

Difference between Agreement and Contract

Basis	Agreement	VS	Contract
Meaning	Every promise and every set of promises, forming the consideration for each other. (Promise + Consideration).	Agreement enforceable by law. (Agreement + Legal enforceability)	
Scope	It's a wider term including both legal and social agreement.	It is used in a narrow sense with the specification that contract is only legally enforceable agreement.	
Legal obligation	It may not create legal obligation. An agreement does not always grant rights to the parties	Necessarily creates a legal obligation. A contract always grants certain rights to every party.	
Nature	All agreement are not contracts.	All contracts are agreements.	

Difference between Offer and Invitation to make an offer

Basis	Offer	VS	Invitation to offer
Meaning	Section 2(a) of the Act, an offer is the final expression of willingness by the offer or to be bound by the offer should the other party chooses to accept it.		Where a party without expressing his final willingness proposes certain terms on which he is willing to negotiate he does not make an offer, but only invites the other party to make an offer on those terms.
Intention of the parties	If a person who makes the statement has the intention to be bound by it as soon as the other accepts, he is making an offer.		If a person has the intention of negotiating on terms it is called invitation to offer.
Sequence	An offer cannot be an act precedent to invitation to offer.		An invitation to offer is always an act precedent to offer.

Difference between Void Contract and a Voidable Contract.

Basis	Void Contract		Voidable Contract
1. Meaning	A Contract ceases to be enforceable by law becomes void when it ceases to be enforceable.		An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract.
2. Enforceability	A void contract cannot be enforced at all.		It is enforceable only at the option of aggrieved party and not at the option of other party.
3. Cause	A contract becomes void due to change in law or change in circumstances beyond the contemplation of parties.		A contract becomes a voidable contract if the consent of a party was not free.
4. Performance of contract	A void contract cannot be performed.		If the aggrieved party does not, within reasonable time, exercise his right to avoid the contract, any party can sue the other for claiming the performance of the contract.
5. Rights	A void contract does not grant any legal remedy to any party.		The party whose consent was not free has the right to rescind the contract within a reasonable time. If so rescinded, it becomes a void contract. If it is not rescinded it becomes a valid contract.

Difference between Void Agreement and Illegal Agreement

Basis	Void agreement	VS	Illegal agreement
Scope	A void agreement is not necessarily illegal.		An illegal agreement is always void.
Nature	Not forbidden under law.		Are forbidden under law.
Punishment	Parties are not liable for any punishment under the law.		Parties to illegal agreements are liable for punishment.
Collateral Agreement	It's not necessary that agreements collateral to void agreements may also be void. It may be valid also.		Agreements collateral to illegal agreements are always void.

Difference between Fraud and Misrepresentation

Basis	Fraud	VS	Misrepresentation
Intention	To deceive the other party by hiding the truth.		There is no such intention to deceive the other party.
Knowledge Of Truth	The person making the suggestion believes that the statement as untrue.		The person making the statement believes it to be true, although it is not true.
Rescission of the contract and claim for damages	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.
Means to discover the truth	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.

Difference between Coercion and Undue Influence

Basis	Coercion	VS	Undue Influence
Nature Of Action	It involves the physical force or threat. The aggrieved party is compelled to make the contract against its will.	It involves moral or mental pressure	
Involvement of Criminal Action	It involves committing or threatening to commit and 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.	
Relationship between Parties	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.	
Exercised by whom	Coercion need not proceed from the promisor nor need it be the directed against the promisor.	Undue influence is always exercised between parties to the contract.	
Enforceability	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 it aside or enforce it in a modified form.	

Difference between Wagering Agreements and Contract of Insurance

Basis	Contracts of Insurance		Wagering Agreement
1. Meaning	It is a contract to indemnify the loss.		It is a promise to pay money or money's worth on the happening or non- happening of an uncertain event.
2. Consideration	The crux of insurance contract is the mutual consideration (premium and compensation amount).		There is no consideration between the two parties. There is just gambling for money.
3. Insurable Interest	Insured party has insurable interest in the life or property sought to be insured.		There is no property in case of wagering agreement. There is betting on other's life and properties.
4. Contract of Indemnity	Except life insurance, the contract of insurance indemnifies the insured person against loss.		Loser has to pay the fixed amount on the happening of uncertain event.
5. Enforceability	It is valid and enforceable		It is void and unenforceable agreement.
6. Premium	Calculation of premium is based on scientific and actuarial calculation of risks.		No such logical calculations are required in case of wagering agreement.
7. Public Welfare	They are beneficial to the society.		They have been regarded as against the public welfare.

