act	makes it impossible to perform his obligation

**(2) Effects of the Breach of Contract**

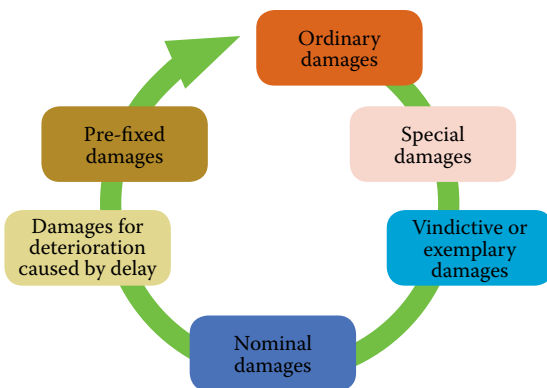


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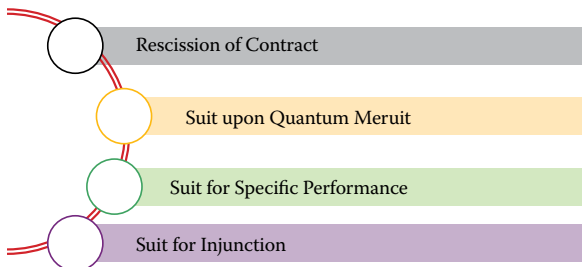
## (3) Types of breach of contract



## (4) Liability for Damages



## (5) Remedies Available

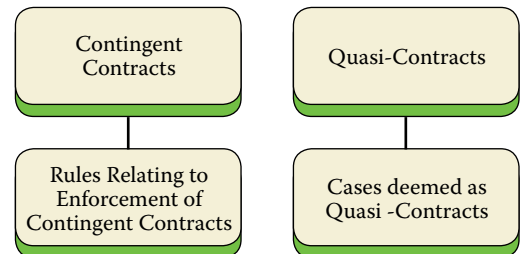


## Relevant case laws

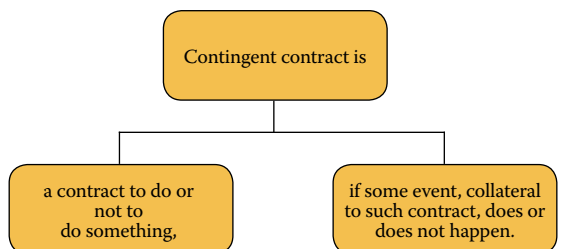
Case laws	Facts	Decision
Hadley Vs. Baxendale	The crankshaft of P's flour mill had broken. He gives it to D, a common carrier who promised to deliver it to the foundry in 2 days where the new shaft was to be made. The mill stopped working, D delayed the delivery of the crankshaft so the mill remained idle for another 5 days. P received the repaired crankshaft 7 days later than he would have otherwise received. Consequently, P sued D for damages not only for the delay in the delivering of the broken part but also for loss of profits suffered by the mill for not having been worked.	The court held that P was entitled only to ordinary damages and D was not liable for the loss of profits because the only information given by P to D was that the article to be carried was the broken shaft of a mill and it was not made known to them that the delay would result in loss of profits.

Case laws	Facts	Decision
Gibbons Vs. West Minister Bank	A business man whose credit has suffered will get exemplary damages even if he has sustained no pecuniary loss.	In the case, it was held that a non-trader cannot get heavy damages in the like circumstances, unless the damages are alleged and proved as special damages.

## III. Special types of Contract

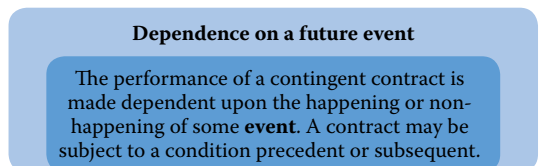


### (1) Contingent Contract

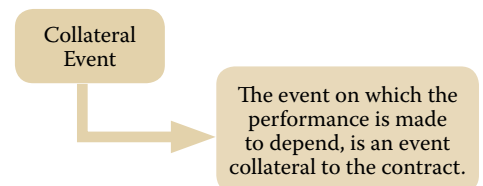


### (2) Essentials of a Contingent Contract

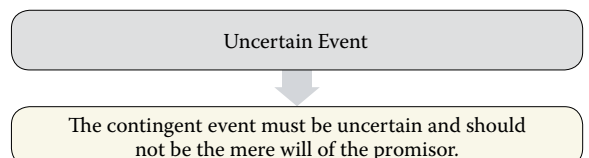
#### (a) Dependence on future event



#### (b) 'Event' referred is collateral to the contract



#### (c) The event must be uncertain



**(3) Rules regarding Contingent contracts**

**Rule 1**

**Enforcement of contracts contingent on an event 'happening'**

**Rule 2**

**Enforcement of contracts contingent on an event 'not-happening'**

**Rule 3**

**Contract contingent upon the future conduct of a living person**

**Rule 4**

**Contract contingent upon the happening of an uncertain specified event within a fixed time**

**Rule 5**

**Contracts contingent upon the non-happening of an uncertain specified event within a fixed time**

**Rule 6**

**Agreement contingent on impossible event.**

**(a) Rule 1 regarding contingent contracts**

**Enforcement of contracts contingent on an event 'happening'**

Where a contingent contract is made to do or not to do anything if an uncertain future event happens,

- it cannot be enforced by law unless and until that event has happened.
- If the event becomes impossible, such contracts become void.

**(b) Rule 2 regarding contingent contracts**

**Enforcement of contracts contingent on an event 'not-happening'**

- Where a contingent contract is made to do or not to do anything
- if an uncertain future event does not happen
- it can be enforced only when the happening of that event becomes impossible and not before.

**(c) Rule 3 regarding contingent contracts**

**Contract contingent upon the future conduct of a living person**

- Where, the future event on which a contract is contingent is the way in which a person will act at an unspecified time.
- In such a case, the event shall be considered to have become impossible when such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies.

**(d) Rule 4 regarding contingent contracts**

**Contract contingent upon the happening of an uncertain specified event within a fixed time;**

- Such type of contracts become void if before the expiry of fixed time-
  - Such event does not happen, or
  - Such events becomes impossible.

**(e) Rule 5 regarding contingent contracts**

**Contract contingent upon the non-happening of an uncertain specified event within a fixed time;**

- Such contract can be enforced by law if before the expiry of fixed time-
  - Such event does not happen ,or
  - It become certain that such event will not happen.

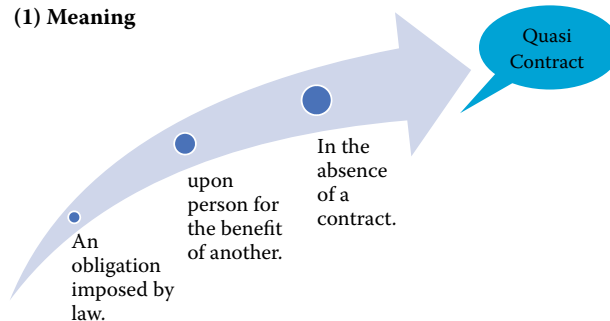
**(f) Rule 6 regarding contingent contracts**

**Agreement contingent on impossible event.**

- A contingent agreement to do or not to do anything, if an impossible event happens, is void.
- The impossibility of the event may be or may not be known to the parties to the agreement at the time when they entered into it.

**IV. Quasi-Contract**

**(1) Meaning**



**(2) Features of a Quasi- Contract**

Imposed by Law

Obligation is a duty and not the promise of a party

The right is always a right to money

Right is available against specific person

Suit for breach may be filed same as of a complete contract

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## (3) Difference between quasi contracts and Contingent contract

Basis of distinction	Quasi- Contract	Contingent Contract
Essential for the valid contract	The essentials for the formation of a valid contract are absent	Present
Obligation	Imposed by law	Created by the consent of the parties

## (4) Types of quasi-contracts

- Claim for necessities supplied to persons incapable of contracting
- Right to recover money paid for another person
- Obligation of a person enjoying benefits of non-gratuitous act
- Responsibility of a finder of goods
- Liability for money paid or thing delivered by mistake or under coercion

### (a) Type i of quasi-contracts

#### Claim for necessities supplied to persons incapable of contracting-

- If necessities are supplied to a person who is incapable of contracting, e.g. minor or a person of unsound mind-
- the supplier is entitled to claim their price from the property of such a person.

### (b) Type ii of quasi-contracts

#### Right to recover money paid for another person

- A person who has paid a sum of money which another is obliged to pay-
- Such person is entitled to be reimbursed by that other person.

Provided, the payment has been made by him to protect his own interest

### (c) Type iii of quasi-contracts

#### Obligation of a person enjoying benefits of non-gratuitous act

- Such an obligation/right to recover arises "where a person lawfully does anything for another person, or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof,
- the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.

### (d) Type iv of quasi-contracts

#### Responsibility of a finder of goods

- A person who finds goods belonging to another, and takes them into his custody
- there such person is subject to the same responsibility as a bailee

### (e) Type v of quasi-contracts

#### Liability for money paid or thing delivered by mistake or under coercion

- A person to whom money has been paid, or anything delivered by mistake, or
- under coercion
- must repay or return it.

### (5) Remedy on breach of quasi-contract

#### When the obligation created by the quasi-contract is not discharged-

- there the injured party is entitled to receive the compensation same as defaulted party had contracted to discharge as it had broken his contract.

## Relevant case laws

Case laws	Facts	Decision
<b>ShyamLal vs. State of U.P</b>	'S' a government servant was compulsorily retired by the government. He filed a writ petition and obtained an injunction against the order. He was reinstated and was paid salary but was given no work and in the mean time government went on appeal.	The appeal was decided in favour of the government and 'S' was directed to return the salary paid to him during the period of reinstatement
<b>Hollins vs. Howler L. R. &amp; H. L.,</b>	H' picked up a diamond on the floor of 'F's shop and handed over the same to 'F' to keep till the owner was found. In spite of the best efforts, the true owner could not be traced. After the lapse of some weeks, 'H' tendered to 'F' the lawful expenses incurred by him and requested to return the diamond to him. 'F' refused to do so.	Held that 'F' must return the diamond to 'H' as he was entitled to retain the goods found against everybody except the true owner.
<b>Trikamdas vs. Bombay Municipal Corporation</b>	T' was traveling without ticket in a tram car and on checking he was asked to pay ₹5/- as penalty to compound transaction. T filed a suit against the corporation for recovery on the ground that it was extorted from him.	The suit was decreed in his favour.

In this capsule, we have summarized the important concepts of the Unit 1 and 2 of the Chapter 2: The Sale of Goods Act, 1930. From Examination point of view, this chapter comprises of around 12 to 14 marks of the paper. In this chapter, students are tested with conceptual understanding of the legal provisions, as well application of the important concepts in the simple practical scenarios. This capsule will help the students to revise and retain essentials of some of the important definitions and various requirements in the formation of the Contract of Sale.

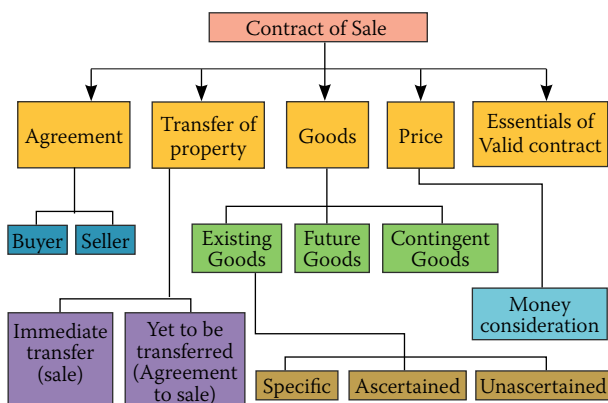
### THE SALE OF GOODS ACT, 1930

#### Primer to the Sale of Goods Act, 1930

- Sale of goods is one of the specific forms of contracts recognized and regulated by law in India.
- It is an Act to define and amend the laws relating to the sale of goods.
- It came into force on 1st July, 1930.
- The provisions of the Act are applicable to the sale of ONLY movable properties and the Act is not applicable to immovable properties.
- It extends to the whole of India.

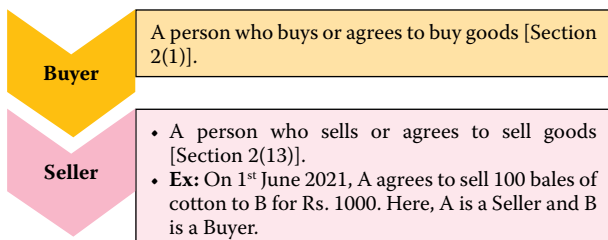
#### Formation of the Contract of Sale

##### Framework

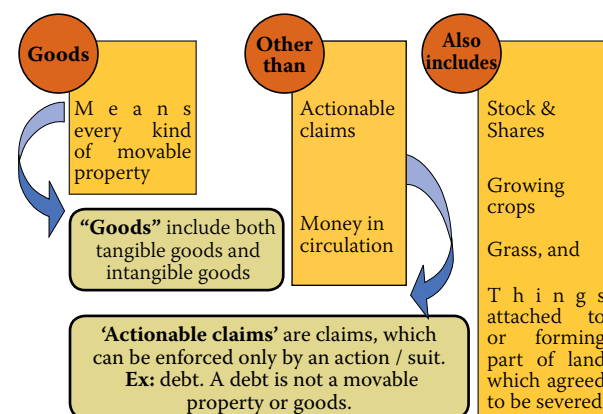


#### Important Terminologies

##### 1. Buyer and Seller

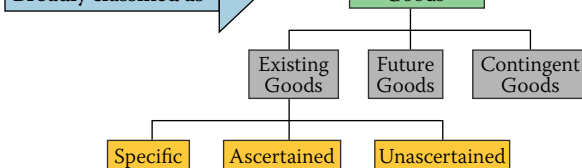


##### 2. Goods [Section 2(7)] and related terms

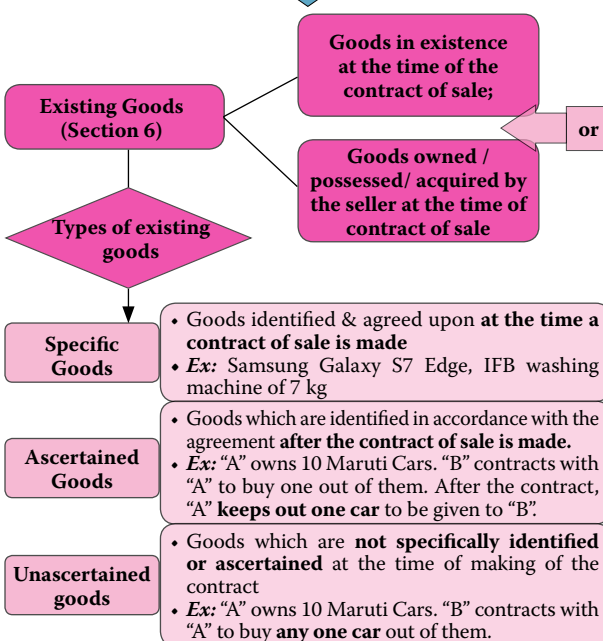


##### 3. Classification of Goods

##### Broadly classified as



##### Specific classification of goods



**Future Goods [Section 2 (6)].**

- Goods to be
  - manufactured or
  - produced or
  - acquired
- by the seller after making the contract of sale
- **Ex:** 1000 quintals of potatoes to be grown in Mr. A's field.

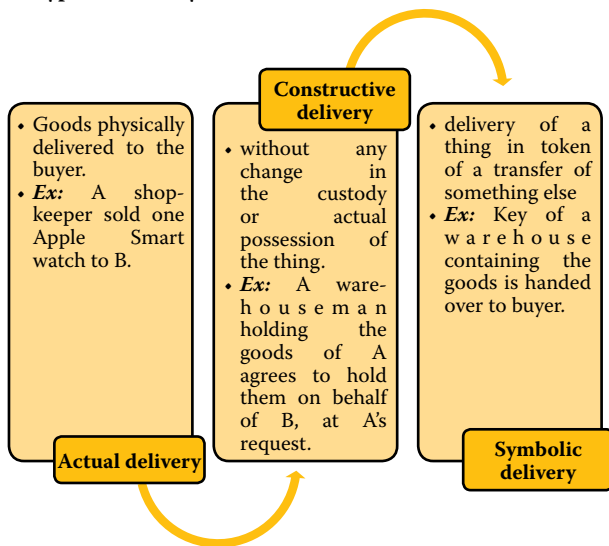
**Contingent Goods [Section 6(2)]**

- The acquisition of which
- by the seller
- depends upon an uncertain contingency (uncertain event)
- **Ex:** P contracts to sell 500 pieces of particular item provided the ship which is bringing them reaches the port safely.

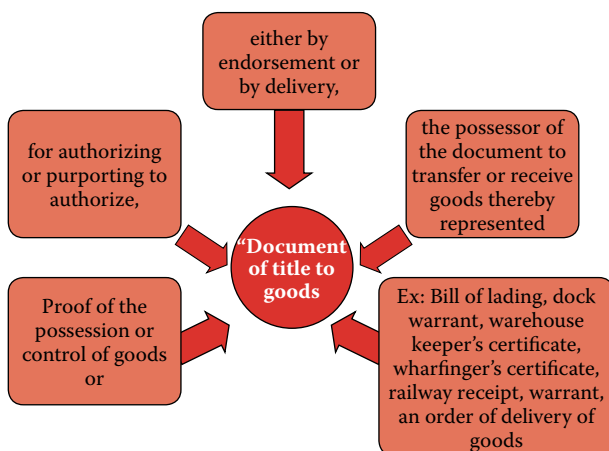
#### 4. Delivery – Meaning [Section 2(2)]



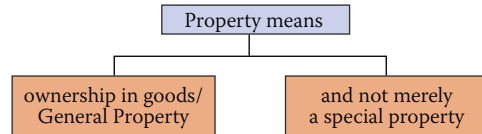
#### 5. Types of Delivery



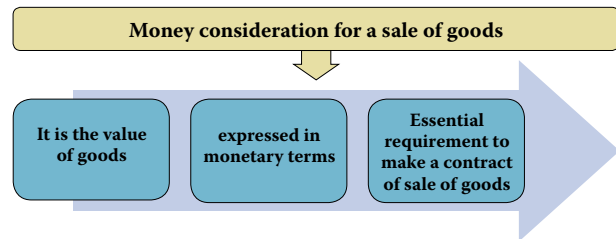
#### 6. Document of title to goods [Section 2(4)]



#### 7. Property [Section 2(11)]

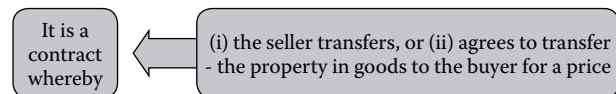


#### 8. Price [Section 2(10)]

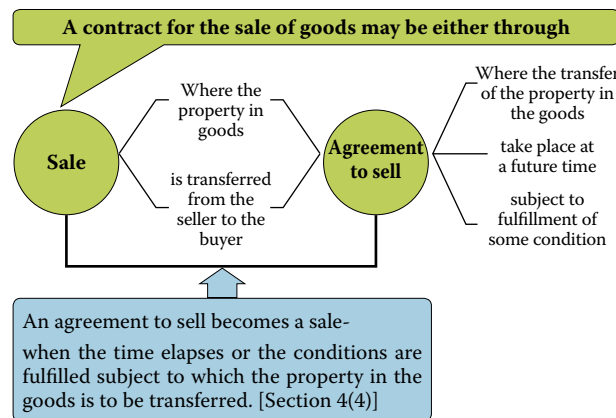


### Sale and agreement to sell [Section 4]

#### 1. Meaning of Contract of Sale of goods



#### 2. Mode for contract of sale of goods

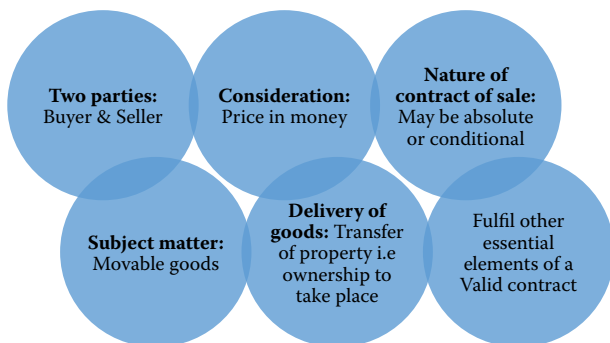


#### 3. Differences in Sale and Agreement to Sell

Basis of difference	Sale	Agreement to sell
Transfer of property	Immediately	Future Date or fulfillment of condition
Nature of contract	Executed	Executory
Remedies for breach	Sue for price	Sue for damages only and not for price
Liability of parties	Liability of the buyer	Liability of the seller
Burden of risk	Buyer	Seller
Nature of rights	Jus in rem	Jus in personam
Right of resale	Seller cannot re-sell the goods	Seller may re-sell
Insolvency of seller	Official Assignee <ul style="list-style-type: none"> <li>• not be able to take over the goods</li> <li>• will recover the price from the buyer.</li> </ul>	Official Assignee <ul style="list-style-type: none"> <li>• acquire control over the goods</li> <li>• the price will not be recoverable.</li> </ul>
Insolvency of buyer	Official Assignee <ul style="list-style-type: none"> <li>• control over the goods.</li> </ul>	Official Assignee <ul style="list-style-type: none"> <li>• no control over the goods.</li> </ul>

# BUSINESS LAWS ||

## 4. Contract of sale – elements must co-exist



## Sale Distinguished from other Similar Contracts

### 1. Sale and Hire Purchase

Basis of difference	Sale	Hire- Purchase
Time of passing property	Immediately	On payment of last instalment
Position of the party	Buyer is like that of owner	Position of the hirer is like that of bailee till final payment
Termination of contract	the buyer cannot terminate the contract and bound to pay price	The hirer may terminate the contract by returning the goods
Burden of Risk of insolvency of the buyer	risk of seller	Owner takes no risk and has right to take back the goods
Transfer of title	The buyer can pass a good title to a bona fide purchaser	Hirer cannot pass any title even to a bonafide purchaser
Resale	The buyer can	Hirer cannot, unless all installments paid

### 2. Sale and Bailment

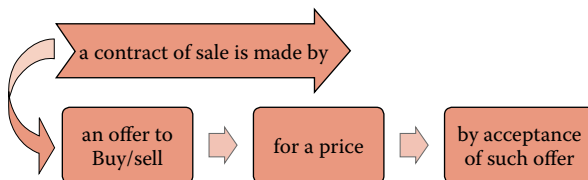
Basis of difference	Sale	Bailment
Transfer of property	Transferred from seller to buyer	Transfer of possession of goods from bailor to bailee
Return of goods	Not possible	Bailee must return the goods to the Bailor on accomplishment of the purpose
Consideration	It is the Price in terms of money	It may be gratuitous or non-gratuitous.

### 3. Sale and contract for work and labour

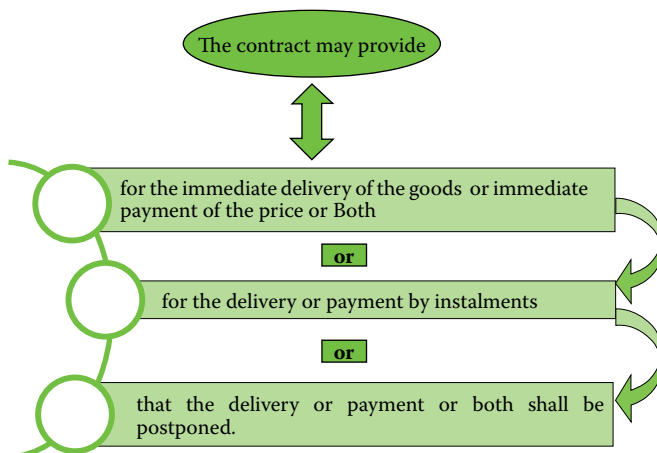
Basis of difference	Sale	Contract for work and labour
Nature of Contract	It's a contract in which some goods are sold or are to be sold for a price	No goods are sold, and there is only the doing or rendering of some work of labour.

