Business Law Text and Cases 15th edition Clarkson Test Bank

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TRUE/FALSE

1 : In the United States, the law consists of written laws and court decisions.
A : true
B : false

Correct Answer : A

2 : The legal rules that control a business's actions reflect past and current thinking about how similar businesses should and should not act.
A : true
B : false

Correct Answer : A

3 : Because laws may change, the ability to analyze and evaluate the legal ramifications of situations as they arise is not a lasting skill.
A : true
B : false

Correct Answer : B

4 : The study of business law does not involve an ethical dimension.
A : true
B : false

Correct Answer : B

5 : Compartmentalizing the law into discrete topics indicates that each business transaction is subject to only one specific area of the law.
A : true
B : false

Correct Answer : B

6 : A constitution is a primary source of law.
A : true
B : false

Correct Answer : A

7 : A statute is a secondary source of law.
A : true
B : false

Correct Answer : B

8 : A secondary source of law establishes the law on a particular issue.
A : true
B : false

Correct Answer : B

9 : Courts often refer to secondary sources of law for guidance in interpreting and applying a primary source of law.
A : true
B : false

Correct Answer : A

10 : Even if it conflicts with the U.S. Constitution, a state constitution is supreme within that states' borders.
A : true
B : false

Correct Answer : B

11 : The U.S. Constitution is the basis of all law in the United States.
A : true
B : false

Correct Answer : A

12 : Only if a state legislature adopts a uniform law does that law become part of the statutory law of that state.
A : true
B : false

Correct Answer : A

13 : A citation is a regulation enacted by a city or county legislative body.
A : true
B : false

Correct Answer : B

14 : A local ordinance commonly has to do with a matter concerning only a local governing unit.
A : true
B : false

Correct Answer : A

15 : A federal statute applies only to those states that agree to apply it within their borders.
A : true
B : false

Correct Answer : B

16 : Congress or a state legislature establishes an administrative agency to perform a specific function.
A : true
B : false

Correct Answer : A

17 : Independent regulatory agencies are not subject to the authority of the president.
A : true
B : false

Correct Answer : B

18 : Rules issued by administrative agencies affect almost every aspect of a business's operations.
A : true
B : false

Correct Answer : A

19 : Federal agency regulations do not take precedence over conflicting state regulations.
A : true
B : false

Correct Answer : B

20 : Administrative law plays a relatively insignificant role in the regulatory environment of business.
A : true
B : false

Correct Answer : B

21 : The doctrines and principles announced in court decisions govern all areas not covered by statutory or administrative law.
A : true
B : false

Correct Answer : A

22 : The common law is a body of law developed from judicial decisions.
A : true
B : false

Correct Answer : A

23 : A court should overturn its precedents unless there is a compelling reason not to.
A : true
B : false

Correct Answer : B

24 : Controlling precedents are binding authorities.
A : true
B : false

Correct Answer : A

25 : A case of first impression is any legal authority or source of law that a court may look to for guidance but need not follow when making its decision.

A : true
B : false

Correct Answer : B

26 : Often, more than one rule of law will be applicable to a case.
A : true
B : false

Correct Answer : A

27 : There is one right answer to every legal question.
A : true
B : false

Correct Answer : B

28 : Because courts of law and equity have merged, the principles of equity are no longer applied.
A : true
B : false

Correct Answer : B

29 : With respect to the study of jurisprudence, there is only one school of legal thought.
A : true
B : false

Correct Answer : B

30 : Civil law has to do with wrongs committed against society for which society demands redress.
A : true
B : false

Correct Answer : B

31 : International law derives from a variety of sources, including the laws of individual nations.
A : true
B : false

Correct Answer : A

32 : In a criminal case, the object is to obtain a remedy.
A : true
B : false

Correct Answer : B

33 : Courts will not grant an equitable remedy unless the remedy at law is adequate.
A : true
B : false

Correct Answer : B

34 : Rescission is the cancellation of a contractual obligation.
A : true
B : false

Correct Answer : A

35 : The basis of a civil law system is a written code of laws.
A : true
B : false

Correct Answer : A

MULTIPLE CHOICE

36 : Power, Inc., is a corporation engaged in the business of producing, refining, and distributing energy resources. With respect to the firm's managers, legal concepts can be useful for Power's
A : accounting and finance manager.
B : human resources manager.
C : marketing manager.
D : all of the choices.

Correct Answer : D

37 : Primary sources of law include
A : legal encyclopedias.
B : official comments to statutes.
C : case law.
D : legal treatises.

Correct Answer : C

38 : Secondary sources of law include
A : state constitutions.
B : legal scholars' research.
C : laws passed by local governing bodies.
D : regulations created by administrative agencies.

Correct Answer : B

39 : A constitution sets forth a government's
A : limits, but not powers.
B : limits and powers.
C : neither limits nor powers.
D : powers, but not limits.

