

## Negotiable Instruments

The word negotiable means "transferable by delivery" and the word instrument means "a written document by which a right is created in favour of some person".

The term negotiable "instrument" literally means a written document which creates a right in favour of somebody and is freely transferable by delivery".

A negotiable instrument is a piece of paper which entitles a person to certain sum of money and which is transferable from one to another person by delivery or by endorsement and delivery.

### Characteristics of negotiable Instrument

- In writing: A negotiable instrument must be in writing.
- Signed by its maker: A negotiable instrument must be signed by its maker.

- Unconditional promise to pay :-  
A negotiable instrument must contain a certain amount from one person to another.
- Freely transferable :-  
A negotiable instrument must be freely transferable from one person to another.
- Defects in title :-  
During the course of transfer of negotiable instrument, any defect in title will not affect the right of recovery of money to holder in due course.

## Contract

A contract is a legally binding document that recognizes and governs the rights and duties of the parties to the agreement. A contract is legally enforceable because it meets the requirements and approval of the law.

A contract typically involves the exchange of goods, service, money or promise of any of those.

## ESSENTIAL ELEMENT OF CONTRACT

Substantive elements	Procedural elements
<ul style="list-style-type: none"><li>• OFFER</li><li>• ACCEPTANCE</li><li>• CONSIDERATION</li><li>• CAPACITY</li><li>• LEGALITY</li></ul>	<ul style="list-style-type: none"><li>• COMMUNICATION OF OFFER</li><li>• MEETING OF MINDS.</li><li>• COMMUNICATION OF ACCEPTANCE</li></ul>