## Procedure for conduct of Contract of Sale [Section 5]

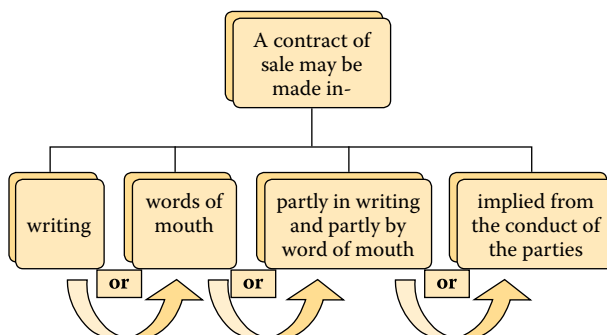
### 1. Process



### 2. Mode of delivery and Payment



### 3. Mode for entering into contract of Sale



## Subject matter of Contract of Sale [Section 6, 7, & 8]

### 1. Goods which form the subject matter of a contract of sale

#### Existing goods

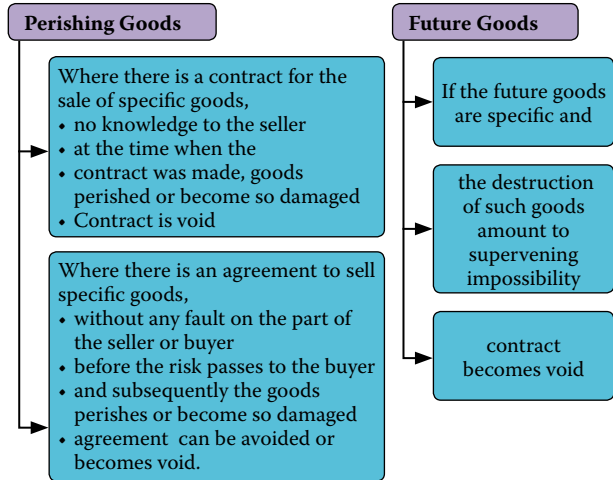
existing goods that are acquired, owned or possessed by the seller

#### Future goods

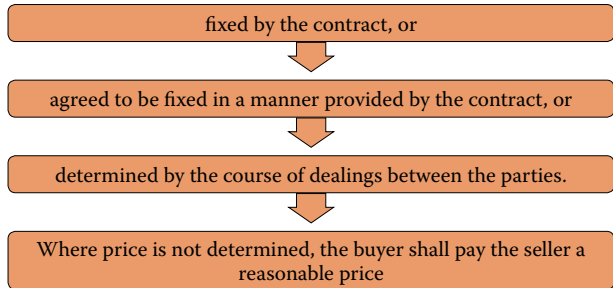
the acquisition of which by the seller depends upon a contingency which may or may not happen

Whereby a contract of sale the seller purports to effect a present sale of future goods, the contract operates as an agreement to sell the goods

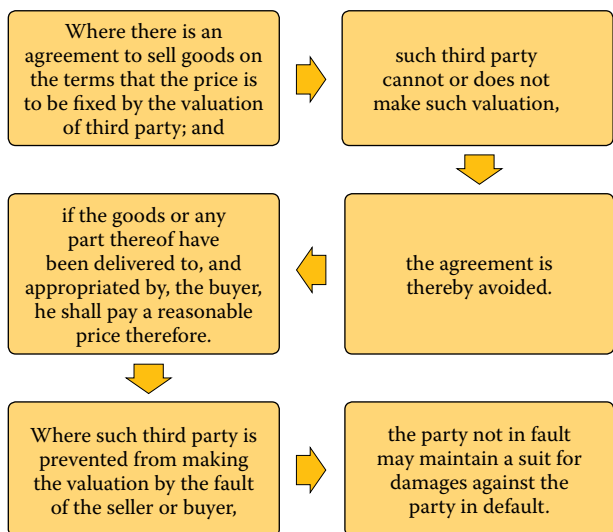
## 2. Nature of contract of sale with respect to perishing goods



## Ascertainment of price [Section 9]

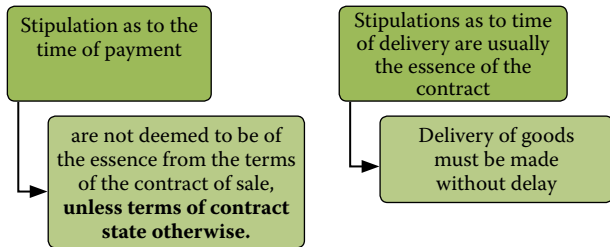


## Agreement to sell at valuation [Section 10]



**Ex:** P is having two bikes. He agrees to sell both of the bikes to S at a price to be fixed by the Q. He gives delivery of one bike immediately. Q refuses to fix the price. As such P ask S to return the bike already delivered while S claims for the delivery of the second bike too. In the given instance, buyer S shall pay reasonable price to P for the bike already taken. As regards the Second bike, the contract can be avoided.

## Stipulation as to time of Payment and time of delivery [Section 11]



## Conditions and Warranties with reference to the goods [Section 12]

### 1. Meaning -Condition and Warranty

Condition	Warranty
is a stipulation essential to the main purpose of the contract, the breach of which gives rise to a right to treat the contract as repudiated.	is a stipulation co-lateral to the main purpose of the contract, the breach of which gives rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated.

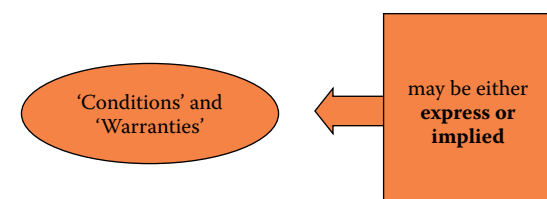
### 2. Differences

Point of differences	Condition	Warranty
<b>Meaning</b>	A stipulation essential to the main purpose of the contract.	A stipulation collateral to the main purpose of the contract.
<b>Right in case of breach</b>	Repudiate or claim damages or both	Claim only damages
<b>Conversion of stipulations</b>	A breach of condition may be treated as a breach of warranty.	A breach of warranty cannot be treated as a breach of condition.

### 3. Waiver of conditions [Section 13]

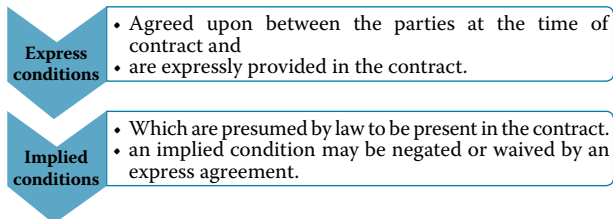
<b>Voluntary Waiver</b> <ul style="list-style-type: none"> <li>• Waives performance of contract</li> <li>• Elect to treat condition as warranty</li> </ul>	<b>Compulsory Waiver</b> <ul style="list-style-type: none"> <li>• Non-severability of contract</li> <li>• Fulfilment of conditions excused by law</li> </ul>
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## Mode of Conditions and Warranties

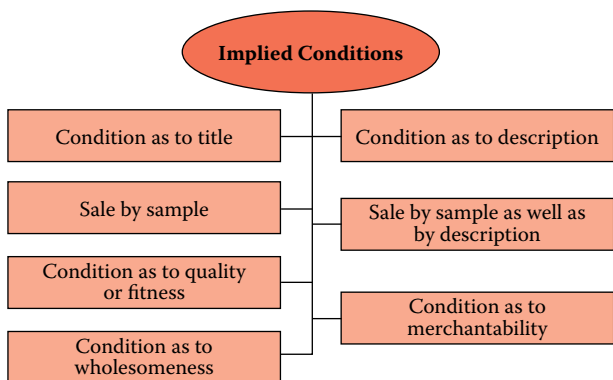


# BUSINESS LAWS ||

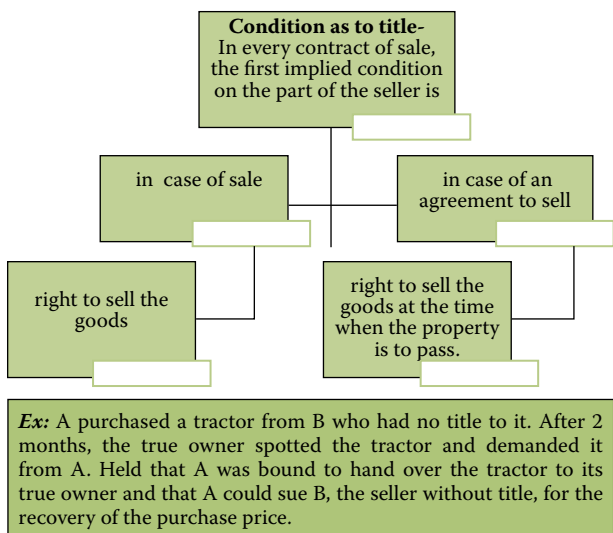
## 1. Express and Implied Conditions-Meaning



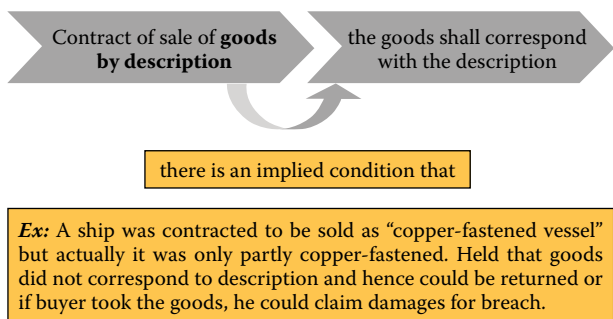
## 2. Implied Conditions-Types



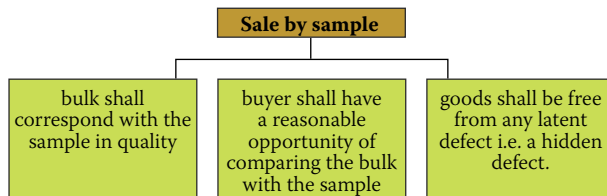
## 3. Condition as to title [Section 14]



## 4. Sale by description [Section 15]



## 5. Sale by sample [Section 17]



**Ex:** A company sold certain shoes made of special sole by sample for the French Army. The shoes were found to contain paper not discoverable by ordinary inspection. Held, the buyer was entitled to the refund of the price plus damages.

## 6. Sale by sample as well as by description [Section 15]

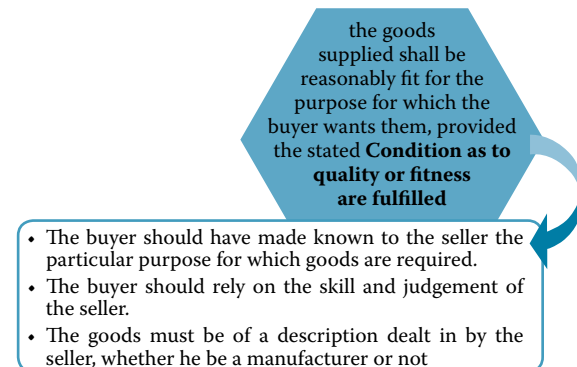
**Sale by sample as well as by description**

bulk of the goods supplied shall correspond both with the sample and the description

In case the goods correspond with the sample but do not tally with description or vice versa or both, buyer **can repudiate the contract**.

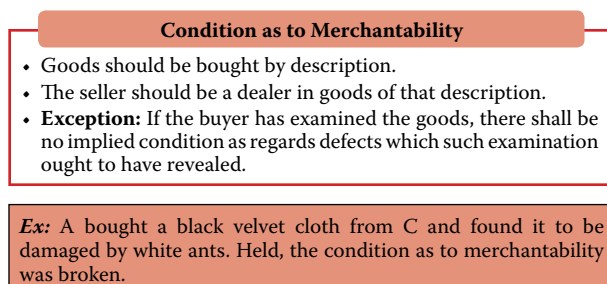
**Ex:** A agreed with B to sell certain oil described as refined sunflower oil, warranted only equal to sample. The goods tendered were equal to sample but contained a mixture of hemp oil. B can reject the goods.

## 7. Condition as to quality or fitness [Section 16(1)]



**Ex:** 'A' bought a set of false teeth from 'B', a dentist. But the set was not fit for 'A's mouth. 'A' rejected the set of teeth and claimed the refund of price. It was held that 'A' was entitled to do so as the only purpose for which he wanted the set of teeth was not fulfilled.

## 8. Condition as to Merchantability [Section 16(2)]



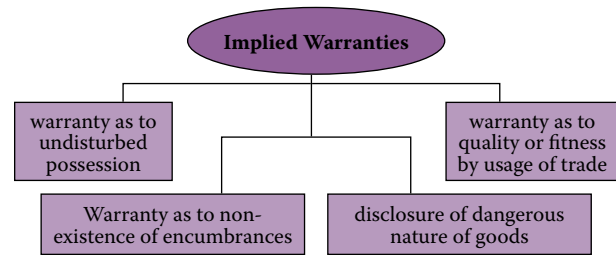
## 9. Condition as to wholesomeness

### Condition as to wholesomeness

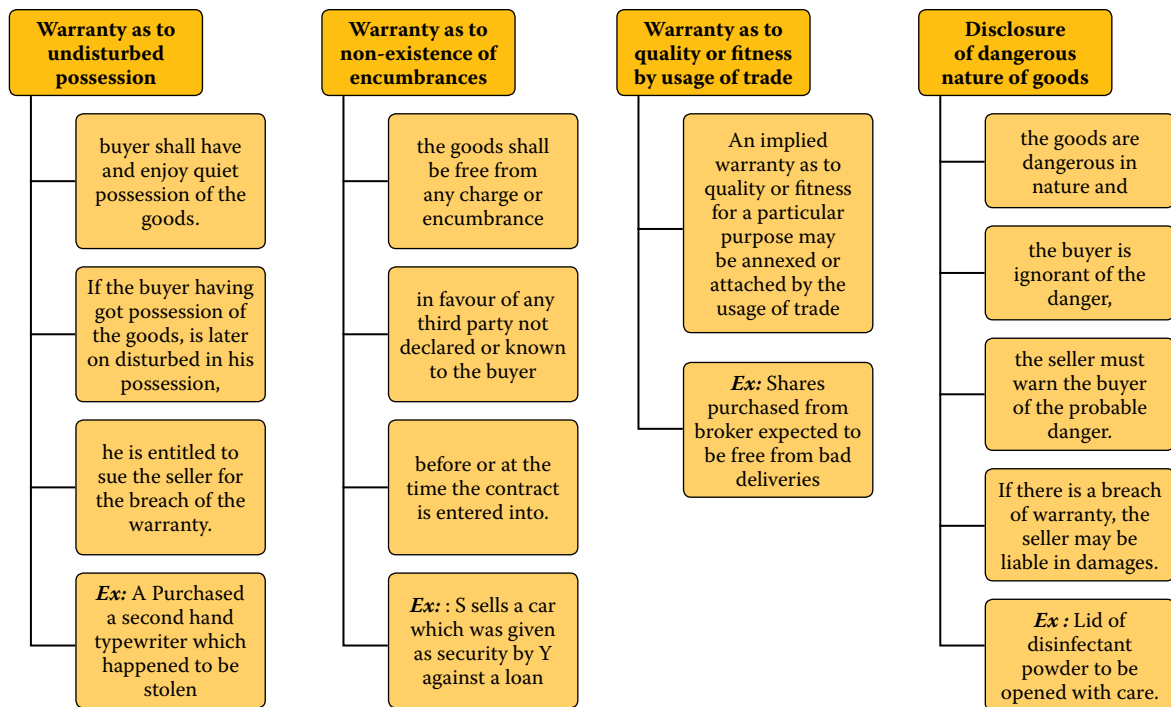
- In the case of eatables and provisions,
- in addition to the implied condition as to merchantability,
- there is another implied condition that the goods shall be wholesome.

**Ex:** A supplied F with milk. The milk contained typhoid germs. F's wife consumed the milk and was infected and died. Held, there was a breach of condition as to fitness and A was liable to pay damages.

## 10. Implied Warranties-Types

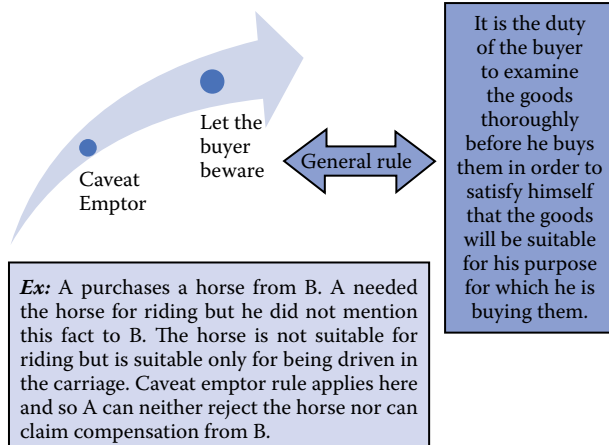


## 11. Implied warranty

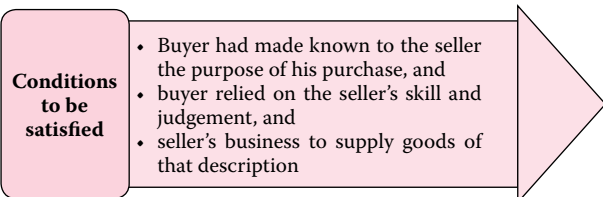


## Caveat Emptor [Section 16]

### 1. Meaning of doctrine



### 2. Required conditions when doctrine is not attracted:



### 3. Exceptions to Doctrine of caveat Emptor:

#### Exceptions

- Fitness as to quality or use
- Goods purchased under patent or brand name
- Goods sold by description
- Goods of Merchantable Quality
- Sale by sample
- Goods by sample as well as description
- Trade Usage
- Seller actively conceals a defect or is guilty of fraud

## CA FOUNDATION - PAPER 2A - BUSINESS LAWS

In this capsule, we have summarized the important concepts of the Unit 3 and 4 of the Chapter 2: The Sale of Goods Act, 1930. From Examination point of view, this chapter comprises of around 12 to 14 marks of the paper. In this chapter, students are tested with conceptual understanding of the legal provisions, as well application of the important concepts in the simple practical scenarios. This capsule will help the students to revise and retain essentials of some of the important provisions related to transfer of ownership, delivery of goods and unpaid seller.

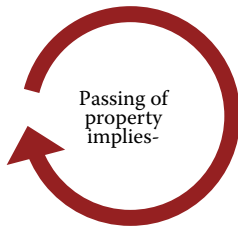
### THE SALE OF GOODS ACT, 1930

#### (I) Provisions related to transfer of Ownership [Section 18-26]

##### (i) Stages involved in transfer of ownership:



##### Passing of Property



- Passing of Ownership
- If the property has passed to the buyer, the RISK in the goods sold is that of the buyer and NOT of the seller

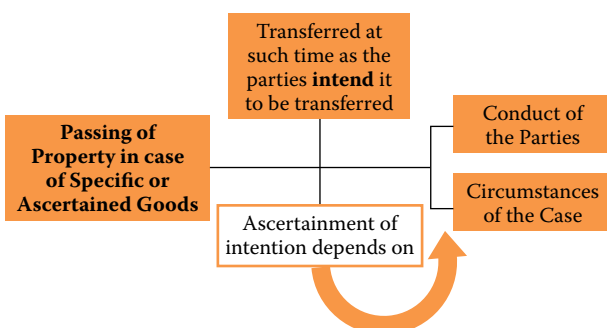
##### Rules regarding transfer of property in goods

Depends on two basic factors:

Identification of goods	Intention of parties
Goods must be ascertained in order to pass the property in goods to buyer	Property in goods is transferred at the time- <ul style="list-style-type: none"> <li>• when parties intend it to be transferred</li> </ul>
Goods must be specific and ascertained to acquire the ownership right on the goods by buyer	Ascertaining of intention shall be on the basis of- <ul style="list-style-type: none"> <li>• terms of contract</li> <li>• conduct of the parties, and</li> <li>• circumstances of the case</li> </ul>

**Primary Rules:** For determination of passing of property from seller to Buyer

##### 1. Passing of Property in Case of Specific or Ascertained Goods



Different stages of Goods while passing of property under this category:

<b>Specific Goods in Deliverable Stage</b>	Property in goods passes to the buyer when the contract is made  irrespective of time of the payment or delivery or both.
--	---

**Example:** X buys a Washing Machine and asks for home delivery. The washing machine immediately becomes the property of X.

##### Specific Goods to be put in Deliverable Stage

When there is a contract for the sale of specific goods;

seller is bound to do something to the goods for putting them into deliverable state;

the property does not pass until such thing is done and buyer has notice thereof.

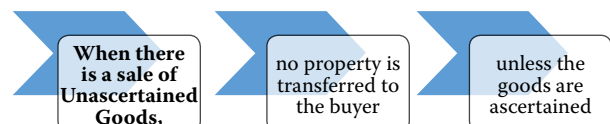
**Example:** X purchased a laptop and asks for home delivery but that laptop does not have a Windows operating system installed. The property transfers to X only after shopkeeper installed OS making the laptop ready for delivery and intimated the buyer about it.

##### Specific Goods in a Deliverable Stage when seller has to do anything to put it in deliverable stage

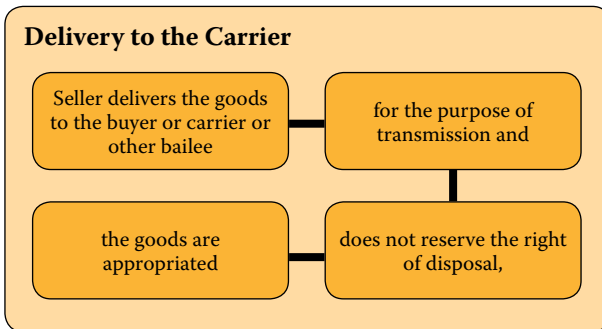
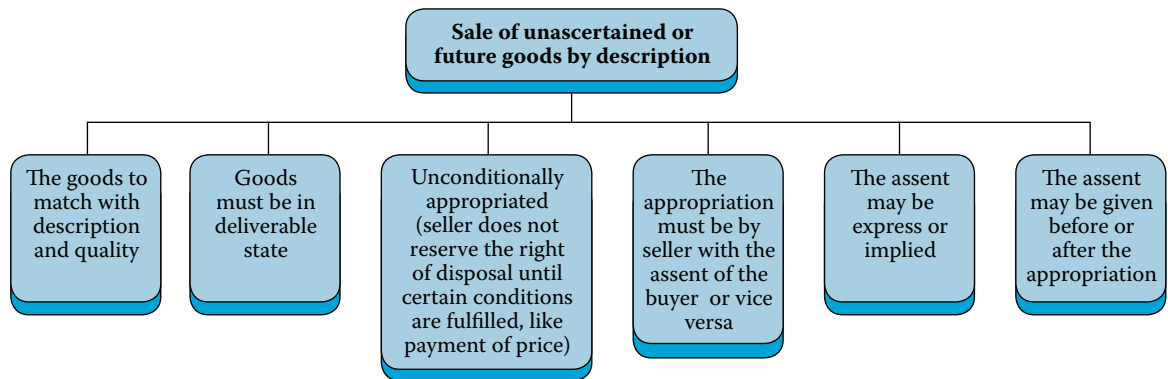
- Contract for sale of specific goods
- seller is bound to weigh, measure, test or do something for purpose of ascertaining price
- then the Property in goods passes to the buyer
- only when such thing is done and buyer has notice of it.

**Example:** A sold carpets to the Company which were required to be laid. The carpet was delivered to the company's premises but was stolen before it could be laid. It was held that the carpet was not in deliverable state as it was not laid, which was part of the contract and hence, the property had not passed to the buyer company.

