

# QB365 Question Bank Software Study Materials

## The Sale of Goods Act, 1930 Important 2,3 & 5 Marks Questions With Answers (Book Back and Creative)

12th Standard

Commerce

Total Marks : 75

### 2 Marks

9 x 2 = 18

1) What is a contract of sale of goods?

**Answer :** Contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property (Ownership) of the goods to the buyer for a price.

2) List down the essential elements of a contract of sale.

**Answer :** Following essential elements are necessary for a contract of sale.

(i) Two parties

(ii) Transfer of property

(iii) Goods

(iv) Price

(v) Includes both 'Sale' and 'Agreement to sell'

3) What is meant by goods?

**Answer :** (i) Goods are materials that satisfy human wants and provide utility.

(ii) The term 'goods' includes every kind of movable property, stocks, and shares, growing crops, etc. Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

4) What is a Contingent Goods?

**Answer :** (i) Contingent goods are the goods, the acquisition of which by the seller depends upon a contingency.

(ii) Contingent goods are a part of future goods.

5) What do you understand by warranty?

**Answer :** (i) Warranty represents a stipulation which is collateral to the main purpose of the contract. It is of secondary importance to the contract.

(ii) The violation of warranty entitles the affected party to claim damages or compensation from the other party.

6) What is price?

**Answer :** The monetary consideration for the goods sold is called price. If goods are exchanged for goods, it is only barter and not a sale.

7) What is sale by sample?

**Answer :** (i) Where goods are sold by showing samples by the seller (eg) food grains, cloth, medicine, chemicals, etc.

(ii) The bulk of goods supplied by the seller should be similar to the sample shown by the seller.

8) What do you mean by Transfer of property?

**Answer :** (i) To constitute sale, the seller must transfer or agree to transfer the ownership in the good to the buyer.

(ii) A mere transfer of possession does not amount to sale.

9) What is Agreement to sell ?

**Answer :** If the transfer of property takes place at a future date or on fulfillment of certain conditions, it is called an agreement to sell'.

### 3 Marks

9 x 3 = 27

10) Discuss in detail about existing goods.

**Answer :** Existing goods are those owned or possessed by the seller at the time of contract of sale. Goods possessed even refer to sale by agents or by pledgers. The existing goods may be either :

**(i) Specific Goods :** Specific goods denote goods identified and agreed upon at the time of contract of sale.

**(ii) Ascertained Goods:** The term 'ascertained goods' is also used as similar in meaning to specific goods.

**(iii) Unascertained or Generic Goods:** These are goods which are not identified and agreed upon at the time of contract of sale.

11) Discuss the implied conditions and warranties in sale of goods contract.

**Answer :** In every contract of sale, there are certain expressed and implied conditions and warranties.

The term implied conditions means conditions which can be inferred from or guessed from the context of the contract.

Following are the implied conditions :

**(i)** Conditions as to Title.

**(ii)** Conditions as to Description.

**(iii)** Sale by Sample.

**(iv)** Conditions as to Quality or Fitness.

**(v)** Conditions as to Merchantability

**(vi)** Condition as to Wholesomeness.

**(vii)** Condition implied by Trade Usage.

Following are the implied warranties :

**(i)** Quiet Possession.

**(ii)** Free from Any Encumbrances.

**(iii)** Warranty in the case of Dangerous Goods.

12) Explain the meaning of Agreement to sell

**Answer :** The property (ownership or title) in the goods has to pass at a future time or after the fulfillment of certain conditions specified in the contract is called agreement to sell.

13) Discuss in detail the rights of an unpaid seller against the buyer personally.

**Answer : (i) Suit for price:**

Where the ownership in the goods has passed to the buyer and the buyer refuses to pay for the goods, the seller can file a case against the buyer for the price.

**(ii) Suit for Damages for Non-acceptance:**

Where the buyer wrongfully refuses to accept the goods, the seller can sue him for damages for non-acceptance of the goods.

**(iii) Suit for Cancellation of the Contract before the Due Date:**

Where the buyer cancels the contract before the date of delivery, the seller may either treat the contract as continuing or wait till the due date or he can file a case against buyer immediately.

**(iv) Suit for Interest:**

Where there is a specific agreement between buyer and seller regarding charging interest on the price, the seller can recover interest from the buyer from the due date of contract till the date of payment of purchase price.

14) What are the difference between specific goods, Ascertained goods, and unascertained goods.

