MULTIPLE CHOICE. Select the best answer by Writing in capital letter, your choice Letter in your answer sheet based principles and law on Negotiable Instruments.

1. One of these promissory notes is not secured by mortgage or any other collateral:
    a. Bottomry bond
    b. Mortgage bond
    c. Debenture
    d. Insurer's bond
2. First statement: A promissory note that is payable to the order of a third party is not complete unless indorsed by the third person.
   Second statement: A promissory note that is payable to the order of the maker is not complete unless indorsed by the maker.
    a. Only the first statement is true
    b. Only the second statement is true
    c. Both statement are true
    d. Both statement are false
3. In which of the following is a bank always both the drawer and the drawee:
    a. Cashier's check
    b. Certified check
    c. Crossed check
    d. Staled Check
4. Which of the following is not the effect of crossing of checks:
    a. The check can only be deposited in a bank
    b. The check is payable at a specified date
    c. The transferee is deemed warned that the check is for a definite purpose
    d. The check is not for encashment
5. Certification of check is equivalent to:
    a. Payment
    b. Acceptance
    c. Dishonor
    d. Payment
6. All the following are bills of exchange except:
    a. Bank draft
    b. Banker's Acceptance
    c. Trade acceptance
    d. Due bill
7. First statement: The drawee may be sued by the holder if he refused to accept
   Second statement: There are instances when the drawer may sue the drawee if he refused to accept.
    a. Only the first statement is true
    b. Only the second statement is true
    c. Both the first and the second statement is true
    d. Both the first and the second statement is false
8. Which of the following is an inland bill:
    a. A bill drawn in the United States and payable in the Philippines
    b. A bill drawn in the Philippines and payable in the Philippines
    c. Both (a) and (b)
    d. Neither (a) nor (b)
9. Which of the following is not a formal requisite for acceptance:
    a. It must be in writing
    b. It must be signed by the drawee
    c. It must be notarized
    d. None of the above
10. Mr. DR, the drawer issued a bill of exchange to the order of Mr. P, P indorsed the instrument to Mr. A, Mr. A to Mr. B and Mr. B to Mr. C, Mr. C to Mr. D and Mr. D to Mr. E, the holder. The drawee refused to accept. After protest, Mr. X accepted the bill for honor in favor of Mr. B. Mr. X is liable to:
    a. Mr. P
    b. Mr. A
    c. Mr. D
    d. None of the choices
    e.
11. When is a negotiable instrument not discharged?
    a. When the holder thereof unintentionally cancel the instrument
    b. When the principal debtor becomes the holder of the instrument before at or after maturity in his own
    c. When it is paid in due course by the principal debtor

    d. When it is paid by the party accommodated where the instrument is indorsed for accommodation

