WHAT DO YOU MEAN BY MERCANTILE AGENTS?

A mercantile agent is a person who is appointed by those in business to act on their behalf or to represent them in dealing with other persons. The person on whose behalf he acts as an agent is known as the 'principal'. A mercantile agent possesses the following characteristics.

1) He has the authority to buy and sell goods on behalf of his principal or to cosign them for the purpose of sale.
2) He does not do business for himself, but he only represents his principal in all business dealings.
3) He is a link between the principal and the third parties in so far as the business transactions are concerned.
4) He is entitled to a commission from his principal, as a monetary consideration for his services.

EXPLAIN THE MAIN TYPES OF MERCANTILE AGENTS?

(1) **GENERAL MERCANTILE AGENTS:-** An agent who has the full authority to perform all functions relating to the business on behalf of his principal. All such acts shall be binding on the principal. Examples of general mercantile agents are factors, commission agents, branch managers etc.

(2) **SPECIAL / PARTICULAR MERCANTILE AGENTS**:- An agent appointed to perform special or a particular job for his principal. As soon as that particular work is done he ceases to be an agent.

(3) **COMMISSION AGENT:-** Is one who acts on behalf of his principal in buying and selling of goods in return for commission. He makes purchases and sells in his own name, but does not bear the trade risk. He has expert knowledge about the goods in which he is dealing and also knows the market trends in the particular commodity.

(4) **BROKER:-** A broker has been defined as an agent employed to make bargains and contracts in matter of trade, commerce or navigation, between two parties for a compensation, commonly called brokerage. He is person whose main-job is to arrange a buyer for a seller.

EXPLAIN THE MAIN FUNCTIONS OF MERCANTILE AGENTS?

(1) **RENDER PROPER ACCOUNTS:-** The agent is expected to render the true, correct and proper statement of accounts to his principal. He should not mix up the accounts of the agency with personal accounts and should intimate the principal from time to time on the financial position of the agency.

(2) **PERFORMANCE OF DUTIES:-** An agent is bound by his agreement with his principal , to perform all the duties entrusted to him by the latter, to the best of his capability.

(3) **MAINTAINANCE OF SKILL CARE AND DILIGENCE:-** The agent should act with reasonable skill, care and diligence while discharging his duties. He is expected to execute his work on behalf of his principal with the same efficiency with which he performs his own work.

(4) **RETURN RECEIVED MONEY:-** Since the agent is the trustee of the wealth of the agency, he is bound to return all sums of money earned from the business to his principal.

(5) **DELEGATION OF AUTHORITY:-** The agent cannot delegate his authority to others without the prior consent of the principal. If the principal agrees, then an agent may appoint a sub-agent to help him and the sub-agent so appointed would be liable to the agent and not he principal.

GIVE THE DEFINITION OF NEGOTIABLE INSTRUMENT:-

A Negotiable Instrument means a promissory note, bill of exchange or cheque payable either to order or to bearer. Literally a negotiable instrument refers to an instrument which can be negotiated. In other words, it means a document the property in which can be passed from one person to another by mere delivery or by delivery and endorsement. According to "Justice Willis", "negotiable instrument means the property in which acquired by any one, who takes it bonafide. And for value not with standing any defect in title of the person from whom he took it.

The peculiarity of a negotiable instrument is that its transferee gets a good title to it in spite of a defect in the title of the transferor, provided he receives the document. (1) in good faith (2) in proper form (3) before maturity (4) for value. When a person satisfies these four conditions, he is called a holder in due course.

EXPLAIN THE ESSENTIAL FEATURES OF A NEGOTIABLE INSTRUMENT?

1) **NEGOTIABILITY:-** The property in a negotiable instrument is freely transferable from one place to another. In case of a bearer instrument, the property can be transferred by mere delivery to the transferee. Incase of order instrument, it is transferable by endorsement and delivery.
2) **TITLE:-** The bonafide transferee of a negotiable instrument, called holder in due course, is not in any way affected by the defective title of the transferor or any of the previous holders of the instrument.
3) **RIGHTS:-** The transferee is entitled to sue on the instrument in his own name. he can recover the amount of the instrument form the party liable to pay there on . a negotiable instrument can be transferred any number of times till the date of its maturity. The holder of the instrument need not give any notice of transfer to the transferor or any other person liable for payment of the instrument.
4) **PRESUMPTION:-** A Negotiable Instrument is always subject to certain presumption which are applicable unless contrary is proved.

WHAT DO YOU MEAN BY PROMISSORY NOTE?