**Answer : (i) Specific Goods:**

Specific goods denote goods identified and agreed upon at the time of contract of sale. For eg, if a buyer selects a particular variety of saree after examining several other sarees, the selected one denotes specific goods.

**(ii) Ascertained Goods:**

The term ascertained goods is also used as similar in meaning to specific goods. But this term may even refer to goods which become ascertained subsequent to the formation of the contract.

**(iii) Unascertained or Generic Goods:**

These are goods which are not identified and agreed upon at the time of contract of sale. For eg, A wants to buy a car from a showroom where different models at different prices have been displayed. All these displayed models represent unascertained goods.

15) Explain the term 'Transfer of property' with an example.

- Answer :** (i) Transfer of property (ownership) in goods from the seller to the buyer is the main object of a contract of sale.  
(ii) The term property in goods must be distinguished from possession of goods.  
(iii) Property in goods means the ownership of goods while possession of goods refers to the custody of goods or control over the goods.  
(iv) For eg. 'A' may possess a watch. Just because 'A' possesses the watch, he cannot be owner. He might have borrowed the watch from his friend or stolen the watch from somebody or found it on the highways. In this case, he cannot be called owner.

16) Write a short note on conditions with examples.

- Answer :** (i) A condition is a stipulation which is essential to the main purpose of the contract. It is core to the contract.  
(ii) The non-fulfillment of the condition cancels the very contract.  
(iii) E.g. 'A' intends to buy a motorbike from 'B'. 'A' insists that the bike should give him a mileage of 50 km per litter.  
(iv) He prefers to have a red color bike. 'B' a mechanic gets a bike which gives him 55 kms per litter.  
(v) But the color is green. In this case, 'A' cannot cancel the contract.  
(vi) Since 'A'. is very particular about the mileage, it is a condition to the contract.  
(vii) That part of the contract is fulfilled by 'B'. However, 'A' can ask the mechanic 'B' to bear the cost of repainting it with red color.

17) What does the term 'Quiet Possession' mean?

- Answer :** (i) There is an implied warranty that the buyer shall have and enjoy quiet possession of the goods.  
(ii) If the buyer's possession is disturbed by a person having a superior right to that of the seller, the buyer is entitled to claim the damages.

18) Who is an unpaid seller?

- Answer :** (i) A seller is deemed to be an unpaid seller (a) when the whole of the price has not been paid or (b) a bill of exchange or other negotiable instrument given to him has been dishonoured.  
(ii) Thus it would be obvious that a seller who has received only a part of the price is also an unpaid seller.  
(iii) Seller includes not only the actual seller but also an agent of a seller or a consignee.

**5 Marks**

6 x 5 = 30

19) Explain in detail the elements of Contract of sale.

**Answer :** Following essential elements are necessary for a contract of sale

**(i) Two Parties :**

- (1) A contract of sale involves two parties - the seller and the buyer.  
(2) The buyer and the seller should be two different persons. If a person buys his own goods, there is no sale.

**(ii) Transfer of Property :**

- (1) To constitute sale, the seller must transfer or agree to transfer the ownership in the good to the buyer.  
(2) A mere transfer of possession does not amount to sale.

**(iii) Goods :**

- (1) The subject matter of contract of sale must be goods. It excludes money, actionable claims and immovable property.  
(2) The term 'goods' includes every kind of movable property, stocks and shares, growing crops etc.  
(3) Goodwill, trademarks, copy rights, patent rights etc., are all also regarded as goods.

**(iv) Price :**

- (1) The monetary consideration for the goods sold is called price.  
(2) If goods are exchanged for goods, it is only barter and not a sale.  
(3) But if goods are sold partly for goods and partly for money, the contract is one of sale.

**(v) Includes both 'Sale' and 'Agreement to Sell' :**

- (1) The term contract of sale includes both sale and agreement to sell.  
(2) If the property in goods is transferred immediately to the buyer it is called a sale.  
(3) On the other hand, if the transfer of property takes place at a future date or on fulfillment of certain conditions, it is called 'an agreement to sell'.

20) Distinguish between Conditions and Warranty.