12. In the renunciation of the holder of his rights against any party to the instrument, which of the following statements is false?
    a. If the instrument is delivered to the person primarily liable without collecting, its constitutes oral renunciation
    b. If renunciation is made in favor of any party secondarily liable, all parties subsequent to him are discharged from liability.
    c. Renunciation will not affect the right of a holder in due course without notice
    d. If the renunciation is made in favor of the party primarily liable, it must be made before maturity date.
13. Which of the following does not discharge a negotiable instrument?
    a. Payment in due course by the accommodated party when the instrument was made or accepted for his accommodation
    b. Payment in due course by the principal debtor
    c. Intentional cancellation of the instrument by the holder
    d. Payment in due course by the accommodation indorser
14. Mr. M issued an order promissory note to Mr. P, Mr. P indorsed the instrument to Mr. A, Mr. A to B, and Mr. B to Mr. C. Mr. C, the present holder, cancelled the signature of Mr. P. who among the indorser are discharged:
    a. Mr. P. only
    b. Mr. P, Mr. A and Mr. B
    c. Mr. P and Mr. A
    d. Mr. P and Mr. B
15. M makes a P10,000 note payable to the order if O who indorses it to A, F obtains possession of the note fraudulently, forges A's signature, alters the amount of P70,000 and endorses it to B who is turn endorses it to B who in turn endorses to C. In this case:
    a. C can enforce the note against A
    b. C cannot enforce the note against any person
    c. C can enforce the note against M and O
    d. C can enforce the note against B
16. A make a promissory note payable to B or order. B indorses the note to C, then C to D, D to E and E to F, the holder in whose hands the note is dishonored. F notifies B, C, D and E about the dishonor of the note and subsequently indorses it to G. which is not correct?
    a. The notice to C inure to the benefits of D, E and G.
    b. The notice given by F to B inure to the benefit of C, D , E and G
    c. The notice to E inures to the benefit of D
    d. The notice to D inures to the benefits of E and G
17. The holder is required to give notice of dishonor to the drawer to make him liable on the instrument in one of the following cases:
    a. Where the drawer is the person to whom the instrument is presented for payment
    b. Where the drawer and the drawee are the same persons
    c. Where the drawer has countermanded payment
    d. Where the instrument was made or accepted for his accommodation
18. A makes a note payable to B or order. The following are the indorsers of the noe in the order of their indorsement: B, C, D, E, F (holder) and G (subsequent holder). The note is dishonored in the hands of F, who notifies B, C, D and E. Which is not correct.
    a. The notice given by F to B operates tot eh benefit of C D E and G
    b. The notice to C inures to the benefit of D E and G
    c. The notice to C inures to the benefit of B
    d. The notice to D inures tot eh benefit of E and G
19. First statement: Notice of dishonor may be in writing
    Second statement: Notice of dishonor can be made verbally by telephone
    a. Only the first statement is true
    b. Only the second statement is true
    c. Both statement are true
    d. Bothe statement are false

20. Mr. M, the maker, issued an instrument to Mr. P payable to Mr. P or order. Mr. P indorsed the instrument to Mr. A. Mr. A indorsed the instrument to Mr. B as follows: "To B, notice of dishonor is waived, Sgd. Mr. A". Thereafter, Mr. B indorsed the instrument to Mr. C, the Mr. C to Mr. D. Who is deemed to have made a waiver of notice of dishonor:
    a. All indorsers (P, A, B, and C)
    b. Mr. M

c. Mr. A only
d. Mr. P and Mr. A

21. Which of the following is not a requirement for the sufficiency of presentment for payment:
    a. It must be made by the holder or any authorized person
    b. It must be made to the person primarily liable or if he is absent or inaccessible, to
    c. Any person found at the place of presentment
    d. There must be previous dishonor of the instrument
22. In which of the following cases is presentment for payment not necessary in order to charge the drawer:
    a. When the drawee is a fictitious person
    b. When there is waiver of presentment for payment
    c. When presentment is supposed to be made at a bank
23. In which of the following cases is presentment for payment not necessary in order to charge the indorser:
    a. When the drawee is a fictitious person
    b. When there is waiver of presentment
    c. When the instrument was accepted for the accommodation of the drawer
24. Which of the following is not a requirement for payment to be considered payment in due course:
    a. Payment must be made by the person primarily liable
    b. Payment must be made on maturity date
    c. Payment must be made to the holder or any authorized representative
    d. Payment must include interest even if not stipulated
25. If a promissory note is not presented for payment and presentment is not excused, who among the following is not discharged: 1.) Maker and 2.) Indorser
    a. Maker only
    b. Indorser only
    c. Both Indorser and Maker
    d. Neither the maker nor the Indorser
26. Manuel makes a promissory note for P3,000 payable to the order of Pedro. Pedro negotiates the note to Antonio who with the consent of Pedro raises the amount to P30,000 and thereafter endorses it to Boy, Boy to Cris, and Cris to Doy, who is a holder in due course, In this case:
    a. Doy can recover P30,000 as against Manuel
    b. Doy can recover P 3,000 from Manuel
    c. Pedro and Antonio are liable to Doy for P3,000
    d. Boy and Cris are not liable to Doy
27. Atoy issue a bearer note to Boy. The note is negotiated by delivery by Boy to Cris, by Cris to Doc, by Doc to Ely, by Ely to Fe, the holder. Fe can hold liable:
    a. Cris
    b. Atoy
    c. Doc
    d. Boy
28. Atoy issued an order note to Boy payable to the order of Boy. The note was indorsed and delivered by Boy to Cris, by Cris to Doc, by Doc to Ely and by Ely to Fe. The following persons are secondarily except:
    a. Cris
    b. Atoy
    c. Doc
    d. Boy
29. Which of the following is not a secondary party?
    a. Acceptor for honor
    b. Drawer
    c. Payor for honor
    d. Endorser

