CA FOUNDATION MAY/SEP 2026

BUSINESS LAWS

LET'S WRITE
DAY-5

PRACTICE DAILY, WIN CONFIDENTLY

FREE SANCHAY BATCH

Schedule

1. 16/04 – The Companies Act, 2013
2. 17/04 – The Partnership Act, 1932
3. 18/04 – LLP + ICA
4. 20/04 – The Indian Contract Act, 1872
5. 21/04 – The Negotiable Instruments Act, 1881
6. 22/04 – IRF + SOGA, 1930
7. 23/04 – The Sale of Goods Act, 1930

Topics to be Covered

1. 21/04 – The Negotiable Instruments Act, 1881

⇓

2 Q. → 1 → CSB ⇒ 1Q + 1Q.

1 → DTQ. ⇒ 2 TQ

ARE YOU READY?

Question No. 01

N ⟶ S ⟶ A

Q – 'Nakul' made promissory note in favour of 'Sahdev' of Rs.10,000 and delivered to him. 'Sahdev' indorsed the promissory note in favour of 'Arjun' but delivered to Arjun's agent. Subsequently, Arjun's agent died, and promissory note was found by 'Arjun' in his agent's table drawer. 'Arjun' sued 'Nakul' for the recovery of promissory note. Whether 'Arjun' can recover amount under the provisions of the Negotiable Instrument Act 1881?

[7m,MTP2,S25], [4m,MDTP6], [4m,MTP2,S24]

Answer - 1

Provision :-

As per the provisions of section 46 of The Negotiable Instruments Act, 1881, Contract on a negotiable instrument remains incomplete and revocable until delivery is made. The property and the rights in the instrument is not transferred unless the instrument is delivered.

Delivery is essential whether instrument is payable to order or bearer and it must be voluntary delivery. It can be actual or constructive delivery.

Actual delivery takes place when the

instrument changes hand physically and

constructive delivery takes place when the

instrument is delivered to clerk or servant

of indorsee.

facts of the case

In the instant case, sender received

Promissory note from Nakul & indorsed to Arjun's agent on behalf of Arjun. The agent died and Arjun found the instrument and sued Nakul for payment.

Conclusion of the case

from the above law and facts of the

case, Negotiable Instruments payable to order or bearer is endorsed through delivery and delivery to agent is sufficient delivery by virtue of constructive delivery.

Hence, Arjun can claim payment from Nikhil as delivery to agent is valid delivery.

Question No. 02

Q – A) All cheques are bills while all bills are not cheques. Explain the additional features of a cheque which differentiate a cheque from bill as per the Negotiable Instruments Act, 1881.?

B) Ambiguous instrument

[3m,MDTP10], [3m,S24], [4m,MDTP3,8], [4m,MTP2,J25], [4m,MTP2,Ju24]

Answer - 2.

(A) As per section 6 of The Negotiable Instruments Act, 1881, cheque is a bill of exchange drawn on a specified banker and not expressly payable otherwise than on demand and it includes cheque in electronic form & truncated cheque.

cheque should fulfill all essentials characteristics of bill of exchange but following two features distinguish cheque from bill of exchange :-

(i) cheque must be drawn on a specified banker

(ii) It must be payable on demand.

Hence, All cheques are bills but all bills are not cheques.

(B) Ambiguous Instrument

As per section 17 of The Negotiable Instruments Act, 1881, where an instrument may be constructed either as promissory note or bill of exchange, Holder may at his discretion treat it as either promissory note or bill of exchange and the instrument must be treated accordingly.

In other words, when the instrument is vague & not clearly identified as promissory note or bill of exchange, Holder has discretion to choose, but it cannot charre it to the other kind of instrument.

Example :- I promise to pay Ram or order sum of ₹ 10,000, 3 months after date which shell be payable to Ram by Shyam.

Question No. 03

Q - A promissory note, payable at a certain period after sight, must be presented to the maker thereof for payment. Under which scenarios presentment for payment is not necessary and the instrument is dishonoured at the due date for presentment according to the provisions of the Negotiable Instrument Act. 1881?

[7m,MTP2,S25], [RTP,S25], [RTP,M25], [7m,MDTP7,9], [7m,MTP1,J25], [7m,Ju24]

Answer - 3.