Correct Answer : B

40 : The basis of all law in the United States is

A : the U.S. Constitution.
B : laws passed by Congress.
C : case law.
D : regulations created by administrative agencies.

Correct Answer : A

41 : Laws enacted by legislative bodies at any level of government make up the body of law generally referred to as
A : statutory law.
B : the basis of all law in the United States.
C : the supreme law of the land.
D : uniform law.

Correct Answer : A

42 : On a challenge to a provision in a state constitution that conflicts with a provision in the U.S. Constitution
A : neither provision will be enforced.
B : both provisions will be enforced.
C : the state provision will be enforced only within that state's borders.
D : the state provision will not be enforced.

Correct Answer : D

43 : The Florida legislature enacts a state 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 Florida only.
D : the United States Supreme Court only.

Correct Answer : A

44 : The Uniform Commercial Code facilitates commerce
A : among the states.
B : between the states and the federal government.
C : in countries that were once colonies of Great Britain.
D : in international markets.

Correct Answer : A

45 : The Uniform Commercial Code provides a set of rules governing
A : commercial transactions.
B : state legislative adoptions.
C : congressional procedures.
D : administrative processes.

Correct Answer : A

46 : Administrative law includes
A : all laws that affect business operations.
B : the rules, orders, and decisions of a government agency.

C : model laws developed by the National Conference of Commissioners on Uniform State Laws.
D : laws enacted by a legislative body.

Correct Answer : B

47 : Regulations issued by a state or local agency may affect all of the following aspects of a business's operations except
A : capital structure and financing.
B : product manufacturing and marketing.
C : relations with employees and unions.
D : compliance with conflicting federal agency regulations.

Correct Answer : D

48 : The Food and Drug Administration (FDA) is an executive agency. As an executive agency, the FDA is subject to the authority of
A : no government official or entity.
B : the president.
C : state legislatures.
D : the U.S. Attorney General

Correct Answer : B

49 : Common law rules develop from
A : principles underlying judges' decisions in actual controversies.
B : regulations issued by administrative agencies.
C : statutes enacted by Congress and the state legislatures.
D : uniform laws drafted by legal scholars.

Correct Answer : A

50 : Stare decisis is best defined as
A : a doctrine under which judges follow established precedents.
B : the authority to decide a specific dispute.
C : a judicial proceeding to redress a wrong.
D : a situation giving a person a right to initiate a judicial proceeding.

Correct Answer : A

51 : A precedent is
A : the chief executive officer of the United States.
B : a court decision that furnishes an example for deciding subsequent cases involving similar or identical facts or principles.
C : a lawsuit in which a number of persons join together.
D : the fundamental procedure by which the government exercises its authority.

Correct Answer : B

52 : Each court has a jurisdiction. Jurisdiction is best defined as
A : a doctrine that follows established precedents.
B : the geographic area in which a court has the power to apply the law.
C : a judicial proceeding to redress a wrong.
D : a situation giving a person a right to initiate a judicial proceeding.

Correct Answer : B

53 : Once a court has applied a principle to a certain set of facts, that principle must be applied in future cases involving
A : different facts.
B : similar facts.
C : any facts.
D : no particular facts.

Correct Answer : B

54 : In deciding a case of first impression, appropriate sources for a court to consider include all of the following except
A : legal authorities that are not binding on the court.
B : issues of fairness.
C : government policy based on widely held social values.
D : a poll of those present in the courtroom at the time of the decision.

Correct Answer : D

55 : In Peyton v. Quality Motors, 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 Rikki v. Street Deals, Inc., a case with similar facts. Under the doctrine of stare decisis, the trial court is likely to
A : allow the minor to cancel the contract.
B : disregard the *Peyton* case.
C : order the minor to cancel the contract.
D : require the minor to fulfill the contract.

Correct Answer : A

56 : In the case of Sales Corp. v. Transport Co., the court may rule contrary to a precedent if the court decides that the precedent
A : is incorrect or inapplicable.
B : is not in line with the judge's personal values.
C : would lead to unintended consequences.
D : would not bring about the result the judge prefers.

Correct Answer : A

57 : The means to enforce a right or compensate for the violation of a right is
A : a cornerstone.
B : a remedy.
C : jurisdiction.
D : *stare decisis*.

Correct Answer : B

58 : Federico and Gwen are involved in a court proceeding to enforce a right. This is
A : an action.
B : *stare decisis*.
C : an injunction.
D : a remedy.

Correct Answer : A

59 : When Lara and Mick cannot resolve their dispute amicably, Lara initiates a lawsuit against Mick. Lara is
A : the case of first impression.
B : the persuasive authority.
C : the plaintiff.
D : the defendant.

Correct Answer : C

60 : Ordering a party to perform what was promised is
A : an equitable remedy.
B : an unenforceable demand.
C : an action.
D : beyond the court's authority.

