

Sale of Goods Act 1930

Sale and purchase agreements are common in every trading business. These sales transactions are governed by rules contained in the Sales of Goods Act 1930. It is important to have such acts and rulings in order to prevent consumers from being forged by the unscrupulous practices of the seller. In this article, we will discuss the Sales of Goods Act 1930 in detail.

Sales of Goods Act 1930 Overview

The Sale of Goods Act was enacted in 1930. It was borrowed from the English Sales of Goods Act 1893. It came into force on 1 July 1930. Prior to the act, the law of sale of goods was contained in chapter VII of the Indian Contract Act 1872. It extends to the whole of India except J& K.

Meaning of Contract of Sales

Sec 4(1) of the Indian Sale of Goods Act, 1930 defines the contract of sale of goods in the following manner: 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.

In other words, Section 4(1) of the Indian Sale of Goods Act, 1930 is a law that tells us what a contract of sale of goods is. It says that such a contract is an agreement where the person selling something (the seller) either gives or promises to give ownership of what they're selling to the person buying it (the buyer) in exchange for some money. So, it's basically an agreement where the seller agrees to give the goods to the buyer in return for payment.

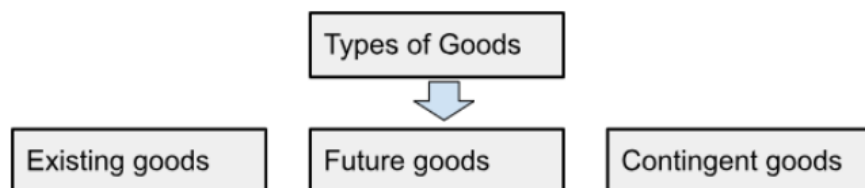
Essentials of the Contract of Sales

From the above definition, the following essentials of a contract of sale

- Two parties: There must be at least two parties
- Transfer or Agreement to transfer the ownership of goods.
- The subject matter of the contract must necessarily be 'goods'. The sale of immovable property is not covered under this act.
- The consideration is Price.
- A Contract of sale may be in writing or in words
- All other essentials of a valid contract must be present
- Goods' means every kind of moveable property and includes stock and shares, growing crops, grass, and things attached to or forming part of the land, which are agreed to be severed before sale or under the contract of sale.
- Actionable claims and money are not included in the definition of goods. Thus, goods include every kind of moveable property other than actionable claims or money. For example – goodwill, copyright, trademark, patents, water, gas, and electricity are all goods and maybe the subject matter of a contract of sale.

Types of Goods

The Sales of Goods Act deals with the sales of goods only. Here, the goods majorly include three types of goods. These are discussed below:



Existing Goods

Goods which are physically in existence and which are in the seller's ownership and/or possession, at the time of entering the contract of sale are called 'existing goods.' Where a seller is an owner, he has the general property in them. The existing goods may be:

1. Specific goods: means goods identified and agreed upon at the time a contract of sale is made. They are also called existing goods or ascertained goods. For example a specified watch, horse etc.
2. Generic goods: are unascertained goods that are not specifically identified at the time a contract of sale is made. For example, 50 kg of rice out of 500 kg of rice

Future Goods

Goods to be manufactured, produced or acquired by the seller after the making of the contract of sale are called 'future goods' [Sec. 2(6)]. These goods may be either not yet in existence or be in existence but not yet acquired by the seller. Ex:-A agrees to sell to B all the milk that his cow may yield during the coming year. This is a contract for the sale of future goods.

Contingent Goods

Though a type of future goods, these are the goods the acquisition of which by the seller depends upon a contingency, which may or may not happen [Sec. 6 (2)]. Ex- A agrees to sell to B a specific rare painting provided he is able to purchase it from its present owner. This is a contract for the sale of contingent goods.

Sales vs. Agreement to sell

Sales and Agreements to Sell are fundamental concepts within contract law, particularly in the context of the sale of goods. These terms describe different stages of a transaction and the transfer of ownership and risk associated with goods. Understanding the distinction between these two concepts is crucial in commercial and contract law, as it impacts the rights and responsibilities of the parties involved in the transaction.

Sale

It is a contract where the ownership of the goods is transferred by the seller to the buyer immediately at the conclusion contract. Thus, strictly speaking, the sale takes place when there is a transfer of property in goods from the seller to the buyer. A sale is an executed contract.

- In a "sale," the ownership (property) of the goods is transferred from the seller to the buyer immediately.
- It is a completed transaction, and the buyer becomes the owner of the goods right away.
- The risk and reward associated with the goods also shift to the buyer at the time of the sale.
- A sale is often associated with a cash-and-carry approach, where the buyer pays for the goods and takes possession immediately.

Agreement to Sell

Where the transfer of the property in the goods is to take place at a future time or subject to some conditions thereafter to be fulfilled, the contract is called an 'agreement to sell.

In an "agreement to sell," there is a promise or commitment to transfer the ownership of the goods at a later date or upon the occurrence of certain conditions.

It is not an immediate transfer of ownership but a promise to transfer ownership in the future.

The risk and reward usually stay with the seller until the actual sale takes place.

An agreement to sell is often seen in cases where the goods are not immediately available or need to be manufactured, shipped, or inspected before the final transfer of ownership occurs.

Difference Between Sale and Agreement to Sell

In essence, the key difference is the timing of the ownership transfer. In a sale, ownership changes hands immediately, while in an agreement to sell, it changes hands at a later point, typically upon the fulfilment of certain conditions. For further clarity on the Difference Between Sale and Agreement to Sell, refer to the following table.

Difference Between Sale and Agreement to Sell	
Sale	Agreement to Sell
Ownership passes to the buyer.	Ownership remains with the seller.
It is an executed contract.	It is an executory contract.
The risk of loss falls on the buyer.	The risk of loss falls on the seller.
The seller cannot resell the goods.	The seller can sell goods to a third party.
It can be in the case of existing and specific goods.	It can be in the case of future and unascertained goods
In case of breach of a contract, the seller can sue for the price of the goods.	In case of breach of a contract, the seller can sue only for damages, not for the price.
The seller is only entitled to the ratable dividend of the price due if the buyer becomes insolvent.	The seller may refuse to sell the goods to the buyer w/o payments if the buyer becomes insolvent.

Conclusion

The Sale of goods is the most common of all commercial transactions. Knowledge of the sale of goods is important to all. The law relating to the sale of goods is contained in the Sale of Goods Act 1930. This is an important topic to be covered by the aspirants preparing for different competitive exams.

