

Sample Questions – Final Exam - MOS 2275

1. Bob has borrowed \$5,000 from the bank, as well as \$10,000 from his friend Joe. Bob signed a security agreement in favour of the bank, in which Bob agreed to give the bank a security interest in his car. The bank registered its security interest. Bob also told Joe that he would give him a security interest in the same car, but nothing was put down on paper. Bob has failed to repay the bank loan and the bank is now attempting to seize Bob's car. Which is true:
 - (a) Joe will get the car only if he registered his security interest.
 - (b) Joe will get the car.
 - (c) Bob will get to keep the car.
 - (d) The bank will get the car.

2. ABC Limited (ABC) is insolvent. ABC owes \$250,000 to its bank, who holds a perfected security interest in all of ABC's assets, \$50,000 to another secured creditor who holds a perfected security interest in all of ABC's assets, and another \$300,000 to various unsecured trade creditors. ABC Limited has assets with a market value of \$300,000, and the anticipated costs of selling those assets is approximately \$50,000. John is one of the unsecured creditors and is owed \$50,000. How much can John expect to receive:
 - (a) \$0.00.
 - (b) \$5,000.00.
 - (c) \$10,000.00.
 - (d) \$25,000.00.
 - (e) \$50,000.00.

3. Alice and Sam want to be partners for the purposes of carrying on a business. Which of the following is the least important in determining whether or not they are partners:
 - (a) Whether they have a written partnership agreement.
 - (b) Whether they share the profits and losses of the business.
 - (c) Whether they both participate in the management of the business.
 - (d) Whether they both invested in the business of the partnership.

4. ABC Inc. is a corporation. Madge, Sally and Tim are directors of ABC Inc. Gonzo is the President of ABC Inc. and Rubik is the Chief Financial Officer of ABC Inc. ABC Inc. is owned equally by Dufus and Rubik. and Which of the following is not true:
 - (a) Madge is an agent of ABC Inc.
 - (b) Rubik is an agent of ABC Inc.
 - (c) Dufus is an agent of ABC Inc.
 - (d) Gonzo is an agent of ABC Inc.
 - (e) Sally is an agent of ABC Inc.

5. Bondo has been fired for just cause by Emerson Products Inc. and has been told not to report to work after today. Which of the following must Emerson Products Inc. now provide to Bondo in connection with the termination of his employment:
 - (a) Reasonable notice of termination.
 - (b) Pay in lieu of notice of termination.
 - (c) Benefits for one year after termination.
 - (d) None of the above.

6. Markus Developments Inc. has made an assignment in bankruptcy. Immediately following the assignment in bankruptcy, who has possession of the assets of Markus Developments Inc.:
- (a) Creditors of Markus Developments Inc.
 - (b) Trustee in Bankruptcy of Markus Developments Inc.
 - (c) Markus Developments Inc.
 - (d) Employees of Markus Developments Inc.
 - (e) None of the above.
7. Billy is having a problem at work. Billy thinks that his coffee breaks are shorter than provided for in the collective bargaining agreement which is in force between Billy's union and Billy's employer. The dispute between Billy and his employer over Billy's coffee breaks is likely to be resolved by:
- (a) Collective bargaining.
 - (b) Certification.
 - (c) Arbitration.
 - (d) Mediation.
8. Ralph works for Acme Inc. as a salesman. Ralph works out of his house, using his own computer, and uses his own car to visit Acme's customers and potential new customers. Ralph and Acme have a written agreement which states that Ralph is not an employee of Acme Inc. Ralph works only for Acme, but the agreement between Acme and Ralph does not require this to be the case. Acme pays Ralph a commission for every new customer and every renewal of an existing customer. Which is true:
- (a) Ralph is an employee of Acme Inc.
 - (b) Ralph is not an employee of Acme Inc.
 - (c) More information is needed to determine if Ralph is an employee of Acme Inc.
9. Bruce works as an investment analyst. In performing one of his analysis projects, Bruce learned that Giant Corporation was about to merge with Small Company Limited. This information was not generally available to the public. Bruce told his nephew Jack about the information, and Jack told his mother, Janice. Janice bought 10,000 shares of Giant Corporation, based on the information, and made a profit of \$40,000. Bruce is guilty of:
- (a) Insider trading.
 - (b) Tipping.
 - (c) Breach of fiduciary duty.
 - (d) Nothing.
10. Martha and Frank want to start up a business manufacturing and selling playground equipment. They intend to finance the business with a loan from the bank and the sale of shares to Frank's uncle. They are very concerned about liability because of the possibility that they could be sued for playground injuries. Which form of business organization is best for Martha and Frank?
- (a) Corporation.
 - (b) Sole Proprietorship.
 - (c) Partnership.
 - (d) Limited Partnership.
 - (e) Limited Liability Partnership.