##### 2. Sale of Unascertained Goods

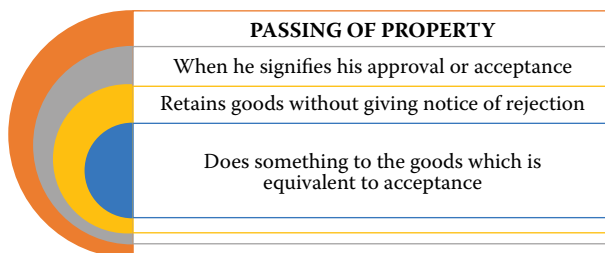


## Rules in respect of passing of property under this category



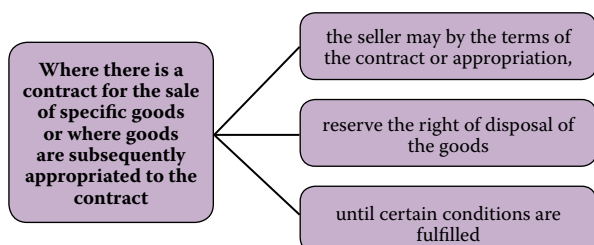
**Example:** A bill of lading of railway parcel is made out in the name of the buyer and is sent to him, the ownership in the goods passes from the seller to the buyer. In case the goods are subjected to accidental loss or by theft, the seller will not be liable.

### 3. Goods sent on Approval or "Sale Or Return"



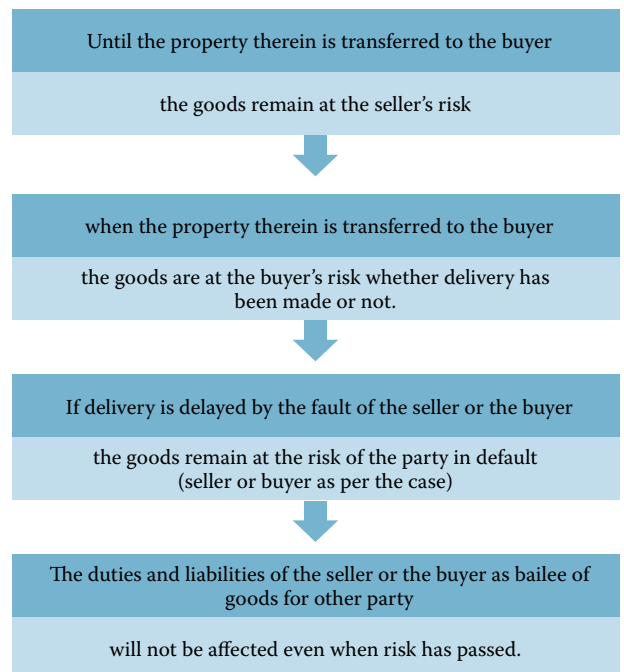
**Example:** A sends to B a water motor on approval or return in March, 2020. B to return it after trial in August, 2020. The water motor has not been returned within a reasonable time, and therefore, A is not bound to accept it and B must pay the price.

### 4. Reservation of Right of Disposal



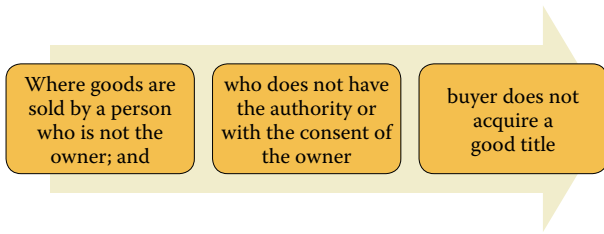
**Example:** X sends furniture to a company by a truck and instructs the driver not to deliver the furniture to the company until the payment is made by company to him. The property passes only when the payment is made.

### Risk Prima Facie passes with Property



**Example:** A bids for an antique painting at a sale by auction. After the bid, when the auctioneer struck his hammer to signify acceptance of the bid, he hit the antique which gets damaged. The loss will have to be borne by the seller, because the ownership of goods has not yet passed from the seller to the buyer.

## (II) Transfer of Title by Non Owners (Section 27-30)



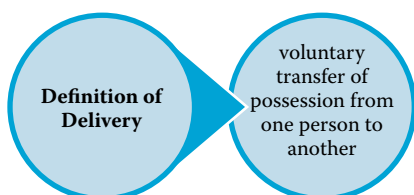
**Example:** P, the hirer of vehicle under a hire purchase agreement, sells them to Q. Q, though a bona fide purchaser, does not acquire the ownership in the vehicle. At the most he acquires the same right as that of the hirer.

<b>NEMO DAT QUOD NON HABET – No one can give what he has not got.</b>	Sale by a Mercantile Agent
<b>Exceptions:</b>	Sale by one of the joint owners
	Sale by a person in possession under voidable contract
	Sale by a person who has already sold goods but continues in possession thereof
	Effect of Estoppel
	Sale by an unpaid seller
	Sale by a buyer obtaining possession before the property vested in him
	Sale under provisions of other Acts

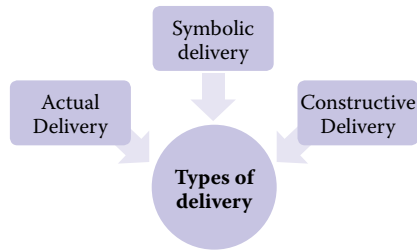
**Examples:** 1. A, B, and C are three brothers and joint owners of a T.V and VCR and with the consent of B and C, the VCR was kept in possession of A. A sells the T.V and VCR to P who buys it in good faith and without notice that A had no authority to sell. P gets a good title to VCR and TV.  
2. During IPL matches, P buys a TV set from R. R agrees to deliver the same to P after some days. In meanwhile R sells the same to S, at a higher price, who buys in good faith and without knowledge about the previous sale. S gets a good title.

## (III) Performance of the Contract of Sale (Section 31-44)

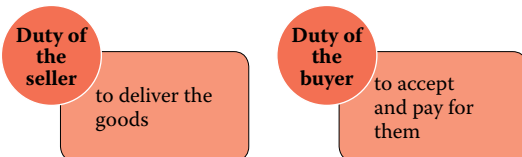
### Meaning of delivery



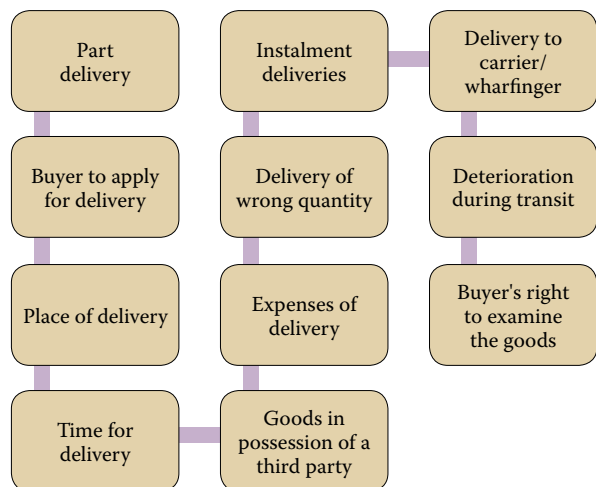
### Types of Delivery



### Duties of seller and Buyer

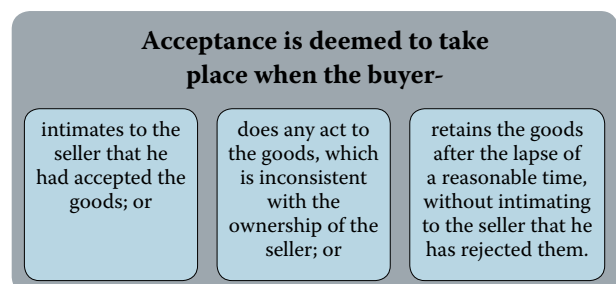


### Rules regarding Delivery of Goods



**Examples:** 1. Certain goods lying at wharf were sold in a lot. The seller instructed the wharfinger to deliver them to the buyer who had paid for them and the buyer, thereafter, accepted them and took away part. Held, there was delivery of the whole.  
2. A agrees to sell 100 quintals of wheat to B at ` 1,000 per quintal. A delivers 1,100 quintals. B may reject the whole lot or accept only 1,000 quintals and reject the rest or accept the whole lot and pay for them at the contract of sale.

### Rule Related to Acceptance of Delivery of Goods



# BUSINESS LAWS ||

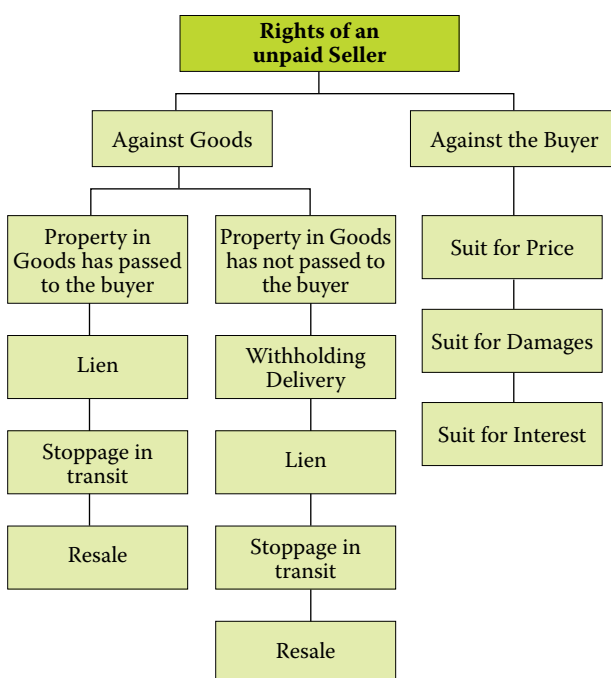
## (IV) Unpaid Seller (Section 45-61)

### UNPAID SELLER

1. The Whole price has not been paid or tendered and the seller has an immediate right of action for the price
2. When a bill or exchange or other negotiable instrument has been received as conditional payment and it has been dishonoured.

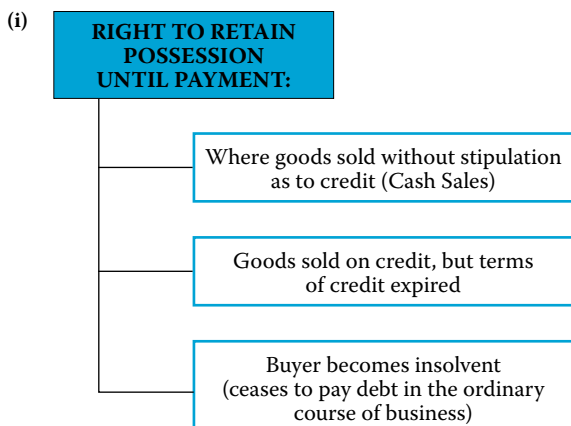
**Example:** P sold some goods to R for ₹60,000 and received a cheque for a full price. On presentment, the cheque was dishonoured by the bank. P is an unpaid seller.

### Rights of an Unpaid Seller



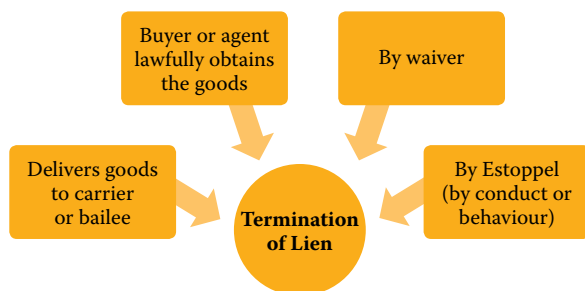
### Right of Unpaid Seller against the Goods

#### 1. Seller's Lien



**Example:** A sold certain goods to B for a price ₹50,000 and allowed him to pay the price within one month. B becomes insolvent during this period of credit. A, the unpaid seller, can exercise his right of lien.

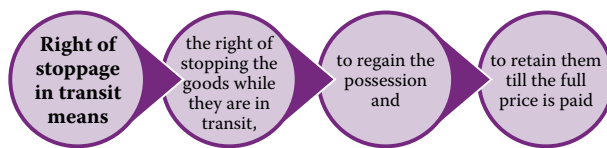
(ii)



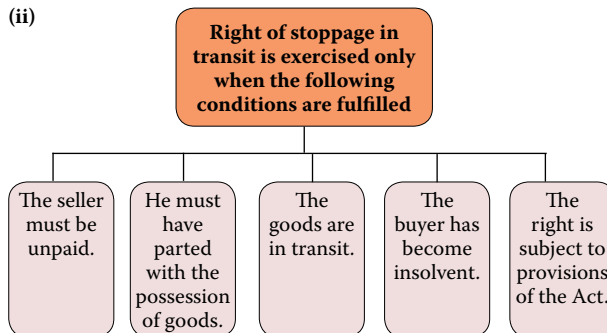
**Example:** A sold a car to B for ₹1,00,000 and delivered the same to the railways for the purpose of transmission to the buyer. The railway receipt was taken in the name of B and sent to B. Now A cannot exercise the right of lien.

#### 2. Right of stoppage in transit:

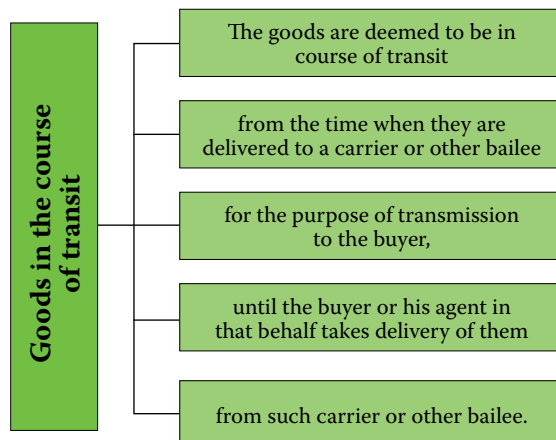
(i)



(ii)



(iii)



(iv)

When does the transit come to an end?						
When the buyer or other bailee obtains delivery.	Buyer obtains delivery before the arrival of goods at destination	Where the carrier or other bailee acknowledges to the buyer or his agent that he holds the goods as soon as the goods are loaded on the ship, unless the seller has reserved the right of disposal of the goods.	If the carrier wrongfully refuses to deliver the goods to the buyer.	Where goods are delivered to the carrier hired by the buyer	Where the part delivery of the goods has been made to the buyer, the transit will come to an end for the remaining goods which are yet in the course of transmission.	Where the goods are delivered to a ship chartered by the buyer, the transit comes to an end.

(v)



(vi)

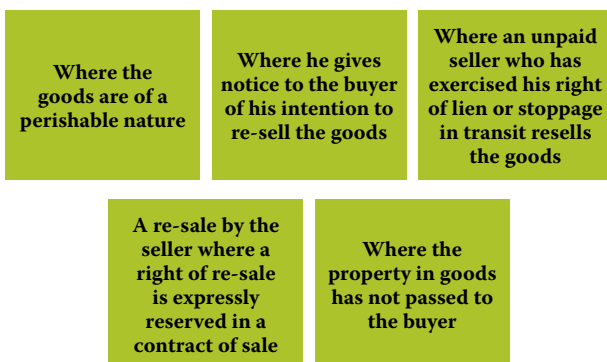
**Exceptions where unpaid seller's right of lien and stoppage in transit are defeated**

When the seller has assented to the sale, mortgage or other disposition of the goods made by the buyer

When a document of title to goods has been transferred to the buyer and the buyer transfers the documents to a person who has bought goods in good faith and for value

**Example:** A entered into a contract to sell cartons in possession of a wharfinger to B and agreed with B that the price will be paid to A from the sale proceeds recovered from his customers. Now B sold goods to C and C duly paid to B. But anyhow B failed to make the payment to A. A wanted to exercise his right of lien and ordered the wharfinger not to make delivery to C. Held that the seller had assented to the resale of the goods by the buyer to the sub-buyers. As a result, A's right to lien is defeated.

### 3. Right of re-sale



### Rights of Unpaid Seller against the Buyer

**Rights of unpaid seller against the buyer**

- Suit for price
- Suit for damages for non-acceptance
- Repudiation of contract before due date
- Suit for interest

### Breach of Contract by Seller

Breach of contract by seller, where he-

Fails to deliver the goods at the time or in manner prescribed

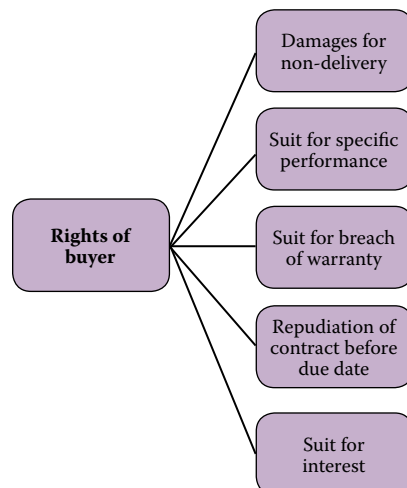
Breach of contract by seller, where he-

Repudiates the contract

Breach of contract by seller, where he-

Deliver non-conforming goods and buyer rejects and revokes acceptance

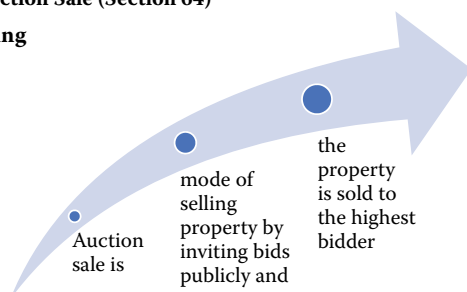
### Right of Buyer in case of breach of contract by seller



**Example:** A' agreed to sell a rare painting of Mughal period to 'B'. But on the due date of delivery, 'A' refused to sell the same. In this case, 'B' may file a suit against 'A' for obtaining an order from the Court to compel 'A' to perform the contract (i.e. to deliver the painting to 'B' at the agreed price).

## (V) Auction Sale (Section 64)

### Meaning



## Legal Rules of Auction Sale

### Rules

- Where goods are sold in lots
- Completion of the contract of sale
- Right to bid may be reserved
- Where the sale is not notified by the seller
- Reserved price
- Pretended bidding

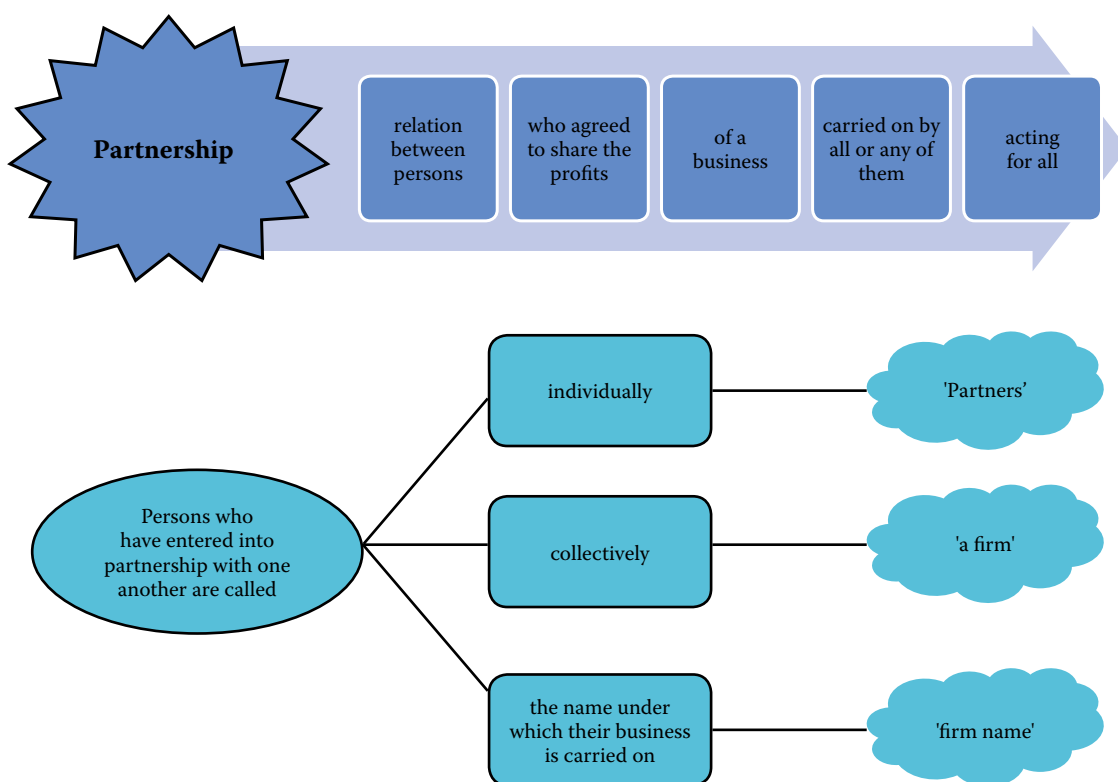
**Example:** P sold a car by auction. It was knocked down to Q who was only allowed to take it away on giving a cheque for the price and signing an agreement that ownership should not pass until the cheque was cleared. In the meanwhile till the cheque was cleared, Q sold the car to R. It was held that the property was passed on the fall of the hammer and therefore R had a good title to the car. Both sale and sub sale are valid in favour of Q and R respectively.

## CA FOUNDATION - PAPER 2A - BUSINESS LAWS

This capsule on Paper 2A: Business Laws at Foundation level covers the concepts of Unit 1 of the Indian Partnership Act, 1932 which is Chapter 3 of this paper. It covers significant concepts explained in a graspable manner for rational understanding of legal provisions. This will help the student to understand and retain the important aspects of the legal provisions. This capsule in fact, is in short notes which aids to revise the subject in the examination condition and can be referred a day before examination. This is relevant for the November 2022 examination.

### CHAPTER 3: THE INDIAN PARTNERSHIP ACT, 1932 UNIT 1: GENERAL NATURE OF PARTNERSHIP

#### 1. Definition of 'Partnership', 'Partner', 'Firm' and 'Firm name'



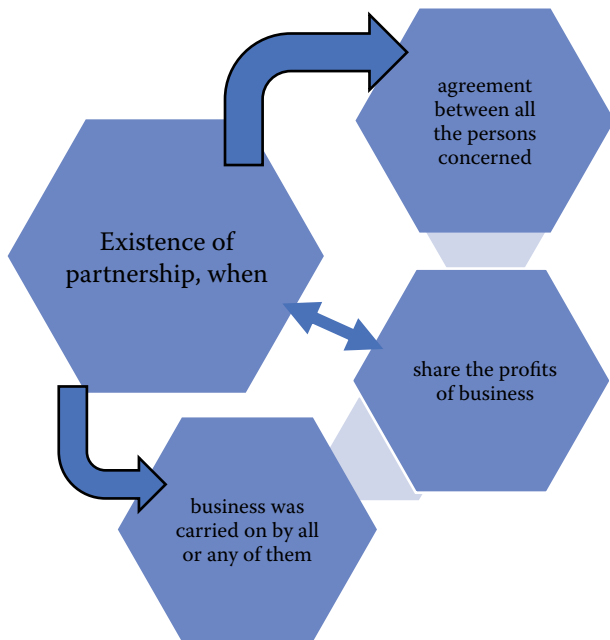
#### 2. Elements of Partnership

ASSOCIATION OF PERSONS	<ul style="list-style-type: none"> <li>• association of 2 or more persons</li> <li>• persons recognised by law can enter into an agreement of partnership</li> </ul>
AGREEMENT	<ul style="list-style-type: none"> <li>• partnership must be the result of an agreement</li> <li>• Agreement may be express or implied</li> <li>• Agreement may be oral or in writing</li> </ul>
BUSINESS	<ul style="list-style-type: none"> <li>• Existence of business</li> <li>• Acquisition of gains</li> </ul>

AGREEMENT TO SHARE PROFITS	<ul style="list-style-type: none"> <li>• Sharing of profits is must</li> </ul>
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BUSINESS CARRIED ON BY ALL OR ANY OF THEM ACTING FOR ALL	<ul style="list-style-type: none"> <li>• Binding contract of mutual agency between the partners</li> <li>• Partner is the principal as well as the agent for all other partners.</li> </ul>
--	---

### 3. True Test of Partnership



### 4. Partnership distinguished from other forms of Organisation

#### I. Partnership Vs Joint Stock Company

Basis of difference	Partnership	Joint Stock Company
<b>Legal status</b>	Not a legal entity	Is an artificial legal person. ( <i>Saloman Vs Saloman</i> )
<b>Agency</b>	Partner is an agent of firm and other partners.	A member is not an agent of company or of other members.
<b>Distribution of profits</b>	The profits of the firm are distributed as per the Partnership Deed.	There is no such compulsion to distribute the profits among the members. Dividend is declared out of profits.
<b>Extent of liability</b>	Liability of members is unlimited.	Liability of the members can be limited by shares or by guarantee. There can be unlimited liability also.
<b>Property</b>	The firm's property is the "Joint Estate" of all the partners.	Company's property is separate from that of its members who can receive it back only in the form of dividends or refund of capital.
<b>Transfer of shares</b>	A share in Partnership cannot be transferred without the consent of all the partners.	Shares of a private limited company can be transferred with ease.
<b>Management</b>	Partners can take part in management of a firm.	Only director members can take part in management.

