

UNIVERSITY OF GUELPH
Department of Marketing & Consumer Studies
MCS*3040*DE
Business and Consumer Law
FINAL EXAM

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WARNING: The use of dictionaries, computers, tape recording devices, textbooks, notes or any other material other than this examination paper, your pen and pencil is **STRICTLY FORBIDDEN** and will result in an immediate failure in this examination as well as immediate notification to the University administration of your academic misconduct.

Any talking between yourself and any other student during the course of the examination is **STRICTLY FORBIDDEN** and will result in an immediate failure in this examination as well as immediate notification to the University administration of your academic misconduct.

DIRECTIONS: This exam consists of 120 multiple choice and true & false questions. Each question is worth one (1) mark. **FOR THE TRUE AND FALSE QUESTIONS IN PART II, TRUE WILL BE MARKED AS "A" AND FALSE WILL BE MARKED AS "B" ON THE COMPUTER BUBBLE SHEETS.** Questions are to be answered on the supplied computer bubble sheet following the instructions below. Please write your answer on the examination pages as well as the bubble sheet and hand the exam in with the computer bubble sheet.

FAILURE TO DO SO WILL RESULT IN A GRADE OF O.

INSTRUCTIONS FOR THE USE OF ANSWER SHEETS

1. Use HB pencil only
2. Print your name and I.D. number on the front page of this examination
3. **Print your name, log-in I.D. and I.D. number on the scratch answer sheets in the boxes provided, as well as coding it in the corresponding bubbles**
4. Do not bend, fold, staple or mutilate this form
5. Make black marks that completely fill the bubble
6. Completely erase any answer you wish to change
7. Do not leave any stray marks on the answer sheet
8. Each correct answer is worth one mark
9. All unclear answers will be marked incorrect

NAME: _____

I.D.: _____

1. The duties of a principal include
 - a. pay the agent for services rendered
 - b. reimburse the agent for out-of-pocket expenses
 - c. Indemnify the agent for losses incurred as a result of the agency business
 - d. Abide by the terms of the agency agreement
 - e. all of the above

2. When an agent has acted without authority of any kind, but represented to the third party that he/she had authority to act as agent, the parties liable on the contract are generally
 - a. the agent
 - b. the principal
 - c. the third party
 - d. a & c
 - e. b & c

3. Jamie has given Bill authority to sell Jamie's car for a price of not less than \$10,000. Bill advises Sonya that he has authority to sell Jamie's car, but that he is also willing to sell his own car, which is the same make and model, and has the same market value. They negotiate, and come to an agreement to buy and sell Bill's car for \$9,000.
 - a. Bill has breached his agency contract with Jamie
 - b. Bill has breached his duty to perform at the normal standard required of automobile sales personnel
 - c. Bill has breached his fiduciary duty
 - d. all of the above
 - e. none of the above

4. Jamie has given Bill authority to sell Jamie's car for a price of not less than \$10,000. Bill enters negotiations with Sonya to sell the car to her, but represents that what he is selling is his own car. They come to an agreement to buy and sell the car for \$10,000. When Jamie learns that Bill sold the car to Sonya, he becomes furious, saying he would never sell it to *her*, and refuses to complete the contract. The most likely outcome is
 - a. Jamie will be liable if Sonya sues him for breach of contract
 - b. Bill will be liable if Sonya sues him for breach of contract
 - c. Bill will be liable if Jamie sues him for breach of contract
 - d. a & b
 - e. all of the above

5. Able, Bob, and Cain are partners in a business partnership, called ABC. Able contributes \$15,000 to the business, Bob contributes \$10,000, and Cain contributes \$5,000. The partners have no agreement among themselves regarding how they will divide partnership profits and losses among them. In addition, the partnership borrows \$30,000 from the bank. The business doesn't work out, and ABC is unable to repay the loan. The bank sues Able personally. Able pays the full \$30,000 and then sues Cain. The amount Able can legally recover from Cain is
 - a. Nothing
 - b. \$5,000
 - c. \$10,000
 - d. \$15,000
 - e. \$30,000