Correct Answer : A

61 : An injunction is
A : an order to do or to refrain from doing a certain act.
B : a departure from precedent.
C : a payment of money.
D : the cancellation of a contract.

Correct Answer : A

62 : An award of damages is
A : an order to do or to refrain from doing a certain act.
B : the right to harm another.
C : a payment of money or property.
D : the cancellation of a contract.

Correct Answer : C

63 : At one time, a court of law could grant as a remedy only
A : monetary damages.
B : an order to perform a contract as promised.
C : a judicial proceeding for the resolution of a dispute.
D : an injunction.

Correct Answer : A

64 : Believing that a higher, or universal, law exists that applies to all human beings, and that each written law should reflect the principles inherent in this higher law, is
A : the historical school of legal thought.
B : legal positivism.
C : the natural law tradition.
D : legal realism.

Correct Answer : C

65 : The classification of law that concerns the rights and duties that exist between persons and between citizens and their government is
A : criminal law.
B : civil law.
C : natural law.
D : legal positivism.

Correct Answer : B

66 : Criminal statutes proscribe
A : the prosecution of private individuals by other private individuals.
B : the prosecution of public officials by private individuals.
C : the relief available when a person's rights are violated.
D : wrongs committed against society for which society demands redress.

Correct Answer : D

67 : In a civil case, the object is to
A : resolve a dispute to the satisfaction of all concerned parties.
B : take coercive action against a violating party.
C : punish a wrongdoer to deter others from similar actions.
D : obtain a remedy to compensate the injured party.

Correct Answer : D

68 : Cyberlaw is
A : a classification of law.
B : a new type of law.
C : law that relates to the online environment.
D : all of the choices.

Correct Answer : C

69 : The Appellate Division of the New York Supreme Court issues an opinion that can be found at 157 A.D.3d 486, 69 N.Y.S.3d 26. "157" is
A : the number of the volume in the official reports of the court's decisions.
B : the number of the volume in an unofficial report of the court's decisions.
C : a page number in the referenced volume.
D : the number of the case in its chronological sequence.

Correct Answer : A

70 : The United States Supreme Court issues an opinion that can be found at __ U.S. __, 138 S.Ct. 617, 199 L.Ed.2d 501. "617" is
A : the number of the volume in the official reports of the Court's decisions.
B : the number of the volume in an unofficial report of the Court's decisions.
C : a page number in the referenced volume.
D : the number of the case in its chronological sequence.

Correct Answer : C

ESSAY

71 : The National Rights Council, 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?

Correct 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 : What is the doctrine of stare decisis? In the American legal system, how is it applied, and what is its effect?

Correct 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.

MULTIPLE CHOICE

1 : CHAPTER 1—ETHICS TODAY:STARE DECISIS VERSUS SPIDER MANBud patents a device that allows its user to pretend to imitate the ability of a superhero copyrighted by Comic Con Inc. Bud and Comic Con enter into a licensing agreement to make and sell the device as a toy to the public. Under the terms of the license, the licensee agrees to pay Bud royalties of 4 percent. Their contract does not specify an end date. According to a majority of the United States Supreme Court in Kimble v. Marvel Entertainment, LLC, Comic Con can legally stop the payments

A : whenever Comic Con chooses.
B : never.
C : when the copyright expires.
D : when the patent expires.

Correct Answer : D

2 : CHAPTER 1—ETHICS TODAY:STARE DECISIS VERSUS SPIDER MANHosni patents a new type of running shoe. Hosni and Iconic Shoe Company enter into a contract that allows the firm to make and market the shoe in exchange for royalty payments to Hosni that decrease after the patent expires. In a previous case, a similar agreement was held to be invalid. According to the dissent in Kimble v. Marvel Entertainment, LLC, stare decisis

A : means “sticking to some wrong decisions.”
B : does not require retaining “baseless and damaging precedents.”
C : promotes unpredictability and inconsistency in the business world.
D : permits parties to negotiate a licensing agreement that reflects the true value of a patent.

Correct Answer : B

3 : CHAPTER 2—DIGITAL UPDATE:DOES EVERYONE HAVE A CONSTITUTIONAL RIGHT TO USE SOCIAL MEDIA?In evaluating the reasonableness of a state statute prohibiting sex offenders from accessing all social media, a court must strike a balance between

A : the government’s obligation to protect its citizens and uphold their rights.
B : sex offenders’ expectations of privacy and the online environment.
C : social media users’ speaking and listening in a modern public square.
D : the vast realms of human thought and knowledge.

Correct Answer : A

4 : CHAPTER 2—DIGITAL UPDATE:DOES EVERYONE HAVE A CONSTITUTIONAL RIGHT TO USE SOCIAL MEDIA?According to the United States Supreme Court, under the First Amendment, if speech is the means for the commission of a specific criminal act,

A : the act is nevertheless not protected speech.
B : the act is protected speech, despite its offensiveness.
C : the statute declaring the crime violates the right to free speech.
D : the act is not criminal unless the speech is offensive.

