

# JAIIB

## Principles and Practices of Banking (PPB)

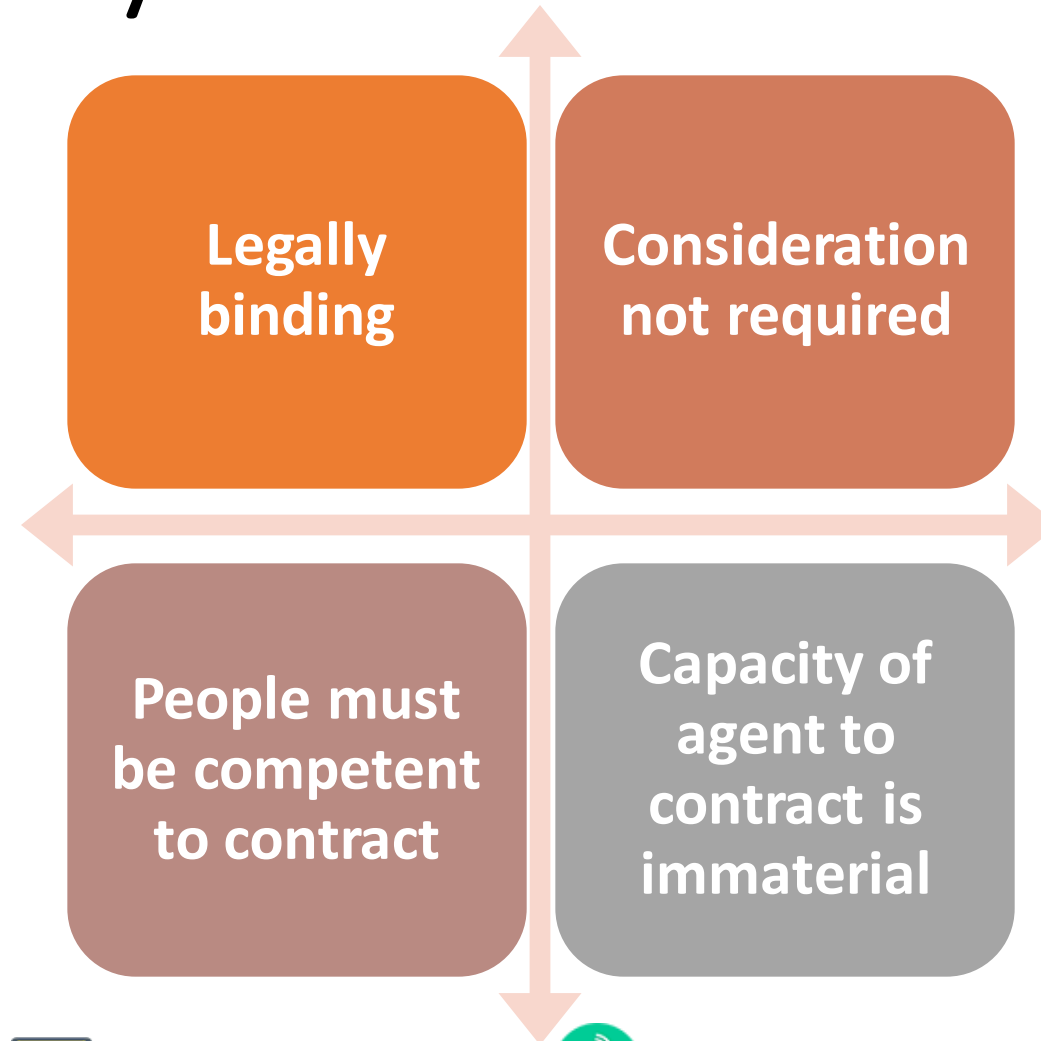
### Contract of Agency

# Contract of Agency

- Agent and principal are defined under the Indian Contract Act, 1872.
- According to the act an agent is a person employed to do any act for another or to represent another in dealings with third persons
- The person for whom such act is done or who is represented is called the Principal.

