**CHAPTER 13-INTRODUCTION TO SALES**

**TRUE/FALSE**

 1. The UCC has abolished the common law requirement of consideration in all contracts involving the sale of goods.

 2. The UCC does not apply to a contract for the sale of goods if the value of the goods is less than $500.

 3. The UCC is federal legislation enacted by Congress.

 4. A merchant is someone who routinely deals in the particular goods involved, or who appears to have special knowledge or skill in those goods, or who uses agents with special knowledge or skill in those goods.

 5. In a mixed contract involving goods and services, Article 2 of the UCC will govern if the predominant purpose is the sale of goods.

 6. Under the UCC, a merchant is frequently held to a higher standard of conduct than a non-merchant.

 7. The UCC imposes a duty of good faith in the performance of all contracts.

 8. Lorene, an artist, orally agrees to sell Sabrina a painting for $600. While Lorene is busy talking on the phone, Sabrina writes her a note on the back of an envelope she finds in her purse. The signed note states that she will stop by the studio to pick up the painting within the week. Sabrina changes her mind about the painting, and when Lorene sues to enforce the contract, Sabrina defends on the basis of the statute of frauds. Sabrina will succeed with this defense.

 9. Rachel Retailer sends a preprinted purchase order offering to buy goods from Snidley Supplier. Snidley acknowledges Rachel's offer with a preprinted acceptance form. The terms of the two forms do not mirror each other. To analyze whether an enforceable contract exists, one must first determine whether the new language in the acceptance is an additional term or a different term.

 10. Megan agrees to sell Nancy her Rolex watch but they do not specify a price. In such a case, the court would not enforce the agreement because all of the essential terms are not present.

 11. In a breach of contract the injured seller may resell goods not accepted by the buyer. If the resale is commercially reasonable, the seller may recover the difference between the resale price and contract price, but cannot recover incidental damages.

 12. Lian contracted for financial services from E-wise. This contract is governed by Article 2 of the UCC.

 13. A product liability case may be brought in warranty, negligence, or strict liability, but it must have the element that a person or business has been hurt by goods.

 14. Generally, a contract may include language that limits or alters the damages recoverable for a breach of warranty, as long as the restrictions are not unconscionable.

 15. A tag attached to a tree in a nursery identifying the tree as a Southern Magnolia creates an express warranty.

**MULTIPLE CHOICE**

 1. In which of the following situations is the seller a merchant under Article 2 of the UCC?

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| a. | Paul, a full-time college student, sold his textbooks to State Bookstore. |
| b. | Randall, a part-time college student and full-time father, sold his textbooks to a friend. |
| c. | Zompa Inc., a toy manufacturer, contracted to sell dolls to TonTon Department Store. |
| d. | In all of the above situations the seller is a merchant. |

 2. If a buyer unjustly refuses to accept or pay for goods,

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| a. | the injured seller may resell them. |
| b. | the seller may recover the difference between the resale price and contract |
| c. | the seller may recover incidental damages, minus expenses saved |
| d. | all of these answers are true. |

 3. Which of the following types of property would be classified as "goods" under Article 2 of the UCC?

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| a. | Cash in hand. |
| b. | A stock certificate. |
| c. | A computer. |
| d. | A membership to a health club. |

 4. In a "mixed contract," one involving a sale of both goods and services, the court will:

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| a. | apply the UCC to the provisions of the contract involving the sale of goods and the common law to the provisions involving the sale of services. |
| b. | apply the *lex mercatoria* to the contract. |
| c. | first determine the dominant purpose of the contract. If the sale of goods dominates the contract, then the court will apply the law of the UCC, Article 2. If the sale of services dominates the contract, the court will apply the common law. |
| d. | apply UCC Article 2A. |

 5. Which of the following contracts requires a writing under the UCC, Article 2?

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| a. | Jeremy, a full-time student, sold his snow blower to a friend for $450. |
| b. | Jeremy, a full-time student, purchased a used computer from Office Plus for $300. |
| c. | A toy manufacturer contracted to sell dolls valued at $10,000 to a department store. |
| d. | Tobias Department Store contracted to sell Jenny a $400 doll. |

 6. An express warranty?

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| a. | is one that the seller creates with his words or actions. |
| b. | is a contractual assurance that goods will meet certain standards |
| c. | can be created by the act or words of the seller |
| d. | all of these answers are true. |