Basis of difference	Partnership	Joint Stock Company
<b>Registration</b>	For a partnership, firm registration is not compulsory.	Company is created by registration under Companies Act, 2013.
<b>Winding up</b>	A partnership may be dissolved by any partner at any time if all the partners agree.	A Company is wind up by NCLT or its name is struck off by the ROC.
<b>Number of membership</b>	<b>Number of partners:</b> maximum-100 (As per Section 464 of the Companies Act, 2013)  Present limit is 50 [As per Companies ( <i>Miscellaneous</i> ) Rules, 2014]	<b>Private company:</b> minimum- 2, maximum- 200  <b>Public Company:</b> minimum- 7, maximum- No limit  <b>One person company:</b> 1
<b>Duration of existence</b>	Firm does not have perpetual succession.	Company has perpetual succession.

#### II. Partnership Vs Club

Basis of Difference	Partnership	Club
<b>Objective</b>	Profit	Not profit
<b>Relationship</b>	Partners	Members
<b>Interest in the property</b>	Yes	No
<b>Dissolution</b>	Change in partners affect existence	Change in members don't affect existence

#### III. Partnership Vs Hindu Undivided Family (HUF)

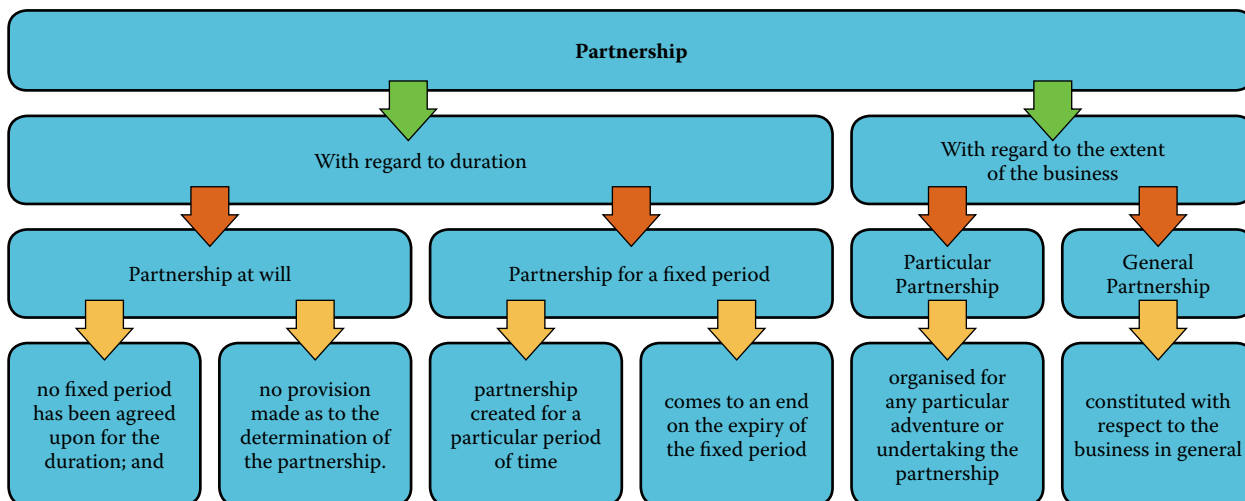
Basis of difference	Partnership	HUF
<b>Mode of creation</b>	An agreement.	Status means its creation by birth in the family.
<b>Death of a member</b>	Ordinarily leads to the dissolution of partnership.	Does not give rise to dissolution of the family business.
<b>Management</b>	All the partners are equally entitled to take part.	Generally vests in the Karta, the governing male member or female member of the family.
<b>Authority to bind</b>	Every partner can, by his act, bind the firm.	The Karta or the manager, has the authority to contract for the family business and the other members in the family.
<b>Liability</b>	Liability of a partner is unlimited.	Only the liability of the Karta is unlimited, and the other coparcener are liable only to the extent of their share in the profits of the family business.
<b>Calling for accounts on closure</b>	A partner can bring a suit against the firm for accounts, provided he also seeks the dissolution of the firm.	On the separation of the joint family, a member is not entitled to ask for account of the family business.

Basis of difference	Partnership	HUF
<b>Governing Law</b>	Governed by the Indian Partnership Act, 1932.	Governed by the Hindu Law.
<b>Minor's capacity</b>	A minor cannot become a partner, though he can be admitted to the benefits of partnership, only with the consent of all the partners.	A minor becomes a member of the ancestral business by the incidence of birth. He does not have to wait for attaining majority.
<b>Continuity</b>	Subject to a contract between the partners, gets dissolved by death or insolvency of a partner.	Has the continuity till it is divided. The status of HUF is not thereby affected by the death of a member.
<b>Number of Members</b>	Should not exceed 50.	Unlimited in number.
<b>Share in the business</b>	Each partner has a defined share by virtue of an agreement between the partners.	No coparceners have a definite share.

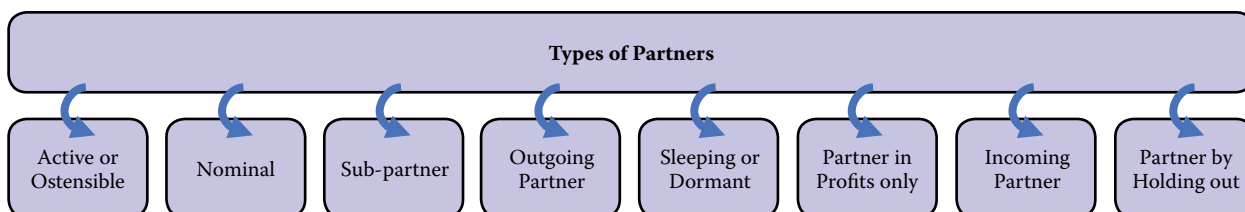
## IV. Partnership Vs Co-Ownership or joint ownership

Basis of difference	Partnership	Co-ownership
<b>Formation</b>	It arises out of a contract.	Arise either from agreement or by the operation of law, such as by inheritance.
<b>Implied agency</b>	A partner is the agent of the other partners.	A co-owner is not the agent of other co-owners.
<b>Nature of interest</b>	There is community of interest which means that profits and losses must have to be shared.	Co-ownership does not necessarily involve sharing of profits and losses.
<b>Transfer of interest</b>	A share in the partnership is transferred only by the consent of other partners.	A co-owner may transfer his interest or rights in the property without the consent of other co-owners.

## 5. Kinds of Partnership



## 6. Types of Partners



Active or Actual or Ostensible partner	Sleeping or Dormant Partner	Nominal Partner	Partner in profits only	Incoming partner	Outgoing partner	Partner by holding out
become a partner by agreement, and	a partner by agreement, and	Lend his name to the firm	Entitled to share the profits only	admitted as a partner into an already existing firm with the consent of all the existing partners.	A partner who leaves a firm in which the rest of the partners continue to carry on business.	When a person represent himself, or
actively participates in the conduct of the partnership	does not actively take part in the conduct of the partnership business	Without having any real interest in firm	Not liable for the losses	Not liable for any act of the firm done before his admission as a partner.	remains liable to third parties for all acts of the firm until public notice is given of his retirement.	Knowingly permits himself,
		Not entitled to share the profits				to be represented as a partner in a firm (when in fact he is not)
		Does not take part in the conduct of the business	Liable to the third parties for all acts of the profits only			he is liable, like a partner in the firm
		Liable to third parties for all acts of the firm				to anyone who on the faith of such representation has given credit to the firm.

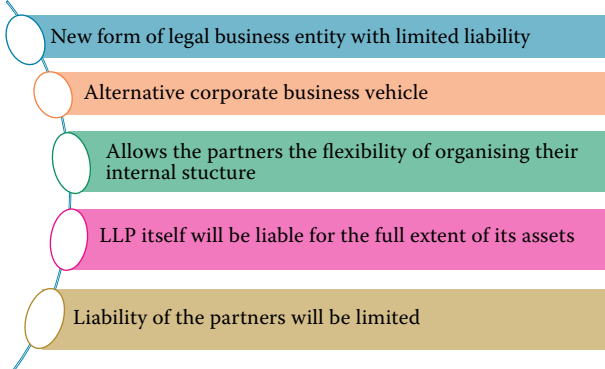
## FOUNDATION-PAPER 2A-BUSINESS LAWS

This capsule on Paper 2A: Business Laws at Foundation level covers the concepts of the Limited Liability Partnership Act, 2008 which is Chapter 4 of this paper. It covers significant concepts explained in graspable manner for rational understanding of legal provisions. This will help the student to understand and retain the important aspects of the legal provisions. This capsule is, in fact are short notes which aids to revise the chapter in the examination condition and can be referred a day before examination. This is relevant for the May 2023 examination.

### CHAPTER 4: LIMITED LIABILITY PARTNERSHIP ACT, 2008

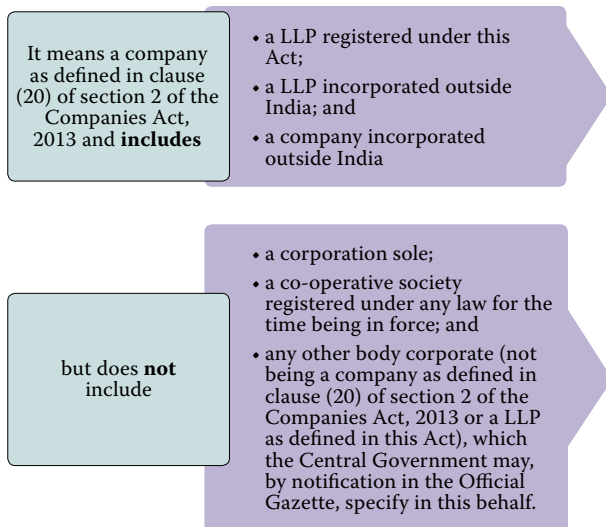
#### I. LIMITED LIABILITY PARTNERSHIP- MEANING AND CONCEPT

1.

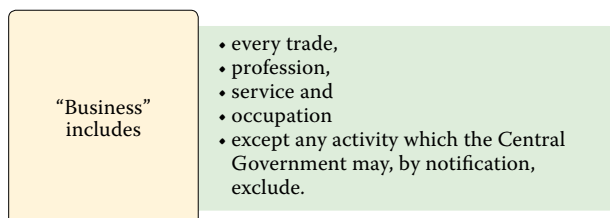


#### 2. Important Definitions

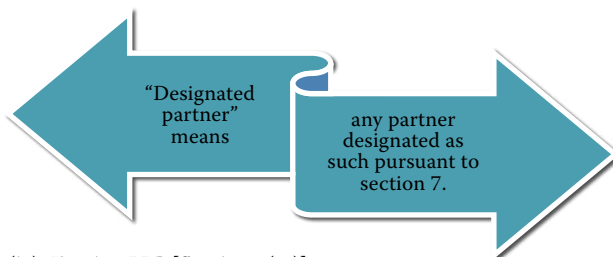
##### (i) Body Corporate [Section 2(d)]



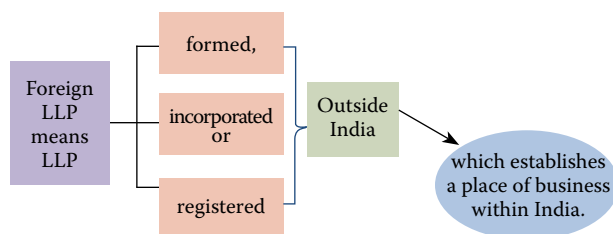
##### (ii) Business [Section 2(e)]



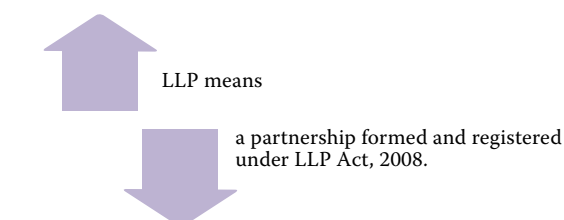
##### (iii) Designated Partner [Section 2(j)]



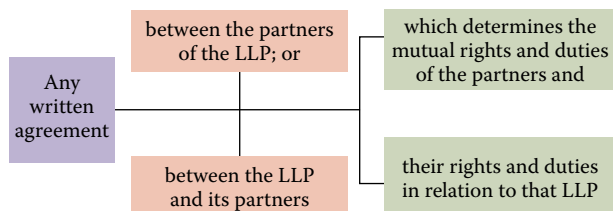
##### (iv) Foreign LLP [Section 2(m)]



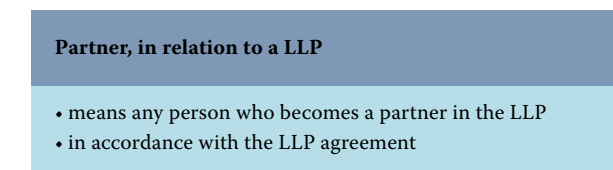
##### (v) Limited Liability Partnership [Section 2(n)]:



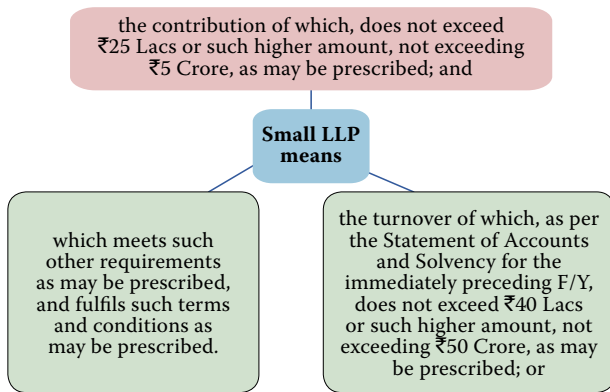
##### (vi) LLP Agreement [Section 2(o)]:



##### (vii) Partner [Section 2(q)]



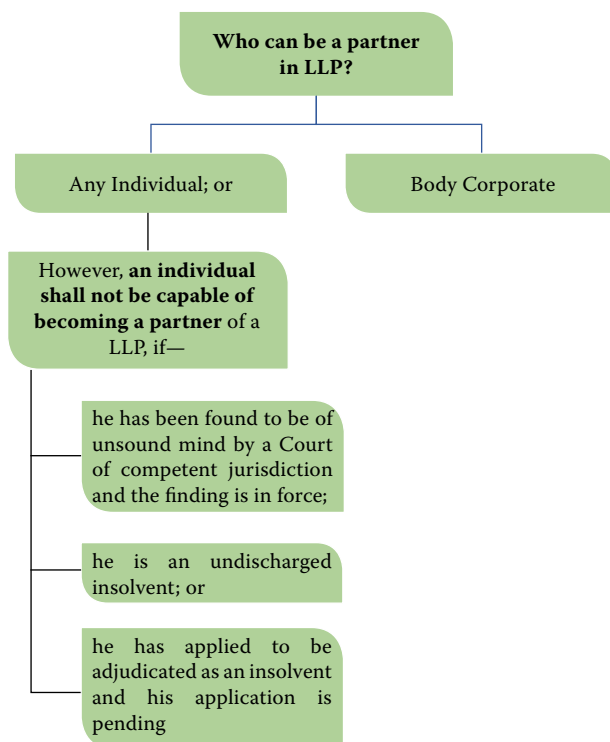
(viii) Small Limited Liability Partnership [Section 2(ta)]



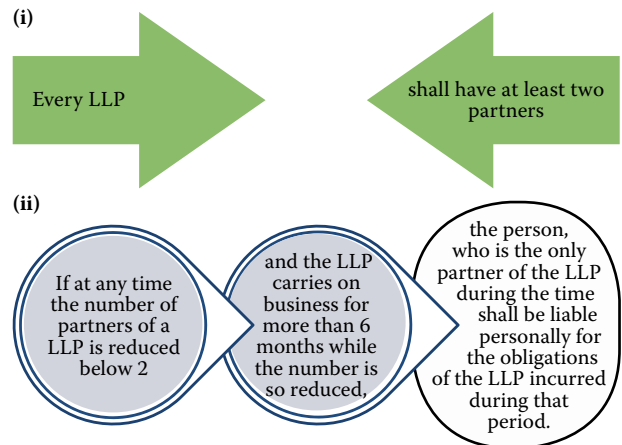
**3. Non-applicability of the Indian Partnership Act, 1932**



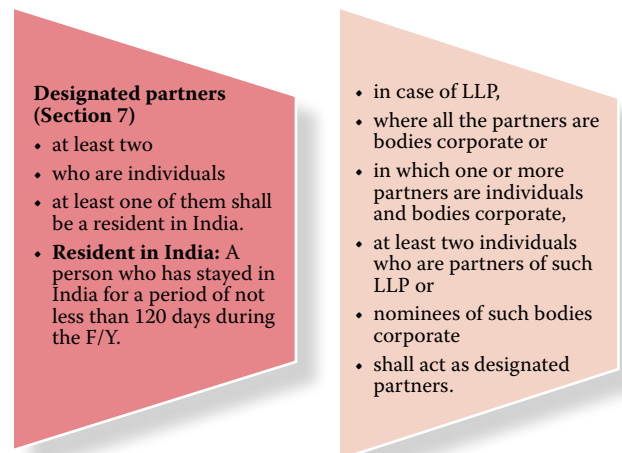
**4. Partners (Section 5)**



**5. Minimum number of partners (Section 6)**



**6. Designated partners (Section 7)**



**7. Characteristic of LLP**

Body Corporate	Perpetual Succession	Separate Legal Entity	Mutual Agency
LLP Agreement	Artificial Legal Person	Common Seal	Limited Liability
Management of Business	Minimum and Maximum number of Partners	Business for Profit Only	Investigation
Compromise or Arrangement	Conversion into LLP	E-Filing of Documents	Foreign LLPs

## 8. Advantages of LLP form

is organized and operates on the basis of an agreement

provides flexibility without imposing detailed legal and procedural requirements

easy to form

all partners enjoy limited liability

flexible capital structure

easy to dissolve

## II. INCORPORATION OF LLP

### 1. Incorporation Document (Section 11)

Incorporation document	<p>Two or more persons associated for carrying on a lawful business with a view to profit shall subscribe their names to an incorporation document;</p> <ul style="list-style-type: none"> <li>The incorporation document shall be filed in such manner and with such fees, as may be prescribed with the Registrar of the State in which the registered office of the LLP is to be situated; and</li> </ul> <p><b>Statement to be filed:</b></p> <ul style="list-style-type: none"> <li>➤ There shall be filed along with the incorporation document, a statement in the prescribed form,</li> <li>➤ Made by either an advocate, or a Company Secretary or a Chartered Accountant or a Cost Accountant, who is engaged in the formation of the LLP and</li> <li>➤ By any one who subscribed his name to the incorporation document,</li> <li>➤ That all the requirements of this Act and the rules made thereunder have been complied with,</li> <li>➤ In respect of incorporation and matters precedent and incidental thereto.</li> </ul> <ul style="list-style-type: none"> <li>The incorporation document shall—</li> <li>be in a form as may be prescribed;</li> <li>state the name of the LLP;</li> <li>state the proposed business of the LLP;</li> <li>state the address of the registered office of the LLP;</li> <li>state the name and address of each of the persons who are to be partners of the LLP on incorporation;</li> <li>state the name and address of the persons who are to be designated partners of the LLP on incorporation;</li> <li>contain such other information concerning the proposed LLP as may be prescribed.</li> </ul> <ul style="list-style-type: none"> <li>If a person makes a statement as discussed above which he—</li> <li>knows to be false; or</li> <li>does not believe to be true, shall be punishable</li> <li>➤ with imprisonment for a term which may extend to 2 years and</li> <li>➤ with fine which shall not be less than ₹10,000 but which may extend to ₹5 Lakhs.</li> </ul>
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### 2. Incorporation by registration (Section 12)

- The Registrar shall retain the incorporation document and shall, within a period of 14 days—
- register the incorporation document; and
- give a certificate that the LLP is incorporated by the name specified therein.

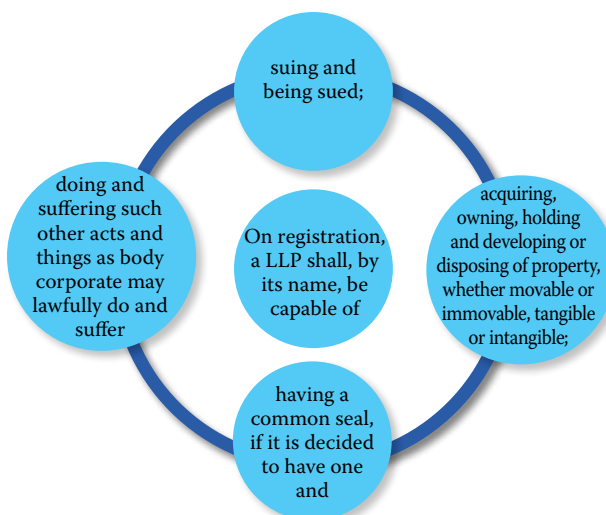
The certificate issued shall be signed by the Registrar and authenticated by his official seal.