**Answer :**

<b>SI.NO</b>	<b>BASIS OF DIFFERENCE</b>	<b>CONDITIONS</b>	<b>WARRANTY</b>
1.	Meaning	It is a stipulation which is essential to the main purpose of the contract of sale.	It is a stipulation which is collateral to the main purpose of contract.
2.	Significance	Condition is so essential to the contract that the breaking of which cancels out the contract.	It is of subsidiary or inferior character. The violation of warranty will not revoke the contract.
3.	Transfer of ownership	Ownership on goods cannot be transferred without fulfilling the conditions.	Ownership on goods can be transferred on the buyer without fulfilling the warranty.
4.	Remedy	In case of breach of contract, the affected party can cancel the contract and claim damages.	In the case of breach of warranty, the affected party cannot cancel the contract but can claim damages only.
5.	Treatment	Breach of condition may be treated as breach of warranty.	Breach of warranty cannot be treated as breach of condition.

21) Distinguish between sale and agreement to sell.

**Answer :**

SI. NO	PARTICULARS	SALE	AGREEMENT TO SELL
1.	Ownership Transference	The property(ownership or title) in the goods passes from the seller to the buyer immediately so that seller is no more owner.	The property(ownership or title) in the goods has to pass at a future time or after the fulfilment of certain conditions specified in the contract.
2.	Risk of Loss	Where the goods sold under the contract of sale are destroyed, the loss falls squarely on the buyer as the ownership in the goods has already passed on to the latter. Even though the goods are in the possession of seller.	Where the goods under the agreement to sell are destroyed, the loss falls squarely on the seller as the ownership is still vested with the seller even though the possession of the goods is with the buyer.
3.	Consequences of violating the contract	Where the buyer fails to pay the price, the seller cannot seize the goods. The seller can only file a case against the buyer for violating the contract.	Where the buyer violates, the contract, the seller can repossess the goods from the former. He can sue for damages for violation of the contract.
4.	Nature of contract	It is an executed contract i.e. completed contract.	It is an executory contract, i.e. contract to be performed by the party to the contract.

22) Discuss in detail the rights of an unpaid seller against the goods.

**Answer : Rights of an Unpaid Seller against the Goods**

**(1) Right of Lien:**

An unpaid seller has a right to retain the goods till he receives the price. But to exercise this lien

- (i) He must be in possession of goods
- (ii) The goods must have been sold without any stipulation as to credit or where goods have been sold on credit, the terms of credit must have expired.
- (iii) It must be remembered that the right of lien depends on actual possession of goods

Where the Property in the Goods has Passed to the Buyer.

**(2) Right of Stoppage in Transit:**

Where the seller has delivered the goods to a carrier or other bailee for the purpose of transmission to the buyer, but the buyer has not acquired them, then the seller can stop the goods and regain the possession.

**(3) Right of Resale:**

The unpaid seller can resell the goods

- (i) Where they are of a perishable nature or
- (ii) After exercising his right of lien or stoppage in transit, even though he has given intimation to the buyer of his intention to resell, buyer has not tendered the price within a reasonable time.
- (iii) Where the seller has expressly reserved the right of resale in the contract itself.

23) Discuss in detail the rights of an unpaid seller against the buyer.

**Answer : Right of an Unpaid Seller against the Buyer Personally**

**(i) Suit for price:** Where the ownership in the goods has passed to the buyer and the buyer refuses to pay for the goods, the seller can file a case against the buyer for the price.

**(ii) Suit for Damage for Non-acceptance:** Where the buyer wrongfully refuses to accept the goods, the seller can sue him for damages for non-acceptance of the goods.

**(iii) Suit for Cancellation of the contract before the Due Date:** Where the buyer cancels the contract before the date of delivery, the seller may either treat the contract as continuing or wait till the due date or he can file a case against buyer immediately.

**(iv) Suit for Interest:** Where there is a specific agreement between buyer and seller regarding charging interest on the price the seller can recover interest from the buyer from the due date of the contract till the date of payment of purchase price.

24) When are the Goods are appropriated to the contract?

**Answer :** (i) Appropriation is a process by which the goods to be delivered under the contract of sale are identified and isolated with the consent of the seller as well as the buyer.

(ii) It is a bilateral act of the seller and the buyer to identify and isolate the goods.

(iii) In other words, where the goods identified and isolated are put into boxes or any container with the consent of the buyer, it is called appropriation.

Eg. 'A' agrees to sell 'B' the oil to be produced by him. The oil was filled by 'A' into the bottles supplied by 'B'. It is an effective appropriation and the ownership of oil goods passes to the buyer when the oil is filled into the bottles.

In this case, the buyer gave his consent to the appropriation by supplying the bottles.