6. Tom, Dick, and Harry were the three shareholders in Crazyco, an incorporated company with limited liability. Each held one-third of the shares in Crazyco. Crazyco borrowed \$60,000 from the bank to finance its operations. Each had to personally guarantee the full amount of the loan. The business didn't work out and Crazyco was unable to repay the loan. The bank sued Crazyco, and learned that it had no assets. The bank then sued Tom, Dick, and Harry to recover the \$60,000. The maximum amount that it could recover from any one of them was
 - a. Nothing
 - b. \$20,000
 - c. \$60,000
 - d. the amount each paid for its Crazyco shares
 - e. none of the above

7. Corporations are said to have a perpetual existence because
 - a. they exist independently of their shareholders
 - b. once incorporated, they cannot be dissolved
 - c. once incorporated, it is difficult to dissolve them
 - d. it is not possible to voluntarily surrender a corporation's legal status
 - e. if the annual fees are not paid, they automatically become partnerships, rather than being de-listed

8. The advantages of using a corporation, rather than using another form, to do business include
 - a. Lower cost of incorporation
 - b. greater access to capital
 - c. greater public disclosure requirements
 - d. dispersion of control
 - e. less bureaucracy

9. The advantages of using a partnership, rather than a corporation, to do business include
 - a. Lower cost of incorporation
 - b. greater access to capital
 - c. limited liability
 - d. Continuous existence
 - e. greater transferability of ownership

10. Jurisdiction over the incorporation of companies is held by
 - a. the federal government
 - b. provincial governments
 - c. municipal governments
 - d. a & b
 - e. all of the above

11. The vast majority of companies in Canada are
 - a. incorporated by royal charter
 - b. widely held corporations
 - c. closely held corporations
 - d. Public corporations
 - e. unregulated corporations

12. Which of the following is something Directors would NOT do at an initial organization meeting
 - a. appoint officers
 - b. Make banking arrangements
 - c. appoint an auditor
 - d. choose a name
 - e. authorize the issuance of shares

13. Parties who participate directly in the management of a corporation include
 - a. Shareholders
 - b. Directors
 - c. bond holders
 - d. debenture holders
 - e. all of the above

14. *Piercing the corporate veil* is
 - a. the corporate practice of paying litigation expenses of officers and directors for lawsuits relating to corporate affairs
 - b. the theory that everyone has received notice of the contents of publicly filed documents
 - c. the theory that specifies that a corporation is liable when the person committing a wrong is the corporation's directing mind
 - d. the occasional practice of holding the owners personally liable for a corporation's acts
 - e. an arrangement in which a fiduciary has a conflict of interest

15. Nonvoting stock in the ownership of a corporation is generally called
 - a. common shares
 - b. preferred shares
 - c. Debentures
 - d. Bonds
 - e. preemptive capital

16. Under the *Canada Business Corporations Act*, preferred shareholders generally have the right to vote on
 - a. selection of directors
 - b. selection of corporate managers
 - c. approval of directors' actions
 - d. motions presented at the general meeting of shareholders
 - e. proposals to sell all of the corporation's assets

17. Federal and provincial incorporation statutes expose corporate directors to personal liability for
 - a. failure to pay employee wages
 - b. failure to remit required taxes
 - c. failure to maintain health and safety standards
 - d. paying dividends when the corporation is insolvent
 - e. insider trading

18. Smith goes to Florida for the winter. While he is away, he stores his car in Jones' garage, at no charge. This arrangement is a
 - a. gratuitous bailment for the benefit of the bailor only
 - b. gratuitous bailment for the benefit of the bailee only
 - c. bailment for value for the benefit of the bailor only
 - d. bailment for value for the benefit of the bailee only
 - e. bailment for the benefit of both the bailor and the bailee

