

Chapter 1 - The Legal Environment

1. Laws and government regulations affect almost all business activities.

- a. True
- b. False

ANSWER: True

2. Law consists of enforceable rules governing relationships among individuals and between individuals and their society.

- a. True
- b. False

ANSWER: True

3. Many different laws may apply to a single business transaction.

- a. True
- b. False

ANSWER: True

4. Businesspersons are expected to make decisions that are ethically sound.

- a. True
- b. False

ANSWER: True

5. Being a small-business owner means that you will never have to take on the role of finance manager, marketing manager or accountant.

- a. True
- b. False

ANSWER: False

6. Whether financial statements created by an accountant need to be verified for accuracy is not a legal question.

- a. True
- b. False

ANSWER: False

7. There are legal questions involved when considering ways to raise capital so a business can grow.

- a. True
- b. False

ANSWER: True

8. There are legal questions involved when choosing an appropriate business organizational form.

- a. True
- b. False

ANSWER: True

Chapter 1 - The Legal Environment

9. A small business owner is likely to face legal questions when determining ways to reduce his small business's taxes.
- a. True
 - b. False

ANSWER: True

10. In order to truly understand the law, it is important to understand the origins of the law.
- a. True
 - b. False

ANSWER: True

11. Administrative law is a source of American law that is comprised of statutes.
- a. True
 - b. False

ANSWER: False

12. Statutes are laws enacted by Congress and the state legislatures and comprise one of the sources of American law.
- a. True
 - b. False

ANSWER: True

13. Constitutional law includes only the U.S. Constitution.
- a. True
 - b. False

ANSWER: False

14. Whether a law is constitutional depends on its source.
- a. True
 - b. False

ANSWER: False

15. The U.S. Constitution reserves to the federal government all powers not granted to the states.
- a. True
 - b. False

ANSWER: False

16. Statutory law includes state statutes.
- a. True
 - b. False

ANSWER: False

Chapter 1 - The Legal Environment

17. Uniform laws apply in all states, including those in which the laws have not been adopted.
- a. True
 - b. False

ANSWER: False

18. Statutory law does *not* include county ordinances.
- a. True
 - b. False

ANSWER: False

19. The courts, in interpreting statutory law, may rely on the common law as a guide to what the legislators intended.
- a. True
 - b. False

ANSWER: True

20. No state has adopted the Uniform Commercial Code in its entirety.
- a. True
 - b. False

ANSWER: False

21. A judge's function is to make the law.
- a. True
 - b. False

ANSWER: False

22. Administrative law consists of the rules, orders, and decisions of administrative agencies.
- a. True
 - b. False

ANSWER: True

23. Administrative law includes only state regulations.
- a. True
 - b. False

ANSWER: False

24. The term *common law* refers to law that is common throughout the world.
- a. True
 - b. False

ANSWER: False

Chapter 1 - The Legal Environment

25. *Common law* is a term for the laws that are familiar to most of us.

- a. True
- b. False

ANSWER: False

26. *Stare decisis* is a doctrine obligating judges to help persons who have failed to protect their own rights.

- a. True
- b. False

ANSWER: False

27. In a common law system, judges are *not* obligated to follow the precedents established within their jurisdictions.

- a. True
- b. False

ANSWER: False

28. Courts do *not* depart from precedents.

- a. True
- b. False

ANSWER: False

29. Damages are a remedy at law.

- a. True
- b. False

ANSWER: True

30. Remedies in equity include injunctions.

- a. True
- b. False

ANSWER: True

31. In most states, the courts no longer grant “equitable” remedies.

- a. True
- b. False

ANSWER: False

32. Criminal law focuses on duties that exist between persons.

- a. True
- b. False

ANSWER: False

Chapter 1 - The Legal Environment

33. Criminal acts are prohibited only by federal government statutes.
- a. True
 - b. False

ANSWER: False

34. Government authorities cannot enforce national law.
- a. True
 - b. False

ANSWER: False

35. International law is the law of a foreign nation and varies from country to country.
- a. True
 - b. False

ANSWER: False

36. Data Analytics, Inc., is a corporation engaged in the business of compiling, analyzing, and marketing data. To accomplish its purposes, Data Analytics obtains financing, and hires and fires employees. Laws and government regulations affect such business activities as
- a. hiring and firing decisions.
 - b. the manufacturing and marketing of products.
 - c. business financing.
 - d. all of the choices.