As per section 76 of The Negotiable Instruments Act, 1881, No presentment for payment is necessary & instrument is dishonoured at the due date for presentment in any of the following cases:

(a) (i) If the instrument is payable at place of business & maker, drawee or acceptor closes such place of business during usual business hours.

(ii) If instrument is payable at some other specified place. Neither he nor any other person authorised attends such place during usual business hours.

(iii) If instrument not being payable at any specified place and he can't be found after reasonable due search.

(iv) If the maker, drawer or acceptor

intentionally prevent presentment of instrument.

(b) The party sought to be charged has engaged to pay notwithstanding non-presentment.

(c) The party sought to be charged

after maturity with knowledge that instrument has not been presented, makes part payment of amount due or promises to pay amount due in whole or part or waive his right to take any advantage of default in presentment for payment

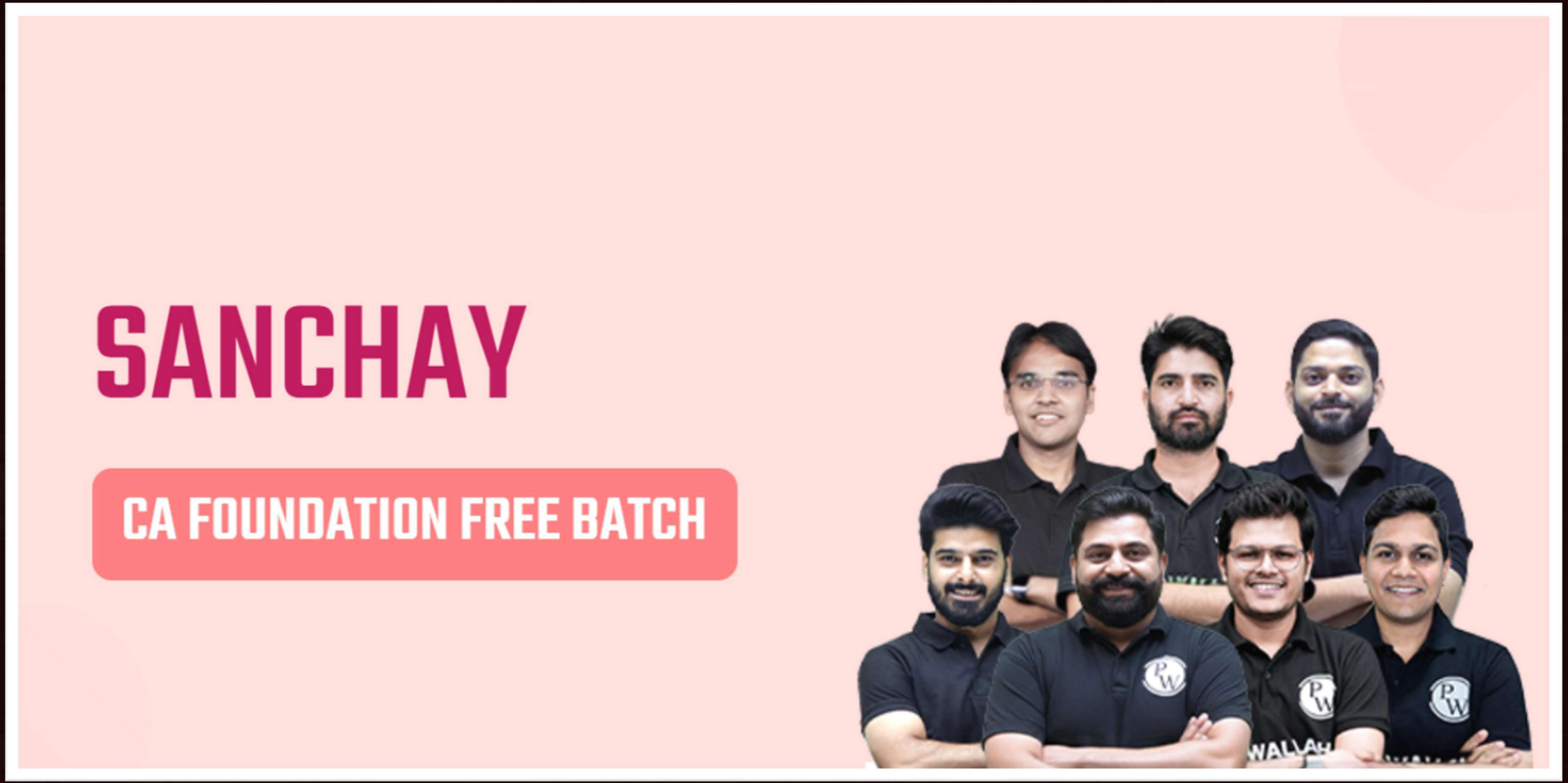
(d) As against the drawer, if the drawer could not suffer any damage due to such presentment.

