

What is Contract for Sale of goods?

Contract for 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 can be a contract of sale between one part-owner and another.

In other words, under a contract of sale, a seller (or vendor) in the capacity of the owner, or part-owner of the goods, transfers or agrees to transfer the ownership in goods to the buyer (or purchaser) for an agreed upon value in money (or money equivalent), called the price, paid or the promise to pay same.

A contract of sale may be absolute or conditional depending upon the desire of contracting parties.

DEFINITION

Contract of the sale is an agreement between the buyer and the seller intending to exchange property. Section 4(1) defines the contract of the sale as – a contract of the sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to a buyer for a price.

ESSENTIALS OF A CONTRACT OF SALE

1. Essential Elements of a Valid Contract

All the requirements of a valid contract such as free consent, consideration, and competency of the parties, lawful object and consideration must be fulfilled. If any of the essential elements of a valid contract is absent, then the contract of sale will not be valid.

For e.g., A agreed to sell an almirah to B without any consideration. Such a contract of sale is not valid because it is made without consideration.

2. Two Parties

Another essential element of a contract of sale is that there must be two parties to the contract of sale viz., seller and buyer.

In a contract of sale, the ownership of goods has to pass from one person to another. Hence the seller and the buyer must be different persons because one person cannot be both the buyer and the seller.

But there are certain exceptions to this – where a person's goods are sold under an execution of decree he may purchase his own goods.

For e.g., A and B were partners. After some years, the firm was dissolved. On the dissolution, some goods were divided among all the partners. Such a distribution of goods among the partners was not a sale.

3. Goods

There must be some goods as a subject-matter. Goods must be one which is defined as goods in Sec. 2(7) of the Sale of Goods Act. As per the definition given in Sec. 2(7) of the Act, goods mean every kind of movable property and it includes:

- stock and share,
- growing crops, grass,
- the things attached to or forming a part of the land which can be severed from the land.

For e.g., A agreed to sell to B, wheat crops which is grown in his field. A and B agreed that B may cut the crop and take it away upon the payment of the price. As the growing crop is included in the term “goods”, this is a valid contract of sale.

4. Transfer of Ownership

In a contract of sale, ownership over goods has to be transferred to the buyer by the seller or there should be an agreement to transfer the ownership by the seller to the buyer.

The property in the goods means “all ownership rights” of the goods. In a contract of sale, all the ownership rights of the goods must be transferred by the seller to the buyer. However, the physical delivery of the goods is not required.

For e.g., A agreed to buy a new two wheeler from B an agent for Rs.25,000. A paid the price and got the two wheeler registered in his name and the registration book was delivered by B to A. This is a valid contract of sale because the ownership of the two wheeler has been transferred to A.

5. Price

Another essential element of a contract of sale is that there must be some price for the goods. That means, the goods must be sold for some price. According to Sec. 2(10) of the Sale of Goods Act, the term price means “the money consideration for a sale of goods”.

Thus the price is the consideration for contract of sale which should be in terms of money. If the ownership of the goods is transferred for any consideration other than the money, that will not be a sale but an exchange. However, consideration can be paid partly in money and partly in goods.

For e.g., A delivered to B 10 cows valued at Rs.2,000 per cow. B delivered to A 20 bags of rice at Rs.750 per bag and paid the balance of Rs.5,000 in cash in exchange of the cows. This is a valid contract of sale.