

Chapter 14 Agency Authority and Termination

Section 14.1 Duties and Liability in Agency Relationships



Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> • Obedience: agent must obey all reasonable commands within the scope of the agreement 	<p>AGENT'S DUTIES</p> <ul style="list-style-type: none"> • An agency relationship is a fiduciary relationship, which is based on trust. <p>PRINCIPAL'S DUTIES</p> <ul style="list-style-type: none"> • Four duties a principal owes an agent: compensation, reimbursement, indemnification, cooperation. <p>LIABILITY</p> <ul style="list-style-type: none"> • Determining who is liable depends on whether parties are principal-agent or proprietor-independent contractor. <ul style="list-style-type: none"> • Tort liability of principal: <ul style="list-style-type: none"> • Tort liability of proprietor:
<p style="text-align: center;">Summary</p> <p>An agent has a duty to a principal to be:</p>	

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English Language Arts Writing

Directions Read the information in the box below. Then write a Help Wanted ad to help the company find a qualified agent. Address all the duties of both agent and principal in your ad.

FAST ACTION VIDEO GAMES

Fast Action Video Games creates and manufactures popular computer games. The company is about to introduce a new line of games to the market. It is seeking a sales representative to sell the games to distributors nationwide.

HELP WANTED

Sales Rep for Fast Action Video Games, Inc.

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Reading Comprehension

Compare and Contrast

Directions A foreign company that wants to do business in Israel can choose to contract with a commercial agent or with a distributor. Complete the chart below to compare and contrast the two choices. The first one has been done for you.

Commercial Agent	Distributor
Has the authority to act in the foreign company's name and can bind the company to any contract the agent feels is proper	Has only the right to market the products
Must follow any directives given by the foreign company	
	Not barred from selling competing products
Foreign company provides liability insurance.	
	Responsible for promoting the product of foreign company

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Test Taking

Essay Tests

Directions Read the information in the box below. Then write a short essay explaining the differences between the duties of the principal and the duties of the agent.

TIPS ON ESSAY TESTS

Before you take a standardized or proficiency test, check to see if previous sample tests or previously administered tests are available to review. If so, look them over carefully to become familiar with the format of the essay portion of the test.

Read over each question and identify key words in the directions that tell you what to do. If the directions ask to *explain* something, your answer should go beyond a basic definition or list of information about the topic and include information and examples that tell why and how. If the directions ask to *compare and contrast* two things, you should describe similarities and differences. If the directions ask to *discuss* a topic, your answer should show that you have thought through all aspects of the topic or issue. Include specific examples and details to back up your main ideas.

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Note Taking

Directions As you read, write notes, facts, and main ideas in the Note Taking column. Write key words and short phrases in the Cues column. Then summarize the section in the Summary box.

Cues	Note Taking
<ul style="list-style-type: none"> • Impossibility of performance can happen if necessary subject matter is destroyed or if agent or principal becomes incapacitated or ill. 	<p>TERMINATION BY OPERATION OF LAW</p> <ul style="list-style-type: none"> • Termination of an agency relationship by operation of law can occur when a major change affects the parties involved or alters the relationship's operation. <p>TERMINATION BY ACTS OF THE PARTIES</p> <ul style="list-style-type: none"> • Most agencies end when duties have been fully carried out by the parties. <p>GIVING NOTICE</p> <ul style="list-style-type: none"> • When agencies end, principal must notify all third parties who have done business with principal through agent. • Two types of notice:
<p style="text-align: center;">Summary</p> <p>Agency relationships can end by:</p>	

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Study Skills Managing Distractions

Directions Read the tips below. Then apply the tips as you read Section 14.2. Answer the questions that follow.

TIPS FOR MANAGING DISTRACTIONS

- Find a quiet place to study. Reading comprehension usually decreases in direct proportion to the amount of sound in a room.
- If you cannot eliminate noise from your surroundings, try blocking it out with white noise. White noise is a bland, repetitive sound. Try turning on a fan or leaving your radio on a station where you hear only static. Your mind will get accustomed to the white noise and tune it out.
- Certain kinds of music have the same effect as white noise. Easy listening or classical music sometimes can keep you from becoming distracted.
- Get rid of inner noise. Eliminate worries, thoughts, and daydreams that keep you from concentrating.

1. Did your comprehension of the section improve by finding a quieter place to read? Why or why not?

2. Did your comprehension improve by creating white noise while you read? Why or why not?

3. Did your comprehension improve by listening to music? Why or why not?

4. Did your comprehension improve by eliminating inner noise? Why or why not?

5. What strategies worked best for you? Explain.

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Study Skills Scheduling

Directions Read the tips below. Then answer the questions that follow by circling the letter of the word or phrase that best completes each sentence.