Promissory note is a written promise made by one person to pay certain sum of money due to another person or any other legal holder of the document. Under limitation Act 1963 Sec. 'promissory note' means any instrument where by the maker engages absolutely to pay a specified sum of money to another at a time there in limited or on demand, or at sight. Section 4 of the Indian Negotiable instrument Act, 1881 defines a promissory note as an instrument in writing, not being a bank-note or currency –note having on it an unconditional undertaking signed by the maker to pay a certain sum of money to, or to the order of a certain person, or to the bearer of the instrument.

Promissory notes may be made by one or more than one person. When it is made by one person, it is called a single promissory note, but when it is made or drawn by two or more persons, it is called a joint promissory note. The liability of a joint promissory note may be (1) joint (2) several. In the first case the makers of the promissory note are jointly and collectively liable, where as in the second case the makers of the note are jointly as well as individually or severally liable for the amount of the Promissory note.

FEATURES OF PROMISSORY NOTES:-

1) It must be in writing.
2) It must contain a clear promise to pay.
3) It must be unconditional.
4) It must contain a promise to pay a certain sum of money.
5) It must be signed by the maker.
6) Maker must be a certain person.
7) The payee must be a certain person.
8) Miscellaneous features.

WHAT DO YOU MEAN BY BILL OF EXCHANGE?

A bill of exchange, popularly known as a bill, as defined under section 5 of the Indian Negotiable Instrument Act means, an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to,or order of a certain person, or to the bearer of the instrument. The bill of exchange is a very important document in modern commerce. There are many advantages of using a bill of exchange in the business. The various advantages of a bill are summarized as follows:-

1) Written verification of debt:-

An accept bill is a signed acknowledgement of indebtedness and payment can be enforced on this in the court of law.

2) Negotiable Instrument:-

The free transferability of bills enables increase in commercial transactions and quick discharge of mutual indebtedness of many persons.

3) Exact date of payment:-

The date of maturity of a bill of exchange being always known after acceptance, the debtor, know's when exactly he is bound to pay and the creditor also know's when he is to receive the payment, this saves time as the creditor has not to demand payment from the debtor from time to time.

4) Credit facility:-

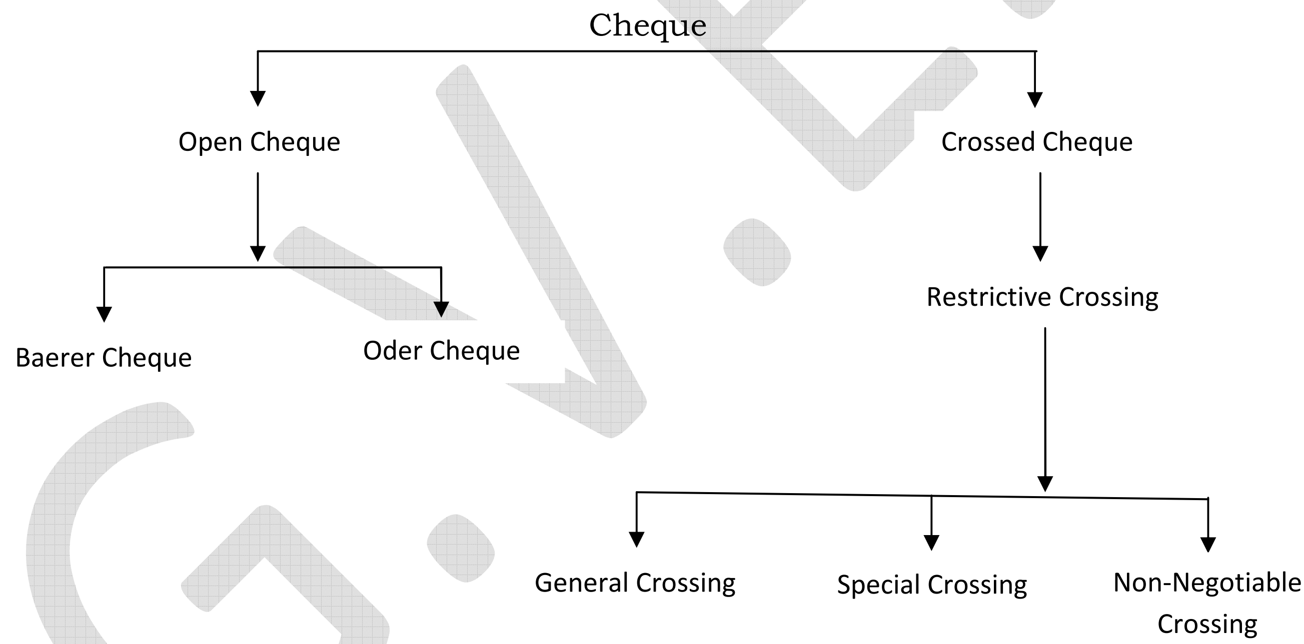
The bill of exchange enables a person to purchase goods on credit.