Difference between Unilateral Mistake and Bilateral Mistake

Basis	Unilateral Mistake	VS	Bilateral Mistake
Meaning	When only one of the party to a contract is under a mistake it is called unilateral mistake.		When both the contracting parties misunderstand each other and are at cross purpose, it is bilateral mistake
Mistake arises	In unilateral mistake, mistake arises only on the part of one of the parties.		Bilateral Mistake arises on the part of both the parties to the contract.

Chapter -2

The Indian Contract Act, 1872 : (Unit -6)

Difference between Contingent Contract and Wagering Contract

Basis	Contingent Contract	VS	Wagering Contract
Meaning	A contingent contract is a contract to do or not to do something with reference to a collateral event happening or not happening.		A wagering agreement is a promise to give money or money's worth with reference to an uncertain event happening or not happening.
Reciprocal Promises	Contingent contract may not contain reciprocal promises.		A wagering agreement consists of reciprocal promises.
Uncertain Event	In a contingent contract, the event is collateral.		In a wagering contract, the uncertain event is the core factor.
Nature Of Contract	Contingent contract may not be wagering in nature.		A wagering agreement is essentially contingent in nature.
Interest Of Contracting Parties	Contracting parties have interest in the subject matter in contingent contract.		The contracting parties have no interest in the subject matter.
Doctrine Of Mutuality Of Lose And Gain	Contingent contract is not based on doctrine of mutuality of lose and gain.		A wagering contract is a game, losing and gaining alone matters.
Effects Of Contract	Contingent contract is valid.		A wagering agreement is void.

Difference between Quasi Contract and Contracts

Basis	Quasi Contract	VS	Contract
Essential for the valid contract	The essentials for the formation of a valid contract are absent		The essentials for the formation of a valid contract are present
Obligation	Imposed by law		Created by the consent of the parties

Difference between A Contract of Indemnity and A Contract of Guarantee

Basis	Contract of Indemnity	VS	Contract of Guarantee
Number of party/Parties to the contract	There are only two parties namely the indemnifier [promisor] and the indemnified [promisee]		There are three parties-creditor, principal debtor and surety.
Nature of liability	The liability of the indemnifier is primary and unconditional.		The liability of the surety is secondary and conditional as the primary liability is that of the principal debtor.
Time of liability	The liability of the indemnifier arises only on the happening of a contingency.		The liability a rises only on the non-performance of an existing promise or non-payment of an existing debt.
Time to Act	The indemnifier need not act at the request of indemnity holder.		The surety acts at the request of principal debtor.
Right to sue third party	Indemnifier cannot sue a third party for loss in his own name as there is no privity of contract. Such a right would a rise only if there is an assignment in his favour.		Surety can proceed against principal debtor in his own right because he gets all the right of a creditor after discharging the debts.
Purpose	Reimbursement of loss		For the security of the creditor
Competency to contract	All parties must be competent to contract.		In the case of a contract of guarantee, where a minor is a principal debtor, the contract is still valid.

Chapter -2

The Indian Contract Act, 1872 : (Unit -8)

Difference between Bailee's General and Particular lien

Basis	General lien	VS	Particular lien
Section	Section 171 of the Indian Contract Act, 1872 confer on Bailee the right of General Lien.		Section 170 of the Indian Contract Act, 1872 confers on the Bailee, the right of particular lien.
General Balance or Specific Balance	General lien alludes to the right to keep possession of goods belonging to other against general balance of account.		Particular lien implies a right of the bailee to retain specific goods bailed for non-payment of amount.
Arises out of Agreement	A general lien is not automatic but is recognized through on agreement. It is exercised by the bailee only by name.		It is automatic.
Available Against	It can be exercised against goods even without involvement of labor or skill.		It comes into play only when some labor or skill is involved has been expended on the goods, resulting in an increase in value of goods.
Available to Whom?	Only such persons as are specified under section 171, e.g., Bankers, factors, policy brokers etc. are entitled to general lien.		Bailee, finder of goods, pledgee, unpaid seller, agent, partner etc. are entitled to particular lien.