ANSWER: d

37. Congress enacts a statute, the Federal Deposit Insurance Corporation (an administrative agency) issues rules, the Southeast Financial Institutions Association (a private organizations) issues instructions, South Valley Bank posts a memo with orders for its employees, and Tina tells her co-worker about a recent news story. Sources of law include
- a. the instructions issued by private associations.
 - b. the orders posted by employers.
 - c. the rules issued by federal administrative agencies.
 - d. the stories released by news agencies.

ANSWER: c

38. Cato and Dolly are involved in a lawsuit. The best definition of a *lawsuit* is
- a. a criminal prosecution, not a civil proceeding.
 - b. a failure to perform a legal obligation.
 - c. a judicial proceeding for the resolution of a dispute.
 - d. an enactment of law by a legislative body.

ANSWER: c

Chapter 1 - The Legal Environment

39. Under Ohio's state constitution, the Ohio Environmental Protection Agency issues a new rule, the Polk County Commission approves a new property tax measure, and the professors and students at Ohio Law School publish the results of their most recent legal research. Sources of law include
- a. the measures approved by local governing bodies.
 - b. the results of legal scholars' research.
 - c. the rules issued by state administrative agencies.
 - d. the measures approved by local governing bodies and the rules issued by state administrative agencies.

ANSWER: d

40. If a provision in the California state constitution conflicts with a provision in the U.S. Constitution
- a. neither provision applies.
 - b. the provisions are balanced to reach a compromise.
 - c. the state constitution takes precedence.
 - d. the U.S. Constitution takes precedence.

ANSWER: d

41. The Tenth Amendment of the U.S. Constitution
- a. defines the powers and limitations of the federal government.
 - b. gives state law precedence over federal law.
 - c. gives the federal government the power to tax state governments.
 - d. gives all citizens the right to bear arms.

ANSWER: a

42. The Rhode Island state legislature enacts a law that violates the U.S. Constitution. This law can be enforced by
- a. no one.
 - b. the federal government only.
 - c. the state of Pennsylvania only.
 - d. the United States Supreme Court only.

ANSWER: a

43. Café Espresso is a coffee shop subject to the laws of Illinois. In Illinois, the highest-ranking (superior) law is
- a. a case decided by the Illinois Supreme Court.
 - b. a rule created by a Illinois state administrative agency.
 - c. a provision in the Illinois constitution.
 - d. a statute enacted by the Illinois legislature.

ANSWER: c

Chapter 1 - The Legal Environment

44. The Uniform Commercial Code has been adopted, at least in part, in
- all states.
 - forty-five states.
 - thirty-five states.
 - no state.

ANSWER: a

45. The Consumer Product Safety Commission is a government agency that issues rules, orders, and decisions. The Colorado state legislature enacts statutes. The Washington County Board and the Silver City Council enact ordinances. Administrative law includes
- all laws that affect a business's operation.
 - the rules, orders, and decisions of the Consumer Product Safety Commission.
 - statutes enacted by the Colorado state legislature.
 - ordinances enacted by the Washington County Board and the Silver City Council.

ANSWER: b

46. The Bay City Planning Department, the Coastal County Zoning Commission, the Delaware Environmental Quality Agency, and the U.S. Bureau of Land Management issue regulations. These rules constitute
- administrative law.
 - case law.
 - constitutional law
 - statutory law.

ANSWER: a

47. Much of American law is based on
- the English legal system.
 - the Spanish legal system.
 - the civil law of the Greeks.
 - Ancient Chinese law.

