



Date: 25th Feb 2021

VIRTUAL COACHING CLASSES ORGANISED BY BOS, ICAI

FOUNDATION LEVEL PAPER 2A: BUSINESS LAWS

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THE SALE OF GOODS ACT, 1930

UNIT – 2: CONDITIONS & WARRANTIES



Session Layout

Stipulation as to
time

Introduction –
Conditions and
Warranties

When Condition
to be treated as
Warranty

Express and
Implied
Conditions and
Warranties

Caveat Emptor



Stipulation as to time

- Stipulation as to the time of payment are not deemed to be of the essence from the terms of the contract of sale.....**unless terms of contract state otherwise.**
- Delivery of goods must be made without delay
- Stipulations as to time of delivery are usually the essence of the contract



Condition

- A Condition is a stipulation
- essential to the main purpose of then contract,
- the breach of which gives rise to a right to treat the contract as *repudiated*.

Warranty

- A Warranty is a stipulation
- co-lateral to the main purpose of then contract,
- the breach of which gives rise to a *claim for damages*
- but not to a right to reject the goods and treat the contract as repudiated.



Example 1

“A” asked “B” to give a washing machine which is fit for washing woollen clothes.





Example 2

Condition: R consults S, a car dealer for suggesting car suitable for touring purposes

Warranty: R buys the Car, later experiences manufacturing defects in certain parts



Difference b/w Condition and Warranty

W.r.t. Meaning

Condition: Stipulation is essential to the main purpose of the contract

Warranty: Stipulation is only collateral to the main purpose of the contract

Difference b/w Condition and Warranty

W.r.t. Rights in case of breach

Condition: Repudiate or claim damages or both

Warranty: Claim only damages

Difference b/w Condition and Warranty

W.r.t. Conversions of stipulations: Breach of condition may be treated as breach of warranty and not vice versa

- Option of the buyer
- Circumstances are such that goods cannot be returned
- Acceptance of only part of goods – If divisible, buyer can reject the remaining goods otherwise need to accept remaining part
- Fulfilment of any condition or warranty is excused by law by reason of impossibility or otherwise



Express and Implied Conditions

1. **Condition as to title:** A purchased tractor from B who had no title. Later true owner claimed it back

2. **Condition as to description:** A sells to B 12 bags of waste silkit should be such as known in market

Tractor



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Waste Silk





Express and Implied Conditions

3. **Sale by Sample:** Seller allows the buyer to inspect wheat as sample



4. **Sale by Sample as well as description:** sold sunflower oil by sample but also had mixture of hemp oil





Express and Implied Conditions

5. Condition as to quality or fitness:

A bought a set of false teeth but the set was not fit for A's mouth.



6. Condition as to merchantability:

A bought a black velvet cloth but found it to be damaged by white ants.





Express and Implied Conditions

7. Condition as to Wholesomeness: A supplied F with milk which was contaminated





Implied Warranties

Warranty as to undisturbed possession

Warranty as to non-existence of encumbrances

Disclosure of dangerous nature of goods

Warranty as to quality or fitness by usage or trade



Examples of Implied Warranties

Undisturbed possession: A Purchased a second hand typewriter which happened to be stolen



Non existence of encumbrances: S sells a car which was given as security by Y against a loan





Examples of Implied Warranties

Disclosure of dangerous nature: Lid of disinfectant powder to be opened with care.



Usage of trade: Shares purchased from broker expected to be free from bad deliveries



Previous Year Question Paper

May, 2019

1(c) Discuss the various types of implied warranties as per the Sale of Goods Act, 1930 (4 marks)

DOCTRINE OF CAVEAT EMPTOR

It means: **Let the buyer beware**

Conditions:

1. If the buyer had made known the purpose of purchase
2. The buyer relied on the seller's skill and judgement
3. Seller's business to supply goods of that business

Duties of the Buyer

- It is the duty of the buyer to satisfy himself before buying the goods that the goods will serve the purpose for which they have been bought.
- If they turn out to be defective or do not serve his purpose or depends on his own skill or judgement, the buyer cannot hold the SELLER liable.
- Seller not bound to disclose the defects in the goods.

Let the Buyer Beware



Wards vs. Hobbs (1878)



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- B bought the pigs by auction
- Very soon they fell sick and died
- There is no implied condition or warranty as to the quality or fitness for any particular purpose
- B 's duty to find out the healthiness
- B could not recover damages

Exceptions (Duty of the Seller)

Fitness as to
the quality or
use

Goods
purchased
under patent or
brand

Goods sold by
description

Goods of
merchantable
quality

Sale by sample

Goods by
sample as well
as description

Trade usage

Seller actively
conceals a
defect or is
guilty of fraud



Previous Year Question

May, 2018: Explain the doctrine of Caveat emptor and what are its exceptions?

(6 marks)



Previous Year Question Paper

May, 2019 Q.5(a) M/s Woodworth & Associates, a firm dealing with the wholesale and retail buying and selling of various kinds of wooden logs, dealt with Rose wood, Mango wood, Teak wood, Burma wood etc. Mr. Das, a customer asked for wooden logs of certain dimensions as required by his carpenter. Mr. Das mentioned that the wood were needed for making doors and window frames. When the shopkeeper delivered, he gave mango wood which was unfit and carpenter rejected it.

The shop owner refused to take the wood back as he had already cut them and he could not resell them. (6 marks)



Continued...

- (i) Explain the duty of the buyer as well as the seller according to the doctrine of “Caveat emptor” ?
- (ii) Whether Mr. Das would be able to get the money back or the right kind of wood as required serving his purpose ?



Thank You