Homework

Q - Mr. Anil drew a bill of exchange in Kolkata on Mr. Bimal, a resident of New York, and made it payable in Delhi. On maturity, the bill was dishonoured, and Anil sued Bimal in India claiming interest at the rate of 18% as applicable in Kolkata. Bimal contended that his liability was governed by New York law, where the rate of interest was only 6%. Decide the liability of Bimal with reference to the provisions of the Negotiable Instruments Act, 1881

[RTP,J26]

Find the notes of the session here



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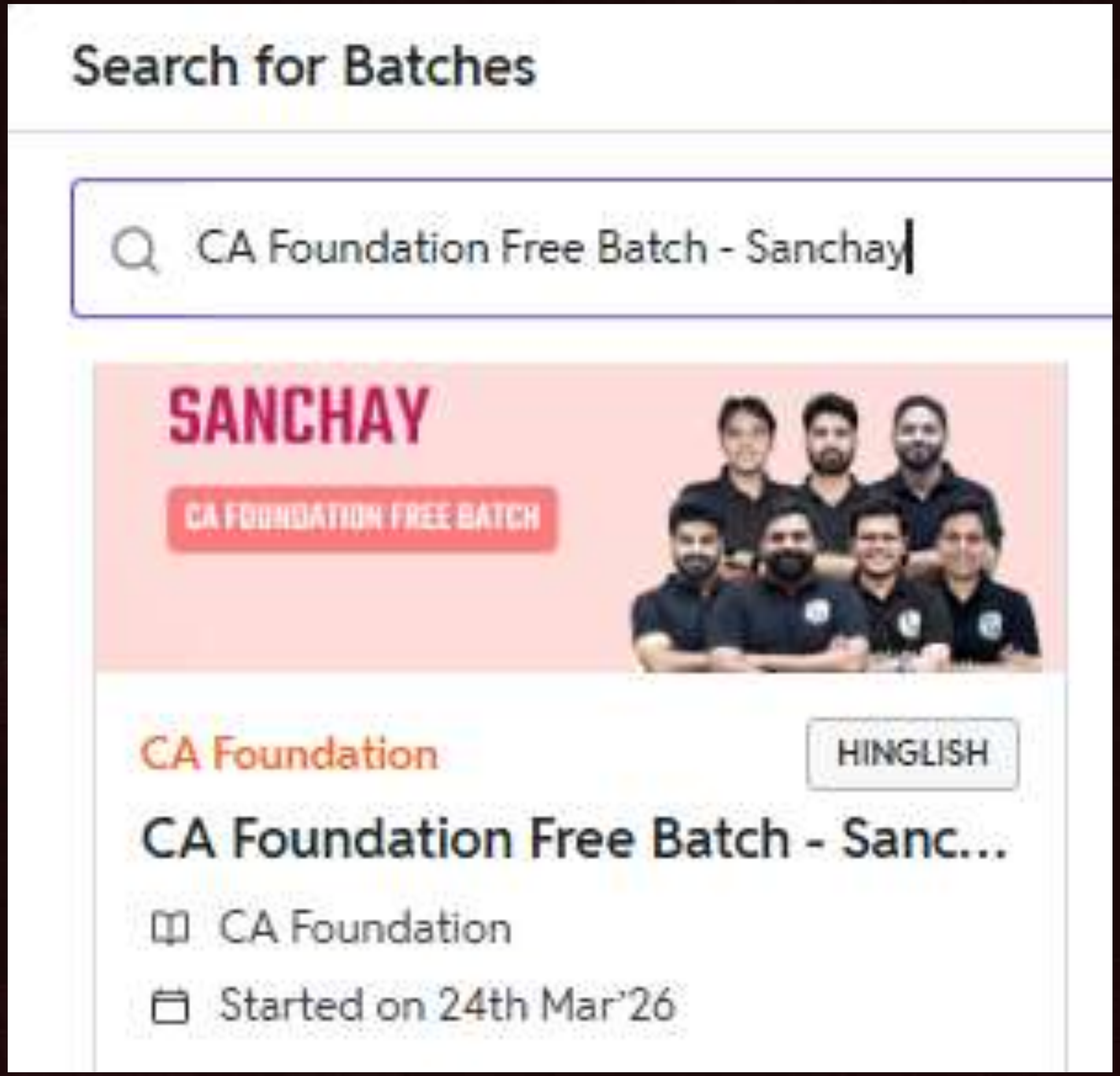

