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Business Law: Mid-Semester Examination (March 1964)

William & Mary Law School

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BUSINESS LAW - Mid-Semester Examination - March 1964

DIRECTIONS: Answer, giving reasons and explanation. Do not answer merely yes or no. 1 Hour

1. M executed a negotiable note payable to the order of P and delivered it to P for value. P indorsed "without recourse" and negotiated it to X for value. The note was duly presented to M, dishonored, and notice given to P.
 - a. If the reason for M's dishonor was his insolvency, would P be liable to X?
 - b. If M. was a minor and refused to pay on that ground, would P be liable to X?
 - c. In question b above, would P have been liable to X if the note had not been presented until one day after maturity?
2. M executed a \$1,000 note to the order of P and gave it to him as a gift.
 - a. If P sells the note to A for \$850 and indorses to him, would A be entitled to collect the full \$1,000 from M?
 - b. If P indorses the note to A as a gift, would A be entitled to collect on the note from M?
 - c. If in question a. above, M refuses to pay A, could A collect from P?
3. Doe is the innocent holder of a forged note. He negotiates it to Smith. Both parties believe the note to be genuine.
 - a. If Doe indorses for value by special indorsement to Smith would Doe be liable to Smith?
 - b. In question a. above, if Doe endorsed by qualified indorsement, would he be liable to Smith?
 - c. If the note were bearer paper and Doe delivered it to Smith for value without endorsement, would he be liable to Smith?
4. D had a \$5,000 balance in his checking account in B Bank.
 - a. If the bank pays a \$1,500 check to which D's name has been forged, will the bank be able to recover the money from the holder in due course to which it paid the money?
 - b. If D drew a check for \$1,500 to the order of P, a thief stole it and forged P's indorsement, and the bank paid to an innocent holder, would the bank have the right to charge the amount to D's account?
5. X Co. was incorporated to manufacture and sell at retail or wholesale plumbing equipment. The directors voted also to engage in the manufacture and sale of paint without amending the charter.
 - a. May a competing paint manufacturer secure an injunction to bar X Co. from manufacturing paint?
 - b. May the State enjoin the X Co. from manufacturing paint?
 - c. If the corporation suffers a loss in its paint manufacturing operations would the directors who voted for the addition of the new business be liable to the corporation for the loss?
6. A, B and C are partners. A contributed \$10,000, B contributed \$4,000 and C contributed his services. Upon dissolution it was found that the firm had assets of \$50,000 and liabilities to outside creditors of \$20,000. C had loaned the firm \$1,000 and had paid \$300 in taxes and \$450 insurance. Make the proper distribution of the firm assets.
7. A, B, and C formed a partnership to operate a garage and the partnership agreement provided that it was to continue for five years and thereafter until one of the partners gave notice to the others. It also provided that A was to be the only one to purchase for the firm.
 - a. If C purchases supplies in the firm name from X Co. on credit, does his contract bind the firm if X Co. was unaware of the terms of the partnership agreement?

7. (continued)

- b. If A dies at the end of two years, may B and C retain his investment in the firm for the remaining three years?
 - c. If the investments are equal but only A spends his time in the business, is A entitled to a salary before profits are divided?
 - d. May X, a personal creditor of B, obtain a judgment against B and levy on one-third of the firm assets?
 - e. Under the Partnership Act, if title to a firm building and land is held in the firm name, will sale of the building by B in the firm name bind the other partners if they did not consent?
8. X Corporation was organized to engage in the electronics business.
- a. In most states could the corporation purchase stock in Y Corporation which manufactures computers, if this would further the objectives of the corporation?
 - b. If X Corporation has a surplus or accumulated profits could it purchase shares of its own stock?
 - c. If X Corporation has acquired shares of its own stock could it properly resell such stock for less than its par value?
 - d. Would the directors of the corporation have the authority to vote the reacquired stock?
9. A, B, and C were promoters of a corporation being organized to manufacture certain new plastic products. They spent considerable time and money in interesting others in the venture.
- a. After the corporation is formed, would a promise by the corporation to pay for the promoter's services be enforceable?
 - b. If one of the promoters enters into a contract on behalf of the corporation to purchase raw materials from X would the corporation when formed be bound by this contract?
 - c. If the corporation adopted the contract would the promoters be relieved of personal liability on the contract?
 - d. If S had subscribed for twenty shares of stock in the corporation to be organized and had later told the promoters of his desire to withdraw his subscription, would the corporation be able to recover of S for the shares after it was organized?
10. X Corporation became insolvent and there were outstanding claims of unpaid creditors.
- a. Can the creditors look to the stockholders for the payment of their claims?
 - b. Can the creditors look to the directors for the payment of their claims?
 - c. Would the creditors have any claim against stockholders who had purchased their stock for less than par value?