

ASSIGNMENT

LAW OF BUSINESS ORGANIZATION

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BA.LLB BATCH 9.

QUESTION No. 1: The term capacity to contract: You will describe the condition for a person to enter into contract. Also describe the disqualified persons to enter into contract.

The term "capacity to contract" refers to the legal ability of a person to enter into a binding agreement or contract. In general, the law recognizes that only individuals who are legally capable of making their own decisions and assuming legal obligations can enter into a contract.

The following are the conditions that a person must meet to have the capacity to contract:

- **Age:** The person must be of legal age, which is usually 18 years or older. Minors (those under 18 years of age) are generally not considered to have the capacity to contract, although there are some exceptions.
- **Mental Capacity:** The person must have the mental capacity to understand the nature and consequences of the contract. This means that the person must be able to understand the terms of the contract and must not be under the influence of drugs, alcohol or any other mental disorder that impairs their judgment.
- **Free Consent:** The person must enter into the contract freely and voluntarily, without coercion, undue influence or misrepresentation.
- **Legal Purpose:** The contract must have a legal purpose, which means that it cannot involve an illegal activity or violate public policy.

Disqualified persons from entering into a contract are:

- **Minors:** As mentioned above, minors are generally not considered to have the capacity to contract. However, there are some exceptions to this rule, such as contracts for necessities like food, clothing, and shelter.

- **Mentally Incapacitated Persons:** Persons who are mentally incapacitated or unable to understand the nature and consequences of the contract are generally not considered to have the capacity to contract.
- **Intoxicated Persons:** Persons who are under the influence of drugs or alcohol and unable to understand the nature and consequences of the contract are also disqualified from entering into a contract.
- **Persons under duress:** Persons who are coerced or forced into entering into a contract are not considered to have entered into the contract voluntarily and are thus disqualified from entering into a contract.
- **Persons engaging in illegal activities:** Persons who are engaging in illegal activities, such as drug dealing or prostitution, are disqualified from entering into a contract for those activities.

QUESTION No. 2: In the contract act one of the essentials of a valid contract is Free Consent: You will write down in brief about the free consent.

Free consent:

Free consent is one of the essential elements of a valid contract as per the Pakistan Contract Act. It means that the parties to a contract must enter into the agreement voluntarily and without any coercion, undue influence, misrepresentation, fraud, or mistake.

Free consent implies that the parties to the contract have a clear understanding of the terms and conditions of the agreement and agree to them without any external pressure. The consent must be given freely, without any fear, threat, or intimidation.

If the consent of any of the parties to the contract is not free, then the contract becomes voidable at the option of the aggrieved party. For example, if a person

enters into a contract under duress or coercion, they have the option to avoid the contract.

Therefore, it is essential to ensure that the parties to the contract have given their free consent to avoid any future disputes or challenges to the validity of the contract.

QUESTION No. 3: Describe the features of unlawful objects and void agreement.

In Pakistan, an agreement or contract is deemed void if its object or consideration is unlawful. Here are some of the key features of unlawful objects and void agreements in Pakistan:

- **Unlawful object:** The object of an agreement or contract is considered unlawful if it involves an act that is prohibited by law or is against public policy. For example, an agreement to commit a crime or to engage in illegal activities is considered to have an unlawful object.
- **Void agreement:** An agreement that has an unlawful object or consideration is considered void. This means that the agreement is not enforceable by law, and the parties to the agreement cannot claim any legal remedy for any breach of the agreement.
- **Effect of illegality:** Any agreement or contract that involves an unlawful object or consideration is considered void ab initio, which means that it is void from the beginning. The parties to such an agreement cannot claim any legal rights or obligations arising out of the agreement.
- **Agreements against public policy:** An agreement that is against public policy is also considered void. For example, an agreement that restricts a person's freedom to trade or to pursue their profession is considered against public policy and is therefore void.

- Exceptions: There are some exceptions to the rule that agreements with unlawful objects or considerations are void. For example, if an agreement involves a minor illegal object or consideration, it may still be enforceable if the minor part can be separated from the rest of the agreement.

In summary, in Pakistan, an agreement or contract with an unlawful object or consideration is considered void, and the parties to such an agreement cannot claim any legal remedy for any breach of the agreement. It is important to ensure that the object and consideration of any agreement or contract are lawful to avoid any future disputes or challenges to the validity of the agreement.

QUESTION No. 4: What do you know about contingent contract and also describe essential elements of a contingent contract?

