

***Dynamic Business Law, 5e (Kubasek)***

**Chapter 1 An Introduction to Dynamic Business Law**

1) Business law consists of the enforceable rules of conduct that govern commercial relationships.

Answer: TRUE

Explanation: Business law consists of the enforceable rules of conduct that govern commercial relationships.

Difficulty: 1 Easy

Topic: An Introduction to Dynamic Business Law

Learning Objective: 01-01 Define business law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

2) Contracts, employment decisions and payments to suppliers are protected by business law.

Answer: TRUE

Explanation: Business behavior must follow legal guidelines. All contracts, employment decisions, and payments to a supplier are constrained and protected by business law.

Difficulty: 1 Easy

Topic: Law and Its Purposes

Learning Objective: 01-02 Relate the functional areas of business to the relevant areas of business law.

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

3) There are many purposes of the law. One such purpose is serving as a moral guide by indicating minimal expectations of citizens and organizations.

Answer: TRUE

Explanation: Serving as a moral guide by indicating minimal expectations of citizens and organizations is one purpose of the law.

Difficulty: 1 Easy

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) Public law controls both disputes between private individuals and their government and disputes involving only private individuals.

Answer: FALSE

Explanation: Public law controls disputes between private individuals or groups and their government. Private law controls disputes between private individuals or groups.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

5) Criminal law lays out the rights and responsibilities implied in relationships between persons.

Answer: FALSE

Explanation: Civil law lays out the rights and responsibilities implied in relationships between persons.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

6) Only civil law regulates the behavior of individuals.

Answer: FALSE

Explanation: Both criminal and civil law regulate the behavior of individuals.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Understand

AACSB: Technology

Accessibility: Keyboard Navigation

7) Statutory law is the supreme law of the land and the foundation for all laws in the United States.

Answer: FALSE

Explanation: The U.S. Constitution is the supreme law of the land, and the foundation for all laws in the United States.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

8) Another name for case law is common law.

Answer: TRUE

Explanation: Case law, also called common law, is the collection of legal interpretations made by judges.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

9) Case law interpretations are law, unless they are revoked later by new statutory law.

Answer: TRUE

Explanation: Case law interpretations are law unless revoked later by new statutory law.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

10) When courts overturn precedent and create new precedent, they are obeying the principle of stare decisis.

Answer: FALSE

Explanation: Courts obey the principle of stare decisis when they rely on precedent. The principle of "stare decisis" refers to "standing by their decision." Because of stare decisis, rulings made in higher courts become binding precedent for lower courts. The Supreme Court can overturn precedent and create a new one, as it did in Brown v. Board of Education when it did not follow the precedent established by Plessy v. Ferguson.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

11) The decision of a state supreme court is binding on a lower court that is located in the same state.

Answer: TRUE

Explanation: When an issue is brought before a state court, the court will determine whether the state supreme court has made a decision on a similar issue, which creates a binding precedent or pattern of law the lower court must follow.

Difficulty: 2 Medium Page Ref: 6

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

12) Model or uniform laws are a source of law that are binding on courts.

Answer: FALSE

Explanation: Model or uniform laws serve only as suggestions for statutory law at the state levels.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

13) Constitutions and statutes always cover all of the detailed rules that affect business and government relations.

Answer: FALSE

Explanation: Constitutions and statutes never cover all the detailed rules that affect relationships between business and government.

Difficulty: 2 Medium Page Ref: 7

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

14) Presidents base the power to issue executive orders on Article II, Section 3 of the Constitution, which establishes the constitutional power of the president to "take care that the laws be faithfully executed."

Answer: TRUE

Explanation: Presidents claim the power to issue executive orders on the basis of their Article II, Section 3, constitutional power to "take care that the laws be faithfully executed."

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) "Legal positivism" is also known as "natural law."

Answer: FALSE

Explanation: The term "natural law" describes certain ethical laws and principles believed to be morally right and "above" the laws devised by humans whereas the term "legal positivism" focuses on obedience to duly authorized law.

Difficulty: 2 Medium

Topic: Sources of Business Law; Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Remember

AACSB: Ethics

Accessibility: Keyboard Navigation

16) Miko comes to Jamal's law office to ask him about the law in regard to dogs running at large in her neighborhood. Jamal tells Miko that he will research the issue and get back to her. Where should Jamal look first in order to locate applicable law?