19. Henrietta goes to John's Auto in search of a new automobile. She finds what she wants and agrees to purchase it if proper financing arrangements can be made. John's then enters a contract with Willie's Finance Co., selling the car to Willie's. In turn, Willie's leases the car to Henrietta. It turns out that the car is not as good as it should be, and Henrietta wants to sue for breach of contract. Henrietta can sue
 - a. the automobile manufacturer
 - b. John's Auto
 - c. Willie's Finance Co.
 - d. all of the above
 - e. None of the above

20. In general, a hotel is required to demonstrate
 - a. a lower level of care than that normally required under negligence law
 - b. the same level of care that is normally required under negligence law
 - c. a higher level of care than that normally required under negligence law
 - d. Only an absence of deliberate damage
 - e. Only an absence of willful disregard for the bailor's property

21. Examples of intangible property include
 - a. Insurance policies
 - b. Office supplies
 - c. Furniture
 - d. Automobiles
 - e. Clothing

22. The protection afforded by a Canadian patent lasts for a maximum of
 - a. 10 years
 - b. 20 years
 - c. 30 years
 - d. the life of the patent holder
 - e. the life of the patent holder plus 50 years

23. In order to be protected, a *trademark* must be
- in use for one year
 - Registered
 - not in use by another business
 - a & b
 - all of the above
24. In order to be protected by copyright, a work must be
- Original
 - Ingenious
 - Creative
 - all of the above
 - None of the above
25. The Supreme Court of Canada, in the *LAC Minerals Ltd. v. International Corona Resources Ltd.* case, established that the elements that must be proven in order to establish liability for breach of confidence include
- the information conveyed was confidential
 - the information was communicated in circumstances in which a duty of confidence arises
 - the information was misused by the party to whom it was communicated
 - all of the above
 - None of the above
26. An obligation to hold business information in confidence continues even if
- the information has been divulged
 - the information has been discovered by independent development using publicly available information
 - There is no express provision that it will be held in confidence
 - the information has been independently discovered by reverse engineering
 - it has become part of the employee's personal knowledge, skill, or expertise
27. When the developer of a subdivision attaches a provision to the deed for each lot, prohibiting the removal of trees, each lot owner has
- the rights of a joint tenant
 - the rights of a tenant in common
 - the rights of an easement
 - the rights of a restrictive covenant
 - None of the above

28. Erica and Sam have a contract, the terms of which provide that Sam is purchasing a building lot from Erica for \$75,000. Erica breaches the contract and Sam is able to find a comparable lot for \$100,000 but not less. Sam sues Erica for breach of contract. Generally, with regard to available remedies,
- Sam is entitled to an order for specific performance
 - Sam is entitled to damages in the amount of \$100,000
 - Sam is entitled to damages in the amount of \$25,000
 - Sam can choose between a & b
 - Sam can choose between a & c
29. Brown and Black are co-owners of a building. Each has an undivided half-interest in the entire building, and their respective halves cannot be singled out or identified in any distinct way. If Brown dies, his estate will acquire his interest in the building. Brown and Black are
- periodic tenants
 - Joint tenants
 - tenants in common
 - restrictive tenants
 - simple tenants
30. A landowner regularly produces smoke or noise that negatively affects his/her neighbour's ability to enjoy his/her own property. Most likely, the landowner is
- Guilty of a criminal offence
 - committing a nuisance
 - subject to revocation of title
 - subject to expropriation
 - Breaching the contract with the neighbour
31. An *indefinite term employment contract* is one that
- provides for payment by sales commission rather than fixed salary
 - provides for payment by fixed salary rather than sales commission
 - cannot be terminated for cause
 - can be ended by giving reasonable notice
 - automatically ends on the expiry date
32. A workplace harassment policy should contain
- a definition of conduct that is prohibited
 - a procedural guideline for filing a complaint
 - an outline of what might occur once a complaint has been filed
 - all of the above
 - None of the above
33. Rights and obligations under an employment relationship are established by
- contract law
 - common law
 - statute law
 - all of the above
 - none of the above