30. Mr. M, the maker, issued a negotiable promissory note to Mr. P payable to the order of Mr. P. The instrument was indorsed and delivered by P to A, by A to B, by B to C and by C to D. Mr. M dishonored the instrument and after giving proper notice of dishonor to all parties, Mr. C paid Mr. D. From whom can Mr. C immediately ask payment or reimbursement:
    a. Mr. P
    b. Mr. A

c. Mr. B

31. A holder not in due course has the following rights, except.
    a. He may receive payment and if the payment is in due course the instrument is discharged
    b. He may sue on the instrument, in his own name
    c. He cannot recover on the instrument
    d. He is entitled to the instrument but holds it subject to the same defense as if it were non negotiable
32. Which of the following is an example of Real Defense?
    a. Acquisition of the instrument by force
    b. Acquisition of the instrument for illegal consideration
    c. Fraud in the endorsement
    d. Fraud in factum
33. An instrument is indorsed as follows: “PAY TO A, FOR B” (Sgd.) C. Then A indorsed the instrument “PAY TO D” (Sgd.) A, in payment of A’s personal loan to D, the instrument was accepted by D as indorsed by A, is D acting in good faith when he accepted the instrument as indorsed?
    a. Yes, because D is a holder in due course
    b. No, because D knew by prior indorsement that A is merely a trustee for B and had not right to negotiate the instrument.
    c. Yes, because D acquired the instrument for value
    d. No, because D did not get the consent of B.
34. X obtains the signature of Y for autograph purpose. X writes a negotiable promissory note above Y’s signature. The note was validly negotiated to Z who si a holder in due course. What kind of defense can Y avail against Z?
    a. Personal Defense
    b. Real Defense
    c. Equitable Defense
    d. Qualified Defense
35. Which of the following is not a personal defense?
    a. Absence of consideration
    b. Forgery of a signature
    c. Non delivery of a complete instrument
    d. Failure of consideration

36. A holder for value is an endorser who has both the legal title and the beneficial interest to the instrument and is subject to both real and personal defenses available against him.
    A holder in due course is one who possesses both the legal and beneficial interest to the instrument but is subject to personal defenses only.
    a. Both statement are false
    b. First statement is false, second statement is true
    c. Both statement are true
    d. First statement is true, second statement is false
37. Which of the following is not a real defense?
    a. Fraud factum
    b. Incomplete and undelivered instrument
    c. Insertion of a wrong date
    d. Forgery of a signature
38. Azcona issues a note to Basco. There was a total failure of consideration. Basco indorsed the note for a consideration to Cruz who is a holder in due course. Cruz indorsed the note to Diaz who knew of the failure of consideration. Can Diaz successfully collect from Azcona?
    a. No, because Diaz is not a holder in due course
    b. Yes, Diaz acquired the rights of Cruz, a holder in due course and he was not a party to any illegality.
    c. No, because Diaz knew of the failure of consideration.
    d. Yes, because Diaz acquired the note for a consideration

39. Title of a holder is not defective if:
    a. He obtained the instrument by force
    b. He obtained the instrument through an illegal consideration
    c. He obtained an instrument only as pledge
40. First statement: A holder is presumed to be a holder in due course