- A) Restatements
- B) State statutes
- C) Case law
- D) Uniform laws
- E) Executive orders

Answer: B

Explanation: Case law is law unless revoked by new statutory law; therefore, statutory law should be consulted first.

Difficulty: 3 Hard Page Ref: 5

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

17) The president issued an executive order requiring that every citizen purchase a head of broccoli to eat once a week in order to maintain health. The executive order was challenged and the case went to the U.S. Supreme Court. The Supreme Court declared the executive order could not be enforced because it was an abuse of the president's power. What is the primary source of law the Supreme Court would interpret to determine if the executive order was enforceable?

- A) The Constitution
- B) State statutes
- C) Case law
- D) Uniform laws
- E) Executive orders

Answer: A

Explanation: The primary source of law the court would examine in this case is the U.S. Constitution. Presidents claim the power to issue executive orders on the basis of Article II, Section 1 This section grants the president the power to issue directives requiring that officials in the executive branch perform their functions in a particular manner.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

18) Which of the following refers to the ability to understand the structure of what someone is saying and then apply a set of criteria to evaluate its worth?

- A) Absolute skills
- B) Critical-thinking skills
- C) Cost-benefit skills
- D) Reviewability skills
- E) Traditional lawyer skills

Answer: B

Explanation: Success in business requires the development of critical-thinking skills - the ability to understand the structure of what someone is saying and then apply a set of criteria to evaluate its worth.

Difficulty: 2 Medium Page Ref: 12

Topic: Critical Thinking and Business Law

Learning Objective: 01-07 Outline the basic steps for applying critical thinking to business law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

19) When you read a case, you should:

- A) Find the facts, look for the issue, critically think about the issue, and determine if your reasoning matches the reasoning of the judge.
- B) Identify the legal issues, apply the facts to the legal issues, and evaluate the reasoning of the judge in light of the facts of the case.
- C) Consider the truth of the facts of the case, identify legal questions raised, review the decision of the judge, and determine if the judge's decision was justified by the rule of law.
- D) Find the facts, look for the issue, identify the judge's reason and conclusion, locate the rules of law that govern the reasoning, and apply critical thinking to the judge's reasoning.
- E) Identify the facts, apply critical thinking skills to determine the truths of the facts, and identify how the judge interpreted the facts in the case.

Answer: D

Explanation: When you read a case, you should find the facts, look for the issue, identify the judge's reason and conclusion, locate the rules of law that govern the reasoning, and apply critical thinking to the judge's reasoning.

Difficulty: 2 Medium

Topic: Critical Thinking and Business Law

Learning Objective: 01-07 Outline the basic steps for applying critical thinking to business law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 20) Which areas of business law would a human resources manager find most relevant?
- A) Contracts, employment and labor law, and employment discrimination
  - B) Contracts only
  - C) Contracts and labor law, but not employment discrimination
  - D) Employment and labor law, but not contracts
  - E) Human resource managers hold administrative positions and are not concerned with areas of business law

Answer: A

Explanation: Relevant areas of business law applicable to human resource management involve agency law, contracts, employment and labor law, and employment discrimination.

Difficulty: 2 Medium

Topic: An Introduction to Dynamic Business Law

Learning Objective: 01-02 Relate the functional areas of business to the relevant areas of business law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 21) Adriana Gomez is a newly hired Production Manager for ABC Corporation which manufactures wind turbines. As a new manager, ABC Corp sends Adriana to training to familiarize herself with laws that might impact her work. What laws would most likely impact a production manager?

- A) White collar crime, contracts, antitrust laws
- B) Tort law, environmental law, contracts
- C) Antitrust law, contracts, intellectual property law
- D) Property law, negotiable instruments, contracts
- E) Consumer law, international law, employment law

Answer: B

Explanation: Exhibit 1-1 shows that production and transportation would most likely be impacted by tort law, contracts, environmental and consumer law.

Difficulty: 2 Medium

Topic: An Introduction to Dynamic Business Law

Learning Objective: 01-02 Relate the functional areas of business to the relevant areas of business law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation



22) Which of the following entities would be responsible to make new federal laws?