ANSWER: a

48. Deb and Earl are involved in a judicial proceeding for the resolution of a dispute. This is
- an action.
 - a breach.
 - an injunction.
 - a remedy.

ANSWER: a

Chapter 1 - The Legal Environment

49. Charles is a federal judge whose judicial decisions are part of case law, which does *not* include interpretations of
- regulations created by administrative agencies.
 - constitutional provisions.
 - statutes enacted by legislatures.
 - parties' subjective motives for engaging in litigation.

ANSWER: d

50. As a judge, Baxter applies common law rules. These rules develop from
- decisions of the courts in legal disputes.
 - regulations issued by administrative agencies.
 - statutes enacted by Congress and the state legislatures.
 - uniform laws drafted by legal scholars.

ANSWER: a

51. Mike and Nan are involved in a case. The best definition of a *case* is
- a criminal prosecution, not a civil proceeding.
 - a failure to perform a legal obligation.
 - a judicial proceeding for the resolution of a dispute.
 - a type of regulation applied to a business.

ANSWER: c

52. Jack enters into a contract with Jill's Farm to provide water for Jill's irrigation needs. Jack fails to deliver. Jill initiates a suit against Jack, asking the court to order Jack to perform. Jill is
- the plaintiff.
 - the defendant.
 - the binding authority.
 - the persuasive authority.

ANSWER: b

53. Oak Street Market has a *cause of action*, which is best defined as
- a criminal prosecution, not a civil proceeding.
 - a failure to perform a legal obligation.
 - a judicial proceeding for the resolution of a dispute.
 - a situation giving a person a right to initiate a judicial proceeding.

ANSWER: d

Chapter 1 - The Legal Environment

54. Kevin is a judge hearing the case of *Local Dispatch Co. v. National Transport Corp.* Applying the relevant rule of law to the facts of the case requires Kevin to find previously decided cases that, in relation to the case under consideration, are
- as different as possible.
 - as similar as possible.
 - at odds.
 - exactly identical.

ANSWER: b

55. There are no precedents on which the court deciding the case *Standard Resource Co. v. Topline Inventory, Inc.*, can base its decision. The court can consider, among other things,
- the opinions of the friends and relatives of the judge.
 - the results of a poll of those in the courtroom.
 - public policy or social values.
 - none of the choices.

ANSWER: c

56. In the case of *Retail Sales Corp. v. Trucking Delivery Co.*, the court may rule contrary to a precedent if the court decides that the precedent
- is incorrect or inapplicable.
 - is not in line with the judge's personal values.
 - would lead to unintended consequences.
 - would not bring about the result the judge prefers.

ANSWER: a

57. In *Benny v. City Car Dealership*, a state supreme court held that a minor could cancel a contract for the sale of a car. Now a trial court in the same state is deciding *Dora v. Even Steven Auto Deals, Inc.*, a case with similar facts. Under the doctrine of *stare decisis*, the trial court is likely to
- allow the minor to cancel the contract.
 - disregard the Benny case.
 - order the minor to cancel the contract.
 - require the minor to fulfill the contract.

ANSWER: a

58. Judge Karen decides that the precedent for the case she is hearing is no longer correct due to technological changes. She overturns the precedent when she decides the case. It is likely that her case will
- go unnoticed by the public.
 - be thrown out of court.
 - receive a great deal of publicity.
 - be ignored by the media.

ANSWER: c

Chapter 1 - The Legal Environment

59. In an action against Gina, Harry obtains a *remedy*. This is
- an administrative agency's enforcement of its rule.
 - a principle of the law derived from earlier court cases.
 - a statute enacted by a state legislature or Congress.
 - the legal means to recover a right or to redress a wrong.

ANSWER: d

60. Hector is a state court judge. Ilena appears in a case in Hector's court, claiming that Jacob breached a contract. Possible remedies include
- compensation to Hector for a favorable ruling.
 - imprisonment.
 - a criminal fine.
 - an award of damages.