Second statement: A holder of an instrument payable on demand is presumed to be a holder in due course even if it was negotiated to him after an unreasonable length of time from its issuance.

a. Only the first statement is true
b. Only the second statement is true
c. Both statement are true
d. Both statement are false

41. A issue a bill payable to the order of B. Later B without endorsing the bill transfers for a consideration said bill to C. The following except one, are the valid effects of the transfer.
    a. C acquires the right to have the endorsement of B
    b. The bill is merely assigned and not negotiated
    c. C becomes a holder
    d. The transfer vests in C such title as B had thereon
42. A issued a promissory note to the order of B for P10,000 payable on September 30, 1996 in payment of a T.V set sold by B to him. B failed to deliver the T.V set to A and instead transferred the note to C for value but without indorsement. Which of the effects of the transactions listed below is valid?
    a. C is deemed a holder in due course when B transferred the note to him
    b. C becomes a holder in due course when B indorsed the note to C on October 4, 1996
    c. C has no right to compel B to make the proper indorsement to him
    d. C cannot collect from A because of A's defense of lack of consideration
43. "I promise to pay to the order of B P10,000 30 days after sale" (Sgd) A. Which of the following indoresment of the above promissory note is not valid.
    a. "Pay to C and D". (Sgd.) B
    b. "Pay to C P5,000, balance of this Note" (Sgd) B if P5,000 has been paid by A
    c. "Pay to C P5,000 to D P5,000 (Sgd) B
    d. "Pay to C and D, partners" (Sgd). B
44. "PAY TO Peter IN TRUST FOR Judas" (Sgd.) Pilate, is the example of:
    a. Conditional endorsement
    b. Qualified endorsement
    c. Facultative endorsement
    d. Restricted endorsement
45. When an endorser waives presentment and notice of dishonor, he increases his liability, His endorsement is.
    a. Alternative endorsement
    b. Qualified endorsement
    c. Facultative endorsement
    d. Restrictive endorsement
46. Which of the following is not a valuable consideration:
    a. Cash
    b. House and Lot
    c. Love and Affection
47. Which of the following does not result in a lien:
    a. Mortgage
    b. Pledge
    c. Payment
48. First statement: Failure of consideration is available against a holder in due course.
    Second statement: Partial failure of consideration is not a total defense.
    a. Only the first statement is true
    b. Only the second statement is true
    c. Both statements are true
    d. Both statements are false
49. An accommodation party is not:
    a. The surety of the accommodated party
    b. Liable to a holder in due course
    c. A real party but merely lends his name
50. First statement: There is still consideration if there is an antecendent debt.
    Second statement: There is a personal defense if a prior existing obligation is unfulfilled.
    a. Only the first statement is true
    b. Only the second statement is true
    c. Both statements are true
    d. Both statements are false
51. The presence of the following is not necessary for an agent to be not personally liable:
    a. Disclosure of the principal
    b. An indication that he is an agent of the principal
    c. An indication of his salary or compensation
52. First statement: Indorsement of an infant transfer's title.

Second statement: All parties prior to the infant can escape liability by invoking such infancy

a. Both statement are true
b. Only the first statement is true
c. Only the second statement is true
d. Both statement are false