- A) State legislatures
- B) Congress
- C) Judges
- D) The federal courts
- E) The executive branch

Answer: B

Explanation: Federal laws are made by the federal Congress.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

23) If someone has failed to live up to a promise made to a business organization, the business organization should:

- A) Seek a legal remedy within the courts
- B) Ask the lawmakers to impose a punishment upon the violation
- C) Publicly shame the violator for breaking his promise
- D) Turn to the executive branch to impose legal penalties
- E) Ask lawmakers and the executive branch to impose consequences

Answer: A

Explanation: Laws are enforceable in the courts the community maintains.

Difficulty: 3 Hard

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

24) One purpose of the law is to:

- A) Allow individuals to impose rules on others
- B) Require businesses and individuals to rely on the dependability of others
- C) Enable businesses and individuals to rely on the good will of one another
- D) Facilitate a sense that change is possible after a rational consideration of options
- E) Preserve existing social order and prevent change

Answer: D

Explanation: One purpose of the law is to facilitate a sense that change is possible, but only after a rational consideration of options.

Difficulty: 1 Easy

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

25) A majority of citizens in a democracy can agree to permit certain authorities to make and enforce rules describing what behavior is permitted and encouraged in their community. These rules are what we refer to as the \_\_\_\_\_.

- A) Electoral college
- B) Community standard
- C) Democratic validation
- D) Stare decisis
- E) Law

Answer: E

Explanation: A majority of citizens in a democracy can agree to permit certain authorities to make and enforce rules of behavior in their community. These rules are the law.

Difficulty: 1 Easy

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

26) A new type of hydraulic fracturing ("fracking") has been implemented to help bring more natural gas to a well site. The company associated with this process has followed all federal and state guidelines associated with the process of fracking. Residents however are very unhappy and vocal about the process of fracking and fights have broken out amongst the resident's and workers. Resident's demand the company be shut down. A new law was implemented that is designed to help keep the peace yet look at alternatives to the fracking process. The purposes of the new law include:

- A) Providing order, serving as a moral guide, serving as an alternative to fighting, facilitating a sense that change is possible
- B) Creating enforceable rules of law which change the way that the manufacturing process must be changed
- C) Providing new rules that would allow for civil disobedience
- D) Setting new rules and guidelines that would allow for protests to happen on the fracking site
- E) Guaranteeing the personal freedoms of the company to continue fracking as long as they were doing so within state and federal guidelines

Answer: A

Explanation: As outlined in Exhibit 1-2 this scenario represents the opportunity for businesses and communities to come together to provide order, serve as an alternative to fighting, serve as a moral guide to expectations of citizens and organizations and to facilitate a sense of change after a rational consideration of options is explored.

Difficulty: 3 Hard

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Evaluate

AACSB: Ethics

Accessibility: Keyboard Navigation

27) Jill hires Bob to deliver flowers to local customers. If Bob and Jill get into a dispute in regards to Bob's expenses and salary, what type of law would govern the dispute?

- A) Private
- B) Joint
- C) Criminal
- D) Public
- E) Common law

Answer: A

Explanation: Private law would be used between Bob and Jill as private individuals.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

28) If a manufacturing plant continues to allow toxins above the legal limit to escape into the atmosphere in violation of state law, which law is implicated?

- A) Private
- B) Common law
- C) Criminal
- D) Public
- E) Black letter

Answer: D

Explanation: Public law controls disputes between private individuals and their government or between groups and their government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

29) \_\_\_\_\_ law cases involve either two individuals or two organizations.

- A) Civil
- B) Legal realism
- C) Criminal
- D) Precedent
- E) Public

Answer: A

Explanation: Civil law cases are between either two individuals or two organizations.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

30) After a court action brought by Mary, Mary was awarded \$1,000 in damages from Stanley because she proved by a preponderance of the evidence that Stanley damaged her bicycle. What type of law applied to Mary's case that resulted in her being awarded \$1,000?

- A) Criminal
- B) Procedural
- C) Civil
- D) Natural
- E) Positive

Answer: C

Explanation: Civil law lays out the rights and responsibilities implied in relationships between persons and their government. Because Mary brought the court action and was awarded compensation only after proving her case by a preponderance of the evidence, it is clear that this was a civil case.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

31) Tim decides that he is in desperate need of money and decides to rob a bank. He is caught and arrested. What type of law would be applied to him when brought to trial?

