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. Sec. 4(1)

There may be a contract of sale between one part owner and another.

A contract of sale may be absolute or conditional.
Essentials of contract of sale

- A contract (all essentials of valid contract applicable)
- Between two parties
- To transfer or agree to transfer the property
- In goods
- For a price, i.e. the consideration is money.
Transfer of property

- Transfer of property means transfer of ownership. Mere transfer of possession cannot be termed as a sale.
- Sec.2(11) ‘Property means general property in goods and not merely a special property.’
- General property means all ownership rights and special property means limited rights.
Goods

- Sec.2(7). ‘Goods means every kind of movable property other than actionable claims and money, 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 contract of sale.’
Kind of goods

- **Existing goods** - Sec.6(1) these are the goods which are in existence and are physically present in the seller's possession. They are further classified as

- **Specific goods** - 2(14) – these are the goods identified and agreed upon at the time the contract is made.

- **Ascertained goods** - these are identified after the formation of the contract.

- **Unascertained goods** - these are the goods which are not specifically identified or agreed upon at the time of the contract of sale.

- **Future goods** - sec.2(6) and Contingent goods 6(2)
Price consideration

- The consideration for the contract of sale must be money. If goods are exchanged against goods the transaction is barter and not covered by the act. However, consideration may be partly in money and partly in goods.

NO SPECIAL FORMALITIES ARE REQUIRED FOR CONTRACT OF SALE. IT MAY BE IN WRITING OR ORAL OR IMPLIED.
Sale and agreement to sale

- When property is transferred from seller to buyer at the time of formation of contract, an absolute sale occurs.
- When property in the goods is to be transferred at some future date and not at the time of contract, the contract of sale is termed as an agreement to sell.
Points of distinction- sale and agreement to sell.

- Nature of contract- executed / executory.
- Transfer of property- immediate / future date.
- Nature of rights of buyer- *jus in rem / jus in personem*
- Rights of buyer in case of breach-recovery of goods, specific performance / Damages.
- Risk of loss- buyer’s / seller’s
- Rights of seller in case of breach-suit for the price of goods / Damages.
- Right to resell- not available. / may resale but liable for damages.
- Insolvency of seller- buyer can recover goods / if price already paid proportionate amount can be recovered.
- Insolvency of buyer- if price is not paid proportionate amount can be recovered.
  delivery of goods can be demanded. / seller can refuse delivery unless full
Subject matter of contract of sale - Goods.

- Goods may be classified as :-
- 2. Existing Goods- a) specific goods, b) ascertained goods, c) unascertained goods.
- 3. Future goods- which do not exist with the seller at the time of sale. the contract thus is an agreement to sell.
- 4. Contingent goods – a type of future goods, the acquisition of which depends upon a contingency which may or may not happen.
Perishing of goods

- The possible causes of perishing of goods:
  2. Physical destruction of goods.
  3. Damage of goods in such a manner that they lose their commercial value.
  4. Loss of goods by theft.
  5. Lawful acquisition of goods by government.
Effect of perishing of goods

- Goods perishing before formation of the contract.- in case of specific goods such contract is void *ab initio* as the performance of the contract is impossible due to destruction of subject matter.

- Goods perishing before the sale but after the agreement to sell.:- in case of specific goods the contract of sale becomes void and both parties are excused from the performance. (Sec.8)
Effect of perishing of goods...

- Effect of perishing of future goods:- Sec.8 applies in this case also which says ‘where there is an agreement to sell specific goods, and subsequently the goods without any fault on the part of the seller or buyer perish or become so damaged as no longer to answer to their description in the agreement before the risk passes to the buyer, the agreement is thereby avoided.’
Price

- Sec.2(10) defines the price as ‘the money consideration for the sale of goods.’
- Price has to be in terms of money.
- All monitory payments do not amount to price.
Fixing the price

- Price is mentioned in the contract.
- The manner of fixing the price is mentioned in the contract.
- It is determined by the course of dealings of the parties. When price is not fixed by any of the above modes a ‘reasonable price’ is considered as the price of the contract.
Time

- When time is stipulated regarding the payment of price: Time of payment is not considered the essence of the contract unless a different intention appears from the terms of the contract. Thus if payment is not made in time the seller can not avoid the contract but can claim damages.

- When time is stipulated regarding delivery of goods: Time of delivery of goods is normally considered essence of the contract. Thus non performance at stipulated time will render the contract voidable at the option of the buyer.