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| *Indicate whether the statement is true or false.* |

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| 1. In most situations involving sales, rights and liabilities are determined by who has the title to the goods​.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. ​Identification, risk of loss, and insurable interest are all concepts that are involved in determining the rights and liabilities of parties to a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. Title and risk of loss can pass to the buyer from the seller before the goods are identified to the contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. Even if goods are not identified to the contract, the title and risk of loss can still pass from the seller to the buyer.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. Identification takes place when specific goods are designated as the subject matter of a sales or lease contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. If an owner holds fungible goods as anowner in common, he or she can pass title without actually separating the goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. *Fungible goods* are goods that are alike naturally or by agreement or trade usage.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. If a sale involves crops that are to be harvested within twelve months, identification takes place when the seeds for the crops are harvested.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. *Tenants in common* are owners with undivided shares of the whole.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. In contracts involving a sale of unborn animals to be born within twelve months, identification takes place when the animals are conceived.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. Any explicit understanding between the buyer and the seller determines when title passes.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. All UCC provisions relating to the passage of title for sales of goods also apply to leases of goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Unless a contract provides otherwise, it is assumed to be a shipment contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. In a destination contract, the seller is required or authorized to ship goods by carrier.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. When a document of title is required, title passes to a buyer when and where the document is delivered.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. A receipt issued by a warehouser for goods stored in a warehouse is a *bill of lading*.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. A seller with voidable title can transfer good title to a good faith purchaser for value.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. The entrustment rule basically allows innocent buyers to obtain legitimate title to goods purchased from merchants even if the merchants do not have good title.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. Generally, a buyer acquires title that is superior to whatever title the seller had to the goods sold.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. The risk of loss in a *shipment* contract passes to the buyer when the goods are delivered to the carrier.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. When the risk of loss for goods passes from a seller to a buyer is generally determined by the contract between the parties.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. Under the UCC, the risk of loss is necessarily determined by title.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. When a bailee is holding goods that are to be delivered under a contract without being moved, the risk of loss cannot pass to a buyer.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. When a merchant keeps the goods for the buyer to pick up, the risk of loss passes when the buyer actually takes possession of the goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. If a lessor is a merchant, the risk of loss passes to a lessee when the lessee takes physical possession of the goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. If a lessor is a merchant, the risk of loss passes to a lessee when the lessee takes physical possession of the goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. If the goods are so nonconforming that the buyer has the right to reject them, the risk of loss does not pass to the buyer.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. With nonconforming goods, the risk of loss passes to the buyer if the buyer accepts the goods in spite of their defects.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. Defects in goods are cured when the goods are repaired, replaced, or discounted in price by the seller.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. Revocation of nonconforming goods allows the buyer to pass the risk of loss back to the seller, but only to the extent that the buyer’s insurance covers the loss.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. If a buyer accepts a shipment of goods and later discovers a defect, acceptance cannot be revoked.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. When a buyer breaches a contract, the risk of loss immediately shifts to the buyer.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. Both the buyer and the seller can have an insurable interest in identical goods at the same time.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. A seller has an insurable interest in goods as long as the goods are in existence.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. A buyer has an insurable interest in identified goods only if he or she has title to the goods.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. ​Jason contracts with Golf Carts Unlimited, Inc. to buy five golf carts. The contract lists the five carts as GC001, GC002, GC003, GC004, GC005. Identification   |  |  |  | | --- | --- | --- | |  | a. | ​requires that Jason verify his identity to take possession of the carts. | |  | b. | ​has taken place. | |  | c. | ​cannot take place until the contract is reviewed by a court. | |  | d. | ​will take place only when Jason pays for the golf carts. | |

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| 37. Equipment Rentals Corporation (ERC) agrees to lease two backhoes to Dig & Fill Construction, Inc. Before any inter-est in the backhoes can pass from ERC to Dig & Fill, they must be   |  |  |  | | --- | --- | --- | |  | a. | in existence and identified as the goods in the contract. | |  | b. | in ERC’s physical possession. | |  | c. | in Dig & Fill’s physical possession. | |  | d. | listed in a document of title and filed in the appropriate state office. | |