34. Which of the following is NOT an employer requirement under *PIPEDA*
- Collect, use, and disclose personal information only for identified purposes
 - maintain the accuracy of personal information held by the organization
 - identify and document limited purposes for the collection of personal information prior to such collection
 - provide access rights to amend inaccurate information
 - Report annually to the Federal Privacy Commissioner confirming *PIPEDA* compliance
35. Which of the following constitutes potential grounds for dismissal with *just cause*?
- in a private interview, telling the boss he doesn't know what he is talking about
 - Repeatedly arriving late for work
 - regularly locking the door to your office
 - telling a secretary you think she should dress more conservatively
 - campaigning for a political party that is not supported by your employer
36. Fundamental changes that may constitute *constructive dismissal* include
- geographic moves that are provided for in the employment contract
 - geographic moves that are not provided for in the employment contract
 - promotions to positions with higher rank and salary
 - refusal by an employer to bargain in good faith with the union
 - refusal by an employee to accept the terms of a collective agreement
37. The decision by an arbitrator involving a dispute under a collective agreement may include
- dismissal of the grievance
 - compensation for breach of the collective agreement
 - reinstatement of the employee
 - payment of lost back wages and benefits
 - all of the above
38. If there is a provision in the employment contract that establishes the length of notice to which the employee is entitled, but the courts consider the agreed upon period to be considerably less than what would be reasonable,
- the court will enforce the terms of the contract in any event
 - the court will require the employer to pay punitive damages amounting to the normal entitlement to notice in addition to the agreed upon amount
 - the court will double the amount agreed upon
 - the court will order a longer period of notice, or pay in lieu of it, if it would be unfair to enforce the contractual term
 - the court will send the matter to arbitration
39. Rules of conduct imposed by professional bodies like the Professional Association of Engineers of the province are
- Substitutes for the rules imposed by tort law
 - Substitutes for the rules imposed by contract law
 - Substitutes for the rules imposed on fiduciaries
 - additional to all other rules imposed by the law
 - None of the above

40. A broker who transfers stock held in his own name in order to fill a request from a client and makes a profit in doing so
- has breached his duty of confidentiality
 - has a conflict of interest requiring disclosure and consent
 - has refrained from using his position for personal profit
 - has not breached his fiduciary duties
 - None of the above
41. An accounting firm negligently prepared an audit intended to assist shareholders in their task of overseeing management. Investors purchased shares in the company in reliance on the audit and would not have done so if the audit had been done correctly. If the investors sue the accounting firm, it will probably be held liable for
- breach of contract
 - the tort of negligence
 - breach of fiduciary duty
 - all of the above
 - None of the above
42. The categories of negligent activities by professionals include
- professionals perform physical tasks carelessly and physically harm clients or patients
 - professionals give careless advice that has negative physical consequences
 - professionals give careless advice that has negative economic consequences for the client
 - professionals give careless advice that has negative economic consequences for third parties
 - all of the above
43. Which of the following is not one of the four traditional sectors of financial services?
- Banking
 - Lending
 - trust services
 - Investment services/brokerage
 - Insurance
44. A verification agreement, commonly included in a bank account agreement, provides that
- the account holder must report discrepancies due to the bank having honoured unauthorized cheques within a fixed period of time, or the bank is not liable to reimburse him
 - the bank has an obligation to verify the validity of the account holder signature on each cheque before honouring it
 - the account holder has an obligation to provide a copy of his signature to the bank, so that it can verify the signature on cheques being presented for payment
 - the bank has an obligation to verify the identity of any person presenting a cheque for payment
 - the account holder has an obligation to verify the identity of any person to whom it makes a cheque payable