53. The following may not preclude the party from invoking forgery as a defense:
    a. Silence
    b. Warranty
    c. Negligence
    d. Dishonor
54. Which of the following is necessary for the issuance of a negotiable instrument:
    a. Delivery
    b. Acceptance
    c. Notice of Dishonor
55. A issued a negotiable promissory note to the order of B for P10,000 payable after 30 days after date. Later B indorsed it to C. Then X stole the note from C, forged the signature of C and negotiated it to D, and D to E, E to F, the holder. On maturity of the note, which of the following statements is not correct and invalid?
    a. F can collect from either D or E, because their signatures are genuine and the note is operative against them
    b. F can collect from A because A cannot put up forgery as hid defense
    c. F cannot collect from C because it was C's signature which was forged
    d. F cannot collect from B is a party prior to the forgery
56. Which of the following instruments is not negotiable for the reason that the instrument is not payable at a determinable future time?
    a. "One week after X passes the CPA Board Examination I promise to pay to the order of Y, P 10,000 (Sgd) Z"
    b. "Thirty days after demand, the Drawer Z directs Drawee X to pay Y or order P 10,000.00"
    c. "Ten days after the death of X, I promise to pay to the order of Y P 10,000" (Sgd. Z)
    d. "On or before October 31, 1933, I promise to pay Y or his order P10,000" (Sgd. Z)
57. Which of the following instruments is negotiable?
    a. Pay to bearer C P 10,000. Reimburse yourself out of the rental of my house in Manila. To B; (Sgd.) A
    b. Pay to C P10,000 or his order out of the rental of my house in Manila. To B; (Sgd.) A
    c. Pay to C P10,000 and reimburse yourself out of the rental of my house in Manila. To: (Sgd.) A
    d. Pay to order of C P10,000. Reimburse yourself out of the rental of my house in Manila. To B; (Sgd.) A
58. Which of the following is a negotiable bill of exchange?
    a. Pay to order of Y the sum of P 30,000. (Sgd. X) To A or in his absence, to B
    b. Pay to the order of X the sum of P20,000 (Sgd. X) To A or B
    c. Pay to the order of X or Y the sum of P40,000 (Sgd. C) To A or B
    d. Pay to the order of Y the sum of P50,000 (Sgd. X) To A and B
59. Which of the following is non negotiable?
    a. I bind myself to pay B or bearer P10,000.00 (Sgd.) A
    b. I acknowledge being indebted to B in the amount of P10,000.00 (Sgd.) A
    c. I promise to pay to the order of B P10,000.00 (Sgd.) A
    d. I agree to pay B or order P 10,000.00 on demand (Sgd.) A

60. " I promise to pay to the order of X P 10,000 30 days after date" (Sgd.) Y, dated blank
"Pay to the order of X P 10,000 30 days after sight" to Y (Sgd.) Z, dated 10/15/95.

1st Rule: The maturity date of the above promissory note will be counted 30 days from the date of the instrument.

2nd Rule: The maturity of the above bill of exchange will be counted 30 days from the date the instrument is accepted by Y.

a. Both rules are wrong
b. Both rules are correct
c. 1st rule correct, 2nd rule wrong
d. 1st rule wrong, 2nd rule correct

61. Under the Negotiable Instruments Law, a certificate of stock is not a negotiable instrument because it lacks the requisites of:
    a. It must contain an unconditional promise or order to pay a sum certain in money
    b. It must be payable on demand or at a fixed or determinable future time
    c. It must be payable to order or bearer
    d. It must be in writing and signed by the maker or drawer
62. Which of the following instruments is not negotiable?
    a. "I promise to pay A or order P 20,000, Sgd. D"
    b. "I promise to pay A or order P 20,000 on June 30" (Sgd) E
    c. "I agree to pay to the order of A P30,000.00" (Sgd B)
    d. "Good for P20,000.00 to A or order" (Sgd C)
63. Which of the following statement is correct?

First statement: The negotiable instrument must be in writing signed by the drawee and contains an unconditional promise or order to pay

Second statement: The negotiable instrument must state a sum certain in money payable on demand or at a fixed or determinable future time to bearer or to order.

    a. First statement only
    b. Second statement only
    c. First and second statement
64. A negotiable instrument would be non negotiable if it states:
    a. The instrument is secured by a collateral
    b. There is a stipulation on confession of judgment
    c. The maker is liable to pay interest
    d. It is subject to a chattel mortgage
65. Which of the following prevents an instrument from being negotiable.
    a. The back of the instrument contains an indorsement to a specified person
    b. The instrument is payable to a specified person only
    c. The person to whose order the instrument is payable is non existent .
66. Which is not negotiable?
    a. Pay to B or order P1,000 thirty days after sight. Sgd. A to C
    b. I promise to pay B or order P1,000 on or before March 1, 2005. Sgd. A
    c. I promise to pay B or order P1,000 within 20 days after the death of C. Sgd. A
    d. Pay to B or order P1,000 within 10 days if he marries D on June 12, 2005. Sgd. A to C
67. The promise is conditional rendering the instrument non-negotiable
    a. An indication of a particular fund out of which reimbursement is to made
    b. An indication of a particular account to be debited with the amount
    c. A statement of the transaction which gives rise to the instrument
    d. An order or promise to pay out of a particular fund.
68. The following are negotiable instruments, except

