

Part A: Answer each of the following questions in a composition of 10 to 20 sentences. Each answer is worth 20 points.

1. Discuss the four elements of negligence, and illustrate each element with an example.
2. Bob and Shirley attempted to form a corporation for the restaurant Bob & Shirley's. Bob and Shirley inadvertently failed to file the articles of incorporation. Can they still be treated as a corporation? If yes, how and in which situations?
3. Discuss the mirror image rule, specifically stating what the rule means. Then give a set of circumstances in which the mirror image rule would apply.

Part B: Answer each of the following questions in 2 to 4 sentences. Each answer is worth 5 points.

1. Bud had his agent, Brody, meet with Joey to work out the details of an important business contract. Joey didn't know that Brody was acting on Bud's behalf. If Joey thinks the contract isn't being adequately performed, whom may he hold liable? Why?
2. Candy Store is notified by the federal government that a federal highway will be built where Candy Store now stands, and the federal government intends to take Candy Store's property to build that highway. The government offers Candy Store \$75,000 for the property. The fair value of Candy Store's property is \$200,000. Why is Candy Store entitled to at least \$200,000?
3. Pierre loaned his sister Patti \$2,500 so she could start a gymnastics coaching business. Patti gave Pierre the following writing, signed by her: "I promise to pay to Pierre the sum of \$2,500 with 6% interest 30 days from the date of this writing." Does Pierre hold a negotiable instrument? Why or why not?

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Proctored Final Examination

1

4. Myra is a single, employed mom, who has fallen a bit behind on her financial obligations due to some unexpected medical emergencies. She wants to pay as many of her creditors off as she can and could pay half of her debt over a three-year period, but needs some relief. What type of bankruptcy protection would you recommend for Myra? Why?
5. Sally and Burt enter an agreement in which Sally agrees to purchase Burt's house. Burt owes Lisa a large amount of money and in the agreement, Sally agrees to pay the money for the house directly to Lisa. What rights, if any, does Lisa possess under this contract? Why does she possess these rights?
6. Lloyd borrows money from Collin. In exchange for the loan, Lloyd orally offers Collin a security interest in his boat. The next day, Lloyd offers Matilda a signed written security interest in the same boat in exchange for a loan. Neither Collin nor Matilda properly perfects the security interest. Lloyd defaults on both loans. Who will receive the boat? Why?
7. Ethan and Leigh-Ann enter a shipment agreement in which Ethan agrees to sell Leigh-Ann exercise equipment. The terms of the agreement are delivery by a common carrier. Ethan places the exercise equipment with a common carrier for delivery. In transit, an accident causes destruction of the equipment. Who bears the risk of loss? Why?
8. Marsha, a California citizen, is involved in an automobile accident with another driver, Jan, also a California resident. Marsha has medical bills and other damages totaling \$50,000. Marsha wants to sue Jan. Should she file in federal court or state court? Why?