The certificate shall be conclusive evidence that the LLP is incorporated by the name specified therein

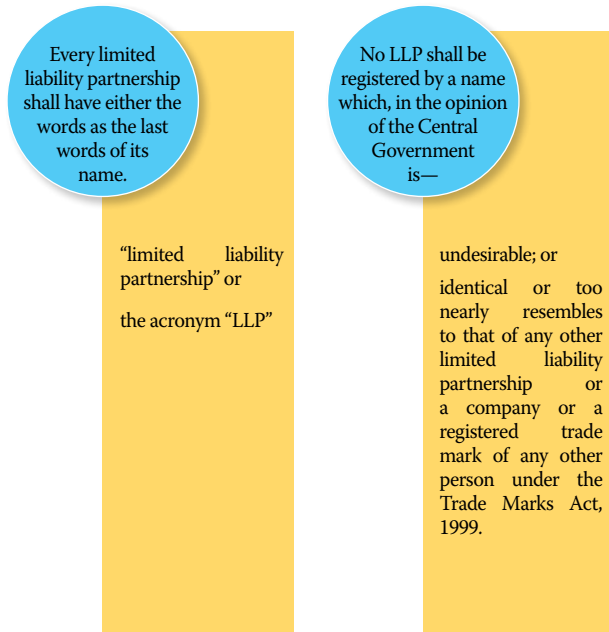
### 3. Registered office of LLP and change therein (Section 13)

Registered office	Manner of sending	Change in Registered office	Default
<ul style="list-style-type: none"> <li>All communications and notices may be addressed and shall be received.</li> </ul>	<ul style="list-style-type: none"> <li>by post under a certificate of posting or</li> <li>by registered post or</li> <li>by any other manner</li> </ul>	<ul style="list-style-type: none"> <li>change the place of its registered office and</li> <li>file the notice of such change</li> <li>with the Registrar in such form and manner and</li> <li>subject to such conditions as may be prescribed and any such change shall take effect only upon such filing.</li> </ul>	<ul style="list-style-type: none"> <li>LLP and its every partner</li> <li>shall be liable to a penalty of ₹500 for each day during which the default continues,</li> <li>subject to a maximum of ₹50,000</li> </ul>

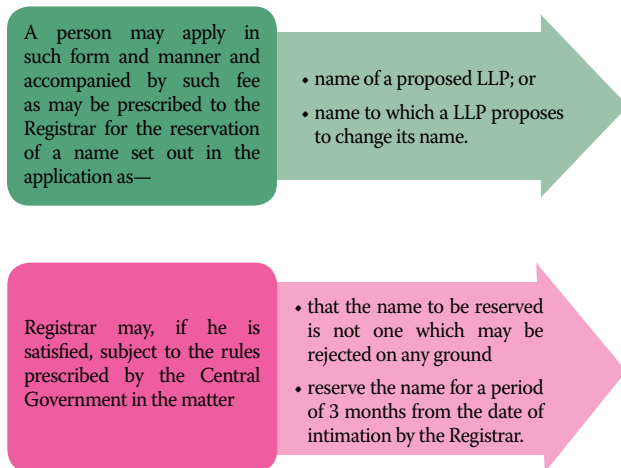
### 4. Effect of registration (Section 14):



## 5. Name (Section 15)

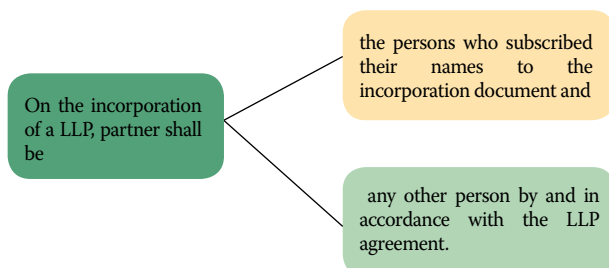


## 6. Reservation of name (Section 16)

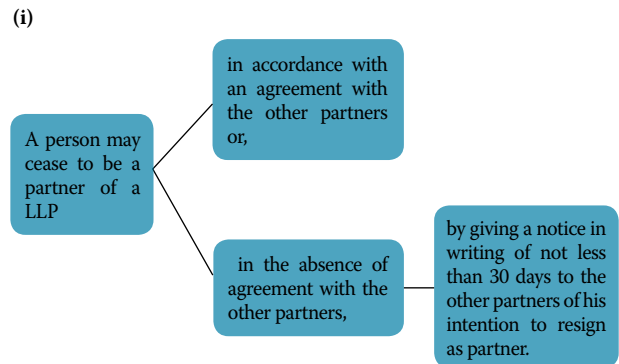


## III. PARTNERS AND THEIR RELATIONS

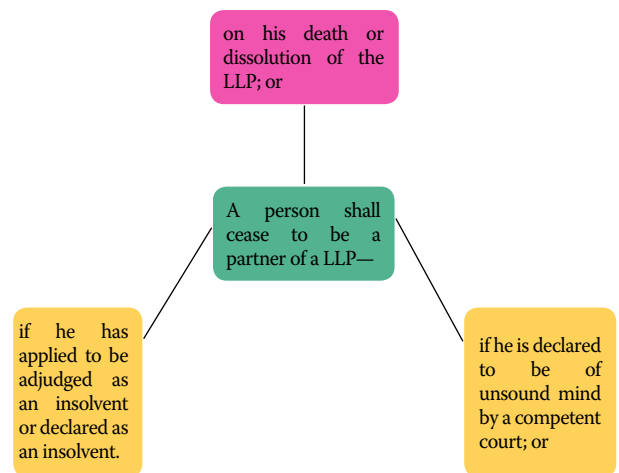
### 1. Eligibility to be partners (Section 22)



### 2. Cessation of partnership interest (Section 24)



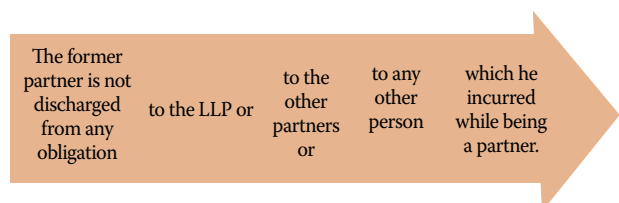
(ii)



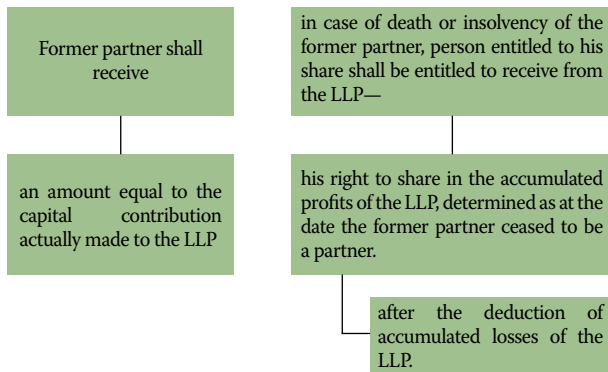
(iii)

Former partner is to be regarded as still being a partner of the LLP unless—	the person has notice that the former partner has ceased to be a partner of the LLP; or
	notice that the former partner has ceased to be a partner of the LLP has been delivered to the Registrar.

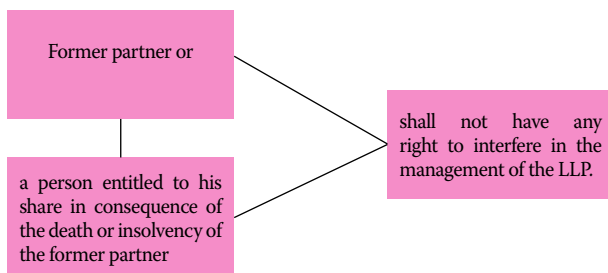
(iv)



(v)

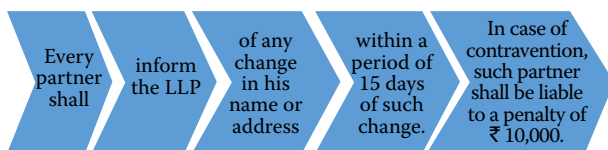


(vi)

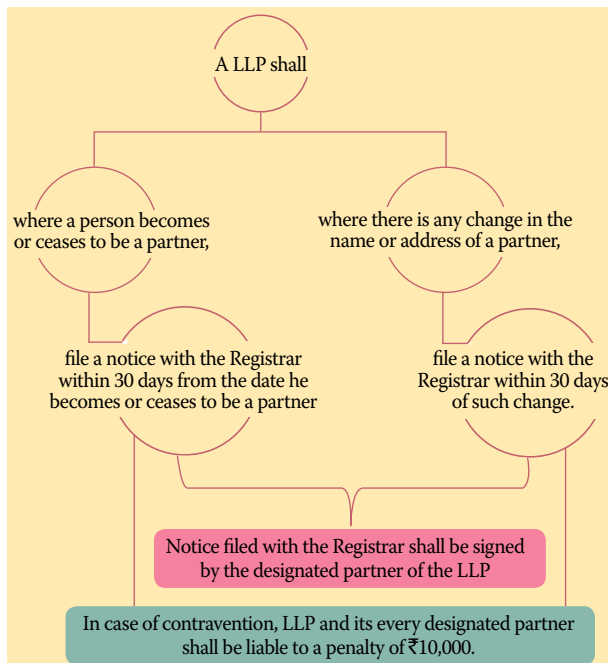


## 3. Registration of changes in partners (Section 25):

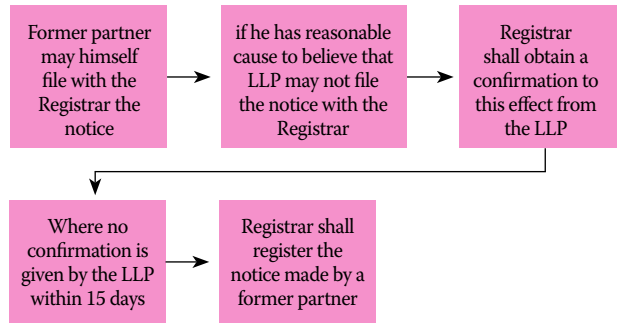
(i)



(ii)



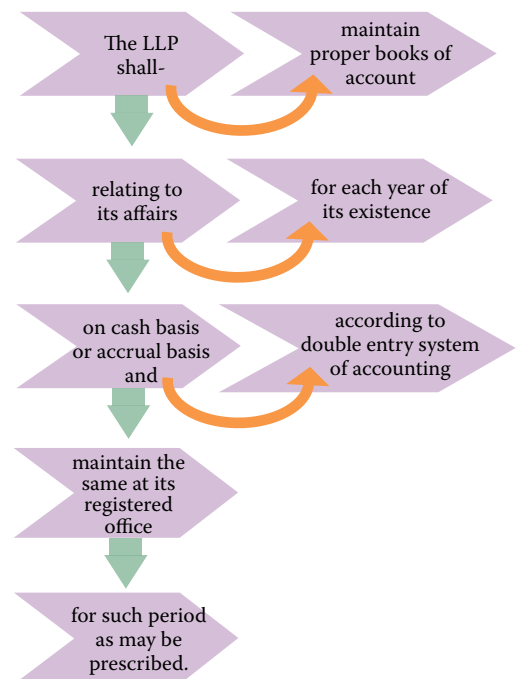
(iii)



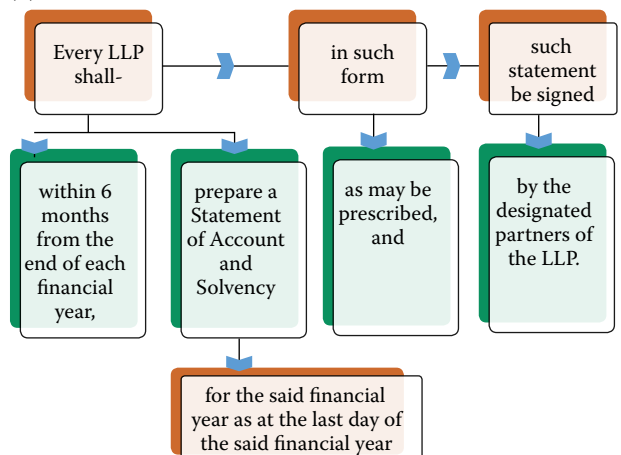
## IV. FINANCIAL DISCLOSURES

### 1. Maintenance of books of account, other records and audit, etc. (Section 34)

(i)



(ii)



(iii)

**Every LLP shall file**

- within the prescribed time,
- the Statement of Account and Solvency as prepared
- with the Registrar
- every year
- in such form and manner
- and accompanied by such fees as may be prescribed

The accounts of LLP shall be audited in accordance with prescribed rules.

The CG may, exempt any class /s of LLP from the requirements by notification in the Official Gazette.

(iv)

Any LLP which fails to comply the provisions related to the filing of Statement of Account and Solvency-

**Such LLP and its designated partners-**

- shall be liable to a penalty of ₹100 for each day during which such failure continues,
- subject to a maximum of ₹1 lakh for the LLP and
- ₹50,000 for every designated partner.

(v)

Any LLP which fails to comply with the provisions of sub-section (1), sub-section (2) and sub-section (4),

such LLP shall be punishable with fine -not less than ₹25,000, but may extend to ₹5 lakh,

its every designated partner shall be punishable with fine- not less than ₹10,000, but may extend to ₹1 lakh.

**2. Annual return (Section 35):**

Every LLP shall file an annual return

duly authenticated with the Registrar

within 60 days of closure of its financial year.

**V. WINDING UP AND DISSOLUTION**

(i)

The winding up of an LLP may be either

**voluntary**

**or by the Tribunal**

(ii)

**Circumstances in which LLP may be wound up by Tribunal**

- if the LLP decides;
- if, for a period of more than six months, the number of partners of the LLP is reduced below two;
- if the LLP is unable to pay its debts;
- if the LLP has acted against the interests of the sovereignty and integrity of India, the security of the State or public order;
- if the LLP has made a default in filing with the Registrar the Statement of Account and Solvency or annual return for any 5 consecutive financial years; or
- if the Tribunal is of the opinion that it is just and equitable that the LLP be wound up.

# BUSINESS CORRESPONDENCE AND REPORTING ||

## CA FOUNDATION - PAPER 2B - Business Correspondence and Reporting

The capsule presents an outline of the topics along with vital aspects about the concepts covered in all four parts of the curriculum. It also discusses:

- Types of questions asked in the examination from each of the chapters.
- Handy tips/cues for preparation as well as presentation of answers in an effective manner.
- A list of prescribed Do's and Don'ts to reinforce important points to be remembered from examination's standpoint.

As you would know, the syllabus has been divided into 4 Parts. The table below indicates the relevant details

S.No	Part Name	Chapters Covered	Weight-Age in marks	Skill level*
1.	Part-I Communication	1	5-6	Level-I
2.	Part-II Sentence Types and Vocabulary	2,3	9-10	Level-II
3.	Part-III Comprehension and Note Making	4,5	10	Level-II
4.	Part-IV Developing Writing Skills	6 to13	15	Level-II

**Level-I: Knowledge and Comprehension**

**Level-II: Application**

Each Part elucidates one of the significant aspects of **Business Correspondence**.

### Part-I Communication

**Overview:**

Communication forms the basis of any interaction. It is the process of exchange of ideas, thoughts and opinions through a verbal or non-verbal medium, between two or more people intending to communicate or correspond with each other or in a group.

Chapter-1 broadly discusses the essential aspects of the process of communication, its types, mediums, characteristics of effective communication and barriers.

**Types of Questions**

The questions that can be asked from this chapter can be both direct and indirect in nature.

- Direct questions can be from any topic/concept as mentioned above.
  - **What is network in communication? (1 Mark)**
  - **Define non-verbal communication. What are its various types? (2 Marks)**
- Indirect questions check the student's level of understanding of the concept. These can be in the form of statements where comments or brief explanations are sought on these. Student is expected to answer with appropriate justification or supporting statement or argument. For example:
  - **Specify the kind of a formal business setting where 'Star Communication Network' cannot be applied. (1 Mark)**
  - **Body language can sometimes be deceptive. Comment. (2 Marks)**
  - **Physical barriers are a result of our surroundings. Discuss. (2 Marks)**

**NOTE: The questions above have been taken from past year question papers. Answers are available as part of Suggested Answers.**

Both the type of questions can be for 1 or 2 marks each.

One mark questions should be answered very precisely with clarity.

Two mark questions may include

- brief description of the topic/concept covering major points with examples/illustrations,
- comments with apt reason/argument/justification

**How to Prepare (Tips and Cues)**

You are advised to read, comprehend and memorize definitions, concepts and nuances of each topic. Understanding the concepts is essential to be able to make out what is being asked as questions are sometimes paraphrased in a manner to test the examinee's

comprehension or expression. Students can ask themselves simple definitions, pointers, examples while studying the chapter to reinforce the concept.

### Part-II Sentence Types and Vocabulary (Word Power)

**Overview**

Sentences and Vocabulary are the basic building blocks of all formats and language constructs. While sentence construction determines and enhances the coherence, clarity and progression in any piece of writing; vocabulary lends a meaning, describes its connotation with precision at the same time enriching the language.

**Chapter 2 Sentence Types** comprises the basic sentence structure, subject, predicate, dependent and independent clauses and types of sentences: simple, compound, complex and complex-compound, subject-verb agreement, types of speech: direct indirect; active-passive voice.

**Types of Questions**

All questions carry one mark, include:

- Rewrite a sentence from direct to indirect speech and vice versa
- Rewrite a sentence from active to passive voice and vice versa
- Identify the type of sentence (compound/complex/compound-complex)

**How to Prepare (Tips and Cues)**

You are required to:

- Develop a habit of reading newspaper articles on myriad themes and subjects, fictional content or reviews.
- They can try to identify different sentence structures, dependent and independent clauses and types to observe the writing style used to state/describe ideas, opinions and suggestions.
- Comprehend the rules to convert a sentence from direct to indirect speech and vice versa
- Comprehend the rules to convert a sentence from active to passive voice and vice versa
- Practise extensively to convert sentences.

These will not only help to understand the usage/application of the various sentence types but also enable you to hone your verbal and written expression during group discussions and presentations as well as answering questions during the examination.

**Chapter-3 Vocabulary**

Includes jargon words/phrases, synonyms-antonyms, roots of words, prefix-suffix, phrasal words, collocations and idioms.

**Types of Questions**

All questions carry one mark, include:

- MCQs based on synonyms, antonyms, idioms and collocations.
- MCQs as fill ups based on phrasal verbs

**How to Prepare (Tips and Cues)**

Building a good vocabulary requires regular reading to learn new

words. It can be enhanced gradually by:

- Judiciously following a daily habit of learning at least 5 new words with their meanings, both in English and Hindi or in the vernacular/ native language.
- Carrying pocket dictionaries (English to English and English to Hindi/native language) always
- Noting at least one synonym and antonym for each of these words to understand how these words could be used interchangeably.
- Identifying words used in colloquial English or frequently used words in different types and styles of conversations such as debates, interviews, lectures, formal speech/address etc.
- Inculcating the habit of noting down unfamiliar/new words encountered while reading books, studying, attempting questions from exercises or watching any audio/video content.
- Using these words extensively in oral and written communications for retention.
- Preparing a personalized lexicon for ready reference.

These activities/exercises would help to remember the precise meaning of the word, its origin, different connotations thereby, providing more clarity on the usage with respect to the context.

## Part-III Comprehension passages and Note Making

### Chapter-4 Comprehension Passages

#### Overview

Comprehension passages are an integral part of any language curriculum and most competitive/language exams. Reading without understanding is inconsequential, as it does nothing beyond phonetics. The exercise aims at enhancing vital language skills such as **Reading, Writing, Listening and Speaking** by enabling you to understand whatever is written in terms of its context and connotation thus helping you to make out ideas, thoughts, opinions, suggestions from plane words. It also hones your analytical skills. The passages in questions can have academic or general content and style and may include topics from a variety of fields including arts, sciences, social sciences, etc. You may or may not be familiar to the topic. However, an underlying assumption is that the passage is exhaustive and the answers to the questions can be retrieved /derived from within the passage only.

The chapter describes strategies for attempting these passages in a stepwise manner covering:

- Enhancing reading skills by improving reading speed
- Developing higher order thinking skills through Bloom's Taxonomy to improve comprehension skills.

#### Types of Questions

Part-III is important because there is a compulsory question from the section having two parts with one question each based on Comprehension passage and Note Making carrying 5 marks each.

In Comprehension Passages, there may be 4 to 5 questions (for 1 or 2 marks) based on a given text/passage/excerpt that primarily include:

- Multiple Choice Questions
- Subjective questions to be answered in 1-2 sentences

These can be:

**Main idea questions:** Test the understanding of the whole passage rather than the individual paragraphs/sections of the passage.

**Specific detail questions:** Based on the facts/details/events presented in the passage.

**Inference questions:** Ask to draw a logical conclusion from what is said in the passage.

**Vocabulary based questions:** Ask the meaning of a word or phrase within the context of the passage.

#### How to Prepare (Tips and Cues)

After a cursory reading of the passage and the questions, try to comprehend the passage verbatim. Thereafter, you must attempt to:

- Find /locate/identify same/similar/associative words from the question in the passage.
- Ask questions like **What, When, Where, How** and seek answers in the passage about the keywords, subjects or procedures identified

earlier. Record the answers.

- Figure out the central idea or the theme of the given passage. This has to be a noun i.e. a person, place, idea, or a thing. Mostly, the main idea of a passage is stated in the first sentence of the first paragraph. Sometimes it is mentioned at the end of the paragraph and rarely, anywhere else in the paragraph. In cases where the passage is taken from middle or end of a larger text, the central idea may not be stated at all, but simply implied.
- Read the opening and closing statement of each paragraph.
- Differentiate between the relevant and irrelevant information in the passage.
- Mark keywords, these can be subjects or entities (nouns), about which something is described, procedures(action verbs) explained, conjunctions between clauses, events/incidents narrated.

These may be:

**Reason words** – because, due to, owing to, in view of, reason being  
**Cause-and-effect words** – thus, as a result, therefore, leading to, culminating into

**Time words** – meanwhile, before, after, at the same time, simultaneously

**Contrast words** – contrary, contrarily, in contrast, conversely, Unlike, opposite to

**Addition words** – also, in addition to, As well as, as well

**Emphasis words** – note, more/most importantly, remember, moreover

- Identify logical sequence of events and supporting details across the entire passage describing the central theme.
- Mark specific words and phrases. They help to understand the relationship between the ideas in a paragraph or paragraphs.
- Note the context and sentence structure for clues in case of vocabulary based questions specifically, if the answer is not known.
- Identify logical sequence of events and supporting details across the entire passage describing the central theme.
- Read through the passage and identify **statements, arguments and inferences or conclusions**.

### Chapter 5 Note Making

#### Overview

Note Making is significant to learning, revision and retention. It is an essential skill to be developed so as to prepare skimmed and summarized subject material for revision. Notes essentially comprise important points, numerous categories and different aspects of the subject/entity/idea succinctly without omitting the vital details. As a student, it is highly relevant for you, as you are required to retain and recall voluminous subject contents during examinations and in other academic pursuits and even later in your profession while making speeches and presentations.

The chapter enables students to:

- Prepare extensive notes in a structured manner spanning through the text without skipping any detail complete with indentation and abbreviations.
- Write summary comprising pertinent details.

It highlights the significance of the topic for students and elucidates a step wise process to prepare notes for a given text material in a sequential manner comprising:

- Strategies of effective Note Making
- Difference between Note Making and Note Taking
- Linear Note Making
- Steps for Linear Note Making
  - Format
  - Indentation
  - Abbreviations/Acronyms

#### Types of Questions

Question in Note Making has 2 parts

- To prepare Notes

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- To write Summary

## **How to Prepare (Tips and Cues)**

You need to:

- Read the passage intently at least twice.
- Select/Frame an appropriate heading based on the central theme of the passage.
- Mark the key sentences that help to develop the main idea or the central theme, these may include entities (nouns), activities (verbs), details (descriptions) and other aspects such as cause, effect, types, categories etc. to prepare subheadings and sub subheadings to present these in a logical sequence as given in the passage.
- Not write complete sentences, just the keywords such as nouns and verbs.
- Ensure that indentation is duly maintained.
- Abbreviate long words to prepare the key.
- Collate the aforesaid points and ideas in a logical sequence to prepare the summary of the passage. Prepare the notes first, and then draft the summary elaborating the note pointers.
- Note that summary must be less than half the size of the passage and present the vital points in the given passage. However, the order of details presented may be altered.

## **Part-IV: Developing Writing Skills**

### **Overview**

This part comprises eight chapters from Chapter 6 to 13. It constitutes the biggest and the most important portion in the curriculum, carrying the maximum weight-age (**15 marks**). It encompasses:

- Major writing constructs such as Précis, Articles and Reports.
- Inter-office and intra-office business communication/correspondence constructs such as Letters, Mails (both inter-office), Memos and Circulars (both intra-office).
- Preparing a Resume with/without a cover letter; Agendas, Minutes and Action Taken Report (ATR) of a Meeting.

These constructs are frequently used in the process of information exchange, and formal correspondence in day-to-day business operations. It is therefore important for you to familiarize yourself with these constructs to be able to communicate effectively in formal corporate settings.

Chapters 7 to 13 discuss each one of these constructs including their formats, types, forms and versions complete with numerous examples illustrations and exercises.

### **Types of Questions**

- Write a Précis for the given passage / Article or Report on the given topic subject or event / Letter or Mail to a recipient
- Prepare a Resume / Agenda, Minutes and ATR of a Meeting

## **How to Prepare (Tips and Cues)**

### **(I) Generic**

You must be conversant with the basic format and essential details corresponding to each of these constructs. While attempting, you must:

- Prepare a rough skeleton structure or a template of the construct.
- List down essential details such as date, subject, time, salutations, item code / order number/ cheque details/ name and main body, concluding message, designation and names of participants etc.
- Prepare the main body and sub sections of the construct and vital pointers with respect to the subject matter to be included for these.
- Fill in the details to complete it.
- Edit the first draft to ensure appropriate words are used with the correct connotation/context and do not use overtly long sentences which makes it cumbersome for the examiner to read.