ANSWER: d

61. James and Kay enter into a contract for the sale of a bicycle, but Kay later refuses to deliver the goods. James asks a court to order Kay to perform as promised. Ordering a party to perform what was promised is
- an equitable remedy.
 - an unenforceable demand.
 - an action.
 - beyond the court's authority.

ANSWER: a

62. In a suit against Ian, Jenna obtains an *injunction*. This is
- an order to do or to refrain from doing a particular act.
 - an order to perform what was promised.
 - a payment of money or property as compensation.
 - the cancellation of a contract.

ANSWER: a

63. Reba is a state court judge. In her court, legal and equitable remedies have merged. In these circumstances, distinguishing between these types of remedies is
- not important because legal remedies cannot be granted today.
 - not important because equitable remedies cannot be granted today.
 - important so that statistical data on the remedies can be compiled.
 - important so that the proper remedy can be requested.

ANSWER: d

Chapter 1 - The Legal Environment

64. In a suit against Ethan, Francisco obtains an award of *damages*. This is
- an order to do or to refrain from doing a particular act.
 - an order to perform what was promised.
 - a payment of money or property as compensation.
 - the cancellation of a contract.

ANSWER: c

65. Bob's Burgers n' Shakes Restaurant brings a suit in a court of law. At one time, a court of law could grant as a remedy only
- damages.
 - an order to perform a contract as promised.
 - a judicial proceeding for the resolution of a dispute.
 - an injunction.

ANSWER: a

66. The branch of law dealing with the definition and enforcement of all private or public rights is
- administrativelaw.
 - civil law.
 - constitutional law.
 - federallaw.

ANSWER: b

67. Rupert is a victim of Sara's violation of a criminal law. Criminal law is concerned with
- the prosecution of private individuals by other private individuals.
 - the prosecution of public officials by private individuals.
 - the relief available when a person's rights are violated.
 - wrongs committed against the public as a whole.

ANSWER: d

68. Criminal acts are prohibited by
- local statutes only.
 - state statutes only.
 - federal statutes only.
 - local, state, and federal statutes.

ANSWER: d

Chapter 1 - The Legal Environment

69. *National law* is

- a. law that pertains to a particular nation.
- b. law that has an extraterritorial effect.
- c. all law that is applied within a nation's courts, including international law and the law of another country.
- d. federal law, as opposed to state law.

ANSWER: a

70. Japan violates an international law. Other countries may

- a. impose fines on Japan.
- b. imprison Japan's leaders.
- c. boycott Japan's goods.
- d. tax Japanese citizens.

ANSWER: c

71. Americans with a Better Cause (ABC), a nonprofit organization, files a suit against the U.S. Department of Justice (DOJ), claiming that a certain federal statute the DOJ is empowered to enforce conflicts with the U.S. Constitution and with a state constitution. In each situation, which source of law has priority?

ANSWER: The U.S. Constitution is the supreme law of the land. A law in violation of the Constitution, no matter what its source, will be declared unconstitutional and will not be enforced. Thus, the federal statute does not have priority over the Constitution. The federal statute would have priority over the state constitution, however, because under the U.S. Constitution, when there is a conflict between a federal law and a state law, the state law is rendered invalid.

72. In a dispute between Digital Hardware Corporation and Software Engineering Associates, Inc., the court applies the doctrine of *stare decisis*. What is this doctrine? What does this doctrine have to do with the American legal system?

ANSWER: In a common law legal system, past judicial decisions are binding in current disputes with similar facts. This feature of the common law, which is the basis of the American legal system, is unique because, unlike the law in other legal systems, it is judge-made law. Within the common law system, when possible, judges attempt to be consistent and to base their decisions on the principles suggested by earlier cases. The body of principles and doctrines that form the common law emerged over time as judges applied the principles announced in earlier cases to subsequent legal controversies. The practice of deciding cases with reference to former decisions, or precedents—the cornerstone of the American legal system—is called the doctrine of *stare decisis*. Under this doctrine, judges are obligated to follow the precedents established within their jurisdictions. This helps courts to be more efficient, and makes the law more stable and predictable.