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**Vellore Institute of Technology**  
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# Legal Aspects of Business

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# Recapitulate

## Sale of Goods Act, 1930

- Introduction
- Essential Elements of Sale of Goods

Act

- How contract of sale can be made?

# Sale of Goods Act, 1930

## Sale

A contract of sale, means the **property in the goods in transferred immediately** from the seller to the buyers the contract is called a Sale.

## Agreement to sell

Agreement to sell refers the transfer of the property in the goods is to take place at a **future time or subject to some conditions** there after to be fulfilled the contract is called an agreement to sell.

# Sale of Goods Act, 1930

## Difference Between Sale and Agreement to Sell

### 1. Transfer of property

- In a sale, the property in the goods passes from the seller to his buyer **immediately** so the seller is no more the owner of his goods sold.
- In an agreement to sell, the transfer of property in the goods is to take place at a **future time or subject to certain conditions** being fulfilled so that the seller continuous to be owner.



# Sale of Goods Act, 1930

## Difference Between Sale and Agreement to Sell

### 2. Nature of Contract

- A sale is an **executed contract**
- Whereas an agreement to sell is an **executory contract**

### 3. Risk of Loss

- In a sale in the event of the goods being **destroyed, the loss falls on the buyer.**
- In an agreement to sell, if the goods are destroyed, **the loss falls on the seller.**

# Sale of Goods Act, 1930

## Difference Between Sale and Agreement to Sell

### 4. Types of Goods

- A sale can only be in case of **existing and specific goods** only.
- In agreement to sell is mostly in case of **future and contingent goods**.

### 5. Right to resell

- In a sale, the seller **can't resell the goods**
- In an agreement to sell, **without prior notice of the resell**, he is not bound to do so.

# Sale of Goods Act, 1930

## Difference Between Sale and Agreement to Sell

### 6. Consequences of breach

- In a sale, if there is a breach of contract by the buyer, **the seller can sue for price.**
- In an agreement to sell, the seller can **sue only for damages and not for his payment of the price.**

### 7. Insolvency of Buyer

- In a sale, if the buyer becomes insolvent before he pays for the goods, **the seller will deliver the goods to the official Receiver or Assignee.**
- In an agreement to sell, the seller is **not bound to part with the goods** until he is paid for.

# Sale of Goods Act, 1930

## Difference Between Sale and Agreement to Sell

### 8. Insolvency of seller

- In sale the buyer can **recover identical goods** from official receiver or assignee of the seller.
- If the buyer has paid for the goods, he can only **claim a rateable dividend from the seller's estate.**



# Sale of Goods Act, 1930

## Sales Vs Other Similar Transactions

### ‘Sale of Goods’ Vs ‘Hire Purchase Agreement’

- In sale of goods the **ownership of the goods** passes from the seller to the buyer **immediately** when the actual sale is completed, irrespective of the fact whether price of the goods paid fully or not.
- In Hire Purchase, the price is required to be paid by the hire purchaser in monthly instalments, and the **ownership of the goods** passes from the seller only when the **hire purchaser pay the last instalment fully** and finally complete the transactions.

# Sale of Goods Act, 1930

## Sales Vs Other Similar Transactions

### ‘Sale of Goods’ Vs ‘Work, Labour and Materials’

- In a contract for sale of goods the **delivery of the goods** involved is a primary condition. (Example: Dentist agreed to prepare a set of artificial teeth to his patient)
- In the case of Contract for the work, labour and materials, the primary condition is the application of the labour, material or skill, and the delivery of goods involved is just a secondary condition. (Example: Customer delivers gold biscuits to a goldsmith for making some ornaments)

# Sale of Goods Act, 1930

## Sales Vs Other Similar Transactions

### ‘Sale of Goods’ Vs ‘Barter of Goods’

- In a contract for sale of goods the **delivery of the goods** involved made **against a price** (i.e., in terms of money/cheque/DD/online payment, etc)
- In the case of barter the **transfer of ownership** of the goods takes place not by way of price but by way of **exchange of some other goods of similar value.**



# Review Questions

1. Which one of the two parties involved in the transactions (viz., buyer and seller), will have to bear the loss in the following cases?
  - a. In the event of the loss of the goods sold, but the goods were still in the possession of the seller.
  - b. In the case of an agreement to sell, in the event of the loss of the goods agreed to be sold, and the goods were in the possession of the prospective buyer.
2. Manoj has entered into a contract with Mahesh, a renowned painter, to paint a picture for his drawing room for an agreed price. The required material was agreed to be supplied by Manoj. Will this contract be treated as a contract for 'work and labour' or else a contract for 'sale of goods'?



# Answer

1. Which one of the two parties involved in the transactions (viz., buyer and seller), will have to bear the loss in the following cases?
  - a. In the event of the loss of the goods sold, but the goods were still in the possession of the seller.

**Answer:** The buyer has to bear the loss

- b. In the case of an agreement to sell, in the event of the loss of the goods agreed to be sold, and the goods were in the possession of the prospective buyer.

**Answer:** The seller has to bear the loss

2. Manoj has entered into a contract with Mahesh, a renowned painter, to paint a picture for his drawing room for an agreed price. The required material was agreed to be supplied by Manoj. Will this contract be treated as a contract for 'work and labour' or else a contract for 'sale of goods'?

**Answer:** This contract will be treated as a contract for 'work and labour'