Difference between Bailment and Pledge

Basis	Bailment		Pledge
Meaning	Transfer of goods by one person to another for some specific purpose is known as bailment.		Transfer of goods from one person to another as security for repayment of debt is known as the pledge.
Parties	The person delivering the goods under a contract of bailment is called as "Bailor". The person to whom the goods are delivered under a contract of bailment is called as "Bailee".		The person who delivers the good as security is called the "Pawnor" The person to whom the goods are delivered as security is called the "pawnee".
Purpose	Bailment may be made for any purpose (as specified in the contract of bailment, eg: for safe custody, for repairs, for processing of goods).		Pledge is made for the purpose of delivering the goods as security for payment of a debt, or performance of a promise.
Consideration	The bailment may be made for consideration or without consideration.		Pledge is always made for a consideration.
Right to sell the goods	The bailee has no right to sell the goods even if the charges of bailment are not paid to him. The bailee's rights are limited to suing the bailor for his dues or to exercise lien on the goods bailed.		The pawnee has right to sell the goods if the pawnor fails to redeem the goods.
Right to use of goods	Bailee can use the goods only for a purpose specified in the contract of bailment and not otherwise.		Pledgee or Pawnee cannot use the goods pledged.

Chapter -2

The Indian Contract Act, 1872 : (Unit -9)

Difference between A Sub-Agent and A Substituted Agent

Basis	Sub Agent		Substituted Agent
Directions / Instructions	A sub-agent does his work under the control and directions of agent.	A substituted agent works under the instructions of the principal.	
Appointment	The agent not only appoints a sub- agent but also delegates to him a part of his own duties.	The agent does not delegate any part of his task to a substituted agent.	
Privity of Contract	There is no privity of contract between the principal and the sub- agent.	Privity of contract is established between a principal and a substituted agent.	
Responsibility towards Principal	The sub-agent is responsible to the agent alone and is not generally responsible to the principal.	A substituted agent is responsible to the principal and not to the original agent who appointed him.	
Responsibility of Agent	The agent is responsible to the principal for the acts of the sub- agent.	The agent is not responsible to the principal for the acts of the substituted agent.	
Right of Action for remuneration	The sub-agent has no right of action against the principal for remuneration due to him.	The substituted agent can sue the principal for remuneration due to him.	
Legality of Appointment	Sub-agents may be improperly appointed.	Substituted agents can never be improperly appointed.	
Ceasement of Agent's Liability	The agent remains liable for the acts of the sub- agent as long as the sub- agency continues.	The agent's duty ends once he has named the substituted agent.	

Chapter -3

The Sale of Goods Act, 1930 : (Unit - 1)

Difference between Sale and An Agreement to Sell

Basis	Sale		Agreement to Sell
Transfer of property	The property in the goods passes to the buyer immediately.		Property in the goods passes to the buyer on future date or on fulfilment of some condition.
Nature of contract	It is an executed contract i.e. contract for which consideration has been paid.		It is an executory contract i.e. contract for which consideration is to be paid at a future date.
Remedies for breach	The seller can sue the buyer for the price of the goods because of the passing of the property therein to the buyer.		The aggrieved party can sue for damages only and not for the price, unless the price was payable at a stated date.
Liability of parties	A subsequent loss or destruction of the goods is the liability of the buyer.		Such loss or destruction is the liability of the seller.
Burden of risk	Risk of loss is that of buyer since risk follows ownership.		Risk of loss is that of seller.
Nature of rights	Creates Jus in rem means right against the whole world.		Creates Jus in personam means rights against a particular party to the contract
Right of resale	The seller cannot resell the goods.		The seller may sell the goods since ownership is with the seller.
In case of insolvency of seller	The official assignee will not be able to take over the goods but will recover the price from the buyer.		The official assignee will acquire control over the goods but the price will not be recoverable.
In case of insolvency of buyer	The official assignee will have control over the goods.		The official assignee will not have any control over the goods.