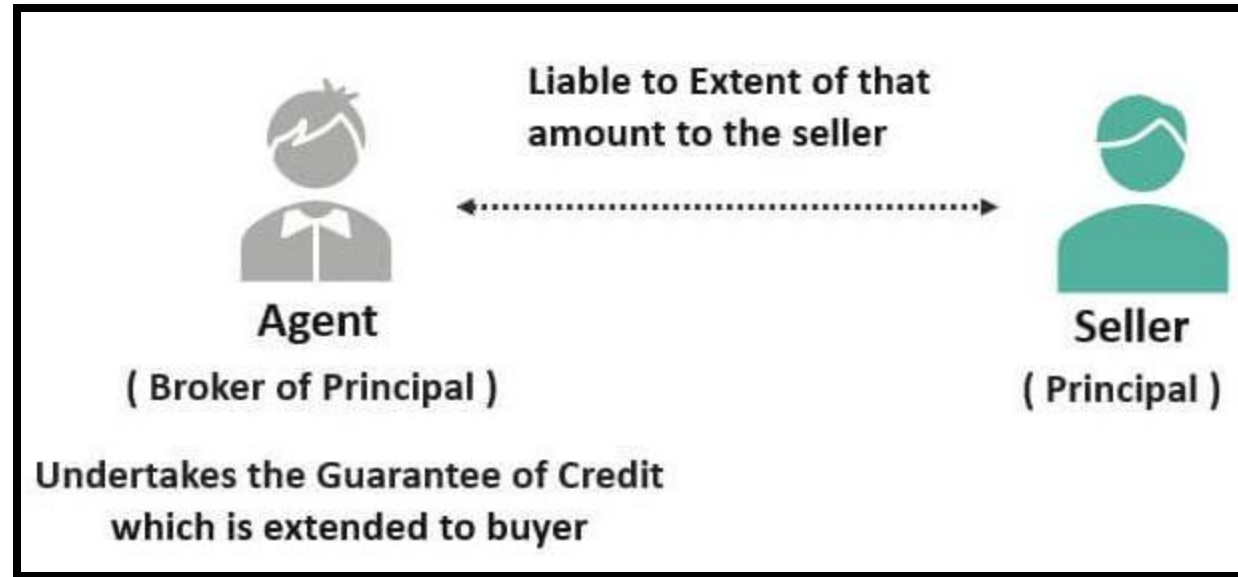


# Test of Agency

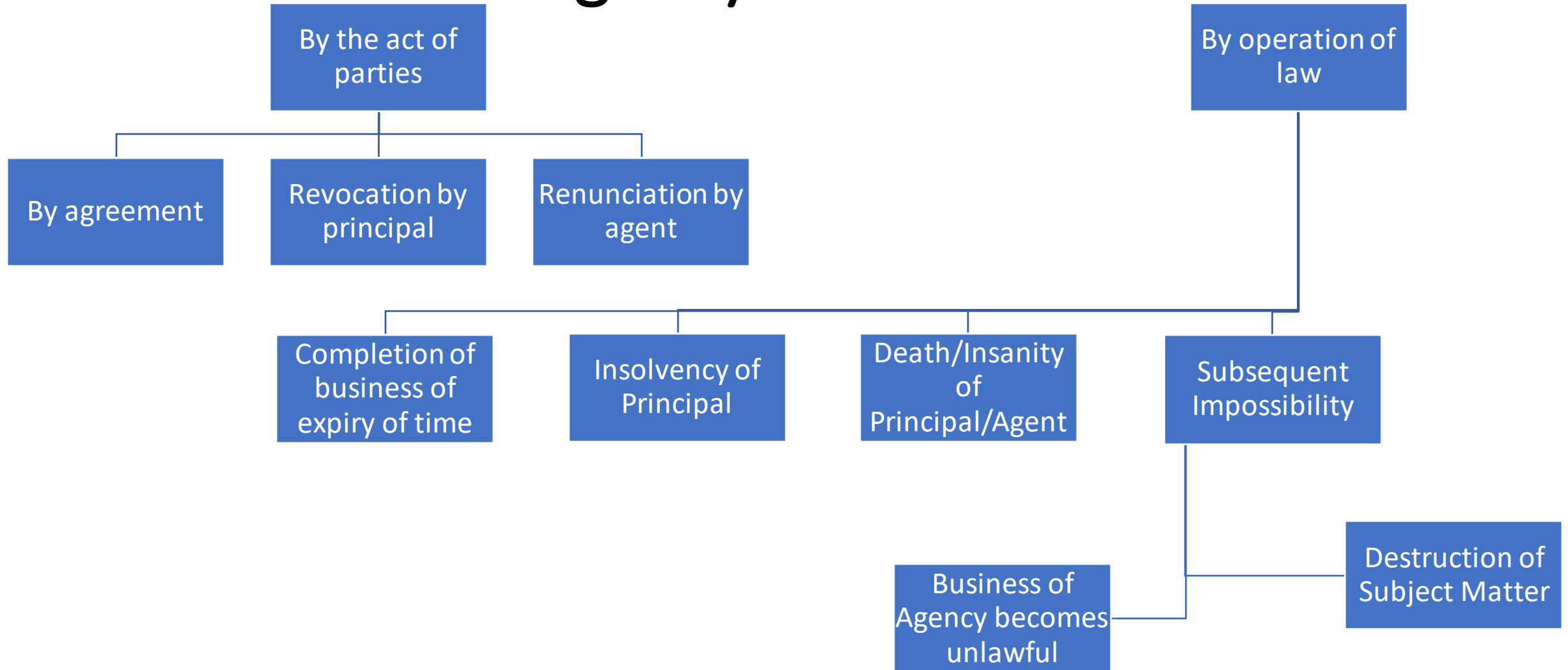


- Anyone between the principal and the third party may become an agent, regardless of its age or soundness of his mind. It prescribes that any person, including a minor and an unsound person, may become an agent. However, they (the agent) may not be liable to the principal unless they have attained the age of majority and are of sound mind.
- Express/implicit
- Extent
- Emergency
- No Delegation – Sub-agent is responsible to the agent
- Exceeding Authority

# Del-Credere Agent



# Termination of Agency



# Agent's Remuneration

- **Right to Lien**
- In the absence of any special contract, payment for the performance of any act is not due to the agent by the principal until the completion of such act.
- An agent who is guilty of misconduct is not entitled to any remuneration **in respect of that part of the business** which he has not conducted properly.

- The **principal is bound to indemnify the agent** against the consequences of all lawful acts done by the agent in exercise of the authority conferred upon him.
- The principle is liable to indemnify the agent against the **consequences of acts done by him in good faith** though it may cause an injury to the rights of third person.
- **Fraud by an agent** - a principle is liable for the agent's fraud acting within the **scope of his authority** whether the fraud is committed for the benefit of the principal or for the benefit of the agent.