SCHEDULING YOUR TIME

- | | |
|--|--|
| <ul style="list-style-type: none"> • Take time to plan. • Set realistic goals. • Avoid marathon study sessions. • Allow time for chores and errands. | <ul style="list-style-type: none"> • Do not forget to schedule time for fun. • Plan a regular time for study. • Stick to your schedule. • Reward yourself. |
|--|--|

1. An agency can end by operation of law, which includes all of the following except
 - a. death of the principal or agent.
 - b. bankruptcy.
 - c. mutual consent or agreement.
 - d. impossibility of performance.

2. An agency can end by acts of the parties, including
 - a. death of the principal or agent.
 - b. bankruptcy.
 - c. completion of performance.
 - d. impossibility of performance.

3. If an agent has an interest in the subject matter of an agency, the agency is
 - a. irrevocable.
 - b. mutual.
 - c. compensatory.
 - d. loyal.

4. The legal doctrine stating that the master is responsible for the torts of his or her servants is called
 - a. fiduciary relationship.
 - b. respondeat superior.
 - c. double representation.
 - d. indemnification.

5. Notice given directly to a third party, usually by certified mail, is called
 - a. mutual agreement.
 - b. completion of performance.
 - c. notice by publication.
 - d. actual notice.

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Test Prep Managing Stress

Directions Read the tips below. Then take the practice test that follows. If the answer is true, circle *T*. If the answer is false, circle *F*.

MANAGING STRESS

Have you ever experienced a sick feeling in the pit of your stomach before an important test, recital, or performance? Most people have. Have you ever been around other people who are experiencing stress? Did this add to your feelings of pressure? It is a good idea not to discuss your anxiety with others before a test.

Instead, monitor your own stress-related responses. Do you daydream, feel confused, have tense muscles, or feel you have a mental block? These are all responses to stress. You can manage these effects of stress by using relaxation techniques. Loosen any tight clothing. Close your eyes and take deep, slow breaths. Do stretching exercises. Curl your toes and hold for a count of ten, then relax. Repeat with the other muscles in your body, working your way up to your neck and face.

- | | |
|---|------------|
| 1. An agency relationship can be terminated by operation of law or by the acts of the parties. | T F |
| 2. When the parties have fully carried out their duties, the agency relationship is said to end by operation of law. | T F |
| 3. When the principal goes bankrupt, the agency relationship is said to end by the acts of the parties. | T F |
| 4. An agency relationship can be terminated if the agent or principal becomes incapacitated or ill. | T F |
| 5. Irrevocable agency means the agent may withdraw from the relationship at any time. | T F |
| 6. Notice by publication is usually sent through the mail. | T F |
| 7. An agency relationship will end through impossibility of performance if the subject matter of the contract is destroyed. | T F |
| 8. Bankruptcy gives a trustee title to the principal's property for the benefit of debtors. | T F |

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Chapter Content Vocabulary



English Language Arts Writing

Directions Match each word or phrase with its definition. Write the letter of the word on the line next to the definition.

- a. self-dealing
- b. compensation
- c. double representation
- d. fiduciary relationship
- e. reimbursement
- f. indemnification
- g. respondeat superior
- h. nondelegable duty
- i. actual notice
- j. notice by publication

- 1. _____ fair payment
- 2. _____ when an agent works simultaneously for two competing principals
- 3. _____ a formal notice given directly to a party
- 4. _____ payment for money spent by an agent on behalf of a principal
- 5. _____ a relationship built on trust
- 6. _____ payment for losses suffered by an agent because of a principal's instructions
- 7. _____ when agents make deals that benefit themselves rather than their principal
- 8. _____ a legal doctrine that states that the master is responsible for the torts of his or her servants
- 9. _____ a duty that cannot be transferred
- 10. _____ notice usually given by publishing a notice in a local newspaper



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Chapter Academic Vocabulary



English Language Arts Reading Skills

Directions Fill in the blank with the correct vocabulary word.

loyal	benefit
adhere	mutual
cooperation	irrevocable

1. If a principal does not _____ to the duties set forth, he or she may be liable to the agent or third party.
2. Bankruptcy gives a trustee title to the principal's property for the _____ of creditors.
3. An agency relationship can be ended by _____ consent.
4. A(n) _____ agency means the agency cannot be revoked until the agent is paid fully.
5. Agents must be _____ to their principals.
6. If the principal interferes with the agent's performance, the principal has breached the duty of _____.