Difference between Sale and Hire-Purchase

Basis	Sale		Hire – Purchase
Time of passing property	Property in the goods is transferred to the buyer immediately at the time of contract.		The property in goods passes to the hirer upon payment of the last instalment.
Position of the party	The position of the buyer is that of the owner of the goods.		The position of the hirer is that of a bailee till he pays the last instalment.
Termination of contract	The buyer cannot terminate the contract and is bound to pay the price of the goods.		The hirer may, if he so likes, terminate the contract by returning the goods to its owner without any liability to pay the remaining instalments.
Burden of Risk of insolvency of the buyer	The seller takes the risk of any loss resulting from the insolvency of the buyer.		The owner takes no such risk, for if the hirer fails to pay an instalment, the owner has right to take back the goods.
Transfer of title	The buyer can pass a good title to a bona fide purchaser from him.		The hirer cannot pass any title even to a bona fide purchaser until he pays the last instalment.
Resale	The buyer in sale can resell the goods.		The hire purchaser cannot resell unless he has paid all the instalments.

Difference between Sale and Bailment

Basis	Sale	VS	Bailment
Transfer of property	The property in goods is transferred from the seller to the buyer. So, it is transfer of general property.		There is only transfer of possession of goods from the bailor to the bailee for any of the reasons like safe custody, carriage etc. So, it is transfer of special property.
Return of goods	The return of goods in contract of sale is not possible.		The bailee must return the goods to the bailor on the accomplishment of the purpose for which the bailment was made.
Consideration	The consideration is the price in terms of money.		The consideration may be gratuitous or non-gratuitous.

Difference between Condition and Warranty

Basis	Condition	VS	Warranty
Meaning	A condition is a stipulation essential to the main purpose of the contract.		A warranty is a stipulation collateral to the main purpose of the contract.
Right in case of breach	The aggrieved party can repudiate the contract or claim damages or both in the case of breach of condition.		The aggrieved party can claim only damages in case of breach of warranty.
Conversion of stipulations	A breach of condition may be treated as a breach of warranty.		A breach of warranty cannot be treated as a breach of condition.

Difference between Partnership and Joint Stock Company

Basis	Partnership	VS	Joint Stock Company
Legal status	A firm is not legal entity i.e. it has no legal personality distinct from the personalities of its constituent members.		A company is a separate legal entity distinct from its members (<i>Salomon v. Salomon</i>).
Agency	In a firm, every partner is an agent of the other partners as well as of the firm.		In a company, a member is not an agent of the other members or of the company, his actions do not bind either.
Distribution of profits	The profits of the firm must be distributed among the partners according to the terms of the partnership deed.		There is no such compulsion to distribute its profits among its members. Some portion of the profits, but generally not the entire profit, become distributable among the shareholders only when dividends are declared.
Extent of liability	In a partnership, the liability of the partners is unlimited. This means that each partner is liable for debts of a firm incurred in the course of the business of the firm and these debts can be recovered from his private property, if the joint estate is insufficient to meet them wholly.		In a company limited by shares, the liability of a shareholder is limited to the amount, if any, unpaid on his shares, but in the case of a guarantee company, the liability is limited to the amount for which he has agreed to be liable. However, there may be companies where the liability of members is unlimited.
Property	The firm's property is that which is the "joint estate" of all the partners as distinguished from the separate estate of any of them and it does not belong to a body distinct in law from its members.		In a company, its property is separate from that of its members who can receive it back only in the form of dividends or refund of capital.

Transfer of shares	A share in a partnership cannot be transferred without the consent of all the partners.	In a company a shareholder may transfer his shares, subject to the provisions contained in its Articles. In the case of public limited companies whose shares are quoted on the stock exchange, the transfer is usually unrestricted.
Management	In the absence of an express agreement to the contrary, all the partners are entitled to participate in the management.	Members of a company are not entitled to take part in the management unless they are appointed as directors, in which case they may participate. Members, however, enjoy the right of attending general meeting and voting where they can decide certain questions such as election of directors, appointment of auditors, etc.
Registration	Registration is not compulsory in the case of partnership.	A company cannot come into existence unless it is registered under the Companies Act, 2013.
Winding up	A partnership firm can be dissolved at any time if all the partners agree.	A company, being a legal person is either wind up by the National Company Law Tribunal or its name is struck off by the Registrar of Companies.
Number of membership	According to section 464 of the Companies Act, 2013, the number of partners in any association shall not exceed 50. However, the Rule given under the Companies (Miscellaneous) Rules, 2014 restrict the present limit to 50.	A private company may have as many as 200 members but not less than two and a public company may have any number of members but not less than seven. A private Company can also be formed by one person known as one person Company.
Duration of existence	Unless there is a contract to the contrary, death, retirement or insolvency of a partner results in the dissolution of the firm.	A company enjoys a perpetual succession.