# PPB – JAIIB 2024

## Q. 1

**Which of the following statement(s) is/are correct regarding Contract of Agency?**

1. Consideration is necessary to create a contract of agency.
2. The authority of agent may be express or implied.
3. An agent can't appoint another person to perform acts which he has undertaken to perform personally.

- A. 1,2  
B. 2,3  
C. 1,3  
D. 1,2,3

Answer: Option B

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Q. 2

A \_\_\_\_\_ is a type of principal-agent relationship wherein the agent acts not only as a salesperson, or broker, for the principal, but also as a guarantor of credit extended to the buyer.

- A. Estoppel agent
- B. Del credere agent
- C. Holding out agent
- D. Necessity agent

Answer: Option B

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Q. 3

**Which of the following statement is incorrect?**

- A. In the absence of any special contract, payment for the performance of any act is not due to the agent by the principal until the completion of such act
- B. An agent will be entitled to no remuneration even if a part of the business is not conducted properly.
- C. Agent has right to lien on principal's property.
- D. The principal is bound to indemnify the agent against the consequences of all lawful acts done by the agent in exercise of the authority conferred upon him

Answer: Option B

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Q. 4

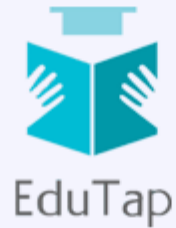
The usual form of contract of agency is by way of\_\_\_\_\_.

- A. Power of Attorney
- B. Indemnity Bond
- C. Guarantee Bond
- D. None of the above

Answer: Option A

*Thank  
You!*

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