

# Study Session1

## INTRODUCTION TO BUSINESS LAW

### Study Session Outline

- I. Definition & Purpose of business law
- II. Background of Business Law
- III. Contract Law & Business
- IV. Property Law & Business

### Study Session duration

A 2 hours of formal study time is required under this study session

### INTRODUCTION

Dear learners! Welcome to the first session of your module introduction to business Law. Under this unit you will discuss the meaning and purpose of business law, the basics of business law and some related concepts such as contract law and business, tort law and business.

In all topics you are expected to participate and provide the experiences and examples from your country's perspective

Enjoy attending this session!

### Learning Outcomes of Study Session 1

After completing this study unit, you should be able to:

- Explain the meaning and nature of business law.
- Discuss property law and business
- Identify the functions and purpose of business law

## **UNIT ONE-Introduction to Business law**

### **1.1 Meaning and Purpose of business law**

#### **Introduction to business law**

Each and every aspect of human life is governed by the law: from birth to death. In a similar manner, people engage in commercial activities in order to persist. This set of transactions is not unregulated. Unregulated business transactions cannot achieve their purpose. Therefore, the set of rules that govern business transactions is called ‘ Business law’. Almost every aspect of business is impacted by the law.

**What is Law?** To put it in simple terms, law defined as a set of rules and standards that are enforced by the courts and which control state government and the relationships between the state and its people.

#### **Nature of Law**

- *Law has the dual qualities of being both authoritative and ideal.*
- *As a rule, the law has both a real and an idealistic component.*
- *It's ideal dimension comprises a claim to correctness, which includes a claim to moral correctness. "*
- *Coercion or force is a critical component of law's true dimension.*

#### **Meaning of Business Law**

As slightly mentioned above, the rules regulating the establishment and functioning of businesses are collectively known as "business law". Laws that control how to establish, buy, run and close or sell any kind of business are involved under business law. (Kantorowicz, 2014).

**Characteristics of Business law** (Bingham, 1912).

- i. *Defining general principles of commerce;*
- ii. *Protecting business ideas and assets; and*
- iii. *Establishing procedures that enable business people to decide how they will engage in business initiatives and how much risk they will assume*
- iv. *Ensuring that those responsible for losses bear them; and*
- v. *Facilitating planning by enforcing obligations.*

**Nature of Business Law** (Bingham, 1912).

- i. *It is a human-developed code of conduct, culture, tradition, and religion.*
- ii. *It establishes rights and obligations*
- iii. *It ensures that each individual has defined authority and duty.*
- iv. *It upholds peace and security v. it delivers justice and punishment*
- v. *It is constantly concerned with bringing justice to the victim and punishing law breakers vii. It governs daily activities.*
- vi. *Oversees internal operations ix.*
- vii. *As specified by the judge.*

## 1.2 Contract Law & Business

There is often contractual relationship between and among traders, among partners in business partnership and with third parties. Therefore, we can say the contractual relationship of parties often exists in a commercial transaction. For eg. The agreement between the company's owners or investors, concerning the services provided by a third party or the payment responsibilities you must meet with your employed personnel (*Bingham, 1912*). Moreover, the written contract also serves as a legal evidence.

### What does contract contribute in business?

➤ ***Prevent misunderstanding from arising***

*When two parties enter into a business arrangement, they are likely to produce a written contract. For this formal written agreement, the primary goal is to make sure that all parties know the provision under the contract and their individual preferences, after a thorough discussion (Bingham, 1912).*

➤ ***Provide security and peace of mind***

*having a contract in writing can provide everyone engaged in a business arrangement a sense of confidence and peace of mind. As an example, a written employment contract lays out the parameters of an employee's tasks and obligations, compensation, and overall relationship with the employer, among other things. With a written agreement, both parties are protected in the event that they fail to adhere to the agreed upon terms or conditions. (Winston, 1986).*

- ***Guaranteed confidentiality***

Contracting parties are obligated to maintain confidentiality of all transactions and information transferred between them, and any party who violates this agreement will be held accountable. (Marson, & Ferris, 2020).

- ***Avoid Expensive litigation proceedings***

when there is specified reference as to the rights and duties of each party to the commercial contract, it is less likely that a dispute will end up in court which is costly and time-consuming. (Marson, & Ferris, 2020).

- ***Serve as evidence of the business agreement***-A written contract serves as a official record of the agreements reached between the parties.

### **1.3 Property Law & Business**

Property law focuses on the interrelationships between and among the people in a society about "things of proprietary nature. Thus, business and property are highly related. That's why we often face with the laws that regulate property while dealing with business law. If you're looking for a concrete asset, you can look for land, or you can go for an intangible asset like stocks and bonds or a bank account (Marson & Ferris, 2020).

#### **Self-Assessment Test Questions**

- Define Business and its main characteristics?
- What is the relationship between property law and business law?
- What are the Purposes of contract law in the business world?
- What are the contributions of formal contract in business transactions?