Difference between Partnership and Club

Basis	Partnership	VS	Club
Definition	It is an association of persons formed for earning profits from a business carried on by all or any one of them acting for all.		A club is an association of persons formed with the object not of earning profit, but of promoting some beneficial purposes such as improvement of health or providing recreation for the members, etc.
Relationship	Persons forming a partnership are called partners and a partner is an agent for other partners.		Persons forming a club are called members. A member of a club is not the agent of other members.
Interest in the property	Partner has interest in the property of the firm.		A member of a club has no interest in the property of the club.
Dissolution	A change in the partners of the firm affect its existence.		A change in the membership of a club does not affect its existence.

Difference between Partnership and Hindu Undivided Family

Basis	Partnership	VS	Hindu Undivided Family
Mode of creation	Partnership is created necessarily by an agreement.		The right in the joint family is created by status means its creation by birth in the family.
Death of a member	Death of a partner ordinarily leads to the dissolution of partnership.		The death of a member in the Hindu undivided family does not give rise to dissolution of the family business.
Management	All the partners are equally entitled to take part in the partnership business.		The right of management of joint family business generally vests in the Karta, the governing male member or female member of the family.
Authority to bind	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.
Liability	In a partnership, the liability of a partner is unlimited.		In a Hindu undivided family, 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.

Calling for accounts on closure	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.
Governing Law	A partnership is governed by the Indian Partnership Act, 1932.	A Joint Hindu Family business is governed by the Hindu Law.
Minors capacity	In a partnership, a minor cannot become a partner, though he can be admitted to the benefits of partnership, only with the consent of all the partners.	In Hindu undivided family business, a minor becomes a member of the ancestral business by the incidence of birth. He does not have to wait for attaining majority.
Continuity	A firm subject to a contract between the partners gets dissolved by death or insolvency of a partner.	A Joint Hindu family has the continuity till it is divided. The status of Joint Hindu family is not thereby affected by the death of a member.
Number of Members	In case of Partnership number of members should not exceed 50.	Members of HUF who carry on a business may be unlimited in number.
Share in the business	In a partnership, each partner has a defined share by virtue of an agreement between the partners.	In a HUF, no coparcener has a definite share. His interest is a fluctuating one. It is capable of being enlarged by deaths in the family diminished by births in the family.

Difference between Partnership and Co-ownership

Basis	Partnership		Co-ownership
Formation	Partnership always arises out of a contract, express or implied.	Co-ownership may arise either from agreement or by the operation of law, such as by inheritance.	
Implied agency	A partner is the agent of the other partners.	A co-owner is not the agent of other co-owners.	
Nature of interest	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.	
Transfer of interest	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.	

Difference between Partnership and Association

Basis	Partnership	VS	Association
Meaning	<p>Partnership means and involves setting up relation of agency between two or more persons who have entered into a business for gains, with the intention to share the profits of such a business.</p>		<p>Association evolves out of social cause and there is no necessarily motive to earn and share profits. The intention is not to enter in a business for gains.</p>
Examples	<p>Partnership to run a business and earn profit thereon.</p>		<p>Members of charitable society or religious association or an improvement scheme or building corporation or a mutual insurance society or a trade protection association.</p>

Difference between Dissolution of Firm and Dissolution of Partnership

Basis	Dissolution of Firm	VS	Dissolution of Partnership
Continuation of business	It involves discontinuation of business in partnership.		It does not affect continuation of business. It involves only reconstitution of the firm.
Winding up	It involves winding up of the firm and requires realization of assets and settlement of liabilities.		It involves only reconstitution and requires only revaluation of assets and liabilities of the firm.
Order of court	A firm may be dissolved by the order of the court.		Dissolution of partnership is not ordered by the court.
Scope	It necessarily involves dissolution of partnership.		It may or may not involve dissolution of firm.
Final closure of books	It involves final closure of books of the firm.		It does not involve final closure of the books of the firm.