In Pakistan, a contingent contract is a type of contract in which the performance of one or both parties depends on the occurrence or non-occurrence of a specific event. The occurrence of the event is uncertain, and it is not in the control of either party. The rights and obligations of the parties to the contract are dependent on the happening or non-happening of the event.

The essential elements of a contingent contract in Pakistan are:

- Contingent event: The performance of the contract depends on the occurrence or non-occurrence of a specific event. The happening or non-happening of the event must be uncertain and not in the control of either party.
- Future event: The event must be a future event and not a past event. A contract cannot be contingent on an event that has already occurred.
- Possibility of performance: The event must be such that its performance is possible. If the event is impossible, then the contract is void.

- Mutual agreement: Both parties must agree to the contingency at the time of entering into the contract. The agreement must be in writing in case of contracts that are required to be in writing.
- Performance on happening or non-happening of the event: The performance of the contract must be conditional on the happening or non-happening of the event. The parties must perform their obligations if the event happens or does not happen, as the case may be.
- Certainty of event: The event must be capable of being made certain. If the event cannot be made certain, then the contract is void.

In a contingent contract, the rights and obligations of the parties are dependent on the happening or non-happening of the event. If the event happens, the contract becomes enforceable, and the parties must perform their obligations. If the event does not happen, the contract becomes void. Contingent contracts are a common feature in many business transactions, such as insurance contracts and sale and purchase agreements that are subject to certain conditions.

Q. No. 5: Describe the three main forms of a business. Also write down two to three line each characteristics of a company.

The three main forms of a business are:

- Sole Trader - A business owned and operated by a single individual who is responsible for all aspects of the business.

Characteristics:

Simple and easy to set up

Unlimited liability for the owner

Income is taxed as personal income of the owner

- Partnership - A business owned and operated by two or more individuals who share the profits and losses of the business.

Characteristics:

Partners share decision-making and responsibilities

Unlimited liability for all partners

Income is taxed as personal income of the partners

- Corporation / Company - A business that is a separate legal entity from its owners, with shareholders who own the company and a board of directors who oversee management.

Characteristics:

Limited liability for shareholders

Management and ownership are separate

Income is taxed at both the corporate and individual level (double taxation), unless it is an S corporation which is taxed like a partnership.

QUESTION No. 6: Write down the features of company formation.

The features of company formation typically include:

Legal entity: A company is a separate legal entity from its owners, which means it can enter into contracts, sue and be sued, and own property in its own name.

Limited liability: Shareholders of a company have limited liability, which means their personal assets are protected from the company's debts and obligations.

Perpetual succession: A company can continue to exist even if its owners or management change, as ownership can be transferred through the buying and selling of shares.

Separation of ownership and management: The owners (shareholders) of a company elect a board of directors who are responsible for the management of the company.

Capital raising: A company can raise capital by issuing shares to investors or borrowing from lenders.

Formalities: A company must follow formalities such as registering with the appropriate government agency, maintaining proper records and accounts, and holding annual general meetings.

Transferability of ownership: Shares in a company can be bought and sold easily, providing shareholders with a liquid investment.

Taxation: A company is subject to corporate tax on its profits, and shareholders may also be subject to personal income tax on any dividends they receive.

Regulation: Companies are subject to various regulations and laws, such as securities laws, labor laws, and environmental laws, among others.

Q. No. 7: Describe memorandum of association (MoA).

The Memorandum of Association (MOA) is a legal document that sets out the fundamental conditions and objectives of a company. It contains essential information such as the name and address of the company, its objectives, and the liability of its members. The MOA is a founding document that defines the company's relationship with its shareholders and sets out the company's purpose and scope of activity. It is one of the necessary documents required for the incorporation of a company and must be filed with the Registrar of Companies. The MOA is a critical document that establishes the company's legal identity and provides a framework for its operations.

Q. No. 8: Describe article of association (AoA).

The Articles of Association (AOA) is a legal document that outlines the rules and regulations governing the internal management and operations of a company. It

defines the rights, duties, and responsibilities of the company's shareholders, directors, and officers. The AOA typically includes provisions related to the issue and transfer of shares, appointment and removal of directors, conduct of meetings, voting procedures, and distribution of profits. The AOA is a necessary document required for the incorporation of a company and must be filed with the Registrar of Companies. It provides a framework for the company's internal operations and is an essential tool for ensuring efficient decision-making and management.

THE END