 7. If Edmund and Kaylin have a writing mistakenly showing a sale and purchase of goods for $10,000 when the price should have been $1,000, a court will most likely:

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| a. | enforce the agreement, relying on oral testimony to determine the correct price. |
| b. | only enforce the agreement as written. |
| c. | not hear the case unless both parties are merchants. |
| d. | not enforce the agreement since the writing did not reflect a meeting of the minds of the parties. |

 8. The difference between the UCC requirement of good faith and doctrine of unconscionability is that:

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| a. | good faith prohibits shockingly one-sided terms in a contract. |
| b. | good faith focuses on the parties' behavior as they perform the contract. |
| c. | unconscionability looks at the parties' attempt to carry out the terms of the contract in a reasonable manner. |
| d. | unconscionability focuses on whether a party is honest in fact and exercises reasonable commercial standards of fair dealing. |

 9. Which of the following is true regarding an open price term?

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| a. | It makes the contract unenforceable. |
| b. | The price may be fixed by the seller. |
| c. | The price is the "reasonable" price at the time of delivery. |
| d. | The price is set by the buyer. |

 10. To simplify, clarify, and modernize the law governing commercial transactions, the UCC permits the use of "open terms" in sales contracts. In the use of "open terms," which of the following is true?

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| a. | The court will use market value and other comparable sales to determine what a reasonable price would have been at the time of delivery if the parties have not settled the price in the contract. |
| b. | If time of payment is not mentioned in the contract, payment within a commercially reasonable time is presumed. |
| c. | If the contract permits the buyer or seller to determine the price during contract performance, the UCC requires the party to do so in good faith. |
| d. | All of the above are true. |

 11. Harriett raises and sells hippos. In order to keep her hippos happy and healthy, she feeds them Hippo Chow, which she buys from the local pet store. Under the UCC, Harriett is:

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| a. | a merchant of both hippos and Hippo Chow. |
| b. | a merchant of hippos, but not of Hippo Chow. |
| c. | a merchant of Hippo Chow, but not of hippos. |
| d. | not a merchant of either hippos or Hippo Chow. |

 12. A contractual assurance that goods will meet certain standards

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| a. | Is implied |
| b. | Is a warranty |
| c. | can be disclaimed. |
| d. | May not be expressed |

 13. Under the UCC statute of frauds, the writing for a sale of goods must:

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| a. | state quantity. |
| b. | state price. |
| c. | be signed by both parties. |
| d. | be notarized. |

 14. The most important warranty in the Code

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| a. | Is an expressed warranty |
| b. | Is a warranty for fitness for a particular purpose |
| c. | Is a warranty that goods will meet a certain standard |
| d. | Is an implied warranty of merchantability. |

 15. Betty's BBQ orally contracts with Denny's Design House for 10,000 matchbooks at the price of 10 cents per matchbook. The matchbooks are to be embossed with a logo to be designed by Denny's Design promoting Betty's BBQ. Price, payment terms, delivery terms are agreed upon between the parties. Denny's Design creates the logo, gets Betty's BBQ's approval of the design and begins applying the logo on the matchbook covers. Denny's Design has almost finished the order when Betty's BBQ calls to say it has decided to make the eatery a smoke-free restaurant and cancels the order. Denny's Design sues, but Betty's BBQ states that the agreement is unenforceable under the statute of frauds. Who wins?

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| a. | Denny's Design House wins. This situation falls under an exception to the statute of frauds. |
| b. | Denny's Design House wins. This is a service contract for design of a logo. Therefore, the UCC, including the statute of frauds provisions of Article 2, does not apply. |
| c. | Betty's BBQ wins. This is a contract for $1000. The statute of frauds requires all sales contracts in excess of $500 be in writing. |
| d. | Betty's BBQ wins. The statute of frauds only applies to merchants. Betty's BBQ is not a merchant in this instance because it intended to give the matchbooks away and not sell them. |

 16. Long’s Department Store contracted to buy 1,000 drop-waist velour dresses in heather gray from Durham. Subsequently, Durham called and asked to ship mink-colored dresses instead of heather gray. Long agreed, in writing, to the change. Which statement is correct?

