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Multiple Choice Questions on the Sale of Goods Act- PART I

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1. Under the Sale of Goods Act, which of the following is not essential for a contract of sale?

a. Transfer of ownership of goods

b. Consideration in money

c. Delivery of goods at the time of agreement

d. Existence of goods (specific or ascertained or future)

Correct Answer: c. Delivery of goods at the time of agreement

Explanation: Delivery at the time of agreement is not essential; a sale may be for present or future delivery. Essential elements are: goods, price in money, and transfer/agreement to transfer ownership.

2. A sells to B "all the oil to be produced from X factory next month." This agreement is:

a. A sale of specific goods

b. An agreement to sell future goods

c. A void contract for uncertainty

d. A conditional sale of ascertained goods

Correct Answer: b. An agreement to sell future goods

Explanation: Under Section 6(2), goods to be manufactured or acquired after the contract are "future goods." The contract is an agreement to sell because ownership cannot pass until the goods exist.

3. Which of the following is not a document of title to goods under the Act?

a. Railway receipt

b. Bill of lading

c. Warehouse keeper's certificate

d. Tax invoice

Correct Answer: d. Tax invoice

Explanation: Section 2(4) defines “document of title” as railway receipt, bill of lading, dock warrant, warehouse receipt, delivery order, etc. A tax invoice is merely evidence of sale, not a document of title.

4. Where goods are delivered to a buyer on “sale or return” basis, the property passes to the buyer:

a. As soon as goods are delivered
b. When the buyer signifies approval or retains goods beyond the agreed period
c. Only on full payment of price
d. On delivery, irrespective of acceptance

Correct Answer: b. When the buyer signifies approval or retains goods beyond the agreed period

Explanation: Section 24 says property passes when buyer accepts goods, or if he keeps them beyond the stipulated or reasonable time without rejection.

5. A sells goods to B under a voidable contract (induced by fraud). Before rescission, B resells them to C, who buys in good faith. Who has ownership?

a. A, since the original contract was voidable
b. B, because fraud validates the title until rescinded
c. C, because he bought in good faith before rescission
d. Ownership remains undecided until court order

Correct Answer: c. C, because he bought in good faith before rescission

Explanation: Under Section 29, if the seller obtains goods under a voidable contract and sells them before rescission to a good-faith buyer, the latter acquires good title.

6. Under the Act, “nemo dat quod non habet” (no one gives what he doesn’t have) has exceptions. Which of the following is *not* an exception?

a. Sale by mercantile agent in possession with consent
b. Sale by one of several joint owners in sole possession
c. Sale under a void contract induced by fraud

d. Sale by a finder of goods

Correct Answer: d. Sale by a finder of goods

Explanation: A finder of goods has no authority to sell except in limited cases under the Contract Act (for perishable goods, etc.), not as an exception under Section 27 of the Sale of Goods Act.

7. If the seller delivers a quantity of goods less than contracted, the buyer may:

a. Reject them only
b. Accept them and pay at contract rate or reject them
c. Accept them at reduced price only
d. Wait for full delivery without paying

Correct Answer: b. Accept them and pay at contract rate or reject them

Explanation:
Section 37 allows the buyer either to reject or to accept the lesser quantity and pay for it at the contract rate.

8. A, without authority, sells B's goods to C. C buys in good faith and obtains possession. Later, B ratifies A's act. The effect is:

a. The sale is void ab initio
b. Ratification relates back; C gets good title from the date of sale
c. C gets no title because ratification must precede sale
d. B and C become co-owners

Correct Answer: b. Ratification relates back; C gets good title from the date of sale

Explanation: When the true owner ratifies an unauthorized sale, ratification dates back to the original act, giving the buyer a valid title (agency principle applied in Sale of Goods).

9. Which of the following statements is true regarding "unpaid seller's right of lien"?

a. Lien can be exercised only before part delivery of goods
b. Lien is lost if goods are in transit
c. Lien exists only when property in goods has passed to the buyer
d. Lien survives even after the seller delivers goods unconditionally

Correct Answer: c. Lien exists only when property in goods has passed to the buyer

Explanation: Sections 45–47: Lien is available to an unpaid seller for goods where ownership has passed but price remains unpaid. It ends on unconditional delivery or when goods are handed over to a carrier without reserving rights.

10. Under the Sale of Goods Act, auction sales are governed by Section 64. Which is incorrect?

a. Sale is complete when auctioneer announces it by fall of hammer

b. Seller can reserve right to bid if notice is given

c. A bid once made cannot be retracted

d. If seller uses pretended bidding to raise price, sale is voidable

Correct Answer: c. A bid once made cannot be retracted

Explanation: A bidder may retract his bid anytime before the fall of the hammer (Sec. 64(2)). The sale is complete only on acceptance by the auctioneer.