

Ques 2 What is negotiable instrument and its essential characteristics? Define contract and its essential elements.

Ans

Negotiable Instrument Act: The law relating to "negotiable instruments" is contained in the negotiable instruments Act, 1881, as amended up-to-date. It deals with three kinds of negotiable instruments i.e., promissory notes, bills of exchange, and cheques. The provisions of the act also apply to "hands" unless there is a local usage to the contrary.

Characteristics of negotiable instruments are :-

i) Property - The possessor of negotiable instrument is acknowledged to be the owner of property contained therein.

ii) Title - The transferee of negotiable instrument is called 'holder in due course'.

iii) Rights - The transferee of negotiable instruments can take legal action in his own name, in case of dishonour.

iv) Presumption - Certain presumptions are applicable to all negotiable instrument.

v) Prompt payment - A prompt negotiable instrument facilitates the holder to anticipate prompt payment.

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.

There are two elements of a contract:

- An agreement
- legal obligation.