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| 38. Corn that fills County Grain Co-op’s silo is fungible if the corn is   |  |  |  | | --- | --- | --- | |  | a. | alike naturally, by agreement, or by trade usage. | |  | b. | fundamentally different. | |  | c. | fun, good, and edible. | |  | d. | rotting due to a leaky roof and a delay in shipping. | |

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| 39. Ralph, a representative for Statewide Truck & Transport Company, delivers a receipt issued by Thelma, the owner of United Storage Warehouse, for goods held in the warehouse to Vicky, the buyer for Wattage, Inc. This is   |  |  |  | | --- | --- | --- | |  | a. | a bill of lading. | |  | b. | a destination contract. | |  | c. | a shipment contract. | |  | d. | a warehouse receipt. | |

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| 40. Big Beef, Inc. raises calves to sell. Big Beef breeds its cows in April, and the cows calve in February of the following year. In January Andrea contracts with Big Beef to buy fifty calves. Identification takes place in   |  |  |  | | --- | --- | --- | |  | a. | ​January, when the contract is signed.​ | |  | b. | ​April, when the calves are conceived. | |  | c. | February, when the calves are born. | |  | d. | a reasonable period of time. | |

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| 41. Sundry’s department store orders one hundred dresses from Taylor’s Clothing Company. The contract does not expressly state when title to the goods will pass. Title passes when   |  |  |  | | --- | --- | --- | |  | a. | Sundry’s signs the contract. | |  | b. | Taylor’s signs the contract. | |  | c. | Taylor’s delivers the goods. | |  | d. | Sundry’s pays for the goods. | |

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| 42. A contract between Fresh Fruit Corporation and Green Grocer, Inc., re-quires Fresh Fruit to deliver goods to Green Grocer’s place of business. This is   |  |  |  | | --- | --- | --- | |  | a. | a bill of lading. | |  | b. | a destination contract. | |  | c. | a shipment contract. | |  | d. | a warehouse receipt. | |

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| 43. Outdoor Outfitters Store contracts to buy fifty tents from Pitched Camp, Inc. Unless the contract states otherwise, it is assumed to be   |  |  |  | | --- | --- | --- | |  | a. | none of the choices. | |  | b. | a destination contract. | |  | c. | a shipment contract. | |  | d. | a delivery ex-ship. | |

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| 44. Big Red Drinks, Inc. contracts to buy two tons of cranberries from Super Fruits, Inc. The contract states that Super Fruits is required to ship the cranberries to Big Red Drinks by Speedy Wind Air Freight. The contract is   |  |  |  | | --- | --- | --- | |  | a. | a bill of lading. | |  | b. | a destination contract. | |  | c. | a shipment contract. | |  | d. | a warehouse receipt. | |

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| 45. NutriRich, Inc., sells fifty cases of Omega 3 capsules to Good Health stores, but before Good Health takes physical possession, the cases are lost. Under the UCC, the parties’ rights and obligations with respect to the loss depend on the concept of   |  |  |  | | --- | --- | --- | |  | a. | identification. | |  | b. | insurable interest. | |  | c. | risk of loss. | |  | d. | title. | |

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| 46. Pipes & Culverts Company orders six irrigation pumps from Quality Plumbing, Inc. The pumps are stored in Restorers Warehouse. Under the terms of the order, Quality must give Pipes & Culverts a warehouse receipt for the goods, which the buyer will then pick up. Title to the goods passes to Pipes & Culverts when   |  |  |  | | --- | --- | --- | |  | a. | Quality stores the drives. | |  | b. | Pipes & Culverts orders the drives. | |  | c. | Pipes & Culverts picks up the drives. | |  | d. | Quality gives Pipes & Culverts a warehouse receipt for the drives. | |

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| 47. Pam buys from Midtown Motors a used sport utility vehicle (SUV).  The SUV was manufactured by Gem Vehicles, Inc., and previously owned by Ron.  Regarding title to the SUV, Pam acquires   |  |  |  | | --- | --- | --- | |  | a. | whatever title Midtown had. | |  | b. | whatever title Gem had. | |  | c. | whatever title Ron had. | |  | d. | no title. | |

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| 48. Elizabeth buys a car from Silas, who is sixteen years old. Elizabeth wants to sell the car to her neighbor, John. Elizabeth’s title to the car is   |  |  |  | | --- | --- | --- | |  | a. | valid. | |  | b. | voidable. | |  | c. | void. | |  | d. | good. | |