DEFINE THE TERM CHEQUE?

A cheque is a very safe and convenient method of making payments or withdrawing money from a bank. The word 'cheque' appears to have its origin from the French word 'Echecs' which means 'chess'. Goldsmiths of London who acted as first banker in London, introduced 'cheque' as a mode of withdrawal by their customers. Whenever a customer wished to make payment to any other person, it was customary to write an order on an ordinary slip of paper addressed to the banker, to pay on demand the amount specified therein. A cheque in essence, is an unconditional order, in writing addressed by a customer, with signature of the bank requiring it to pay on demand a certain sum of money to the order of a specified person or to the bearer. "According to the Negotiable Instrument Act 1881" a cheque is a bill of exchange drawn on a specified banker and payable on demand. From this definition it is clear that a cheque is a bill of exchange but it has two additional qualifications.

1) It is always drawn n a specified banker.
2) It is always payable on demand without any days of grace.

Types of Cheque



GIVE THE MEANING AND SIGNIFICANCE OF CROSSING?

The act of drawing two parallel transverse lines on the face of a cheque is called crossing of a cheque. Crossing is a direction to the banker not to pay the cheque across the counter of the bank but to pay to a bank only or to particular bank in account with the bank. According to charley, "crossing may be described as" as instruction from the drawer to his banker, that he is only to pay the instrument provided certain conditions are fulfilled.

Crossing of a cheque is effected two parallel transverse lines on face of a cheque with or without the word and co, 'Not Negotiable'. A crossed cheque cannot be encashed at the counter of the bank. It has to be presented to the drawee bank through some bank. A crossed cheque is paid into the bank account of a person. Open cheques are liable to great risk in the course of circulation. They may be lost or stolen and the finder or their can get them enchased at the counter of the bank. The crossing provides a protection and safeguard to the owner of the cheque as by securing payment through a bank, it can easily be traced as to who has eventually received the payment of the cheque. Crossing does not affect the negotiable of a cheque, except where the words not negotiable are added. There are two types of crossing provided by the negotiable Instrument Act, i.e., 1) General Crossing 2) Special Crossing.

WHAT DO YOU MEAN BY THE TERM ENDORSEMENT?

Endorsement or Endorsement in its literal sense means anything written on the back of an instrument. The word endorsement is said to have been derived from Latin 'In' which means 'upon' and 'dorsum' meaning the 'back'. Under the Negotiable Instrument Act, the term endorsement means writing of a person's name on the back of the instrument with the intention of transferring the right therein. Section 15 of the Act defines endorsement as "when the maker or the holder of a negotiable instrument signs the same" otherwise than as such purpose a stamped paper intended to be completed as a negotiable instrument signs the same, otherwise than as such maker, for the purpose of negotiation, on the back or face there of or on a slip of paper annexed there to or so sign for the same purpose a stamped paper intended to be completed as a negotiable instrument, he is said to endorse the same and is called the ensorser". the person to whom the instrument is endorsed is called endorsee. The endorsement is usually on the back of the instrument, though it may be even on the face of it. When no space is left on the instrument, the endorsement may be put on a separate slip to be attached with the instrument. This slop is called 'Allonge' which must be attached to the instrument. There are several kinds of endorsement.

1. Black or General Endorsement.
2. Full or special endorsement.
3. Restrictive endorsement.
4. Partial endorsement.
5. Conditional or Qualified Endorsement.
6. Facultative endorsement.
7. Sans Fairs Endorsement or Endorsement 'Sans Recourse'

WHAT DO YOU MEAN BY BANK-DRAFT?

Bank draft is a bill drawn either on demand or otherwise by on banker on another in favour of a third party or by one branch of a bank on another branch of the same bank or by the head office on a branch or vice-versa for a sum of money payable on demand or order. Bank drafts are known as Demand drafts as they are always payable on demand without any day of grace and there cannot be any bearer drafts. Bank drafts are always payable to a certain payee named in the draft or to his order. Drafts are used as a mode of remittance by parties for sending money from one place to another. The person who wants to purchase as draft has to fill a prescribed form kept at the office of the bank. Bank charge a nominal commission for this service. The bank that issues a draft sends a credit advice to the drawee branch. In case the draft is drawn on another bank, reimbursement is made as per mutual agreement .draft facilitate transfer of funds from one place to another with safety and convenience. A bank draft resembles a cheque, but there are some important differences between the two.

1) A draft is always drawn by a banker upon another banker.
2) A draft cannot be made payable to bearer, a cheque may be drawn payable to bearer.
3) The payment of a draft cannot be so easily stopped or countermanded as in case of a cheque.
4) A cheque is drawn by one person upon another, i.e., upon bank, a draft usually is drawn by a bank upon itself.