Correct Answer : A

5 : CHAPTER 3—DIGITAL UPDATE:SHOULD EMPLOYEES HAVE A “RIGHT OF DISCONNECTING”?Regional Sales Company expects its sales staff to constantly check their e-mail for work-related messages outside normal working hours. Employees’ constant online connectivity with their work raises an issue about

A : the definition of work.
B : work-related stress.
C : the quality of workers' lives.
D : overburdened company servers.

Correct Answer : A

6 : CHAPTER 3—DIGITAL UPDATE:SHOULD EMPLOYEES HAVE A "RIGHT OF DISCONNECTING"?Security Patrols Inc. requires its employees to respond to work-related text messages delivered via their company-issued smartphones while on duty in the workplace and while off duty elsewhere. Security's employees might successfully sue their employer for
A : ownership of the company's smartphones.
B : a decrease in the quality of life.
C : a violation of the right to disconnect.
D : unpaid overtime.

Correct Answer : D

7 : CHAPTER 3—ETHICS TODAY:APPLYING THE IDDR FRAMEWORKWhen making a business decision, those responsible for making it sometimes focus on short-run profit maximization in preference to ethical considerations. Subject to analysis according to the IDDR framework, this decision would most likely
A : fulfill corporate and individual values without regard to ethics.
B : find support under a duty-based ethical standard.
C : withstand scrutiny under an outcome-based ethical standard.
D : not survive under any ethical standard.

Correct Answer : D

8 : CHAPTER 3—ETHICS TODAY:APPLYING THE IDDR FRAMEWORKAn important reason for applying the IDDR approach to a review of the ethical conflicts in a given business situation, and one of the difficulties in evaluating its consequences, is to
A : see ethical lapses in retrospect.
B : identify potential ethical problems in advance.
C : overcome the moral scrutiny of profit motives.
D : fulfill corporate and individual values without regard to ethics.

Correct Answer : B

9 : CHAPTER 5—DIGITAL UPDATE:USING SOCIAL MEDIA FOR SERVICE OF PROCESSBey, a process server, cannot locate Cate, the defendant in Demi v. Cate, to serve her with the summons. Bey's legal and effective options for serving process include delivering the summons
A : as an attachment in an e-mail to Demi.
B : through a private message to Cate's Facebook account.
C : via any means over the Internet to Facebook.
D : by posting it on any social media forum that Cate is known to visit.

Correct Answer : B

10 : CHAPTER 5—DIGITAL UPDATE:USING SOCIAL MEDIA FOR SERVICE OF PROCESSSuha wishes to file a suit in a state court against Theta. The state allows for service of process via social media if Suha can authenticate Theta's social media account. Allowing service of process only by means of social media raises a question whether that service

comports with
A : due process.
B : the Federal Rules of Civil Procedure.
C : the freedom to contract.
D : the rules of evidence.

Correct Answer : A

11 : UNIT ONE—APPLICATION AND ETHICS:“ARBITRATION, NO CLASS ACTIONS”Lare applies for a job with Marketing Inc. Like most employers, Marketing informs Lare that “any claim relating to this application or employment shall be settled by
A : arbitration.”
B : class action.”
C : collective decision making.”
D : individual lawsuits, not class action.”

Correct Answer : A

12 : UNIT ONE—APPLICATION AND ETHICS:“ARBITRATION, NO CLASS ACTIONS”Fuel-Co Gas Stations LLC pads all of its customers’ bills with an unexpected fee, adding up to millions in profit for Fuel-Co at a small expense for each individual customer. The customers could most affordably fight this charge by
A : bringing individual lawsuits.
B : engaging in individual arbitration.
C : filing a class action.
D : taking their case to the state legislature.

Correct Answer : C

13 : UNIT ONE—APPLICATION AND ETHICS:“ARBITRATION, NO CLASS ACTIONS”Senta applies for credit with Truck Sales Inc. The company informs Senta that “any claim arising from this deal must be resolved through mandatory arbitration.” Through this clause, Truck Sales will most likely avoid all of the following except
A : a lengthy resolution process.
B : engaging in individual arbitration.
C : responding to a class action.
D : settling a groundless claim.

Correct Answer : B

14 : UNIT ONE—APPLICATION AND ETHICS:“ARBITRATION, NO CLASS ACTIONS”Smelting Company has in interest in staying in business. From this perspective, with respect to resolving disputes through arbitration, individual litigation, and class actions, Smelting is ethically required to
A : curb a bad practice.
B : engage in harmful conduct.
C : exhaust its assets to litigate or settle a case.
D : generate fees for lawyers.

Correct Answer : A