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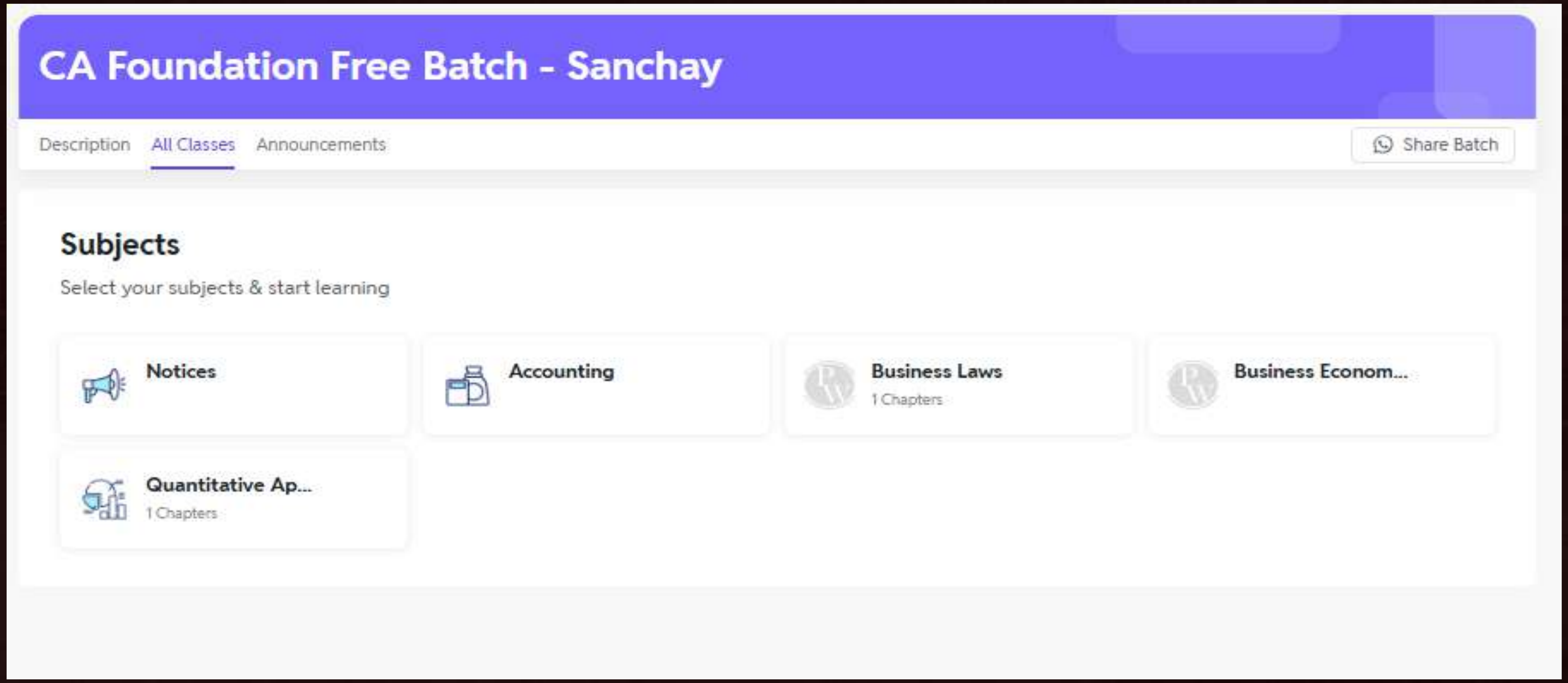


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