45. The fundamental difference between an action to enforce a contract and an action to enforce an assignment of contractual rights is
- an action to enforce a contract can only be brought in a civil court
 - an action to enforce an assignment can only be brought in a civil court
 - Only parties to a contract can sue to enforce the contract
 - Only a holder in due course can sue to enforce an assignment
 - None of the above
46. If the bank refuses to honour a certified cheque, the person who presented it for payment can sue
- the drawer
 - the bank
 - previous endorsers
 - all of the above
 - None of the above
47. Generally, the operation of account agreement between a bank and an account holder *does not* include provisions dealing with
- the bank's ability to apply service charges to the account
 - confirmations and stop payments
 - Respective obligations of the parties regarding conflicts of interest
 - arrangements concerning the issue of cheques and instructions for payment by the customer
 - release of information by the bank about the customer
48. A *general security agreement* is
- a written promise by a buyer's bank to a seller's bank to pay the seller when specified conditions are met
 - a loan to an individual for a noncommercial purpose
 - a document that is provided by a bank to a borrower and sets out the terms of a loan
 - a loan contract that includes all of the assets of a business as collateral
 - the document registered as evidence of security against personal property
49. In personal property security matters, *after acquired property* is
- property acquired after the security interest is taken by the lender
 - property acquired after the borrower defaults in loan payments
 - property acquired after the borrower enters bankruptcy
 - property acquired after notice of acquisition is filed with the county court
 - property acquired after notice of acquisition is filed with the lender
50. In the normal situation, if there are three guarantors of \$30,000 of liability on the part of the debtor, each of the three guarantors is liable for a maximum of
- Nothing
 - \$10,000
 - \$30,000
 - 10% of their personal assets
 - 33 $\frac{1}{3}$ % of their personal assets

51. Secured creditors are often reluctant to provide notice to the debtor indicating that they intend to enforce their rights because
- The debtor might abscond with the asset
 - The debtor might contest the secured creditor's right to seize the asset
 - The debtor might declare bankruptcy and destroy the secured creditor's rights
 - The debtor might seek an alternate source of funding for the loan
 - all of the above
52. One of the basic common law rules regarding *guarantees* is
- There are no procedural or substantive requirements associated with preserving the creditor's rights under a guarantee if the terms of the guaranteed indebtedness are altered
 - The only requirement associated with preserving the creditor's rights under a guarantee if the terms of the guaranteed indebtedness are altered is provision of notice to the guarantor
 - Whenever the terms of the guaranteed indebtedness are altered, the creditor's rights under a guarantee are preserved only if the guarantor has agreed to continuation of the guarantee
 - Whenever an alteration of the guaranteed indebtedness increases the level of risk exposure for the guarantor, the creditor's rights under the guarantee are preserved only if the guarantor has agreed to continuation of the guarantee
 - Whenever the guaranteed indebtedness is altered, the guarantor has a legal obligation to enter a new guarantee
53. Which of the following is NOT an option for a business in serious financial distress
- make a bankruptcy proposal under the Bankruptcy and Insolvency Act
 - negotiate informally with creditors
 - make an assignment in bankruptcy under the Bankruptcy and Insolvency Act
 - make an arrangement under the Companies' Creditors Arrangement Act
 - transferring business assets to a particular creditor or even someone who is not a creditor
54. A payment reducing a bank loan that is guaranteed by your brother, made one month before you make an assignment in bankruptcy, is
- a reviewable transaction
 - a fraudulent conveyance
 - a fraudulent preference
 - a settlement
 - None of the above
55. Repayment of a loan from your brother, made one month before you realize that you cannot repay your other creditors and make an assignment in bankruptcy, is
- a reviewable transaction
 - a fraudulent conveyance
 - a fraudulent preference
 - a settlement
 - None of the above

