

# **COMMERCIAL LAW**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649552894

Commercial Law by Frederick S. Tipson

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Cover @ 2017

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**FREDERICK S. TIPSON**

**COMMERCIAL  
LAW**



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PUBLISHED BY

FREDERICK S. TIPSON

150 NASSAU ST., NEW YORK

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TO VNU  
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## Preface.

This volume contains all questions set in the Commercial Law paper at the New York State semi-annual examinations for certified public accountants, from December 1896 (the date of the first examination held), to June 1902, with full answers and explanations in plain, and, as far as possible, non-technical language. It will be noticed that many answers given here are quite different to those which would have been correct at the time the earlier papers were set; this applies particularly to the Corporation Law and the United States Bankruptcy Law of 1898; the numerous modifications of the former in New York State, and the enactment of the latter having effected basic alterations of great import.

It would really seem now as though the old legal motto, "Stare decisis et non quieta movere" (To stand by decisions and not to disturb what has been settled) had been allowed to a considerable extent to fall into desuetude, so numerous are the apparently conflicting legal decisions rendered from day to day. The consequences have not been particularly happy.

It has been decided that where a broker hypothecates his customers' securities he may do so, "provided he keeps securities of a like description and amount under his own control." "Under his control" has been decided as "keeping in his own possession." The question would naturally arise, how is business done in Wall Street? and what is

the advantage to the broker of re-pledging his client's securities?

Another astonishing decision on record is that inspectors of election have not the power to determine the genuineness of proxies! What are they then appointed for?

The attention of the student is particularly drawn to the terms "good" and "valuable" consideration. In the case of deposit, and commission or mandate bailments, where the bailee acts "without reward," unless the difference is accurately appreciated the question would not unnaturally arise "how, then, can a bailment be a contract?" The very gratifying success that the author's Theory of Accounts has met with has led him to believe that in publishing these text-books he is supplying an acknowledged and very decided want.

The following books have been consulted by the writer in the preparation of this manual; and to their authors, as well as to numerous friends in the accountancy profession who have favored him with valuable suggestions, he tenders hearty thanks:

White's Manual for Business Corporations.  
Essentials of Business Law.—Burdick,  
The Care of Estates.—Hill.  
Accountants' Guide.—Gottsberger.  
Law Dictionary.—Bouvier.  
The New Commercial Law.—American Book Co.  
Encyclopedia of Accounting.—Geo. Lisle, C. A.  
Encyclopedia of Law Forms.—Spalding.

FREDERICK S. TIPSON.

September 15, 1903.

## December 1896.

1. Draw the following promissory notes and forms of indorsement:

### NOTES.

(a) Not negotiable; maker, John Brown; payee, Walter Jones; amount, \$1,000.25; time, four months; place of payment, Bank of America.

(b) Negotiable; maker, payee, amount, time and place of payment as in a.

(c) Negotiable; requiring no indorsement.

### INDORSEMENTS.

(d) Indorsement by above payee, in blank.

(e) Indorsement by above payee, to Robinson & Co. in full and further negotiable.

(f) Indorsement by Robinson & Co., relieving them from further liability.

(g) Indorsement by Robinson & Co., to Henry Miller, not further negotiable.

(a) ALBANY, December 15, 1902.

Four months after date I promise to pay to Walter Jones One thousand  $\frac{25}{100}$  Dollars at the Bank of America. Value received.

\$1,000.25.

JOHN BROWN.

(b) ALBANY, December 15, 1902.

Four months after date I promise to pay to the order of Walter Jones One thousand  $\frac{25}{100}$  Dollars, at the Bank of America. Value received.

\$1,000.25.

JOHN BROWN.

(c) ALBANY, December 15, 1902.

Four months after date I promise to pay to Walter

Jones or bearer One thousand  $\frac{25}{100}$  Dollars, at the Bank of America. Value received.

\$1,000.25.

JOHN BROWN.

(d) Walter Jones.

(e) Pay to the order of Robinson & Co.,

WALTER JONES.

(f) Without recourse.

ROBINSON & Co.

(g) Pay to Henry Miller.

ROBINSON & Co.

2. When an indorsed promissory note is not paid at maturity.

(a) What course should the holder pursue in order to prove presentation?

(b) Against whom can the holder bring suit for recovery?

(c) Against whom can an indorser who has been compelled to pay this dishonored note bring suit for recovery?

(d) Under what circumstances is an indorser relieved from liability?

(e) How may the holder be relieved from the necessity of protesting it for non-payment?

(f) What are the principal defenses that may be urged by the maker of a note in an action for non-payment?

(g) What defense (good as against the payee or indorser who has knowledge thereof) will not relieve the maker from liability to a subsequent purchaser in good faith before maturity?

(h) How is the liability of indorsers affected by an agreement between the holder and the maker of the note to extend time of payment beyond maturity?

(a) He should have the note protested by a notary public, and send immediately to the maker and to each

indorser a copy of the certificate of protest, and a notice of non-payment, with a description of the note.

(b) Against the maker or any endorser of the note to whom proper notice has been sent. Indorsers "without recourse" are of course excepted.

(c) Against the maker or any prior indorser to whom proper notice of non-payment has been sent.

(d) By indorsing "without recourse"; by not receiving proper notice of non-payment; by an agreement between holder and maker to extend the time of payment.

(e) By the words "no protest" or "protest waived" appearing on the note.

(f) Infancy, usury, alteration, forgery, want of consideration, and fraud or compulsion.

(g) Want of consideration.

(h) They are relieved from liability.

3. Draw the following bills of exchange and forms of indorsement and acceptance:

#### DOMESTIC BILL.

(a) Drawer, Smith & Jones, Boston; drawee, Brown & Robinson, New York; amount, \$500.50; payee, Edward Hunt, New York; time, 10 days sight.

(b) Indorsement by payee in blank.

(c) Acceptance by drawee, payable at Bank of New York.

#### FOREIGN BILL.

(d) Drawer, J. M. Wilson, Son & Co., London; drawee, Flint, Heddy & Co., New York; amount, \$9,000.50; time, 60 days date.

(e) Indorsement by payee to.....in full.

(f) Form of drawee's acceptance.