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| a. | The modification is not enforceable since there was no consideration for the change. |
| b. | The modification is not enforceable since the parties are merchants. |
| c. | The modification is enforceable. |
| d. | Whether the modification is enforceable depends on the gap-filler rule. |

 17. The stated purpose(s) of Article 2 of the UCC is/are:

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| a. | to simplify the law governing sales. |
| b. | to permit the continued development of business practices through custom and usage. |
| c. | to make the laws governing sales uniform among the various states. |
| d. | All of the above are correct. |

 18. Who is a Merchant

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| a. | someone who routinely deals in the particular goods |
| b. | someone who appears to have special knowledge or skill in certain goods, |
| c. | someone who holds a merchant to a higher standard of conduct than a nonmerchant |
| d. | all of the above |

 19. UCC Section 2-204 provides three important rules that enable parties to make a contract quickly and informally. These include all but which of the following?

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| a. | The parties may make a contract in any manner sufficient to show that they reached an agreement. |
| b. | A writing sufficient under the statute of frauds may be a simple memo, a letter, or informal note, but need not itself be a contract. |
| c. | The UCC will enforce a deal even though it is difficult to say exactly when it was formed. |
| d. | A court may enforce a bargain even though one or more terms were left open. |

 20. Under the UCC, the writing need not completely summarize the agreement.

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| a. | it is only required that the writing be sufficient to indicate that the parties made a contract. |
| b. | the writing does not have to be signed by a party |
| c. | it just has to contain the price of the good sold. |
| d. | none of the above |

 21. Under the common law’s mirror image rule,

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| a. | the parties do not need to intend a contract. |
| b. | an offeree can adds or alters any terms. |
| c. | when one party makes an offer, the offeree must accept those exact terms |
| d. | is equally important under the UCC. |

 22. Which of the following warranties provides that the goods will be useable for the ordinary purposes for which they are used?

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| a. | Infringement. |
| b. | Fitness for a particular purpose. |
| c. | Merchantability. |
| d. | Title. |

 23. In order to disclaim a warranty of fitness for a particular purpose, a merchant:

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| a. | need do nothing; such a warranty will not exist unless the merchant intends to create the warranty. |
| b. | must make the disclaimer orally and directly to the buyer. |
| c. | may disclaim the warranty with any language that is clear and conspicuous. |
| d. | None of the above. Implied warranties cannot be disclaimed. |

 24. A sales representative at Oxtren, Inc orally told the purchasing agent at Wety, Inc. that its industrial saw is exceptional. Which statement is correct concerning the claim that the saw is exceptional?

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| a. | The claim is an express warranty. |
| b. | The claim is an implied warranty of merchantability. |
| c. | The claim is not a warranty because it is not in writing. |
| d. | The claim is not a warranty because it is sales puffery. |

 25. An express warranty can be created by which of the following?

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| a. | An affirmation of fact or promise. |
| b. | A description. |
| c. | A model. |
| d. | All of the above. |

**ESSAY**

 1. Patsy is shopping for a used car. She finds a car she likes at Morley Motors. Discuss the standard of conduct the UCC imposes on the parties in performing the sales transaction.

 2. Sean of Sean's Shrimp House was enjoying a cup of cappuccino while visiting with Ollie at Ollie's Ocean Front Bar & Grill. During the course of their conversation, Sean agreed to supply 100 pounds of shrimp per month for the next year to Ollie's restaurant at the price of $2.50 per pound. When Sean got back to his office, he sent a written confirmation of the agreement to Ollie. Six weeks after receiving the confirmation Ollie wrote back, stating that he had not agreed to the price of $2.50 per pound. Is Ollie bound to the confirmation?

 3. Jones contracts to buy a computer from Martin for $1500. The contract calls for Martin to service the computer quarterly for the first year and to tutor Jones on how to use the software. Is this contract covered by the UCC or common law?

 4. Discuss the importance of the UCC to the law of sales. Include who created the UCC, how it becomes law, and the stated purposes of the statute.

 5. Inez contracted with Filippo Furnaces Co. for the installation of a new furnace. Inez selected the furnace she wanted, accepting no suggestions from Filippo Furnaces' heating engineer. The furnace operated fine, but it did not heat the entire house. The size of the blower on the furnace was too small to accommodate the third floor of the house. Inez sued Filippo Furnaces Co. for the breach of the implied warranties of merchantability and fitness. What result?

 6. How do the tort theories of negligent product liability and strict product liability differ from each other? List and describe the elements an injured party must establish for recovery under each cause of action.