***Chapter 14c***

1. A notation on an instrument that it is “negotiable” is sufficient to render it negotiable.
2. Rubber stamp signatures are not legally binding signatures.
3. A promissory note is negotiable even if it does not state that it is payable on demand or at a definite time.
4. A promissory note cannot be a negotiable instrument.
5. An order instrument is negotiated by delivery alone.
6. A restrictive indorsement requires an indorsee to comply with certain instructions regarding the funds involved.
7. A person can become an HDC only by acquiring an instrument with notice that it is overdue.
8. An acceptor is secondarily liable on an instrument.
9. To properly present a draft for payment, the holder must present it to the drawer.
10. A person whose name is forged on an instrument cannot avoid payment on the instrument to an HDC.
11. A discharge in bankruptcy does not affect the claim of an HDC.

MULTIPLE-CHOICE QUESTIONS

1. Finest Business Company issues an instrument in favor of General Supplies, Inc. For the instrument to be negotiable, it need not
   1. be an unconditional promise or order to pay.
   2. be payable on demand or at a specific time.
   3. be signed by Finest Business Company.
   4. recite the consideration given in exchange for a promise to pay.
2. On behalf of Financial Investments, Inc., Gail signs an instrument promising to pay $5,000 in gold to High Funds, Inc., on April 15. This instrument is a. negotiable. b. nonnegotiable, because gold is not “a medium of exchange authorized or adopted by a domestic or  foreign government as part of its currency.” c. nonnegotiable, because it does not recite any consideration. d. nonnegotiable, because it is for an amount of $500 or more.
3. Julie signs a check payable to the order of Kwik-Mart Stores, Inc., that does not include a date. This check is
4. To pay They are the only parties to the instrument. A negotiable instrument that has only two parties is
   1. a bank draft.
   2. a check.
   3. an indorsement.
   4. a promissory note.
5. Mike receives a payroll check from National Computer Systems, Inc., and indorses it by signing his name on the back of the check. This is  a. a blank indorsement. b. a qualified indorsement. c. a restrictive indorsement. d. a special indorsement.
6. Wyatt inherits a promissory note from Xena, his aunt. Wyatt has no notice that the note has been dishonored or is overdue. Wyatt has the rights of

for improvements to Diners Cafe, Earl executes a negotiable instrument in favor of First County Bank.

a. a holder and an HDC.

1. a holder only.
2. an HDC only.
3. neither a holder nor an HDC.
4. Perfect Roofing Company receives a check from Quik Mart for fixing its roof, and indorses the check to Repair Supplies, Inc. (RSI). Sam, RSI’s owner, gives the check to Todd as a gift. In this situation, the party who is not an HDC of the check but who acquires HDC rights under the shelter principle is
   1. no one.
   2. Perfect Roofing.
   3. Sam.
   4. Todd.
5. Ada is the maker of a note, on which Bart is secondarily liable. Cash & Credit Company (C&C) is the current holder of the note. Bart will be obligated to pay the note if
   1. Ada defaults on the note.
   2. C&C breaches a transfer warranty.
   3. C&C negotiates the note to Delta Collection Agency, a third party.
   4. C&C presents the note for payment.
6. Ann is the maker of a $1,000 promissory note in favor of Bob. Bob indorses the note to Cody who, in turn, indorses it to Dru, the present holder. If the note is dishonored, the party entitled to recover payment from Cody is
   1. Ann.
   2. Bob.
   3. Dru.
   4. no one.
7. Bob writes a check on his account at County Bank to Dona, a famous singer. The person claiming to be Dona is an imposter, however, named Eve. Eve indorses the check to Frank, for whom County Bank cashes the check. Ultimately, the loss will most likely fall on
   1. Bob.
   2. County Bank.
   3. Dona.
   4. Frank.
8. Chris convinces Dion, who does not understand English, to sign a $1,000 note that Dion believes is an application for a credit card. Chris negotiates the note to EZ Finance Company. Dion
   1. can avoid payment on the note even if EZ is an HDC.
   2. can avoid payment on the note only if EZ is a holder.
   3. must pay EZ the amount that it paid for the note.
   4. must pay the note in full.

***Chapter 24c***

TRUE/FALSE QUESTIONS

1. Generally, if an owner intends something to be a fixture, it is a fixture.
2. A license is the conveyance of an interest in property that is not revocable.
3. Adverse possession is a means of obtaining title to property without the delivery of a deed.
4. A tenancy for years is created when a lease does not specify its duration.
5. By a covenant of quiet enjoyment, a property owner guarantees to enjoy his or her property without disturbing the neighbors.
6. A tenant is not responsible for the ordinary wear and tear of leased premises.

MULTIPLE-CHOICE QUESTIONS Fact Pattern 24-1 (Questions 12 applies) Holly owns land in Iowa. Her ownership rights include the right to sell or give away the property without restriction, and the right to commit waste, if she chooses.