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| 49. Brad leaves an iPod at Computer Sales & Repair (CSR) to have the battery replaced. CSR sells the iPod to Doris, who does not know that it belongs to Brad. Brad can recover from   |  |  |  | | --- | --- | --- | |  | a. | no one. | |  | b. | CSR. | |  | c. | Doris. | |  | d. | Apple, Inc., the maker of the iPod. | |

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| 50. Quaff n’ Quench Café buys twenty-five crates of oranges from Reynaldo Produce, Inc. The parties agree to ship the oranges “F.O.B. Quaff n’ Quench ” via Swiftline Trucking Company. The oranges rot in transit. The loss is suf-fered by   |  |  |  | | --- | --- | --- | |  | a. | Quaff n’ Quench. | |  | b. | Swiftline. | |  | c. | Columbia. | |  | d. | Reynaldo Produce. | |

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| 51. Fits Like A Glove Shoes, Inc., and Retail Footwear Stores enter into a contract for a sale of shoes. The contract indicates that the price includes transportation costs to a specific destination by including the term   |  |  |  | | --- | --- | --- | |  | a. | C.I.F. | |  | b. | delivery ex-ship. | |  | c. | F.A.S. | |  | d. | F.O.B. | |

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| 52. Red’s Roofing buys asphalt roofing tiles from Shingles, Inc. The parties agree that the tile will be shipped “F.O.B. Shingles’s warehouse” to Red’s Roofing location via Tristate Shipping Corporation. The tiles are lost in transit. The loss is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Tristate Shipping. | |  | b. | Shingles, Inc. | |  | c. | Red’s Roofing. | |  | d. | Red’s customers by an increase in the prices of goods and services. | |

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| 53. Safety Supply Corporation in New York sells a truckload of protective suits, masks, and other safety gear to Toxic Recovery, Inc., in Connecticut, “F.O.B. New York.” Safety Supply arranges with US Truckline to transport the goods. The cost of the transport will be paid by   |  |  |  | | --- | --- | --- | |  | a. | Safety Supply. | |  | b. | Toxic Recovery. | |  | c. | US Truckline. | |  | d. | Toxic Recovery’s clients by an increase in the price of loss control services. | |

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| 54. Mountainside Coffee Company and Nature’s Cuisine, Inc., enter into a contract for a sale of coffee beans. The contract includes the term “F.O.B. Ocean City,” which is the location of Nature’s Cuisine. This means that the contract is   |  |  |  | | --- | --- | --- | |  | a. | a bill of lading. | |  | b. | a destination contract. | |  | c. | ashipment contract. | |  | d. | a warehouse receipt. | |

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| 55. Growers Mart buys one hundred cases of berries from Hilltop Farms. The parties agree that the berries will be transported “F.O.B. Hilltop Farms” via Refrigerated Trucking Company. Refrigerated’s truck and the berries are lost in a fire following an accident. The loss of the berries is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Growers Mart. | |  | b. | Hilltop Farms. | |  | c. | Refrigerated Trucking. | |  | d. | all of the parties as owners in common in equal measure. | |

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| 56. Roasters Corporation and Outdoor Barbecues, Inc., enter into a contract for a sale of a commercial grill. The contract requires Roasters to deliver the goods to Speedy Delivery Company for transport to Outdoor. Risk of loss passes to Outdoor when   |  |  |  | | --- | --- | --- | |  | a. | Roasters delivers the goods to Speedy. | |  | b. | Roasters and Outdoor enter into their contract. | |  | c. | Speedy transports the goods to Outdoor. | |  | d. | Outdoor begins to use the grill. | |

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| 57. Commercial Rents Corporation agrees to lease a pressure washer to Delivery Trucks, Inc., which agrees to pick it up at E Street Warehouse. Before Delivery Trucks retrieves the washer, it is stolen. The loss is suf-fered by   |  |  |  | | --- | --- | --- | |  | a. | Commercial Rents. | |  | b. | Delivery Trucks. | |  | c. | E Street Warehouse. | |  | d. | the thief. | |