- A) Civil
- B) Procedural
- C) Tort
- D) Consumer
- E) Criminal

Answer: E

Explanation: If someone commits an act against society as a whole, criminal laws regulate how a person will be tried.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

32) If a victim of assault does not want the abuser arrested but the prosecutor brings charges anyway since the assault violated criminal laws, the reason for the prosecutor's actions is:

- A) A violation of criminal laws is an act against the public as a whole.
- B) The abuser has committed a civil law violation in addition to a criminal one.
- C) Private law has been violated and the prosecutor has a duty to act.
- D) Natural law has been violated and the prosecutor has a duty to act.
- E) The prosecutor's responsibility is to regulate disputes between private individuals under criminal law.

Answer: A

Explanation: Criminal law regulates incidents in which someone commits an act against the public as a whole.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

33) A national restaurant chain must pay damages for breach of contract to a cooking oil supplier. What type of law is involved?

- A) Public law only
- B) Private law only
- C) Civil law only
- D) Public, private, and civil law
- E) Private law and civil law

Answer: E

Explanation: Civil law identifies the remedies available when someone's rights are violated, and private law regulates disputes between private individuals or groups.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

34) Some laws have been adopted to help business conduct business online. Cyberlaw is based primarily on \_\_\_\_\_.

- A) International law
- B) Administrative law
- C) Existing law
- D) Natural
- E) Positive

Answer: C

Explanation: Though new law has been adopted to regulate business activities online, most cyber law is based primarily on the existing laws.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

[The Stolen Laptop] Ricardo told Ashley that Bob stole her laptop computer from her car. The next day, Ashley confronted Bob and slapped him for stealing her laptop. Bob had Ashley arrested for slapping him, and the local district attorney prepared to prosecute Ashley on behalf of the state. Ashley sued Bob for damages to the laptop and for maliciously having her arrested. Bob also sued Ricardo for defamation, claiming Ricardo lied to Ashley about Bob stealing the laptop.

35) Which statements are true regarding Ashley's claim against Bob for damages involving the laptop and her claim that Bob maliciously had her arrested?

A) The claim for damages involving the laptop and also the claim that Bob maliciously had her arrested are civil claims involving private law.

B) The claim for damages involving the laptop is a civil claim involving private law, but the claim that Bob maliciously had her arrested is a civil claim involving public law.

C) The claim for damages involving the laptop is a civil claim involving private law, but the claim that Bob maliciously had her arrested is a criminal claim involving public law.

D) The claim for damages involving the laptop is a civil claim involving private law, but the claim that Bob maliciously had her arrested is a criminal claim involving private law.

E) The claim for damages involving the laptop and also the claim that Bob maliciously had her arrested are criminal claims involving private law.

Answer: A

Explanation: Private law regulates disputes between private individuals or groups, and civil law delineates the rights and responsibilities implied in relationships between persons.

Difficulty: 3 Hard Page Ref: 2

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

36) Which of the following would be involved in the prosecution of Ashley for slapping Bob?

A) Public law and criminal law

B) Private law and criminal law

C) Private law and civil law

D) Public law and civil law

E) Civil law and criminal law

Answer: A

Explanation: Public law controls disputes between private individuals or groups and their government; and criminal law cases are prosecuted not by individuals but by the state, federal, or local government.

Difficulty: 3 Hard Page Ref: 2

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation



37) Bob's action against Ricardo for defamation involves which types of law?

- A) Criminal law and public law
- B) Civil law and public law
- C) Insider law and public law
- D) Civil law and private law
- E) Administrative law and public law

Answer: D

Explanation: Civil law delineates the rights and responsibilities implied in relationships between persons and their government, and private law regulates disputes between private individuals or groups.