### **(II) Specific**

#### **(A) Chapter-7 Précis Writing**

You should:

- Read the text carefully to understand its central theme/idea.
- Give a suitable title around the central theme
- Mark keywords such as nouns, verbs, adjectives and adverbs to identify entities, activities/processes and descriptions.

- Skim out any redundant and insignificant details from the passage/text.
- Shorten the sentences to simplify the information by converting overtly long complex and complex-compound sentences to simple and compound sentences.
- Always write in third person, indirect reported speech in past tense.
- State the relevant details briefly around the central theme, without missing out any data.
- Ensure that the sequence of events is maintained as narrated in the passage.
- Adhere to the thought process/view-point of the author in the given passage/text. Refrain from making any contrary remark, comment or suggestion.
- Ensure that the précis does not exceed more than one third of the given passage.
- Re-iterate the complete process to further omit unnecessary words/sentences, or re-frame the sentences to prepare a final edited version.

#### **(B) Chapter-8 Article Writing**

Format

Title illustrating the idea/subject - In the first line

By: Name of the author -Second line

#### **Writing Tips/Cues**

- Structure the contents into 2-3 paragraphs, each with a different central idea.
- **Introduction (Paragraph-1):**
  - Begin with a striking first sentence, a quote, proverb or idiom a popular newspaper headline that goes with the title/theme.
  - Follow it up with a brief introduction/overview.
- **Main Body (Paragraph-2):**
  - Mention related facts/figures/practices
  - Major aspects; Key stakeholders; Comparison with a similar concept (major similarities/dissimilarities); Origin/Source; Nature, Types and Forms; Major Causes and Effects on different entities;
- **Main Body (Paragraph-3):**
  - Mention proposed precautions measures/solution; Merits/demerits; Advantages/Disadvantages;
  - Past/Present/Future perspectives,
  - Conclusion/Inference; Final comment/opinion/recommendations.
- Collate your ideas in rough as pointers as per the structure above. Frame the pointers in sentences.
- Use adjectives/adverbs/phrases/idioms to make it engaging/riveting for the reader.
- Adhere to the word limit

#### **(C) Chapter-9 Report Writing**

Format

Title : Brief description of the incident/event In the first line

By: Name of the author -Second line

#### **Writing Tips**

- Delineate the report into 2-3 paragraphs, comprising different set of details in each paragraph.
- Write in third person, indirect reported speech and in past tense.
- Adhere to the word limit.
- **Paragraph-1:**
  - Give first-hand description of the incident /event as a live witness/viewer.
  - Begin with a striking opening sentence followed by brief description. including date, time and place of the incident/event;
  - Name of the event, institution/
  - People involved / Organizers
  - Objective
  - Chief Guest/ Guest of honour, Audience

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## • Paragraph-2:

- Narrate the event in a chronological manner, stating minute yet significant details.
- List down the programmes/activities entailed and brief description of each of them / Causes of the incident,
- State relevant facts/figures; include / description by eye witnesses/ audience feedback.

## • Concluding Paragraph-3:

- Future perspectives, plans; important implications, major repercussions; concluding remarks/comments.

## (D) Chapter-10 Formal Letters and Official Communication

### (i) Letter

Format with tips

Sender's Address

Date:

Addressee's Address

Salutation

**Subject:** A one line statement crisply citing the purpose of the letter that catches the attention of the recipient and makes the intent aptly clear.

### • Introduction (Paragraph-1)

- Briefly mention the reason/objective for writing in 2-3 sentences.

### • Main Body (Paragraph-2)

- Pertinent details about the subject matter and key points to be conveyed in 3-4 sentences. .
- Include Item/cheque/order/complaint number;
- Product/Order/Cheque/Complaint specifications or any other supporting document
- In case of a complaint/request for replacement, specify the person in-charge /entity who will visit to address the issue.

### • Concluding Paragraph-3

- Re-iterate the objective;
- State appropriate action to be taken(if, any) by the recipient;
- Expected timeline/(timely delivery, quality, specific requirements).
- Essential terms and conditions to be adhered to
- Close the letter on a positive note, hoping for a favourable response within the designated time period.

• Complimentary Close: Warm Regards/Thanking You/Yours truly/ Yours sincerely

• Sender's Name & Designation

### (D)(ii) Official Communication: Circulars

These are formal communications (One to many) to be propagated amongst a large target audience such as office employees, students in an institution or members of a club/consortium/organization

Format

Circular No. xxxxx

Date:

Title in 2-3 words : Office Transport Rules/  
Working Hours; School Vacations/ Trip;  
Club timings/rules; Party Meetings etc.

For all employees/students/members,

### • Paragraph-1

- Objective of the communication should be clearly stated unambiguously, with relevant details.

### • Paragraph-2

- If any action or response is requested, specify the name of the employee/teacher/member with complete details such as: designation, department, official E-mail, telephone number etc.

Name of the Person (Optional)

Designation with Department (Mandatory)

### (D)(iii) Official Communication: Memos OR Memorandums

These are reminders, formal communications (One to many) to be communicated amongst a limited target audience of a particular office departments/staff members of an institution or a specific group of members of a club or organisation, informing/apprising them about a specific decision.

Format

Name of the organization/institution/club

### Inter Departmental Memo

**Date:**

**To:** Employees of a Department/ Teachers of a class or department/ Senior Members of a club

**From:** Name with Designation and Department

**Subject:** Objective clearly stated such as: Purchase/Issuance of equipment such as Laptops Mobile Phones/ Tablets; Suspension/ Dismissal of Mr. X;

### • Paragraph-1

- Information/Decision with stringent norms/penal action if required, clearly stated.

**(E) Writing Formal E-Mails:** These are most commonly used means of instant one to one OR one to many communication. E-mails are used/exchanged to share information, issue instructions, demand action, elicit response, request details or any other purpose where some interaction is needed.

Format

**To:** E-mail address (es) of the recipient(s).

**Cc:** Copy to: E-Mail addresses of the other stakeholders concerned with the communication

**Subject:** Purpose of sending the mail clearly stated such as: Payment to a vendor for bill number xxx; Confirmation of Order Number xxx; Status of application for registration to CA Foundation/Intermediate/ Final etc.

### • Main Body

**Salutations:** Dear/Respected Sir/Madam

### • Paragraph-1

- Brief description in 1-2 sentences, about the purpose of the mail with reference to the subject.

### • Paragraph-2

- Pertinent details including recent correspondence such as policy decision, data gathered about the issue, any other information
- Specific action expected from the recipient. Clear and concise instructions should be given.
- Enclose necessary annexures/ attachments (if, required)

### • Paragraph-3

- Express hope for a favourable response from the recipient within the stipulated time period.

• **Complimentary Closure:** Regards/Warm or Best Regards

**Name and designation of the sender**

Telephone Number: Landline, Mobile (optional)

### (F) Resume Writing

• **Chronological Resume:** Resume is a formal document that comprises complete information about the antecedents of an incumbent including personal, academic and training (Information Technology & Soft skills) related details to be presented to the prospective employer in accordance with a specific post/profile in a specific chronological sequence. This format is most commonly used by students who intend to apply for formal training programmes as part of professional courses such as article-ship as part of the Chartered Accountancy Course.

Format (Chronological Resume)

- Name and Contact Details
- Career Objective
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous trainings completed / conducted

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- Technical/soft skills
- Interests/Hobbies (optional)
- Personal Details
- Declaration about the details mentioned in the resume document being true.
- Date: \_\_\_\_\_ Name and Signature

## (F)(ii) Functional Resume:

This emphasises your skills and achievements. Previous experience is of little importance. The format is ideal for professionals who intend to join their respective profession after a gap/sabbatical or those who have numerous gaps in their career due to whatever reasons.

Format

- Name and Contact Details
- Career Objective
- Skills
- Technical Training/s
- Achievements
- Experience
- Academic details
- Personal details
- Declaration about the details mentioned in the resume document being true.
- Date: \_\_\_\_\_ Name and Signature

## (F)(iii) Combination Resume:

This presents a combination of the incumbent's skills along with professional and academic antecedents. This format is used to highlight past employment history and specific skill-sets suitable for a given job profile while applying for the same. It is written in reverse chronological sequence with the recent job profile coming first and so on.

Format

- Name and Contact Details
- Career Objective
- Summary of experience gained
- Experience details in reverse chronological sequence
  - Name of the Organisation/Company
  - Position/Designation held
  - Responsibilities
  - Appreciation/Promotions/Rewards if, any
- Technical/soft skills
- Academic achievements/antecedents in a chronological sequence
- Co-curricular Achievements
- Previous trainings conducted
- Personal Details
- Declaration about the details mentioned in the resume document being true.
- Date: \_\_\_\_\_ Name and Signature

**(F)(iv) Cover Letter:** It is a formal letter to express interest for a specific job profile/position advertised by an organization. It must

highlight the reason for applying, strengths and requisite skill set vis a vis the position so as to evoke employer's interest in the applicant / incumbent.

Format

Sender's Address

Date:

Designation/Name of the Addressee:

Address:

Salutation:

Subject:

- **Paragraph-1**
  - Introduction with name and position against which applied; mention the source of information
- **Paragraph-2**
  - Explain the incumbent's interest in the job profile
  - Highlight relevant skills and experience most suited for the job profile.
  - Make specific associations between capabilities and job requirements as mentioned in the job description.
  - Project the skills and experience to make the incumbent most suitable for the job.
  - Exhibit awareness about the organisation's affairs.
- **Concluding Paragraph-3**
  - Hope for a favourable response
  - Ask for follow up details and tentative dates for the subsequent interview/interaction.
- **Complimentary Closure**
  - Yours Sincerely/Thanks & Regards/Best Regards/Warm Regards

Signature

(Name)

**(G) Meetings:** It can be defined as an assembly of individuals in a formal environment such as a corporate set-up to deliberate/debate upon certain issues/problems in order to conclude matters, in most cases take decisions. Meetings are mostly preordained, to be held at a fixed time, date and venue with a fixed agenda entailing issues/items to be discussed.

Agenda: It is prepared in advance, with items (including requisite annexures) contributed by or prepared with the consent of some of the key participants. Once prepared, the draft Agenda is circulated/propagated amongst the participants/attendees. The Agenda defines/determines and ensures:

- Objective of a meeting
- Issues/topics to be discussed
- Specific time slot allocated to each speaker
- Sequence in which the issues will be taken up during the meeting.
- Meeting is focused and speakers do not deviate from the issues.

## (G)(i) Tabular Agenda

Format

Time	Topic/Item	Attendees	Speaker	Duration
10 AM	Strategy for launch of a new product/service/initiative	Name and designations of the participants such as Head of Production, Head of Sales, Head of marketing, Head of Finance, Managing Director etc.	Name of the official who presents the issue/ item	Time( in minutes ) allotted for presentation/discussion for eg.  30 minutes
10:30 AM	Market Trends			30 minutes
11 AM	Tea Break			15 minutes
Subsequent Items				
2 PM	Vote of thanks		Director	2 minutes

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**(G)(ii) Minutes of a Meeting:** These entail comments/opinions/suggestions put forth by each of the speaker/participant on a particular item/issue and the subsequent decision taken, stated unambiguously in a sequential manner. These are documented and duly filed/maintained as a compilation for future reference.

Format

Date:

Time:

Venue:

Meeting started in time

Mr. X, Director Operations (Convenor) gave an Introduction

Mr. Y, the Product Head explained the new product and its salient features.

Mr. Z, the Marketing Head gave a detailed presentation about the marketing strategy for various media. The details have been captured in Annexure-A. Suggestions were sought from the members. Individual reports to be submitted by *(specified dates)*

Mr. A the Sales Head along with a team member explained the sales strategy in upcoming as well as existing markets. Details are provided in Annexure-B. Suggested to recruit more staff to scale up the sales operations.

Mr. B the HR Head, proposed for a separate meeting to be held within a week's time to discuss the modalities of the recruitment process.

Mr. C the Managing Director declared the house open for suggestions and thanked the participants.

Concluding Remarks:

Proposal for fresh recruitments

Marketing Team to collate the suggestions from participants and prepare a detailed report.

Marketing Team to initiate the tendering process to identify media partners to advertise the new product.

Action Taken Report to be submitted by the Marketing and Sales Team by *(specified date)*

**(G)(iii) Action Taken Report:** Detailed Report to be submitted by an official or team on the ground work done/action taken arising out of the discussions held during a meeting. It is important to gauge the progress on the respective item/issue discussed during the previous meeting.

Format

Action Taken Report nth Meeting of Department Heads  
XYZ Ltd.

As per the meeting held on date: , at : venue; the following have been reported:

- Marketing team compiled the suggestions and tendering process initiated the tendering process Annexure-I
- The HR team prepared the modalities for the recruitment process. Detailed report submitted as Annexure-II

Undersigned

Director, Operations (Convenor)

### Dos and Don'ts

- Do practise questions in Part-III and Part-IV from Revision Test Papers (RTPs), previous year question papers and Mock Test Papers (MTPs).
- Do write complete words, do not use abbreviations unless required (in Note Making)
- Do use different types (Simple, Compound and Complex) of sentences ((Simple, Compound and Complex); Direct/Indirect; Active /Passive) to highlight your writing skills, specifically while attempting questions from Part-IV
- Do not exceed the word limit ( 250-300 words) and time limit (15-18 min each) specifically for writing exercises (Part-IV).
- Do not use unfamiliar words.
- Do not write overtly long sentences with multiple clauses.
- Do not repeat the same point to increase the length of the answer
- Do not repeat a word in an answer; use synonyms to highlight your vocabulary.
- Revise your answers and if time permits, edit it.

## CA FOUNDATION - PAPER 2B - BUSINESS CORRESPONDENCE AND REPORTING

Board of Studies (Academic) has been catering to the learning needs of students by providing a wide array of content to help them not just to prepare but to revise concepts for the upcoming examination. Keeping this in mind, a capsule on the topics of Foundation Course Paper 2 Section B: Business Correspondence and Reporting has been developed. This capsule covers Sentence Types, Active-Passive Voice and Direct-Indirect speech, which not only helps to understand the sentence structure better but also enables you to hone your verbal as well as written expression while answering the questions in the examination. It may be noted that this capsule is a source of quick revision and should not be taken as a substitute for detailed study. Students are advised to refer to the relevant Study Material for comprehensive study and revision.

### Chapter – 2: Sentence Types, Active-Passive Voice and Direct-Indirect speech

Grammar comprises rules of a language governing sounds, words, sentences, and other elements, as well as their combination and interpretation. In restricted sense, the term refers only to the study of sentence and word structure (syntax and morphology), excluding vocabulary and pronunciation. The systematic description of the features of a language is also a grammar.

#### Features of Language

<b>Phonology</b> Study of speech and sound	<b>Syntax</b> Study of arrangement of words (word order)	<b>Morphology</b> Study of internal construction of words
<b>Semantics</b> Study of meanings	<b>Pragmatics</b> Study of the use of natural language in communication	

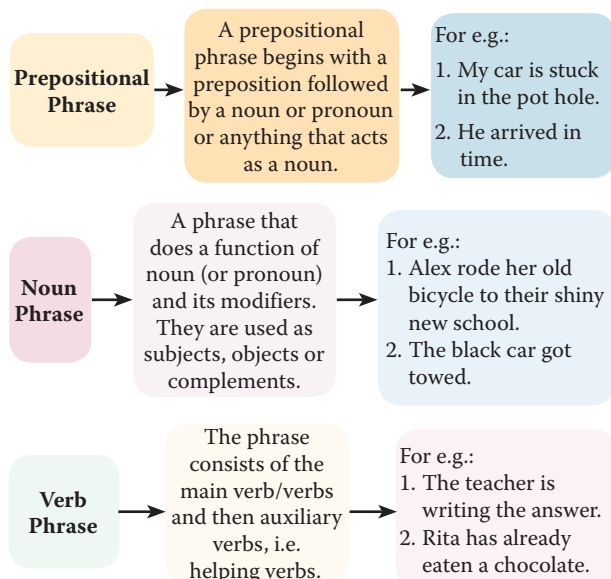
#### Phrase

Examples:



A phrase is a group of words which does not make complete sense on its own and does not contain a verb.

#### Types of Phrases



#### Adjective Phrase

A group of words that has an adjective as its head.

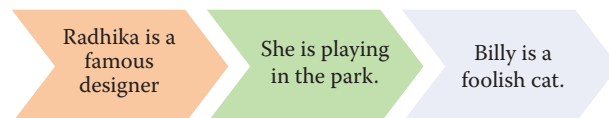
For e.g.:

1. Everyone was extremely delighted when the winner was announced.
2. Merry is slow and steady.

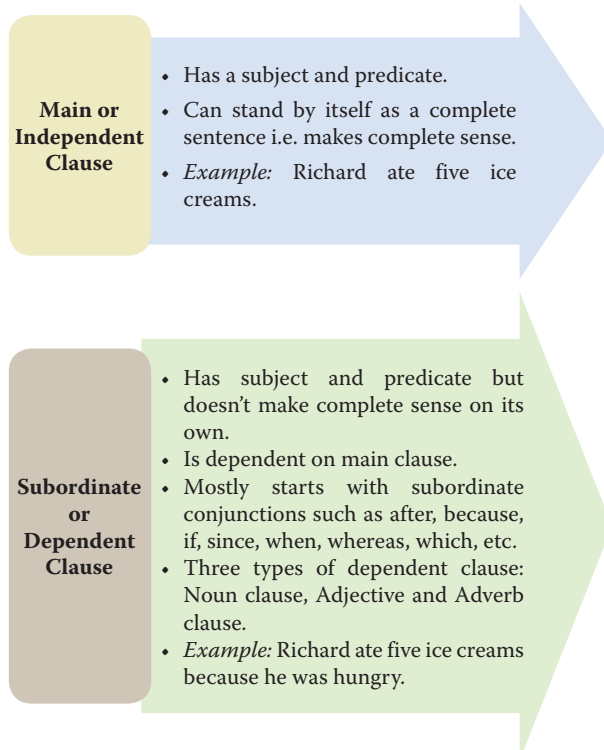
#### Clause

A clause is a group of words which contain a subject (noun phrase) and verb (verb phrase). A clause is a stand-alone unit, on its own or may form part of a sentence.

Examples:



#### Types of Clauses

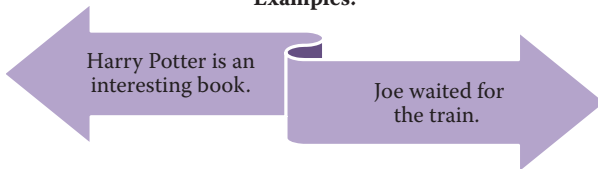


# BUSINESS CORRESPONDENCE AND REPORTING

## SENTENCE

A sentence is a group of words that make complete sense. It expresses a complete thought. It typically contains a subject and predicate.

Examples:



## Basic parts of Sentence

<b>Subject</b> <ul style="list-style-type: none"> <li>about which something is stated</li> </ul>	<b>Predicate</b> <ul style="list-style-type: none"> <li>tells us something about the subject</li> </ul>	<b>Direct Object</b> <ul style="list-style-type: none"> <li>a person or thing affected by the action(verb) of the subject.</li> </ul>
<b>Indirect Object</b> <ul style="list-style-type: none"> <li>person/thing for whom action is done</li> </ul>	<b>Object of Preposition</b> <ul style="list-style-type: none"> <li>noun/pronoun that completes its meaning</li> </ul>	<b>Verbs</b> <ul style="list-style-type: none"> <li>action or occurrence or indicates a state of being</li> </ul>
<b>Phrases</b> <ul style="list-style-type: none"> <li>group of words that doesn't make complete sense</li> </ul>	<b>Complements</b> <ul style="list-style-type: none"> <li>word or word group that completes the meaning</li> </ul>	

## Types of Verbs

<b>Finite Verbs</b> <ul style="list-style-type: none"> <li>Changes according to the number and tense. For e.g., is, am, are, do, does, has, have, eat, eats, etc.</li> </ul>
<b>Non-Finite Verbs</b> <ul style="list-style-type: none"> <li>Does not change according to the person, number or tense. For e.g. to dance. There are three kinds of non infinite verbs:                             <ul style="list-style-type: none"> <li>➤ <b>Infinitive</b> – Base form of verb used generally like a noun</li> <li>➤ <b>Participle (Past and Present)</b> – Form of verb that has nature of both verb and an adjective.</li> <li>➤ <b>Gerunds</b> – Form of verb that ends with "-ing" and acts as a noun.</li> </ul> </li> </ul>
<b>Auxiliary Verbs</b> <ul style="list-style-type: none"> <li>Helping verb</li> <li>Form of verbs is/am/are/has/have/had, etc. used with ordinary verbs to make tenses, passive forms, questions and negatives.</li> </ul>
<b>Modals</b> <ul style="list-style-type: none"> <li>Type of auxiliary (helping) verb that is used to express: ability, possibility, permission or obligation.</li> <li>Can, may, might, must, could, will, would, shall, should are 9 core modals.</li> </ul>
<b>Transitive verbs</b> <ul style="list-style-type: none"> <li>Performs its action on an object.</li> <li>Have direct objects, which means someone or something receives the action of the verb.</li> </ul>
<b>Intransitive Verbs</b> Opposite of transitive verb -doesn't need an object to complete its meaning / express a state or being.

Sentences are classified according to its function and structure.

**Classified according to its structure:**

- Simple Sentences
- Compound Sentences
- Complex Sentences
- Complex Compound Sentences

**Classified according to its function:**

- Declarative Sentence
- Imperative Sentence
- Interrogative Sentence
- Exclamatory Sentence

## Types of Sentences according to its function

### Declarative Sentence

- Simply makes a statement/opinion/view
  - Ends with a full stop (.)
  - Can be positive or negative
- e.g: She is riding a bicycle.

### Imperative Sentence

- Express order/command/advice/request/proposal/suggestion
  - Can end with full stop (.) or exclamation mark (!)
- e.g.: Please don't ride the bicycle too fast.

### Interrogative Sentence

- Ask a question and ends with question mark (?)
- Usually starts with question words followed by a verb

e.g.: Is she riding a bicycle?

### Exclamatory Sentence

- Expresses strong feeling and ends with exclamation mark (!)

e.g. What a beautiful bicycle!

## Types of Sentences according to its structure

### Simple Sentence

- Contains **subject and verb, and expresses single complete thought.**

e.g. The baby cried for food.

### Compound Sentence

- Has **two independent clauses** that are joined by a conjunction (for, and, or, but, yet etc.)

e.g. They spoke to him in Spanish, but he responded in English.

### Complex Sentence

- An **independent clause** joined by **one or more dependent clauses.**
- Joined by a subordinator (as, because, since, after, although, when) or relative pronoun (who, that, which)

e.g.: After eating lunch at the cheesecake factory, they went to the gym to exercise.

### Compound-Complex Sentence

- Has **two independent clauses and at least one dependent clause.**

e.g.: The man believed in the system, and he knew that justice would prevail after the murderer was sent to jail.

## Subject-Verb Agreement

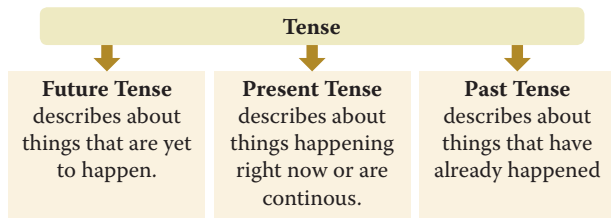
Subject-Verb agreement is the correspondence of a verb with its subject in person.

Some of the common rules of subject verb agreement

- Subject and verb must agree in number.
- Subordinate clauses that come between the subject and verb do not affect their agreement.
- Prepositional phrases between subject and verb usually do not affect the agreement.
- When sentence start with 'there' or 'here', the subject will always be placed after the verb.
- Subject does not always come before verbs in questions
- If two subjects are joined by 'and', they typically require a plural verb form.
- The verb is singular if the two subjects separated by 'and' refer to the same person or thing as a whole.

