Week 3 Discussion

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Part 1

**Liability on Negotiable Instruments**

The arguably of Porters Cable that its account should be credited with $9,500 does not make any sense. First, Mr. Smith who made the transfer was allowed by the Porters Cable to make payment and therefore, any transaction made on behalf of the company was not illegal. It is, therefore, means that the transfer of $9,500 to Timkin Bearings' accounts. Though it was unethical and illegal for Smith to make such transfer to steal from the company, the bank did not commit anything wrong. Crediting the account of Porters with the transferred amount would not be possible. The bank, therefore, makes sensibly arguable before Smith was transacting business on behalf of Porter Cable.

Though the amount was transferred from Porters Cable without its awareness and for a wrongful reason, the bank (First Bank) would win the argument. Portals Cable permits Smith to draw checks and make a payment on behalf of the company. It means that by the time Smith transfer the amount of 9,500 to Timkin account nobody could know whether the transfer was a fraud or not. The First Bank, therefore, did not commit any offense (Ablan, 2015). First Bank did not bear any liability regarding the transaction and therefore, cannot be forced by Portal Cables to credit its account with the stolen money. It is the drawer which in this case is Mr. Smith should pay Porters Cable the lost amount, not the bank. First Bank had no liability to address since it does not cover for the drawer of the amount as well. Second, the bank was not aware of the intended fraud and believed that the transaction was a normal transaction like other transaction before, which had been handled by Smith. The liability should, therefore, be handled by the rawer who is Smith.

**Discussion Question Part II**

**Acceptance of checks**

Metlink Enterprise intends to create a system where employees are liable to, therefore, actions. The acceptance of check would be done by only one staff and therefore, the same employee would be held liable for any mistake made on the check. The acceptance of check involves counterchecking any check issued to the company and approving for payment and therefore, before goods are issued for the check issued, a specific employee must give the green light for the processing of the products to be done (Goel, 2016). The acceptable of the check will, therefore, be done by an accountant and therefore, the accountant would be held responsible for any problem raised from the check received by the company from clients.

**Acceptance of payment by electronic means, such as PayPal**

Metlink Enterprise also intends to integrate PayPal as part of its payment platform. Metlink will create a PayPal account and link to its bank account so that clients purchasing products online could make a secure payment through PayPal. The company would also be able to make payment to clients through its PayPal payment platform. PayPal integration would be helpful in facilitating efficient transaction since Metlink would be dealing with online sales.

**Prevention of forgery**

Prevention of forgery is an essential aspect in business and therefore, Metlink Enterprise must take a serious action to prevent any forgery. The company, therefore, will have watermarks on its financial documents to make it difficult for any staff to forge any of its documents. The financial transaction will also be done by specific employees and the documents are kept confidentially from accessible by any unauthorized staff. It would also be important to establish a system where all documents are countercheck at a different level by the staffs before a payment is issued. This will help in limiting any risk related to fraud.

# References

Ablan, R. T. (2015). Negotiable Instruments Law. *Commercial Law*, 2-31.

Goel, S. (2016). The Negotiable Instruments Act, 1881: Critical Analysis.

*https://www.researchgate.net/publication/314466023\_The\_Negotiable\_Instruments\_Act\_1881\_Critical\_Analysis*, 2-35.