11. Sally and Susan are equal partners in a partnership. Their written partnership agreement provides that each partner will only be liable for her share of the partnership debts. Sally has entered into a contract with Smart Goods Inc. ("Smart") which requires the partnership to pay Smart \$150,000. The partnership has not paid Smart as the contract requires. How much can Smart collect from Susan?
- (a) Nothing.
 - (b) \$75,000.
 - (c) \$150,000.
 - (d) \$300,000.
12. Bill appointed Alex as his agent and gave Alex authority to purchase a machine for up to \$100,000. Bill told Charlie that Alex was his agent for transactions up to \$100,000. Alex then entered into an agreement with Charlie to purchase a machine, on behalf of Bill, for \$200,000. Which is true:
- (a) Bill may decide whether or not to buy the machine.
 - (b) Bill cannot buy the machine.
 - (c) Bill must buy the machine.
 - (d) Charlie can sue Alex for breach of contract.
13. Barb and Ken entered into an agreement on March 1, which provided that Barb would hand-paint and sell to Ken 400 dinner plates for \$4,000. The parties agreed that the plates would be delivered to Ken on June 1, and that Ken would own the plates on April 1. Ken paid the purchase price when the contract was made, and Barb finished painting the plates on May 1. When did title in the plates pass to Ken:
- (a) March 1.
 - (b) April 1.
 - (c) June 1.
 - (d) July 1.
14. Shaun and Tim agreed on December 1 that Shaun would buy a specific horse from Tim for \$20,000. The contract said only that the horse would be paid for and delivered on January 1. On December 15, Tim carelessly left the gate of his barn open and the horse escaped, never to be seen again. Assuming Shaun could purchase a similar horse for \$20,000, which is true:
- (a) Tim has title to the horse.
 - (b) Shaun must pay Tim \$20,000.
 - (c) Tim must pay Shaun \$20,000.
 - (d) There is no liability on either party.
15. Don bought a computer from an online computer dealer for use at home. The computer that was delivered to Don did not match the description that was on the dealer's website. The dealer's conditions of sale, to which Don agreed, stated that "All statutory and implied conditions and warranties, including those in the Sale of Goods Act, are hereby excluded". Which is true:
- (a) Don can sue for damages ONLY.
 - (b) Don can repudiate the contract OR sue for damages.
 - (c) Don can repudiate the contract AND sue for damages.
 - (d) Don has no remedy.

16. Jane declared bankruptcy. At the time, she had \$40,000 in assets and \$220,000 in debts, all of which were unsecured. Jane's debts included \$10,000 in trustee's fees, \$10,000 for arrears in rent, and \$10,000 for a credit card debt owed to Visa. How much will Visa get:
- (a) Nothing.
 - (b) \$1,000.
 - (c) \$2,000.
 - (d) \$10,000.

ANSWERS ON NEXT PAGE

- 1 d The bank has a perfected security interest; Joe does not.
- 2 a The two secured creditors get all of the debtor's assets. There is nothing left.
- 3 a The other three are very important.
- 4 c Dufus is not an officer or director of ABC Inc.
- 5 d Termination for cause requires no notice or severance.
- 6 b Bankruptcy is the transfer of assets to a trustee in bankruptcy.
- 7 c Labour relations disputes are resolved by binding arbitration.
- 8 b The factors weigh in favour of an independent contract relationship.
- 9 b Bruce did not trade shares, so he is not liable for insider trading.
- 10 a The sale of shares is only available to a corporation. Limited liability is desired.
- 11 c The contract between the partners does not bind an outside third party.
- 12 a The contract exceeds actual and apparent authority, so the principal may ratify.
- 13 b The intention of the parties was that title would transfer on April 1.
- 14 c Rule 1 applies, but Tim is negligent, as bailee, and must pay damages.
- 15 c Breach of condition means repudiation and damages. Consumer transaction.
- 16 b Preferred creditors (trustee, landlord) get paid first, then all get \$0.10 per \$1.00.