## Tenses

Grammar tenses refer to the state of the verb. The state or tense of the verb explains the time of the action.



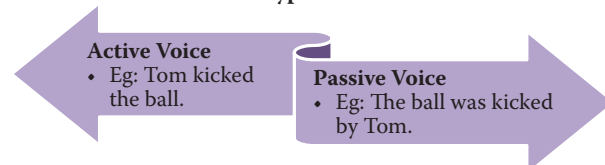
## Types of Tenses with the help of examples

Tense	Past	Present	Future
<b>Simple</b>	I helped my neighbour yesterday.	I help my neighbour every day.	I will help my neighbour tomorrow.
<b>Perfect</b>	I had helped my neighbour clean his attic before I fixed his car.	I have helped my neighbour too much this week.	I will have helped my neighbour a hundred times by the end of the month.
<b>Continuous</b>	I was helping my neighbour when he brought me iced tea.	I am helping my neighbour while he fixes up his house.	I will be helping my neighbour next month when he moves.
<b>Perfect continuous</b>	I had been helping my neighbour for a year before he finally thanked me.	I have been helping my neighbour since I moved in.	I will have been helping my neighbour for a year next month.

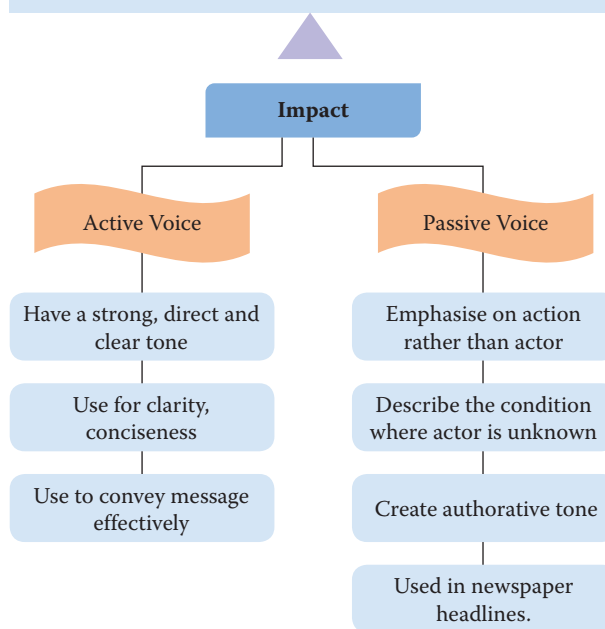
## ACTIVE PASSIVE VOICE

"Voice" refers to the connection between the subject and the object of a sentence, which is linked through a verb.

Two types of Voice



Active Voice	Passive Voice
Meaning is clear and direct.	Meaning is indirect and ambiguous.
Receiver of action is preceded by the verb.	Receiver of the action is followed by the verb.
Doer of the action is followed by the verb.	Doer of action is preceded by the verb.
Subject of the sentence is doing the action.	Action is done on/upon the subject



## Basic rules to change from Active to Passive Voice

The rules are explained with the help of examples

### 1. Change of subject and object

<b>Active voice :</b> 'subject + verb + object'	<ul style="list-style-type: none"> <li>Monkeys adore bananas.</li> <li>The cashier counted the money.</li> <li>The dog chased the squirrel.</li> </ul>
<b>Passive Voice:</b> Subject + form of 'be' + past participle of verb + by + object	<ul style="list-style-type: none"> <li>Bananas are adored by monkeys.</li> <li>The money was counted by the cashier.</li> <li>The squirrel was chased by the dog.</li> </ul>

# BUSINESS CORRESPONDENCE AND REPORTING

## 2. Change of verbs

Tense	Active Voice	Passive Voice
<b>Simple Present</b>	Julia eats the chocolate.	The chocolate is eaten by Julia.
<b>Present Continuous</b>	Julia is eating the chocolate.	The chocolate is being eaten by Julia.
<b>Present Perfect</b>	Julia has eaten the chocolate.	The chocolate has been eaten by Julia.
<b>Simple Past</b>	Julia ate the chocolate.	The chocolate was eaten by Julia.
<b>Past Continuous</b>	Julia was eating the chocolate.	The chocolate was being eaten by Julia.
<b>Past Perfect</b>	Julia had eaten the chocolate.	The chocolate had been eaten by Julia.
<b>Simple Future</b>	Julia will eat the chocolate.	The chocolate will be eaten by Julia.
<b>Future Continuous</b>	Julia will be eating the chocolate.	The chocolate will be being eaten by Julia.
<b>Future Perfect</b>	Julia will have eaten the chocolate.	The chocolate will have been eaten by Julia.
<b>Can/may/must etc. + base</b>	Julia can eat the chocolate.	The chocolate can be eaten by Julia.

## 3. Change of pronoun

Nominative Case	Objective Case
I	Me
He	Him
She	Her
You	You
They	Them
It	It
We	Us
Who	Whom

For example: Active: I ate the bread.  
Passive: The bread was eaten by me.

## 4. Addition of the word 'by'

Active: Rohan buys the milk in evening.

Passive: The milk is bought by Rohan in evening.

## 5. When there are objects, there are two possible sentences:

Active: The professor gave **the books (object 1)** to the **students (object 2)**.

Passive 1: *The students* were given the books by the professor.

Passive 2: *The books* were given to the students by the professor.

## 6. Change Interrogative Sentences into Passive

In case of	Active Voice	Passive Voice
<b>Is/am/are Was/were</b>	Is she cooking the food? Was she cooking the food?	Is the food being cooked by her? Was the food being cooked by her?
<b>Do/does/did</b>	Does she cook the food? Did she cook the food?	Is the food cooked by her? Was the food cooked by her?
<b>Has/have/had</b>	Has she cooked the food? Had Sachin played cricket?	Has the food been cooked by her? Had cricket been played by Sachin?
<b>Will/shall/can/may</b>	Can she cook the food? May Sachin play cricket?	Can the food be cooked by her? May cricket be played by Sachin?
<b>Question words (when/why/where/how/what)</b>	When did she cook the food? Why did she punish you? Who cooked the food?	When the food was cooked by her? Why were you punished by her? By whom was the food cooked?

## 7. Change Imperative Sentences into Passive

	Active Voice	Passive Voice
<b>Advice</b>	Learn your lessons.	You are advised to learn your lessons.
<b>Command</b>	Open the door.	Let the door be opened.
<b>Request</b>	Please make a cup of tea.	You are requested to make a cup of tea.
<b>Order</b>	Don't allow anybody to peep inside.	You are ordered not to allow anybody to peep inside.
<b>Obligation</b>	Love your parents.	Your parents should be loved.

To change from passive to active voice, reverse the rules that have been discussed above.

## DIRECT AND INDIRECT SPEECH

- When the actual words of the speaker are reproduced, it is called **direct speech**.

Example: He said, 'I am going to school.'

- When the main idea of a speaker's words is reported by another person and the exact words are not quoted, it is called **indirect speech or reported speech**.

Example: He said that he was going to school.



## Basic Rules

**Quotation marks or 'inverted commas' are used for direct speech.**

Example: 'I have cut my finger!' cried Mrs. Sharma.

**Quotation marks are not used for indirect or reported speech.**

Example: Mrs. Sharma cried that she had cut her finger.

**Question marks and exclamation marks are not used in reported speech.**

Example: 'Is it bleeding very much?' Mr. Sharma asked. (direct)

Mr. Sharma asked if it was bleeding very much. (indirect)

**The conjunction 'that' is used before the indirect statement.**

Example: Aarav said, 'I am driving the car.' (direct)

Aarav said that he was driving the car. (indirect)

## Changing Direct Speech into Indirect Speech

Tense Rule	Direct Speech	Indirect Speech
<b>Simple Present to Simple Past</b>	He said, "He is a cricket player."	He said that he was a cricket player.
<b>Present continuous to past continuous</b>	I said, "Priya is going to Pune."	I said that Priya was going to Pune.
<b>Present perfect to past perfect</b>	Azhar said, "It is raining."	Azhar said that it has been raining.
<b>Present perfect continuous to past perfect continuous</b>	Ria said, "Rohan has been at work."	Ria said that Rohan had been at work.
<b>Simple past to past perfect</b>	"My mother arrived on Monday", he told me.	He told me that his mother had arrived on Monday.
<b>Past perfect remains past perfect</b>	He explained, "The bread has gone stale."	He explained that the bread had gone stale.
<b>Past perfect continuous remains past perfect continuous</b>	"We were living in London", Sia told me.	Sia told me that they had been living in London.
<b>Future changes to present conditional</b>	I will finish my report in two days.	He said that he would finish the report in two days.
<b>Future continuous changes to conditional continuous</b>	My helper said, "I will be making the tea sometime."	My helper said that she would be making tea sometime.

### When the tense doesn't change

If the reported speech contains a universal fact, scientific truth, the tense of the verb doesn't change.

If the reporting verb is in present tense, the tenses of the direct speech do not change.

If a statement is still relevant, we can choose whether to keep the original tense or change it.

## Changing Direct Speech into Indirect Speech

**Pronouns of the first person are changed as**

- **Examples:** He said, 'I am bored.' (direct)  
He said that he was bored. (indirect)
- Mira said, 'We are going to the movies.' (direct)  
Mira said that they were going to the movies. (indirect)

**Pronouns of the second person are changed as**

- **Examples:** He said to her, 'You are beautiful.' (direct)  
He said to her that she was beautiful. (indirect)
- You must write neatly, the teacher told her pupils. (direct)  
The teacher advised her pupils that they must write neatly. (indirect)

**Pronouns of the third person do not change**

- **Examples:** I said, 'They have gone out.' (direct)  
I informed that they had gone out. (indirect)
- Leela said, 'These books are theirs.' (direct)  
Leela said that those books were theirs. (indirect)

## Changes in Modals into Indirect Speech

Rule	Direct speech	Indirect Speech
<b>Can changes into could</b>	She said, 'I can speak English.'	She said she could speak English.
<b>May changes into might</b>	I may invite them to dinner.	She said that she might invite them to dinner.
<b>Must changes into must/had to</b>	I must go to the bank and get some money.	She said that she had to go to the bank and get some money.

Modals like would, should, could, ought to, and might do not change during conversion.

For example: Direct Speech: I should start a job.

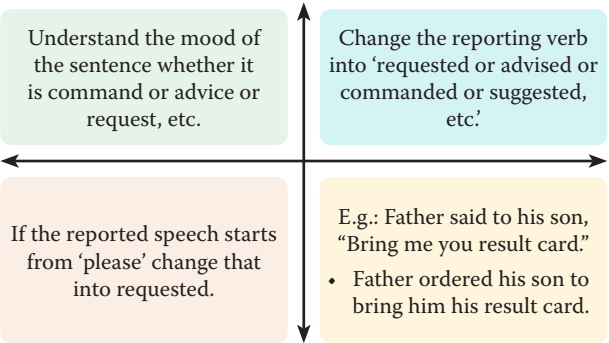
Indirect speech: She said that she should start a job.

## Words expressing nearness in time or place are generally changed into words expressing distance

This — that	Tomorrow — the next/ following day	Yesterday — the day before/the previous day
These — those	Today — that day	Example: The interviewer said to the young man, 'We will let you know our decision by tomorrow.' (Direct)
Here — there	Now — then	The interviewer said to the young man that they would let him know their decision by the next day. (Indirect)

# BUSINESS CORRESPONDENCE AND REPORTING

## Changes for Imperative Sentences from Direct to Indirect



## Rules for changing Interrogative Sentences from Direct to Indirect

Comma and inverted commas will be removed.

Conjunction 'that' will not be used in indirect statement; instead we use **if** or **whether** wherever necessary.

Interrogative sentence will be changed to assertive sentence.

The reporting verb such as 'said', 'tell', 'told', etc. will be replaced by 'ask', 'asked', 'inquired', etc.

**Examples**

Paul said, "What time does the bus come?" (direct)

Paul asked what time the bus came. (indirect)

To change from reported speech to direct speech, reverse the rules that have been discussed above.

# BUSINESS CORRESPONDENCE AND REPORTING ||

## CA FOUNDATION - PAPER 2B - BUSINESS CORRESPONDENCE AND REPORTING

Board of Studies has been catering the learning and requirement needs by providing a wide array of content to help students not just to prepare but also to revise concepts for upcoming examination. Keeping the objective in mind it has been decided to bring a crisp and concise capsule on the topics Introduction to Basics of writing and Precis writing of Foundation Course Paper 2B: Business Correspondence and Reporting. These topics has been presented through pictorial representation to enable students to understand the topic and improve the writing skills. Although this capsule facilitates in enduring quick revision, but under no circumstances such revision can substitute the detailed study of the material provided by the Board of Studies.

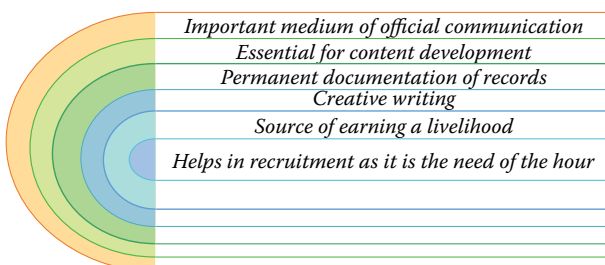
### Chapter 6: Introduction to Basics of Writing

A child first **listens** to conversations around him/her, and then repeats the sounds and words which have been learnt from the environment. Thus, the next step is learning to **speak**. Thereafter, the child begins to recognise alphabets and words and starts to **read**. The last skill to be learnt is that of **writing**.

Writing as a skill is a complex activity that requires years to master

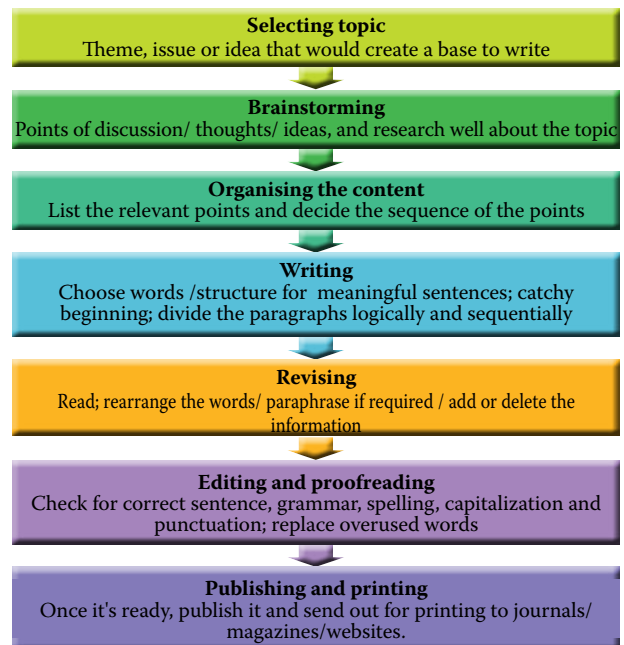


### Significance of learning writing skill



### Steps for writing

Writing is a process that has 7 steps which must be followed every time you write something substantial and important.



Multiple areas of brain are used in creating text, organising words and sentences sequentially so that they make sense to the reader.

Let's understand how one starts to write in the following diagram.

### Alphabet

After the recognition of sounds, one learns to write alphabet.

### Words

Next step in learning is about the formation and usage of words along with the meanings

### Sentences

Words come together to form sentences. Next Step is to learn about different sentences, structures and its connotations.

### Paragraphs

Sentences build together to form paragraphs. Structuring sentences to create meaningful paragraphs.

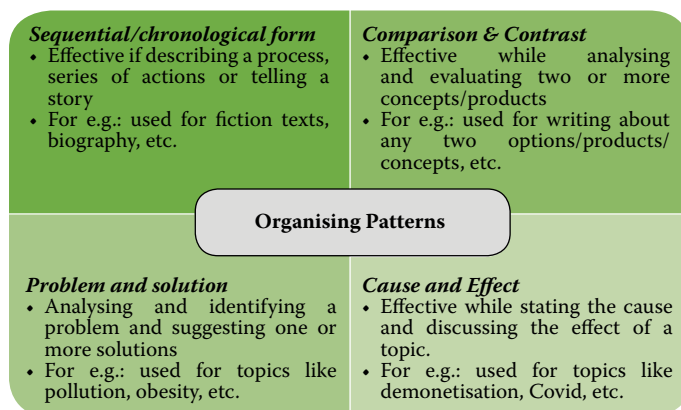
### Production

Finally, one can produce a relevant writing packed with vocabulary, purposeful sentences and consequential writing.

# BUSINESS CORRESPONDENCE AND REPORTING

Organisation of the collected information based on relevance, logic and in sequence is essential.

To learn to organize your thoughts, there are various patterns that one can choose from as per the subject and writing style. The organisation of thoughts is more effective when done graphically.



## Chapter 7: Precis writing

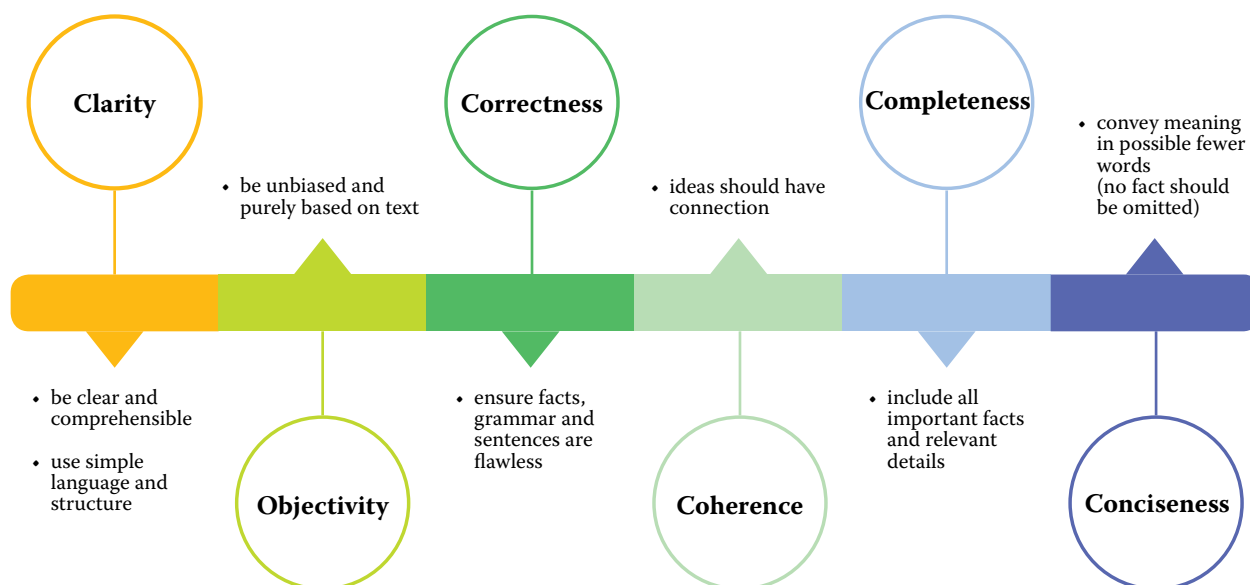
An abstract of a text, in one's own words, is known as a **précis**. The term is derived from the French word *précis* meaning 'precise'. Thus, a précis gives an accurate and brief description (or the main idea) contained in the text without losing its meaning and essence.

Précis writing is a useful exercise as it helps to develop a habit of careful reading and builds capacity to differentiate between the essential and the non-essential content.

### 'Precis vis-à-vis Summary'

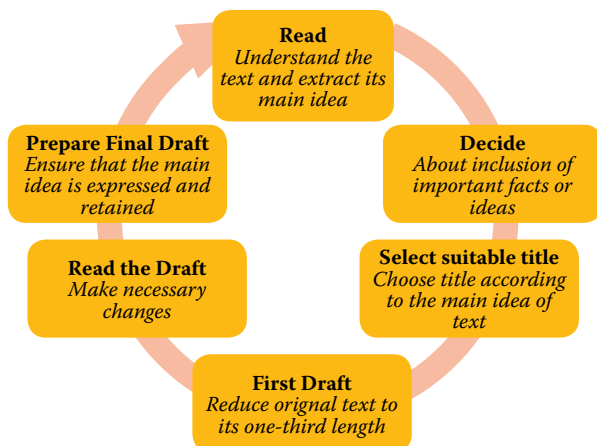
<b>Precis</b>	<ul style="list-style-type: none"> <li>• brief piece of writing.</li> <li>• order &amp; proportion are followed.</li> <li>• states only thought of the original text.</li> </ul>
<b>Summary</b>	<ul style="list-style-type: none"> <li>• short account of long pieces.</li> <li>• writer is free to change order &amp; proportion.</li> <li>• free to interpret the material and comment in their own words.</li> </ul>

## Characteristics of a good precis

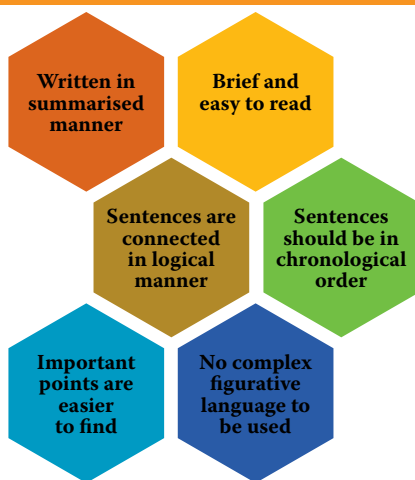


# BUSINESS CORRESPONDENCE AND REPORTING ||

## Precis writing procedure



## Features of a good precis writing



## Directives of precise writing

### Dos

Start with main idea itself

Message should be clear and written in original flow

Essential to mention purpose of writing

Retain keywords and keep a check on word count

Use past tense for historical facts

Always use the third person, reported speech

### Don'ts

Refrain from writing personal opinion, criticism or remarks

Never insert any fact taken from internet

Never ask questions

No abbreviation should be used (Use full forms of words)

Ensure it's not too long but short and crisp.

## CA FOUNDATION - PAPER 2B - BUSINESS CORRESPONDENCE AND REPORTING

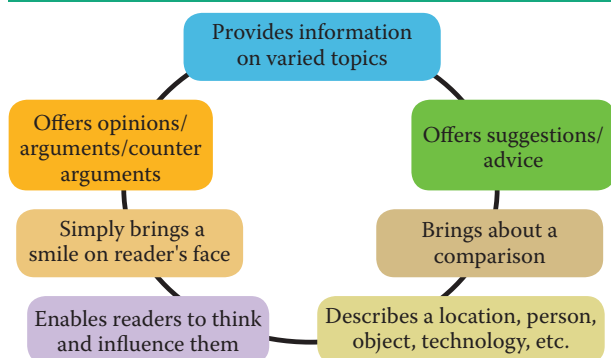
The capsule of Foundation Course Paper 2B: Business Correspondence and Reporting covers the topic of Article writing, Report Writing and Formal Letters and Official communications. These topics encompass different kinds of formats to be used while writing an Article, Report or Letters to help the students for quick revision. Under no circumstances, such revision can substitute the detailed study of the material provided by the Board of Studies. Students are advised to refer the Study Material for comprehensive study and revision.

### Chapter 8: Article Writing

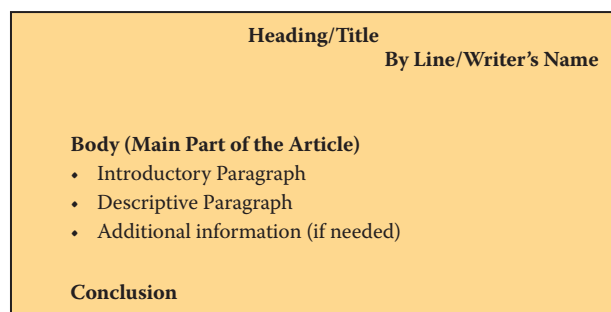
Article writing is the process of creating a non-fiction text about topics that can vary from serious to the ordinary. An article is a piece of writing mainly intended to be published in a newspaper, magazine or journal, and has a wide audience.