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| 58. Home Appliance Corporation contracts with Instate Trucking Company to take a selection of appliance repair parts to Journey Airlines, Inc., with Journey to transport the goods to a KeepSafe Company warehouse. Instate Trucking, Journey Airlines, and KeepSafe each acknowl-edge possession of the goods by a document of title. Instate Trucking, Journey Airlines, and KeepSafe are   |  |  |  | | --- | --- | --- | |  | a. | bailees. | |  | b. | buyers. | |  | c. | lessees. | |  | d. | sellers. | |

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| 59. Paramount Publishing, Inc., delivers fifty cases of an assortment of books to Quicksilver Delivery, Inc., without passage of title to deliver the goods to Readmore Bookstore. This is   |  |  |  | | --- | --- | --- | |  | a. | a bailment. | |  | b. | alease. | |  | c. | asale. | |  | d. | none of the choices. | |

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| 60. Varoom Motors, Inc., sells Weber an Xtrem-Sport motorcycle. The cycle is held by Yeoman’s Warehouse for delivery to Weber at Yeoman’s location. Risk of loss passes to Weber when she receives   |  |  |  | | --- | --- | --- | |  | a. | acopy of the sales contract from Varoom. | |  | b. | acertificate of title from the state. | |  | c. | a negotiable document of title from Yeoman. | |  | d. | none of the choices. | |

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| 61. Ursula buys a Verismooth boat from a Watercraft store, which agrees to keep the boat for Ursula until she picks it up. Before Ursula gets the boat, an unforeseen tornado destroys the store and the boat. The loss of the boat is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Ursula. | |  | b. | Verismooth. | |  | c. | Watercraft. | |  | d. | the government agency that failed to foresee the tornado. | |

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| 62. Effortless Workouts, Inc., deliversa quantity of treadmillsand other exercise equipment to Forklift Storage Company, which acknowledges possession of the goods by a warehouse receipt. Forklift is   |  |  |  | | --- | --- | --- | |  | a. | a bailee. | |  | b. | alessor. | |  | c. | abuyer. | |  | d. | none of the choices. | |

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| 63. Gas & Wood Stove Shop orders Hearthwarm-brand stoves from Independent Dealer, Inc. (IDI), a merchant who deals in such products. The parties agree that IDI will keep the goods for Gas & Wood’s pickup. While the stoves are in IDI’s possession, risk of loss is held by   |  |  |  | | --- | --- | --- | |  | a. | IDI. | |  | b. | Gas & Wood. | |  | c. | Gas & Wood’s creditors. | |  | d. | Hearthwarm. | |

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| 64. Quest Outdoor Store orders RiverRun-brand kayaks from Sports Merchandise, Inc. Sports Merchandisemistakenly ships kayaks of the wrong size, which Quest rejects and returns via Trans-State Shipping Company. During the return, the kayaks are lost. The loss is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Quest . | |  | b. | Trans-State. | |  | c. | RiverRun. | |  | d. | Sports Merchandise. | |

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| 65. Organicos Café orders five gallons of PureMaid-brand trans fat-free *olive* oil from Quico Cooking Supplies, Inc. Quico mistakenly ships *soy* oil, which Organicos keeps, despite the nonconform-ity. The oil is destroyed in a fire. The loss is suffered by   |  |  |  | | --- | --- | --- | |  | a. | all of the parties as owners in common in equal measure. | |  | b. | PureMaid. | |  | c. | Organicos Café. | |  | d. | Quico Cooking Supplies. | |

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| 66. Garden & Field stores order a specific assortment of rose bulbs from Hybrid Flora Company. Hybrid mistakenly ships a selection of annuals, which Garden & Field re-jects and returns via Intra-state Transport, Inc. During the return, the annuals are lost. The loss is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Garden & Field. | |  | b. | Hybrid Flora. | |  | c. | Intra-state Transport. | |  | d. | Garden & Field’s customers by an increase in prices of other goods. | |

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| 67. Consumers Choice store accepts a shipment of EZ2U-brand tablets from Digital Devices, Inc. Consumers Choice later discovers a defect in the tablets, revokes acceptance, and returns the tablets via GoBack, Inc. During the return, the tablets are lost. The loss is suffered by   |  |  |  | | --- | --- | --- | |  | a. | Consumers Choice. | |  | b. | Digital Devices. | |  | c. | GoBack. | |  | d. | Consumers Choice’s customers by an increase in prices of other goods. | |

