

Business Organizations & Corporate Law: Chapter 2

Introduction

Business Organizations & Corporate Law: Chapter 2

The screenshot shows a digital interface for Chapter 2. On the left is a sidebar with six buttons: 'Applying Concepts', 'Chapter Review', 'eLecture: Review Answers', 'Reflection', 'Reflection Responses', and 'Chapter Quiz'. The main content area has a title 'Introduction' at the top, followed by 'Chapter 2' and 'Principals and Agents'. Below this is a 'Chapter Outline' section with a list of topics: I. Introduction, II. Necessity for an Agency Relationship, III. The Basics of the Agency Relationship (with sub-points A, B, and C), and C. Characterization of an Agency Relationship (with sub-point 1). A vertical scrollbar is on the right side of the main content area.

Applying Concepts

Chapter Review

eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

Introduction

Chapter 2

Principals and Agents

Chapter Outline

- I. Introduction
- II. Necessity for an Agency Relationship
- III. The Basics of the Agency Relationship
 - A. Components of an Agency Relationship
 - B. Creation of an Agency Relationship
 - 1. Agreement of the Parties
 - 2. Contract
 - 3. Operation of Law
 - a. Limitation on Agency by Estoppel Theory
 - C. Characterization of an Agency Relationship
 - 1. Distinguishing Agency From Other Relationships
 - a. Borrowers and Lenders

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Chapter 2

Principals and Agents

Chapter Outline

I. Introduction

II. Necessity for an Agency Relationship

III. The Basics of the Agency Relationship

A. Components of an Agency Relationship

B. Creation of an Agency Relationship

1. Agreement of the Parties

2. Contract

- 3. Operation of Law
 - a. Limitation on Agency by Estoppel Theory
 - C. Characterization of an Agency Relationship
 - 1. Distinguishing Agency From Other Relationships
 - a. Borrowers and Lenders
 - b. Independent Contractors
 - c. Business Partners
 - d. Employer-Employee
 - e. Insurance Agents and Insured
 - D. Liability Issues in Agency Relationships
 - 1. Respondeat Superior
 - E. The Extent of the Agency Relationship
 - F. Classification of Agency by the Agent's Authority
 - 1. Actual Authority
 - 2. Express Authority
 - 3. Implied Authority
 - 4. Apparent Authority
 - G. Agents Exceeding Their Authority
 - 1. Ratification
 - H. Agent as a Fiduciary to the Principal
 - I. Agent's Duties to the Principal
 - 1. Obedience
 - 2. Skill, Care, and Diligence
 - 3. Loyalty
 - 4. Accounting
 - J. Agent's Duties to Third Parties
 - 1. The Duty of Honesty and Fair Dealing
 - 2. Duty Not to Commit Fraud
 - a. Material Facts
 - i. Salesmanship and Puffing
 - 3. Duty to Avoid Negligent Misrepresentation
 - K. Types of Agents
 - 1. General Agents
 - 2. Universal Agents
 - 3. Special Agents
 - 4. Agents for Service of Process
 - IV. Types of Principals
 - A. Disclosed Principal
 - B. Partially Disclosed Principal
 - C. Undisclosed Principal
 - V. Principal's Duty to Agent
 - A. Duty to Compensate the Agent
 - B. Duty Not to Unfairly Injure the Agent's Reputation
 - C. Duty to Cooperate
-

VI. Termination of Agency Relationship

- A. By Stated Term
- B. By Implication
- C. By the Passage of a Reasonable Period of Time
- D. By Agreement
- E. By Operation of Law
- F. By Accomplishment of Purpose

Applying Concepts



Applying Concepts

Chapter Review

eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

Applying Concepts

Instructions: Email your responses to your instructor, making clear that your answers are for the *Applying Concepts* segment of Chapter 2.

1. Contact a local real estate agent and ask this agent how he or she complies with the duties that all agents owe to principals. Does the agent require the principal, in this case the seller, to sign any disclosure forms or other forms in order to comply with the agent's duties to third parties?
Your answers will vary depending on the agent with whom you speak.
2. Describe a situation in which you might become an agent for a friend.

