

Sales Remedies & Negotiable Instruments

1. Smith's of Dallas agreed to buy \$10,000 worth of dresses F.O.B. Dallas from Magnifique Manufacturing Co. in New York for their October 1 Fall Showing. The cost of shipping the dresses is \$300. In New York, Magnifique dresses were the rage, but the boom had not yet reached Dallas. By September 15, Smith's realized that the shop could not afford all of these dresses and called Magnifique to cancel the contract before the goods were shipped. On September 15, the market price for the dresses in New York was \$9,000 and in Dallas, \$5,000. On October 1, the market price had risen to \$9,500 in New York and to \$7,000 in Dallas. What may Magnifique do? What damages may be sought from Smith's? the goods?
2. Compare the remedies of withholding delivery of the goods and stopping delivery of the goods. How are they alike? How are they different?
3. What are the requirements of negotiability under the Code? List and briefly summarize them.
4. Distinguish between a note and a certificate of deposit. How are they alike? How are they different? Explain your answer.
5. Who are the parties to checks and notes?
6. Identify which of the following meet the Article 3 negotiability requirement of being payable at a definite time:
 - (a) A note payable "on or before June 14, 2009."
 - (b) A dated instrument payable "30 days after date."
 - (c) An undated instrument payable "30 days after date."
 - (d) An instrument payable "when Baxter is promoted to plant manager."
 - (e) A note payable on December 31, subject to acceleration by the holder."
 - (f) A note granting the holder the option to extend maturity of the instrument for an indefinite period.
7. Carlos wrote a check with the numbers \$4500 and the written amount as forty-five dollars. Explain how the ambiguity will be resolved.
8. What is negotiation? How does one become a "holder" of an instrument?
9. What is the effect of a qualified endorsement and a restrictive endorsement?
10. Identify the type of endorsement each of the following represents.
 - a. Pay to Bill, for collection.
 - b. Pay to the order of The American Bank for deposit only.
 - c. Pay to Albert, without recourse.
 - d. John Smith.