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| 68. Spuds Corporation buys from Tater Farms, Inc., a potato crop that Tater plans to plant and harvest during the next growing season. Spuds plans to sell the potatoes to Tasty Foods Restaurants. After the potatoes are planted, but before they are harvested, an insurable interest in the crop ex-ists in   |  |  |  | | --- | --- | --- | |  | a. | Spuds and Tater, but not Tasty Foods. | |  | b. | Spuds, Tater, and Tasty Foods. | |  | c. | Tater only. | |  | d. | none of the choices. | |

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| 69. Candy Corporation orders Delicioso-brand chocolate from Edibles Distribution Company. Edibles identifies the goods. Before they are shipped to Candy Corporation, an insurable interest in the goods exists in   |  |  |  | | --- | --- | --- | |  | a. | Candy Corporationand Edibles Distribution. | |  | b. | Delicioso and Edibles Distribution. | |  | c. | Candy Corporationand Delicioso. | |  | d. | all of the parties as tenants in common. | |

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| 70. Household Appliance Corporation sells Ideal-brand vacuum cleaners to Jolly Discount Stores and other retailers. Household Appliance will have an insurable in-ter-est in the vacuums as long as   |  |  |  | | --- | --- | --- | |  | a. | Household Appliance remains in business. | |  | b. | Household Appliance retains title to the goods. | |  | c. | the goods are in existence. | |  | d. | there is no risk of loss. | |

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| 71. In the following situations, two parties claim the same goods. Who is most likely to prevail in each circumstance? Explain.  (a)      Olan steals Phil’s television set and sells it to Quincy, an innocent purchaser, for value. Phil learns Quincy has the set and demands its return.  (b)       Riley takes his television set for repair to Slick, a merchant who sells new and used television sets. By accident, one of Slick’s employees sells the set to Tuna, an innocent purchaser-customer, who takes possession. Riley wants his set back from Tuna.  ​ |

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| 72. Quality Computer Company agrees to sell one hundred servers to Social Media Networks, Inc.  The servers, which Social Media Networks ex-pressly requires to have certain amounts of memory, are to be shipped “F.O.B. Social Media Networks distribution center in Memphis, TN.”  When the servers arrive, Social Media Networks rejects them and informs Quality Computer, claiming that the servers do not conform to Social Media Networks’ memory requirement.  A few hours later, the servers are destroyed in a fire at Social Media Networks’ distribution center.  Will Quality Computer succeed in a suit against Social Media Networks for the cost of the goods? |

**Answer Key**

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| 1. False |

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| 2. True |

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| 3. False |

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| 4. False |

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| 5. True |

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| 6. True |

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| 7. True |

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| 8. False |

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| 9. True |

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| 10. True |

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| 11. True |

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| 12. False |

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| 13. True |

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| 14. False |

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| 15. True |

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| 16. False |

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| 32. True |

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| 46. d |

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| 51. d |

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| 52. c |

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| 69. a |

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| 70. b |

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| 71. (a) A buyer acquires whatever title the seller has to the goods sold.  If the seller is a thief, the seller’s title is void (seller has no title).  Thus, the buyer can acquire no ti-tle, and the real owner has superior rights.  Under those principles, Phil can recover the television set from Quincy.  (b) When a person “entrusts” goods to a merchant (a person who deals in goods of that kind), the merchant has the power to transfer a good title to any purchaser who acquires the goods in the ordinary course of business.  Riley en-trusted his set to mer-chant Slick. Slick deals in goods of that kind.  Therefore, Slick could pass good title to the set sold to a customer (Tuna) be-cause Tuna purchased the goods in the ordinary course of business.  Consequently, Riley cannot get the set back from Tuna.  (But Slick the merchant is li-able to the true owner, Riley, for the equivalent value of the set).​ |

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| 72. ​  No, because the goods were nonconforming, and so the cost of their loss will be borne by Quality Computer, the seller.  When goods are shipped and destroyed while in the possession of the buyer, if a contract does not state who bears the risk of loss, the determining factor is whether there has been a breach of the contract.  There is a breach if the goods are so nonconforming as to give the buyer a right of rejection.  In that situation, the risk of loss belongs to the seller until the defects are cured or until the buyer accepts the goods in spite of their defects.  It makes no difference, in these circumstances, whether the agreement is a shipment contract or a destination contract.  Here, the goods were destroyed without their defects being cured and without the buyer’s accepting them anyway. |