CHAPTER19  
TRUE OR FALSE  
1. Identification occurs when goods are shipped by the seller.  
2. Unless the parties agree otherwise, title passes at the time and place that the buyer accepts the goods.  
3. Unless a contract provides otherwise, it is normally assumed to be shipment contract.  
4. A buyer and a seller cannot both have an insurable interest in the same goods at the same time.  
5. In a sale on approval, the risk of loss passes to the buyer as soon as the buyer takes possession.  
6. A buyer can acquire valid title to stolen goods if he or she does not know that the goods are stolen.  
7. Under a destination contract, title passes at the time and place of shipment.  
8. If a seller is a merchant, the risk of loss passes when a buyer takes possession of the goods.  
  
CHAPTER20  
TRUE OR FALSES  
1. Performance of a sales contract is controlled by the agreement between the seller and the buyer.  
2. If identified goods are destroyed through no fault of either party, and risk has not passed to the buyer, the parties are excused from performance.   
3. Payment is always due at the time of delivery.  
4. A buyer or lessee can always reject delivered goods on discovery of a defect, regardless of previous opportunities to inspect.  
5. If a buyer or lessee is in breach, the seller or lessor can cancel the contract and sue for damages.  
6. If a seller or lessor cancels a contract without justification, he or she is in breach, and the buyer or lessee can sue for damages.  
7. A buyer’s principal obligation is to tender delivery.  
8. In an installment contract, a buyer can reject any installment for any reason.  
9. A seller or lessor cannot consider a buyer or lessee in breach until time for performance has past.  
  
  
CHAPTER21  
  
TRUE OR FALSE  
1. A contract cannot involve both an implied warranty of merchantability and an implied warranty of fitness for a particular purpose.  
2. A seller’s best protection from being held accountable for express statements is not to make them in the first place.  
3. A clear, conspicuous, written statement brought to a buyer’s attention when a contract is formed can disclaim all warranties not contained in the written contract.  
4. To disclaim the implied warranty of merchantability, a merchant must mention “merchantability”.  
5. Whether or not buyer examines goods before entering into a contract, there is an implied warranty with respect to defects that an examination would reveal.  
6. Privity of contract is required to hold a manufacturer liable in a product liability action based on negligence.  
7. In a defense of comperative negligence, an injured party’s failure to take care against a known defect will be considered in apportioning.  
8. Under the doctrine of strict liability, a defendant is liable for the results of his or her acts only if he or she intended those results.  
9. Promises of fact made during the bargaining process are express warranties.  
  
CHAPTER22  
  
TRUE OR FALSE  
  
1. Advertising will be deemed deceptive if a consumer would be misled by the advertising claim.  
2. In general, labels must be accurate-they must use words as those words are understood by the ordinary consumer.  
3. Under no circumstances can a consumer rescind a contract entered into freely.  
4. The TILA applies to creditors who in the ordinary course of business, lend money or sell goods on credit to consumers.  
5. Consumers may have more protection under state laws than federal laws.  
6. The Fair Debt Collection Practices Act applies to anyone who attempts to collect a debt.  
7. There are no federal agencies that regulate sales.  
8. One who leases consumer goods in the ordinary course of his or her business does not, under any circumstances, have to disclose all material terms in writing.  
  
CHAPTER23  
  
TRUE OR FALSE  
1. A negotiable instrument can be transferred only by negotiation.  
2. A bearer instrument is payable to whoever possesses it.  
3. To be negotiable, an instrument must be in writing.  
4. To be negotiable, an instrument must expressly state when payment is due.  
5. An instrument that does not designate a specific payee is an order instrument.  
6. Indorsements are required to negotiate bearer instruments.  
7. An order instrument is payable to whoever properly possesses it.  
8. Indorsements are required to negotiate bearer instruments.  
9. To be negotiable, an instrument must include an unconditional promise to pay.  
10. The person who signs or makes an order to pay is the drawer.  
  
  
CHAPTER24  
  
TRUE OR FALSE  
1. Every person who possesses an instrument is a holder.  
2. Anyone who takes an instrument for value, in good faith, and without notice is a holder in due course (HDC).  
3. Personal defenses can be raised to avoid payment to a HDC.  
4. For HDC status, good faith means an honest belief that an instrument is not defective.  
5. Knowing that an instrument has been dishonored puts a holder on notice, and he or she cannot become an HDC.  
6. Generally, no one is liable on an instrument unless his or her signature appears on it.  
7. Warranty liability is subject to the same conditions of proper presentment, dishonor, and notice of dishonor as signature liability.  
8. Drawers are secondarily liable.  
9. An unauthorized signature usually binds the person whose name is forged.  
  
CHAPTER25  
  
TRUE OR FALSE  
1. If a bank pays a stale check in good faith without consulting the customer, the bank cannot charge the customer’s account.  
2. If a bank receives an item payable from a customer’s account in which there are insufficient funds, the bank cannot pay the item.  
3. A bank in the collection chain must normally pass a check on before midnight of the next banking day following receipt.  
4. The rights and duties of a bank and its customers are partly contractual.  
5. All funds deposited in all bank accounts must be available for withdrawal no later than the next business day.  
6. A forged drawer’s signature on a check is effective as the signature of the person whose name is signed.  
7. If a bank fails to honor a customer’s stop-payment order, it may be liable to the customer for more than the amount of the loss suffered by the drawer because of the wrongful payment.