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Chapter Review



Chapter Review

1. Why is a principal-agency relationship necessary?
2. What are some ways that a principal-agency relationship is created?
3. What duties does an agent owe to a principal?
4. What is a disclosed principal?
5. What is commingling funds?
6. How is an agency relationship terminated?
7. What is ratification?

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7. What is ratification?
 8. What is the most common way that an agency relationship is created?
 9. What is a fiduciary?
 10. What is the significance of this chapter's crucial case?
 11. What is the difference between express authority and implied authority?
 12. What is apparent authority?
 13. What is actual authority?
 14. What is an undisclosed principal?
 15. Can a principal order an agent to do some action that violates the law? Why or why not?
-

eLecture: Review Answers

Business Organizations & Corporate Law: Chapter 2



Applying Concepts

Chapter Review


eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

eLecture: Review Answers



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Narration Script

1. Why is a principal-agent relationship necessary?

There are times when persons or businesses are unwilling or unable to conduct business on their own behalf. In such a situation, businesses would hire an agent to act for them.

2. What are some ways that a principal-agent relationship is created?

A principal-agent relationship can be created in a number of different ways. For instance, the parties may have an express agreement that one person will act as agent for another. There are also situations in which an agency relationship is implied by the actions of the parties.

3. What duties does an agent owe to a principal?

Agents owe the following duties to their principal: obedience, care, loyalty, and accounting.

4. What is a disclosed principal?

A disclosed principal is someone who is known to all parties in the transaction.

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5. What is commingling funds?

Commingling of funds is the combination of client funds with personal funds by an agent. This practice is unethical and may also be illegal.

6. How is an agency relationship terminated?

An agency relationship can be terminated in a number of ways, including by the stated terms of the agreement, by implication, by the passage of a reasonable

period of time, by operation of law, and by accomplishment of purpose.

7. What is ratification?

Ratification is the approval of the agent's actions, originally carried out without authority.

8. What is the most common way that an agency relationship is created?

The most common way to create an agency relationship is by the express agreement of the parties.

9. What is a fiduciary?

A fiduciary is someone who owes ethical and legal duties to act in the best interests of another.

10. What is the significance of this chapter's crucial case?

This case developed the concepts of agency relationships.

11. What is the difference between express authority and implied authority?

Express authority is that permission specifically granted by a principal to an agent. Implied authority is the agent's authority to act on behalf of the principal that is assumed under the law.

12. What is apparent authority?

Apparent authority is the agent's purported authority to act on behalf of the principal, uncontradicted by the principal.

13. What is actual authority?

Actual authority refers to be specific rights, powers, and privileges granted to an agency in a agency-principal relationship.

14. What is an undisclosed principal?

An undisclosed principal is someone who hires an agent to work on his or her behalf and whose identity is not revealed to third parties.

15. Can a principal order an agent to do some action that violates the law?

Why or why not?

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Principals are not authorized to order agents to carry out illegal activities. Such an order would violate the public-policy limitations on the principal-agency relationship.

Reflection



Applying Concepts

Chapter Review

eLecture: Review Answers

Reflection

Reflection Responses

Chapter Quiz

Reflection

1. Are the duties imposed on agents unfair? Should there be more give and take between principals and agents? Explain your answer.
2. Why are there different classifications of agents, such as general, universal, and special? What advantages or disadvantages do these categories create?

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Reflection Responses



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Instructions: (Optional) If you want, you may Email your responses to your instructor, making clear that your answers are for the *Reflection* segment of Chapter 2.

1. Are the duties imposed on agents unfair? Should there be more give and take between principals and agents? Explain your answer.
Your responses to this question will vary.
2. Why are there different classifications of agents, such as general, universal, and special? What advantages or disadvantages do these categories create?
There are different classifications of agents because of the different needs that principals have. In some situations, the principal may need the agent to carry out a series of transactions on the principal's behalf and would, therefore, appoint a universal agent. On the other hand, the principal may only require an agent for a specific transaction. Different classifications of agents allow principals to pick

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Chapter Quiz

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Applying Concepts

Chapter Review

eLecture: Review Answers

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Chapter Quiz

Chapter Quiz

[Click here for the Chapter Quiz.](#)

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