a. Pay to the order of A P1,000on or before January 1, 2005 and reimburse yourself out of my deposit with you. To B Sgd. C

b. Pay to order of A P1,000 on or before January 1, 2005 and charge the same to my account. To B Sgd. C

c. Pay to the order of A P1,000 on or before January 1, 2005 in payment of the purchase price of one cavan of rice I bought from him. To B Sgd. C

d. Pay to the order of A P1,000 subject to the terms and conditions of the sales contract between him and the undersigned. To B Sgd. C

69. One is not negotiable
    a. A promises to pay to the order of B P1,000 with 12% interest payable by two installment
    b. A promises to pay to the order of B P1,000 in four monthly installment beginning January 1, 2005 with a provision that if A defaults in the payment of any installment, the entire balance including the unpaid installment shall become due and demandable
    c. A promises to pay to the order of B the sum of US$1,000 payable in pesos at the rate of exchange prevailing on January 1, 2005
    d. A promises to pay to the order of B P1,000 with an agreement to pay attorney's fees and cost of collection

70. One of the following is not a restrictive indorsement
    a. Constitutes the indorsee the agent of the indorser
    b. Vests the title in the indorsee in trust for or for the use of some other person
    c. Prohibits the further negotiation of the instrument
    d. Payable to the indorsee where the indorser is not liable

71. An indorsement “Pay to A, notice of dishonor waived”. Sgd. B is A
a. Conditional indorsement
b. Restrictive indorsement
c. Qualified indorsement
d. Facultative indorsement

72. A real defense
a. Fraud in inducement
b. Absence or failure of consideration
c. Want of delivery of a complete instrument
d. Minority

73. A personal defense
a. Want of delivery of an incomplete instrument
b. Fraud in factum or fraud in esse contractus
c. Forgery
d. Filling of blanks contrary to authority given or not within a reasonable time

74. A personal defense may be used against
a. Holder in due course
b. Holder for value
c. Both A and B
d. Neither A or b

75. If an authorize agent signs for and on behalf of his principal, the latter will be liable, as a rule.
- A person who signs a trade or assumed name will be liable to the same extent as if he had signed in his own name
a. True; True
b. False; True
c. True; False
d. False; False

76. Three of the following are warranties of a qualified indorser; which is not?
a. Capacity of prior parties
b. Instrument is valid and subsisting
c. He has good title
d. Instrument is genuine and in all aspect that it purport to be

77. An instrument which is originally negotiable ceases to be negotiable when
a. Restrictively indorsed
b. Qualified indorsement
c. The last indorsement is in blank
d. The only indorsement is in blank

78. Statement No. 1: Where to show displeasure over a bill of exchange addressed to him, the drawee destroys the same, under the law he is deemed to have accepted it.
Statement No. 2: Where the drawer and drawee are the same person, the bill of exchange can be regarded as a promissory note.
a. Both statements are true
b. Both statements are false
c. No. 1 is true; No. 2 is false
d. No. 1 is false; No. 2 is true

79. Which of the following instruments is negotiable?
a. “Good to B or order, P20,000” (Sgd. A)
b. “ I hereby authorize you to pay B or order “P20,000” (Sgd. A)
c. “ I promise to pay B or order P 20,000 worth in sugar” (Sgd. A)
d. “ I promise to pay B or order P 20,000 on May 25” (Sgd. A)