56. Sale of your car to your brother for considerably less than its fair market value, one month before you make an assignment in bankruptcy, is
- a reviewable transaction
 - a fraudulent intention
 - a fraudulent preference
 - a settlement
 - None of the above
57. Generally, if the trustee in bankruptcy has been unable to pay the creditors at least 50 cents on each dollar owed,
- the superintendent will pay the creditors an additional 25 cents on each dollar owed, out of the federal bankruptcy fund
 - the trustee will not file a final report
 - the debtor will be given 90 days to raise additional funds for his/creditors
 - the superintendent will oppose the granting of a discharge
 - None of the above
58. *Directors and officers insurance* provides coverage for
- Liabilities arising from negligence in the provision of professional services
 - personal liabilities arising from performance of the obligations of corporate directors and officers
 - loss of profits arising from suspension or termination of operations due to fire or other causes
 - the cost of environmental cleanup of the insured's property, necessitated by the insured's business activities
 - the cost of environmental cleanup of adjacent landowners' property, necessitated by the insured's business activities
59. The principle of *subrogation* states that
- the insurer has the right to sue third parties to recover amounts paid to the insured under the terms of the policy
 - the insured is not allowed to profit from the occurrence of the event that is insured against
 - the insured is required to cover a portion of the loss that is insured against out of his/her own assets
 - the insurer is required to reimburse premiums to the insured if the policy is cancelled
 - the insurer is never allowed to cancel an insurance policy without providing advance notice to the insured
60. Jones bought a machine for his factory at a cost of \$100,000. He bought *replacement value* insurance coverage at the time, and has kept it in place ever since. Last night, his factory burned down and the machine was totally destroyed in the fire. The fair market value of the machine at the time of the fire was \$80,000. A new machine like it now costs \$120,000, and Jones has just ordered one. The amount of recovery Jones is entitled to under his insurance policy is
- \$20,000
 - \$40,000
 - \$80,000
 - \$100,000
 - \$120,000

PART II-- TRUE OR FALSE

61. A corporation cannot enter contracts without using agents.
 - a. True
 - b. False
62. A principal who has been bound to a contract by an agent who was acting beyond his/her actual authority has no legal remedy against the agent.
 - a. True
 - b. False
63. If an agent does not meet the standard of the reasonably prudent and competent agent, he/she will be obligated to reimburse the principal for associated damages.
 - a. True
 - b. False
64. A principal cannot ratify an agent's actions unless the agent had at least some form of earlier authority to act as agent.
 - a. True
 - b. False
65. Every agent has a duty to avoid conflicts between his/her own interests and those of his/her principal.
 - a. True
 - b. False
66. There is no legislation dealing with sole proprietorships as such.
 - a. True
 - b. False
67. If two or more people own property together, they will be considered to be partners.
 - a. True
 - b. False
68. Each partner's personal assets can be seized and sold through the judicial process if the partnership assets are insufficient to satisfy partnership obligations.
 - a. True
 - b. False
69. Lenders are not permitted to seek personal guarantees from directors and shareholders when making loans to a company.
 - a. True
 - b. False
70. One of the benefits of doing business through an incorporated company is that the amount of record keeping required is considerably less than with sole proprietorships and partnerships.
 - a. True
 - b. False

71. The shareholders are personally liable if a corporation fails to meet its obligations.
a. True
b. False
72. Federal incorporation may result in lower administrative costs if operating in more than two provinces.
a. True
b. False
73. Unlike shares, bonds cannot be traded on secondary markets.
a. True
b. False
74. Shareholders have a right to use the assets of the corporation and to participate in its management.
a. True
b. False
75. *Insider trading* is a criminal offence.
a. True
b. False
76. Generally, highly placed corporate officers are seen to be "directing" minds, while low-level employees are not.
a. True
b. False
77. Directors, officers, and shareholders all have a duty to act in the best interests of the corporation.
a. True
b. False
78. All classes of shares in a corporation have the right to vote, the right to information, and financial rights.
a. True
b. False
79. Shareholders have a right to share in the assets of the corporation on dissolution, after creditors are paid.
a. True
b. False
80. In a statutory derivative action, a shareholder is required to secure leave of the court to bring an action on behalf of the corporation.
a. True
b. False

81. In contractual bailments, bailors warrant that the goods used by the bailees are fit for the purpose for which they were bailed.
- True
 - False
82. In storage contracts, a *warehouseman* holds a lien over the property until payment is complete.
- True
 - False
83. Generally, a warehouseman does not have a lien over the property until the owner pays the storage fees.
- True
 - False
84. Generally, the legal defences available to a common carrier that has lost or damaged bailed goods are limited to showing that the circumstances causing the loss or damage were either within the owner's control or beyond the carrier's control.
- True
 - False
85. Ownership of a trademark cannot be established by inventing or selecting it.
- True
 - False
86. *Copyright* does not apply to material that is available on the Internet.
- True
 - False
87. It is not possible to get an injunction for infringement of a protected industrial design.
- True
 - False
88. Colour is registrable as a part of a trademark.
- True
 - False
89. Generally, a judgment registered against an owner of real property is a charge against the property but stops being one if the property is sold to another party.
- True
 - False
90. In most provinces, a mortgagee that has foreclosed and sold the property loses its right to any amount owing on the mortgage over and above the proceeds of sale.
- True
 - False
91. Neither party is required to give any notice of intention to terminate at the end of a fixed-term lease of commercial property.
- True
 - False