Chapter -5

The Limited Liability Partnership Act, 2008

Difference between LLP and firm

Basis	LLP		Partnership firm
1. Regulating Act	The Limited Liability Partnership Act, 2008.	The Indian Partnership Act, 1932.	
2. Body corporate	It is a body corporate.	It is not a body corporate.	
3. Separate legal entity	It is a legal entity separate from its members.	It is a group of persons with no separate legal entity.	
4. Creation	It is created by a legal process called registration under the LLP Act, 2008.	It is created by an agreement between the partners.	
5. Registration	Registration is mandatory. LLP can sue and be sued in its own name.	Registration is voluntary. Only the registered partnership firm can sue the third parties.	
6. Perpetual succession	The death, insanity, retirement or insolvency of the partner(s)	The death, insanity, retirement or insolvency of the partner(s)	
7. Name	Name of the LLP to contain the word limited liability partnership (LLP) as suffix.	No guidelines. The partners can have any name as per their choice.	
8. Liability	Liability of each partner is limited to the extent to agreed contribution except in case of willful fraud.	Liability of each partner is unlimited. It can be extended upto the personal assets of the partners.	

9.	Mutual agency	Each partner can bind the LLP by his own acts but not the other partners.	Each partner can bind the firm as well as other partners by his own acts.
10.	Designated partners	At least two designated partners and at least one of them shall be resident in India.	There is no provision for such partners under the Partnership Act, 1932.
11.	Common seal	It may have its common seal as its official signatures.	There is no such concept in partnership.
12.	Legal compliances	Only designated partners are responsible for all the compliances and penalties under this Act.	All partners are responsible for all the compliances and penalties under the Act.
13.	Annual filing documents of	<p>LLP is required to file:</p> <ul style="list-style-type: none"> (i) Annual statement of accounts (ii) Statement of solvency (iii) Annual return with the registration of LLP every year. 	Partnership firm is not required to file any annual document with the registrar of firms.
14.	Foreign partnership	Foreign nationals can become a partner in a LLP.	Foreign nationals cannot become a partner in a partnership firm.
15.	Minor as partner	Minor cannot be admitted to the benefits of LLP.	Minor can be admitted to the benefits of the partnership with the prior consent of the existing partners.

Difference between LLP and Limited Liability Company

Basis	LLP		Limited Liability Company
1. Regulating Act	The LLP Act, 2008.		The Companies Act, 2013.
2. Members/ Partners	The persons who contribute to LLP are known as partners of the LLP.		The persons who invest the money in the shares are known as members of the company.
3. Internal governance structure	The internal governance structure of a LLP is governed by contract agreement between the partners.		The internal governance structure of a company is regulated by statute (i.e., Companies Act, 2013).
4. Name	Name of the LLP to contain the word "Limited Liability partnership" or "LLP" as suffix.		Name of the public company to contain the word "limited" and Pvt. Co. to contain the word "Private limited" as suffix.
5. No. of members / partners	Minimum – 2 partners Maximum – No such limit on the partners in the Act. The partners of the LLP can be individuals/or body corporate through the nominees.		Private company: Minimum – 2 members Maximum 200 members Public company: Minimum – 7 members Maximum – No such limit on the members. Members can be organizations, trusts, another business form or individuals.

6. Liability members/ Partners of members/ partners	Liability of a partners is limited to the extent of agreed contribution except in case of willful fraud.	Liability of a member is limited to the amount unpaid on the shares held by them.
7. Management	The business of the company is managed by the partners including the designated partners authorized in the agreement.	The affairs of the company are managed by board of directors elected by the shareholders.
8. Minimum number of directors/ designated partners	Minimum 2 designated partners.	Pvt. Co. – 2 directors Public co. – 3 directors

Chapter -7

The Negotiable Instrument Act, 1881

Difference between promissory note and bill of exchange

Basis	Promissory Note		Bills of Exchange
1. Definition	"A Promissory Note" is an instrument in writing (not being a banknote or a currency-note) containing an unconditional undertaking signed by the maker, to pay a certain sum of money only to, or to the order of, a certain person, or to the bearer of the instrument.	"A bill of exchange" is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of a certain person or to the bearer of the instrument.	
2. Nature of Instrument	In a promissory note, there is a promise to pay money.	In a bill of exchange, there is an order for making payment.	
3. Parties	In a promissory note, there are only 2 parties namely: (i) the maker and (ii) the payee	In a bill of exchange, there are 3 parties which are as under: (i) the drawer (ii) the drawee (iii) the payee	
4. Acceptance	A promissory note does not require any acceptance, as it is signed by the person who is liable to pay.	A bill of exchange needs acceptance from the drawee.	
5. Payable to bearer	A promissory note cannot be made payable to bearer.	On the other hand, a bill of exchange can be drawn payable to bearer. However, it cannot be payable to bearer on demand.	