

Business law - legal, ethical, global, and corporate environment

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When dealing with fraud, reliance refers to the fact that one party would not have entered into the agreement that constitutes the fraud if the other party had not made the misrepresentation or made the silent fraud (Clarkson, Miller and Cross 157).

In the case at hand, the material fact was the overstated inventory, and the reliance was the decision by ABC to purchase the company on June 1.

Despite the fact that Zulu discovered the overstatement of the inventory 15 days after the financial statements have been presented, and ABC Corporation discovered the overstatement after purchasing the company, silent fraud had still been committed. ABC can prove silent fraud since it can prove that, prior to the purchase, Zulu failed to disclose a material fact, Zulu had actual knowledge of the material fact and the failure by Zulu to disclose the material fact gave caused ABC Corporation to have a false impression and, therefore, buy the company. ABC Corporation can also prove that, when Zulu failed to disclose the material fact, which is the overstatement of inventory, they knew that ABC Corporation would have a false impression and/or they intended ABC Corporation to have a false impression. ABC Corporation can also prove that they relied on the false impression to make the decision, and as a result of the decision made, ABC Corporation suffered a loss (Clarkson, Miller and Cross 158).