92. Commercial landlords have the right to seize property that is located in the premises and belongs to the tenant, using the proceeds to cover unpaid rent.
- True
 - False
93. Once a union has been certified, employees lose their right to bargain individually with their employer.
- True
 - False
94. The *Criminal Code* imposes a legal duty on organizations and individuals to protect the health and safety of workers.
- True
 - False
95. *PIPEDA* has no application to employee information of employees involved in federal works, undertakings, and businesses.
- True
 - False
96. E-mail receives the same amount of privacy protection from courts that first-class mail receives.
- True
 - False
97. It is not possible to legally dismiss an employee if there is not *just cause*.
- True
 - False
98. The availability of similar employment is taken into account in determining the length of reasonable notice of termination of employment.
- True
 - False
99. The rank of an employee whose employment is being terminated is not relevant in determining what constitutes reasonable notice.
- True
 - False
100. If an employer unilaterally decides to make substantial changes to the essential terms of an employee's contract and the employee does not agree to them and leaves the job, the employee is treated as having been dismissed. This is true even if the new job does not include a cut in pay.
- True
 - False
101. Professional-client *privilege* is necessary because clients need to be able to put complete trust in their professional advisors.
- True
 - False

102. A retainer is an advance payment to have professional work provided.
 - a. True
 - b. False
103. Professional firms cannot operate internationally.
 - a. True
 - b. False
104. When a client sustains a loss as a result of professional negligence, compensation is recovered by suing the professional body of which the negligent person is a member.
 - a. True
 - b. False
105. Standard banking documents are designed to protect the customer, not the bank.
 - a. True
 - b. False
106. The banker is always in a fiduciary relationship with her customers.
 - a. True
 - b. False
107. Anyone who has endorsed a cheque is potentially liable for its amount.
 - a. True
 - b. False
108. The rights of a holder of a consumer note are subject to claims arising from the original contract of sale.
 - a. True
 - b. False
109. An unsecured creditor has a priority claim against specific assets of the debtor to settle the claim.
 - a. True
 - b. False
110. The aspects of credit that are regulated in relation to consumer loans are left to the parties themselves in commercial loans.
 - a. True
 - b. False
111. A company officer who gives a personal guarantee of the company's obligations has the protection of limited liability.
 - a. True
 - b. False
112. It is illegal for a creditor to take a security interest in an asset of more value than the amount of the loan.
 - a. True
 - b. False

113. Because proposals under the *Bankruptcy and Insolvency Act* might be used as delaying tactics, they operate under rigid time lines.
- True
 - False
114. Candidates for appointment as a trustee in bankruptcy must take a three-year course before being allowed to practice.
- True
 - False
115. Typically, payments made by a debtor in the ordinary course of business shortly before entering the bankruptcy process are recoverable by the trustee in bankruptcy
- True
 - False
116. Generally, the superintendent will not oppose the granting of a discharge, even if the bankrupt has committed a bankruptcy offence.
- True
 - False
117. All insurance contracts can have a clause that requires the insured to pay a *deductible*.
- True
 - False
118. An employee who receives payment under worker's compensation legislation loses the right to sue the employer for the injury.
- True
 - False
119. An insurance company can deny coverage for nondisclosure only if the loss is directly related to the matter that was undisclosed.
- True
 - False
120. The test for whether the insured has an insurable interest in the insured asset is whether he or she benefits from its existence and would be prejudiced by its destruction.
- True
 - False