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Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

Legal Aspects of Business

Dr. J Bhavani, Faculty,
Business School
Vellore Institute of Technology

Module 2

Sale of Goods Act, 1930

- Introduction
- Essential Elements of Sale of Goods Act
- How contract of sale can be made?
- Difference between Sale and Agreement to Sell
- Subject matter of contract of sale
- Performance of Contract of Sale
- Rights of an Unpaid Seller
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- CAVEAT EMPTOR

Sale of Goods Act, 1930

Contract of Sale of Goods

A contract of sale of goods is a contract whereby the **seller transfers or agrees to transfer the property in goods to the buyer for a price**. There may be a contract of sale between one party owner/seller and another party buyer

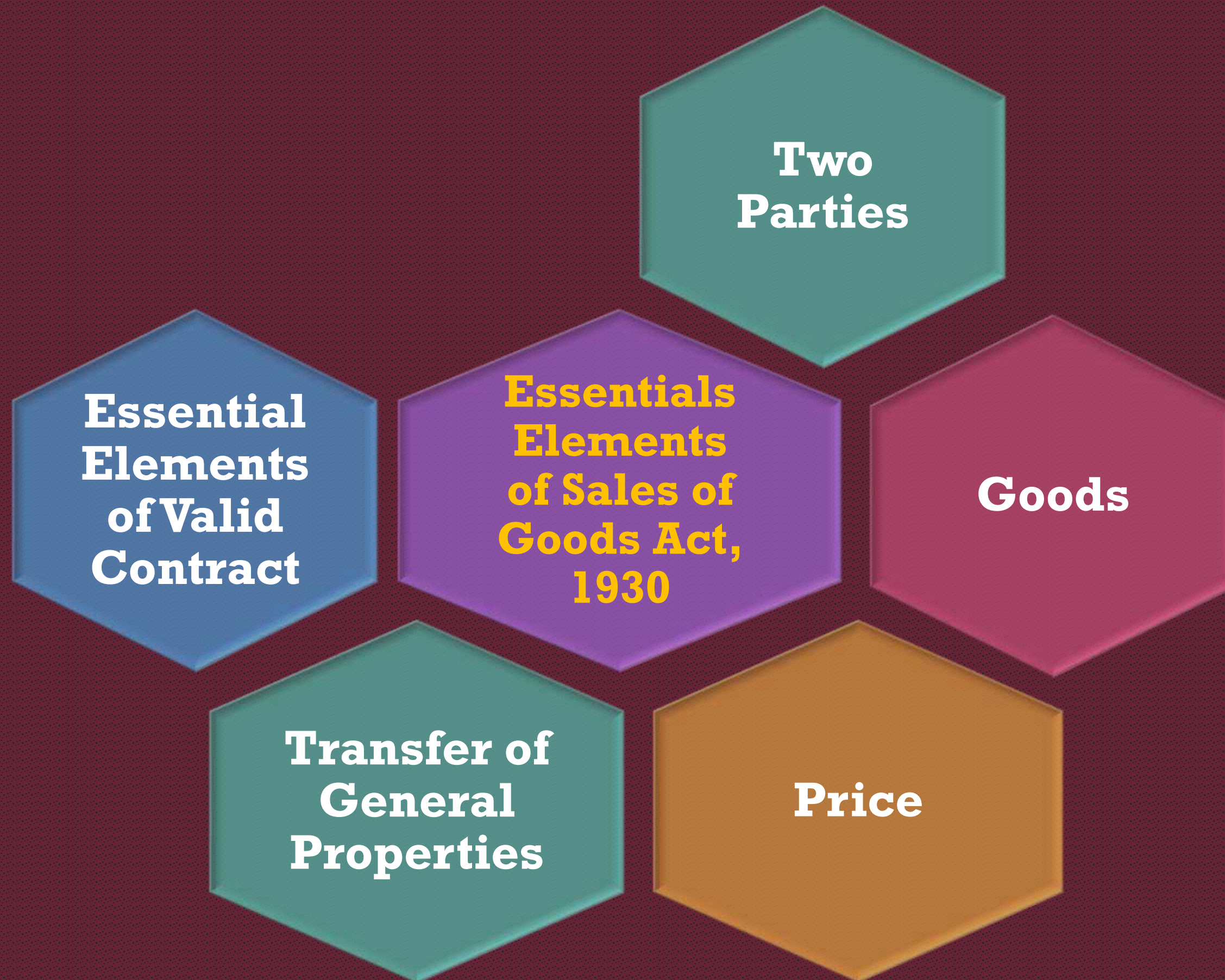
Sale

A contract of sale, means the **property in the goods in transferred** 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.

Essentials Elements of Sales of Goods Act, 1930



Essential Elements of Valid Contract

1. Offer and Acceptance
2. Intention to create legal relationship
3. Lawful consideration
4. Capacity of parties
5. Free and genuine consent
6. Lawful object
7. Certainty of Meaning
8. Possibility of Performance
9. Agreement not declared Valid
10. Legal Formalities

How contract of sale can be made?

No particular form is necessary to constitute a contract of sale. It is, like any other contract, made by the ordinary method of offer by one party and its acceptance by the other party.

It may be made in **writing or by word of mouth or by both.**

Review Questions

1. Ten horses were 'exchanged' at an agreed price of Rs.10,000 each. The payment, however, was to be settled partly against the delivery of 4,000 kg of sugar at the rate of Rs.20 per kg, and the balance amount of Rs.20,000 was to be paid in cash. Do you think that this will be deemed to be a valid agreement of sale or a case of barter, as the payment is to be made not fully in terms of money but partly in terms of money and partly in kind (i.e. sugar). Give reasons for your answer.
2. A particular form is necessary to constitute a contract of sale. **True or False**
3. In a sale, the property in goods –
 - a. Is transferred to the buyer
 - b. Is yet to be transferred to the buyer
 - c. May be transferred at a future time
 - d. None of the above

Answer

1. Ten horses were 'exchanged' at an agreed price of Rs.10,000 each. The payment, however, was to be settled partly against the delivery of 4,000 kg of sugar at the rate of Rs.20 per kg, and the balance amount of Rs.20,000 was to be paid in cash. Do you think that this will be deemed to be a valid agreement of sale or a case of barter, as the payment is to be made not fully in terms of money but partly in terms of money and partly in kind (i.e. sugar). Give reasons for your answer.

Answer: This will be deemed to be valid agreement of sale (and not a case of barter) as the payment is to be made not fully in terms of exchange of goods but partly in terms of money and partly in kind.

2. A particular form is necessary to constitute a contract of sale.

Answer: False

3. In a sale, the property in goods –

Answer: a. Is transferred to the buyer