1. Refer to Fact Pattern 24-1. Holly’s ownership interest is
   1. a fee simple absolute.
   2. a leasehold estate.
   3. a life estate.
   4. an easement.
2. Pete possesses a parcel of land. Pete has the right to use the property, including extracting gold from the land through an existing mine, for life. Pete also has the right to lease the land for a period not to exceed his life. This ownership interest is
   1. a fee simple absolute.
   2. a leasehold estate.
   3. a life estate.
   4. the power of eminent domain.
3. Elsa, the owner of Fertile Farm, sells Gina a right to camp on Fertile land overnight. Gina’s right is
   1. a leasehold estate.
   2. a license.
   3. an easement.
   4. a profit.
4. To acquire the ownership of a mountain cabin by adverse possession, Cody must occupy the cabin exclusively, continuously, and peaceably for a specified period of time
   1. in an, open, hostile, and adverse manner.
   2. until the owner files a suit.
   3. without the owner’s knowledge.
   4. with the state’s permission.
5. Dwelling Investment Corporation owns several apartment buildings in two states. Regarding standards for the maintenance of the buildings, Dwelling should consult
   1. the appropriate city ordinances and state statutes.
   2. the appropriate city statutes only.
   3. the appropriate state statutes only.
   4. the Uniform Landlords’ Maintenance Manual.
6. Ali rents an apartment from Best Home Properties. The apartment is destroyed in a fire that is not the fault of either party. For the rest of the lease term, Ali
   1. is entitled to payment of the amount of the rent from Best Home.
   2. is no longer obligated to pay any of the rent.
   3. must continue to pay the rent, in a reduced amount.
   4. must continue to pay the rent, in the full amount.

***Chapter 23c***

1. Ownership by one person in fee simple is a tenancy by the entirety.
2. A promise to deliver a gift is constructive delivery.
3. A gift to a dying donee is a gift causa mortis.
4. Estray statutes determine ownership rights in fungible goods that have been commingled.
5. Constructive delivery does not satisfy the delivery requirement for an effective bailment.
6. A common carrier is held to a standard of care based on strict liability in protecting bailed property.
7. The party who pays a premium for an insurance policy is the underwriter.
8. An insurable interest in property must exist when a policy is purchased.
9. The states regulate the insurance industry.
10. A coinsurance clause provides that two or more people will be covered by the same life insurance policy.
11. An insurer can cancel an insurance policy if the insured appears as a witness in a case against the insurer.

MULTIPLE-CHOICE QUESTIONS

1. Don and Eve own a recreational vehicle (RV) as joint tenants. Don sells his ownership rights in the RV to Fred. Eve and Fred own the RV as
   1. co-owners in fee simple.
   2. joint tenants.
   3. tenants by the entirety.
   4. tenants in common.
2. Ansel owns Bar-B Ranch. Ansel’s only son Cody owns Double-D Ranch in the same county. Ansel gives 90 percent of the Bar-B to Etta, a short-term employee. This gift
   1. may lack the required element of “donative intent.”
   2. may lack the required element of “donor’s acknowledgement.”
   3. may lack the required element of “heir’s acquiescence.”
   4. meets all of the requirements for an effective gift.
3. According to the court in Case 23.1, In re Estate of Piper, the elements of a legally valid inter vivos gift include all of the following except
   1. the donor’s present intention to make a gift.
   2. effective delivery of the property to the donee.
   3. acceptance by the donee.
   4. a written instrument excluding the gift property from the donor’s will.
4. Elle, an artist, finds an old canoe in woods behind her property. Her neighbors consider it abandoned. Elle cleans it, paints scenes on it depicting Native American rituals, and displays it in her art gallery. Flo, the canoe’s original owner, claims it, but a court grants Elle title. This is
   1. a bailment.
   2. accession.
   3. confusion.
   4. production.
5. Jennifer finds a set of luggage that she believes may be subject to an estray statute. Estray statutes apply to
   1. abandoned property.
   2. bailed property.
   3. lost property.
   4. mislaid property.

Fact Pattern 23-2 (Questions 17 apply) AAA Transport Company agrees to pick up two containers for Business Operations, Inc., and store their contents, to be delivered later. While AAA unloads one container, the other disappears from AAA’s loading dock.

1. Refer to Fact Pattern 23-2. AAA can avoid liability
   1. by proof that AAA did not convert the goods and was not negligent.
   2. by proof that AAA’s warehouse is located in a high-crime area.
   3. by proof that Business Operations was negligent in hiring AAA.
   4. under any circumstances.
2. Standard Company obtains an insurance policy to protect against losses incurred by the firm as a result of being held liable for personal injuries or property damage sustained by others. This is
   1. casualty insurance.
   2. fire insurance.
   3. liability insurance.
   4. life insurance.
3. For Diane to obtain an insurance policy on her farm, including its crops, equipment, and livestock, she must have an insurable interest in the property that exists
   1. at any time.
   2. at the time a loss occurs.
   3. at the time a policy is obtained.
   4. continuously from the time a policy is obtained to the time a loss occurs.
4. International Corporation (IC) makes and sells kitchen appliances. To cover injuries to consumers if the appliances prove defective, IC should obtain
   1. group insurance.
   2. health insurance.
   3. liability insurance.
   4. life insurance.
5. Allen applies for, and obtains, casualty insurance coverage from Business Insurance Company for his business, Country Club, Inc. The effective date of the policy is the date
   1. Allen submits the application.
   2. Business Insurance accepts the first premium.
   3. Business Insurance issues the policy.
   4. the application specifies as the effective date.
6. Cody obtains from Dependable Insurance Company a policy that provides that if a dispute arises between the parties concerning the settlement of a claim, the dispute must be submitted to an impartial third party, not a court, for resolution. This is
   1. an antilapse clause.
   2. an arbitration clause.
   3. an appraisal clause.
   4. an incontestability clause.