

As per Section 13(a) of the Act, "**Negotiable instrument means** a promissory note, bill of exchange or cheque payable either to order or to bearer, whether the word "order" or "bearer" appear on the instrument or not."

Important characteristics of Negotiable Instruments are:

Property: The possessor of negotiable instrument is acknowledged to be the owner of property contained therein. Negotiable instrument does not simply give ownership of the instrument but right to property as well. The property in negotiable instrument can be moved without any formality. In the case of bearer instrument, the possessions pass by meager delivery to the transferee. In case of order instrument, endorsement & delivery are necessary for transfer of property.

Title: The transferee of negotiable instrument is called 'holder in due course.' A genuine transferee for value is not affected by any flaw of title on the part of transferor or of any of the previous holders of instrument.

Rights: The transferee of negotiable instrument can take legal action in his own name, in case of dishonour. A negotiable instrument can be reassigned any number of times till it attains maturity. The holder of instrument need not give notice of transfer to the party legally responsible on the instrument to pay.

Presumptions: Certain presumptions are applicable to all negotiable instruments i.e., a presumption that deliberation has been paid under it.

Define contract and its essential elements

Contract:

Section 2 (h) of the Indian Contract Act, 1872 defines a contract as an agreement enforceable by law. In other words, an agreement which can be enforced in a court of law is known as a contract.

According to Salmond, a contract is an agreement creating and defining obligations between the parties.

William Anson defines a contract as a legally binding agreement made between two or more persons by which rights are acquired by one or more to acts or forbearance's on the part of the other or others. Hence, a contract is an agreement between two or more persons which is intended to have legal consequences. It is clear from the above definition of the contract that there are two elements of a contract:

**An agreement, and
Legal obligation.**