

Ch-a

## The Sale of Goods Act, 1930

Unit - 1

### Formation of the Contract of sale

\* Scope of the Act:

- Sales of Goods Act is an Act to define and amend the laws relating to sale of goods.

- It came into force on 1<sup>st</sup> July 1930.

- The provisions of the Act are applicable to the sale of ONLY MOVABLE properties and the Act is NOT applicable to immovable properties.

\* Definitions:

i) Seller - A person who sells or agrees to sell the goods.

ii) Buyer - A person who buys or agrees to buy the goods.

\* Goods:

- It must be 'movable' (tangible goods also goods)

- Things attached to or forming part of land which can be severed (growing crops, grass, trees).

- Includes stocks and shares.

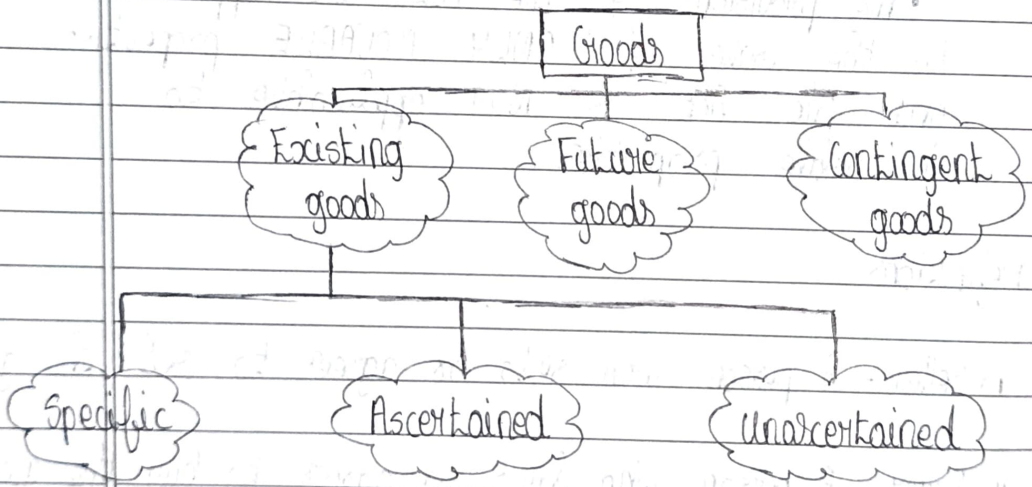
- Contract for sale of a Coal mine or a building stone quarry is not a contract for sale of goods.

=> Not goods:

- Actionable claims

- Money.

\* Classification of goods:



=> Specific Goods:

Goods which are identified and agreed upon at the time, a contract of sale is made.

=> Ascertained goods:

Those goods which are identified in accordance with agreement after contract is made.

=> Unascertained goods:

Goods not specifically identified at the time of making the agreement.

=> Future goods:

Goods which is yet to be manufactured.

=> Contingent goods:

Goods which is possible to perform but also has uncertainties.

\* Delivery of Goods

i) Actual

ii) Constructive

iii) Symbolic

\* Document of title to goods:

Proof of the possession of or control of goods or is for authorizing or purporting to authorise, either by endorsement or by delivery.

\* Document showing title:

A document amounts to a document of title only where it shows an unconditional undertaking to deliver the goods to the holder of the document.

Example = Share Certificate: transfer of right not possible by mere endorsement.

\* Property:

■ It means the general property and not merely a special property.

■ When goods are pledged:

\* General property - of the owner

\* Special property - of the pledgee (to whom goods pledged)

■ Here pledgee has a right to detain the goods pledged till payment of the stipulated dues.

\* Sale & Agreement to sell:

⇒ Sale:

i) Where under a contract of sale the property in goods.

ii) is transferred from seller to the buyer.

=> Agreement to sell:

i) Where the transfer of the property is in the goods.

ii) is to take place at a future time.

iii) Subject to some condition thereafter to be fulfilled.

\* Contract of Sale - elements must co-exist:

- Buyer & Seller
- Movable goods
- Price in money
- Transfer of property to take place
- Maybe absolute or conditional
- All essential elements of a valid contract.

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## \* Sale and Contract for work and labour:

Where no goods are sold and there is only the doing or rendering of some work of labour, then the contract is only of work and labour and no sale of goods.

Example: Gold is supplied to goldsmith for preparation of an ornament.

## \* Contract of Sale - How Made?

i) By an offer to buy or sell goods for a price and acceptance of offer.

ii) Maybe for immediate delivery or

iii) For immediate payment of price but future delivery or.

iv) Both immediate delivery and immediate payment of price.

v) Delivery or payment or both in instalments

vi) Delivery or payment or both in future dates.

\* Subject matter of contract of sale:

\* Existing goods:

Specific, Ascertained and unascertained

\* Future goods

\* Contingent goods.

**Perishing Goods**

i) Before making of Contract

ii) Before sale but after agreement to sell

i) At the time of agreement neither party aware of the fact  $\Rightarrow$  Agreement is void.

ii) Without either party fault goods become damaged... the risk has NOT passed to the buyer,  $\Rightarrow$  Agreement thereby avoided.

\* Ascertainment of Price:

i) The price is mentioned in the contract itself (usual mode).

Example: "A" agrees to sell his car to "B" for ₹ 50,000/- here the price is fixed.

ii) The manner of living fixing the price is mentioned in the contract.

Example: "A" agrees to sell 100 toys to "B". Both of them agree that the price should be fixed by "C". This is valid.

iii) Price is determined by the course of dealings between the parties.

Example: "A" contracts with "B" to buy 100 shares of Company PQR Ltd. in the general course of dealings, the accepted price is the price prevailing on the date of contract for sale of shares.

iv) When price is not fixed by any of the above modes: "reasonable price"

What is reasonable will depend upon the facts and circumstances of the case.

Example: "A" orders "B" to supply 100 kg of sugar to him without talking about the price. Here, price of the sugar would be taken as market price on the date of order.



## \* Agreement to sell at Valuation :

i) Price is to be fixed by the valuation of third party (Valuer).

ii) If such third party can't or doesn't make such valuation, the agreement is thereby avoided.

iii) If goods have been delivered to buyer, he shall pay a reasonable price therefore.

iv) Where such third party is prevented from making the valuation by the fault of buyer or seller.

v) The party not in fault may maintain a suit for damages against the party in default.