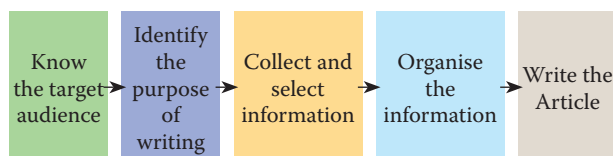
#### Objectives of Article Writing



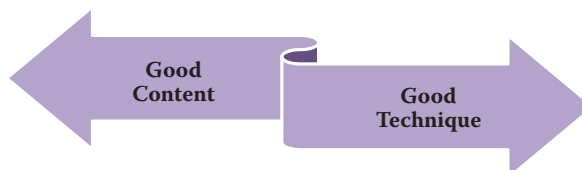
#### Format of Article Writing



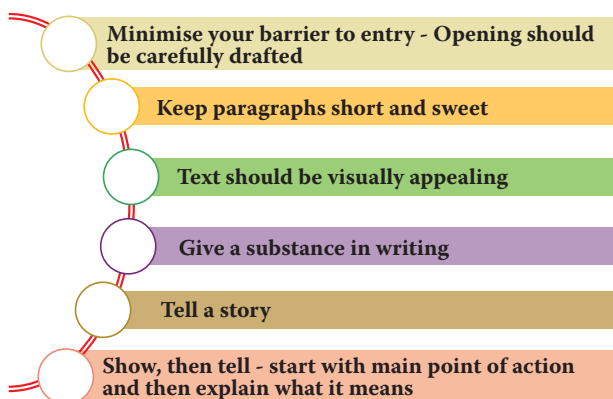
#### Steps in Article Writing



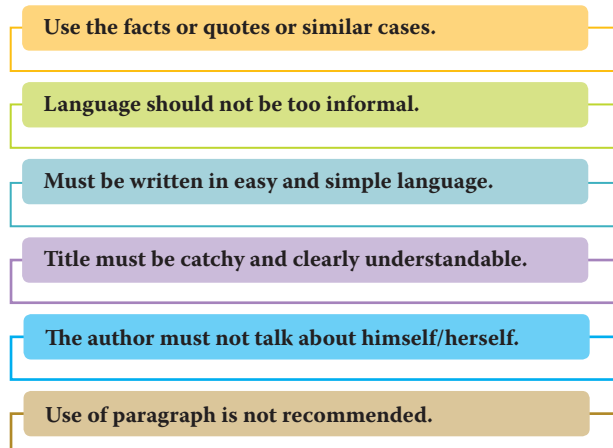
Writing a good article requires two things



#### Tips to write a good Article

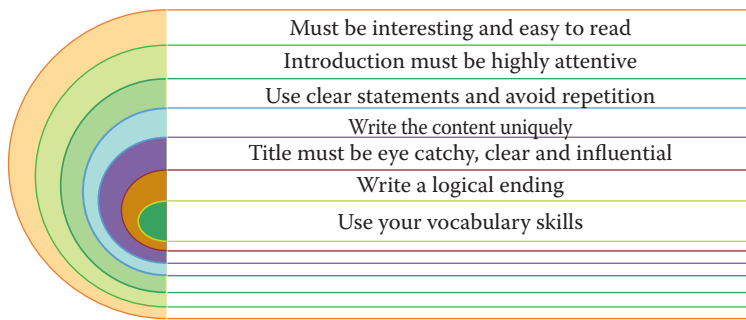


#### Do's and dont's of Article Writing



# BUSINESS CORRESPONDENCE AND REPORTING

## Essential points while writing an Article



For example:

### *The colour green: corporate conscience or fashion statement?*

by **Brendon Craigie**

Hotwire has conducted a major audit looking at the greening of corporate communications and its potential influence on consumer purchasing habits across Europe.

They researched five sectors (retail, banking & finance, manufacturing and automotive, utilities and technology & telecoms) in five countries (the UK, France, Germany, Spain and Italy) looking at how frequently companies use green issues in their external communications vehicles. In this instance press releases were selected as the representative communications tool. We coupled this with pan-European consumer research that identified how green issues affect the purchasing decisions of consumers in the same sectors and countries.

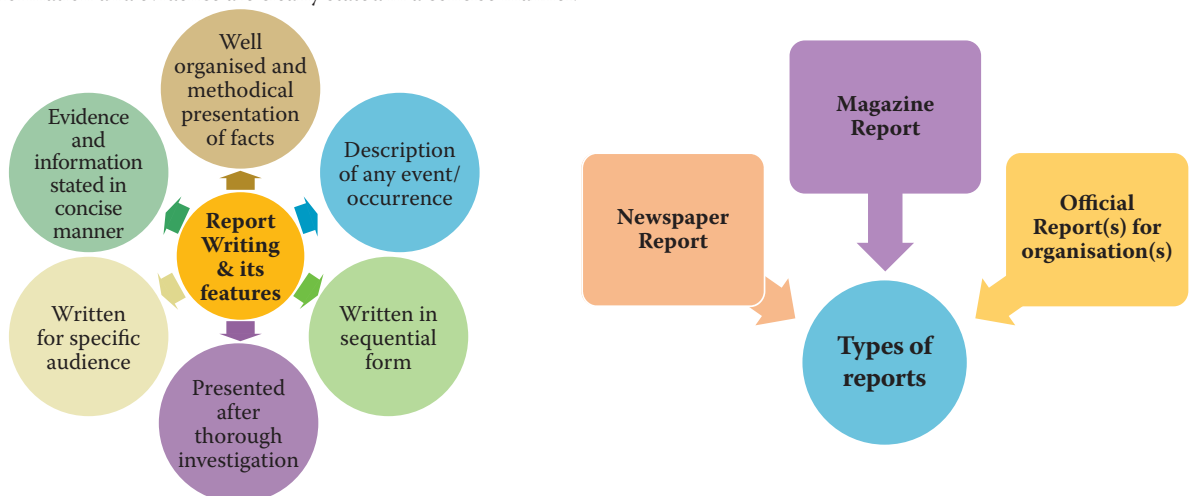
Contrary to popular opinion, companies across Europe do not greenwash their communications wholesale. The Hotwire study has found that across all the sectors green appeared as a theme relatively infrequently - in only 7.5%-17% of companies' external communications. French companies use green issues the most at 17% while German companies are least likely at 7.5%. These are interesting findings - with Germany very much an international leader in terms of energy efficiency we put it more down to regional 'style' than the reality of the companies' initiatives. However, while it is good to see that companies are not opting for a cheap greenwash across the board, it is also interesting to note that they are not in sync with consumer interest for green products and services. While companies communicate about green issues relatively infrequently the consumer interest in all things green is high. When asked to score their interest in 'green' between 1 and 10 (10 being the highest) European consumers scored averaging between 6.3 (Germany) and 8 (France). Consumers in Spain, the UK and Italy scored 7, 7.2 and 7.7 respectively. In other words, consumer interest is high but in terms of corporate communications, companies are not doing much to satisfy the interest.

The technology & telecoms sector is an interesting sector in terms of how it currently communicates around green, and what influences the buying decision when purchasing technology products and services. The UK is the only country that communicates in any volume (22% of technology companies' external communications) about 'green'. At 5 out of 10, the consumer research indicates that 'green' is not a very compelling driver for British consumers in the technology space, however there is some interest and UK-based companies are doing a few things to garner that interest. In the rest of Europe, PR professionals in the technology space have huge opportunities. While consumer interest is pretty high at between 5.5 and 6.1, the companies' corporate communications efforts have so far ignored the green agenda. In France only 7% of external communications by technology companies include the green theme, in Germany 1%, Spain 2.9% and in Italy 0%. There are some big openings for being the green champion in the technology & telecoms industries in France, Germany, Spain and Italy.

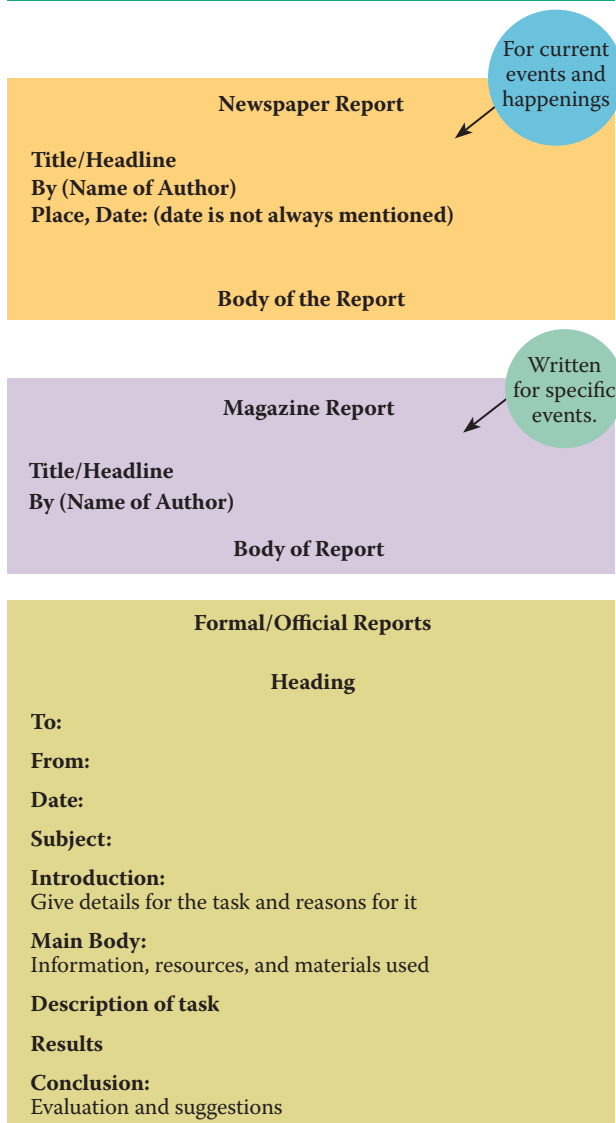
(Source: <http://www.reusablearticles.com>)

## Chapter 9: Report Writing

A report is an account given of a particular event, issue, subject, especially in the form of an official document. It is presented after thorough investigation or consideration by an appointed person or body. It is written for a defined purpose and for a specific audience. The information and evidence are clearly stated in a concise manner.



## Format of various reports



## Points to remember

No place for personal opinions, perceptions, emotions and feelings in a report.

Keep in mind the target audience

Personal pronouns are not used

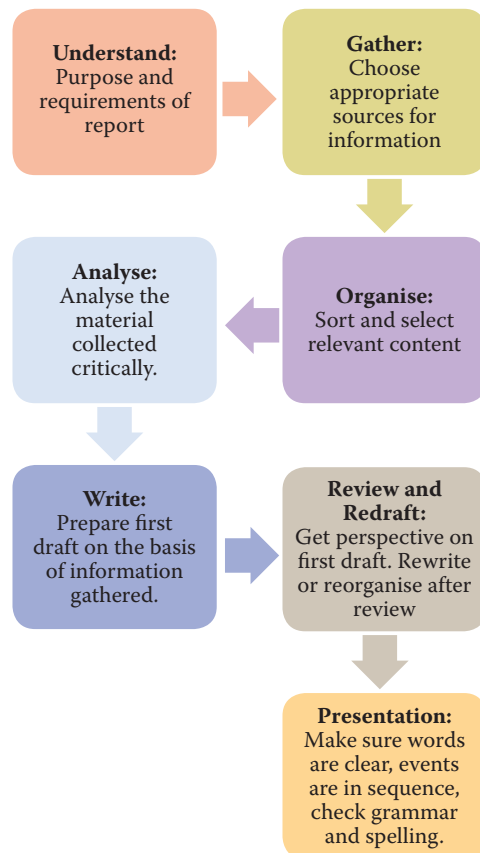
Passive voice is preferably used in writing newspaper reports and active voice is used for official reports.

Language should be clear and concise.

Technical jargons must be avoided.

Information should be organized logically, coherently and in chronological order.

## Steps in report writing



## For example:

### Daughter of Gardener Tops Board Exam

By Riya Sharma

Bhubneshwar, May 12: Suman Nayak, the daughter of a municipal gardener, Om Nayak, has topped the Odisha Board Senior Secondary Examination with 98.8% marks. Her success has been lauded by the staff members of her school 'The Government Senior Secondary School, Malkaganj', the Odisha Education board and the State Education Minister.

When her classmates conveyed the news to Suman, she did not believe them. It was only when the school principal called her that the reality sunk in. Suman's father, Om Nayak, is overjoyed at the news. He said, "Suman was always a bright student. I have made all efforts to provide her with the best education despite my meagre means". He hopes that she will be able to continue her education in spite of his financial constraints.

Suman attributes her success to her parents and teachers. She said that the schoolteachers had provided her with all possible help by giving her extra time and attention along with books and moral support. Her teachers speak highly of her perseverance, dedication and hard work.

When asked about her plans, Suman said she wished to become a doctor. However, she was unsure if she could pursue her dream because of financial problems. She hopes that she will be able to secure a scholarship and get funding by the government.

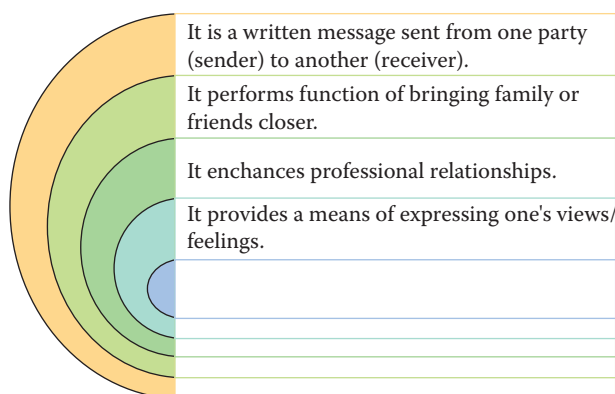
Source: *The Times of India*, M.G. Road, Bhubaneswar.

# BUSINESS CORRESPONDENCE AND REPORTING

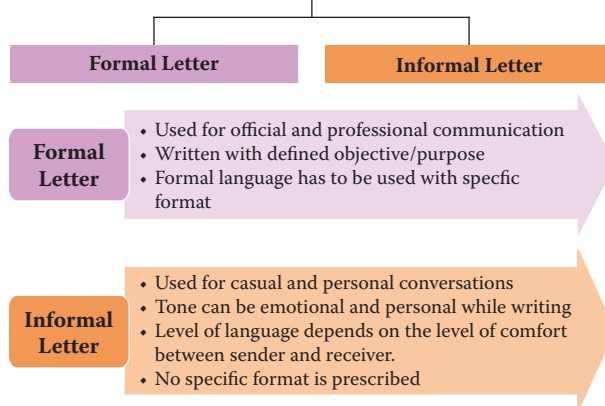
## Chapter 10- Formal Letters and Official Communication

### Part I - Formal Letters

#### What is letter writing?



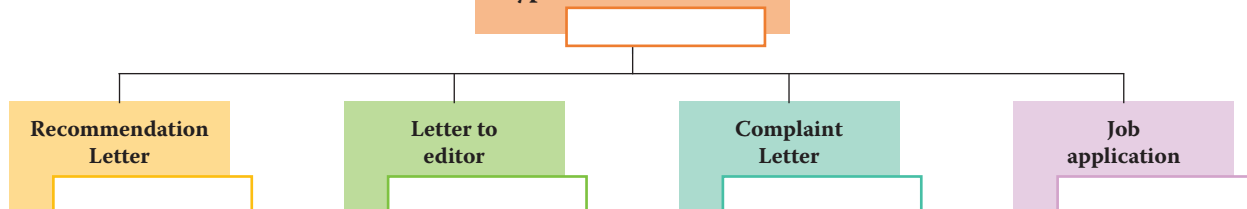
#### Types of Letters



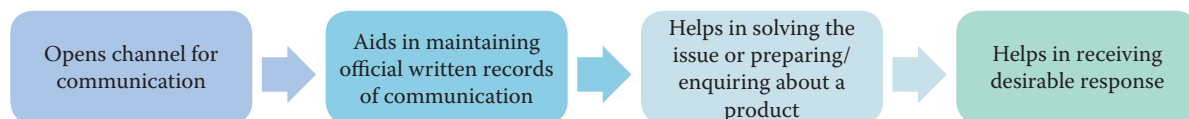
#### What is formal letter writing?

Formal Letters, also called as business letters/professional letters, are written for official/formal purpose and in specific format. Let's go through the following diagrams to understand more about formal letters:

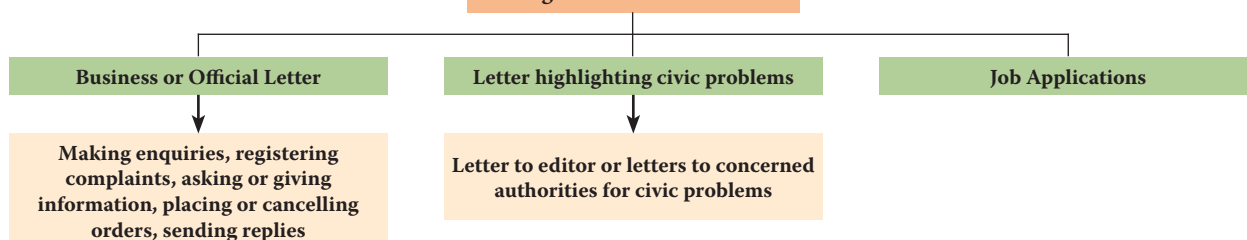
#### Types of Formal Letter



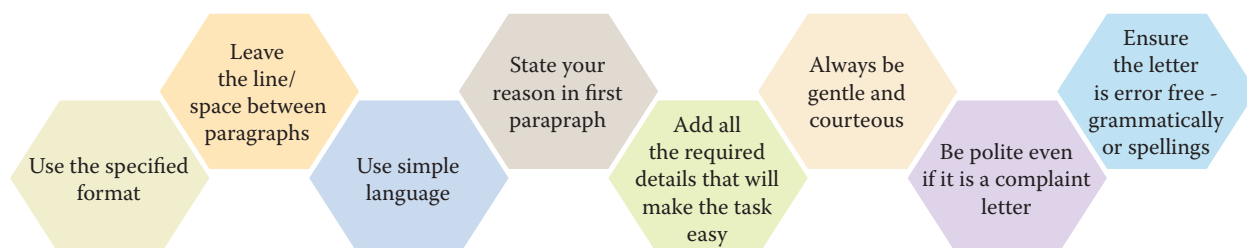
#### Uses of Formal Letter



#### Categories of Formal Letter



#### While drafting formal letter, one should



## Format of formal letter

Sender's Address

Date

Designation/Name of Addressee

Address of the Addressee

Salutation

Subject

Content:

Introduction

Body

Conclusion

Complimentary close

Signature

Designation of sender (if applicable)

## Types of business/official letter

Letter of enquiry

Order letter

Letter of complaint

Reply to letter of complaint

Sales letter

Recovery letter

Let's understand each of the types in details-

## Letter of Enquiry

Written to gather information from various sources

Written in case one is seeking job, prices of services and products etc.

While writing, give a brief introduction about oneself/organisation

Provide the details about the subject of enquiry

Present queries in bullet points, if seeking for lot of information

Mention the deadline- by when the information is required

## Order Letter

Addressed to seller from buyer, to place a new order or requesting him to deliver the goods. These letters include three types of information

Details about the item or product being ordered - such as name of the product/brand, unit price, quantity, model number, etc.

Information related to delivery- such as desired delivery, date and location, mode of delivery, etc.

Information related to payment - such as mode of payment (should always be cleared) and date of payment

In case the information is erroneously missing, misunderstanding can arise.

## Letter of Complaint

A letter of complaint enables individual, company or business to notify about the dissatisfaction of the product purchased or a service received. A complaint letter can be written in individual capacity or on behalf of company.

While writing a complaint letter, one should

Always give a clear description of the problem.

Include important dates- such as purchase date, receiving date, date when the problem occurred, previous letters dates if sent earlier, etc.

Give details of action taken up and what will be done in future if the problem is not resolved.

Ask for response.

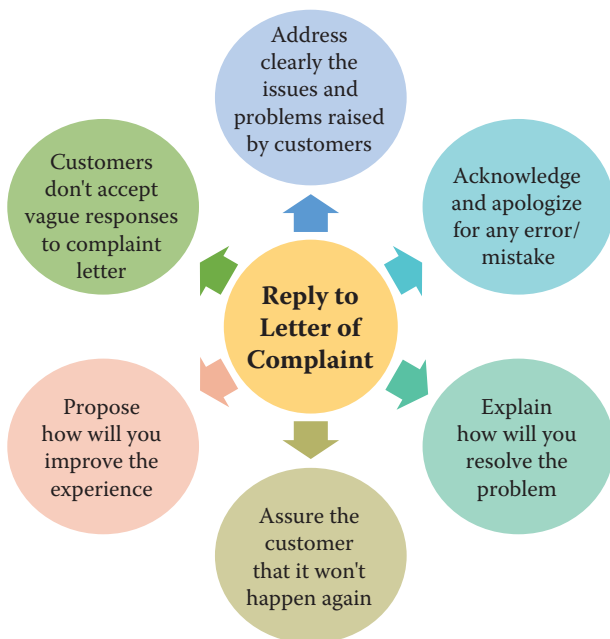
Attach supporting documents.

Never make personal accusations/allegations and avoid discussing anything else that is irrelevant.

# BUSINESS CORRESPONDENCE AND REPORTING

## Reply to Letter of Complaint

Customer service is very important for Business growth. While responding to complaints made by customers, it is important to consider the following points:



## Promotion Letter

Promotion Letters are written to customers to tell them about new developments. Like opening of a new branch, new deals or offers, new schemes, upgrading the accounts, etc. A good promotion letter should:

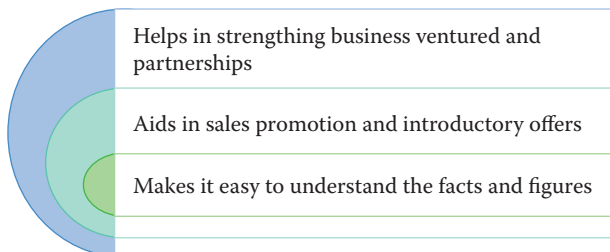
Adhere to business english.

Avoid fancy jargons and personal topics

Subject should be clear, precise and to the point

## Sales Letter

Sales letters are an important means of business communication and are written to publicise and ultimately sell a product or a service to the consumers.



**While writing a sales letter, one should**

- Use formal language and salutation only.
- Use sales specific content without any extra details.
- Keep it short and crisp, and pay attention to target audience.
- Avoid extra details and personalised comments.

## Recovery Letter

Recovery letters are addressed to customers or clients from whom money needs to be collected for the goods or services provided to them. The intent behind writing such letters is to 'recover' money without annoying or alienating the customers.

### Tips to write recovery letter

Should include details of outstanding amount and last date of payment

Must mention the details of legal action that can be taken in case of non-payment

Use polite language to ensure that future transactions are not affected

Accusatory or threatening language should not be used

Do not use recovery letter to vent out personal enmity

## Part – 2 Official Communication

Official communication can be segregated into memoranda, official circulars, and office suggestion boxes.

### Circulars

Circulated to large number of employees in office

Conveys a special message/instruction to be followed in future

User-friendly and cost effective method of circulating information

Primarily focus on operational issues

Reduces the effort of the management considerably

Indispensable tool as disseminates information simultaneously

### Memos

Means of official communication within the organisation

Frequently used to remind everyone about policies, procedures, etc.

Often written to broadcast a message rather than one on one conversation

May be used to inform a small group or a specific team of an act, even or occurrence

Language should be easy, with short and crisp statements

Five functions- to remind, highlight, recount, keep a record and to inform/instruct.