80. Which one of the following is negotiable?
a. “I promise to pay B or order P20,000 if he will pass the CPA board exam on October, 2005. (Sgd. A)
b. “ I promise to pay B or order P20,000 in four (4) installments”. (Sgd. A)
c. “ I promise to pay B or order P20,000, 30 days after the death of his father”. (Sgd. A)
d. “ I promise to pay B P20,000”. (Sgd. A)

81. A delivers to B a promissory note payable to the order of B without specifying the amount but A authorized B to place the amount of P500 in the promissory note which was signed by A. B, in violation of the instruction of A placed P5,000 as the amount payable. Later B indorsed the note to C, the holder C
a. Can recover from either A or B
b. Cannot recover from either A or B, if he knows the defect

c. Cannot recover from A but can recover from B if he knows the defect
d. Cannot recover from A but can recover from B if he does not know the defect

82. A made a promissory note payable to the order of B. A delivered it to B who negotiated it to C. C indorsed the note to D who is 16 years old. D indorsed it to E who later indorsed it to F, the holder. F presented the note to A who dishonored the instrument. Which is correct?

a. F can hold B and C liable but not D and E
b. F can hold D and E liable but not B and C
c. D's indorsement passes title to E and F making D liable as indorser
d. F can hold all indorsers liable except D

83. – A buys a diamond for P50,000 for which A issued a check. The diamond turned out to be an ordinary glass.

- B obtained the signature of C for autograph purpose. B wrote a promissory note above the signature , then indorsed the note to E, a holder in due course

a. Both are real defenses
b. Both are personal defenses
c. Personal defense, real defense
d. Real defense, Personal Defense

84. A issued a negotiable promissory note to B. There was a total failure of consideration. B indorsed the note to C, a holder in due course. C indorsed the note to D who knew of the failure of consideration. Which is correct?

a. D may collect from A
b. D may collect only from C
c. D may collect only from B
d. D may collect from either B or C but not from A

85. A is induced through simple fraud (fraud in inducement) committed by B to issue a promissory note in favor of B. B indorsed the note to C. C has noticed of fraud but did not take part in it. C indorsed the note to D, a holder in due course; D indorsed the note to E who knows how the note was obtained but without being a party to the fraud. Which is correct?

a. E is not a holder in due course and the defense of fraud in inducement can be set up against him.
b. E is a holder in due course having derived his title from D, a holder in due course
c. E is a holder in due course but he cannot recover from A because he knows how the note was obtained
d. E is not holder in due course but has all rights of such holder in respect of A, B and C having derived his title from D.

PART II. TRUE OR FALSE. Write A, if the statement is true and B, if the statement is false

1. An instrument is presumed to be issued in exchange for a consideration.
2. " I bind myself to pay Bitoy Cruz or Bearer Php 10,000. Sgd. Anjo", is non negotiable.. TRUE
3. "Pay to Mulawin, without recourse. Sgd. Dugong" is an example of a qualified indorsement.- FALSE
4. The holder of an overdue instrument cannot be considered a holder in due course.-
5. An order instrument that will be indorsed restrictively will cease to be negotiable.
6. An instrument which is payable to bearer is negotiable by mere delivery.
7. Presentment for acceptance of a bill of exchange is not necessary when the bill is payable after sight.
8. In a bill of exchange, the drawer is primarily liable.
9. A check is considered certified after the lapse of 6 months from the date of issuance.
10. An instrument which is payable to order is negotiable by merely delivery.
11. A holder is due course is subject to personal and real defenses.
12. The maturity date of a Promissory Note payable "1 month after date" will be counted 30 days from the date of the presentment for acceptance.
13. The maturity of a bill of exchange payable "after sight" will be counted from the date of the first presentment for acceptance.
14. This is negotiable " Cholo promises to pay to the bearer Lawrence P140,000 in 4 equal monthly installments."
15. Fraud is factum is an example of a personal defense.

"*Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time*."

-Thomas Edison on Success

- End -

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