Difficulty: 3 Hard Page Ref: 2

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

[Inattentive Driving] Hannah, a first year law student, drove off campus to register for an upcoming conference. Although lawmakers in her state passed a law prohibiting the use of a cell phone while operating a motor vehicle, Hannah was doing just that. When she looked down to pick up a can of soda she dropped, Hannah crashed into the side of Dev's new convertible. A police officer down the street came over to investigate. Hannah explained to him that it was difficult to hold the cell phone in one hand, the soda in the other, and also drive. The officer was not impressed. Dev approached, furious about the significant dent in his new car. Hannah says she has insurance and that she will cover the costs of the whole incident. Dev says that is insufficient; but Hannah says that under case precedent, that is his only remedy. The officer tells Hannah that she must obey duly authorized law, and proceeds to write several citations to her.

38) What type or types of law are involved in the above situation, considering Hannah's interaction with both the officer and Dev?

- A) Public law but not private law
- B) Private law but not public law
- C) Civil law and private law but not public law
- D) Criminal law and public law but not private law
- E) Public law, private law, civil law, and criminal law

Answer: E

Explanation: Private law regulates disputes between private individuals; public law controls disputes between private individuals and their government; civil law delineates the rights and responsibilities implied in relationships between persons; and criminal law regulates incidents in which someone commits an act against the public as a whole.

Difficulty: 3 Hard Page Ref: 2

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

39) The law in Hannah's state regulating using cell phones would be classified as which of the following?

- A) A statute
- B) A type of common law
- C) An executive order
- D) A uniform law
- E) A negative law

Answer: A

Explanation: Statutes are rules and regulations put forth by legislatures.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

40) Bob and Tom were in a car accident on a street within Normandy city boundaries. Bob was ticketed for driving under the influence (DUI). This was Bob's third DUI. Tom sustained bodily damages and damage to his vehicle. If Bob is sued by Tom and the city of Normandy:

- A) Bob will be sued under the criminal laws only of Normandy by both parties.
- B) Bob will be sued under the civil laws of Normandy only by both parties.
- C) Bob will be sued by Tom under the criminal laws of Normandy and the civil laws of Normandy by the city's prosecutor.
- D) Bob will be sued by Tom under the civil laws of Normandy and the criminal laws of Normandy by the city's prosecutor.
- E) Only Tom would be able to sue Bob because of the accident.

Answer: D

Explanation: Civil laws are those laws that regulate the relationships between people. Tom would sue under the civil laws of Normandy for the car accident and damages. The Normandy city prosecutor would bring suit under the criminal laws which might result in Bob's incarceration for his third infraction of DUI.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 Distinguish among types of law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

41) Judge Jones is reviewing a cyberbullying case in her courtroom. When Judge Jones rules, in her pronouncement of the case, she discusses the law along with the importance of social conditions behind her ruling. She also is parting from past precedents in order to follow societal values in regards to cyberbullying. Judge Jones is using which school of jurisprudence?

- A) The historical school of law
- B) Legal positivism
- C) Natural law
- D) Legal realism
- E) Stare decisis

Answer: D

Explanation: The concept of legal realism is based on the fact that judges must look at more than just the law but also take into consideration the social and economic conditions. Judges who practice legal realism often depart from past court decisions because society is shifting and evolving.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

42) Lori and Tim are negotiating a new business deal that requires an interpretation of a law made by their state twenty years ago. Tim knows that there are cases regarding this law that have been tried in a court within their city's boundaries. If Tim relies on these cases as the law, he is referring to \_\_\_\_\_.

- A) Statutory law
- B) Administrative law
- C) Executive orders
- D) Precedent
- E) Constitutional law

Answer: D

Explanation: Precedent is the interpretations made by judges which become law unless revoked later by a new statute.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

43) The supreme law of the land is the \_\_\_\_\_.

- A) U.S. Constitution
- B) Declaration of Independence
- C) U.S. Code
- D) Model Law
- E) Uniform Code

Answer: A

Explanation: The U.S. Constitution is the supreme law of the land, the foundation for all laws in the United States.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 44) \_\_\_\_\_ laws are those laws that are implemented by a legislative body.
- A) Administrative
  - B) Common
  - C) Executive
  - D) Statutory
  - E) Natural

Answer: D

Explanation: Rules and regulations written by legislative bodies are statutory laws.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 45) The \_\_\_\_\_ contain(s) legislative acts passed by state legislatures.
- A) U.S. Code
  - B) State codes
  - C) Uniform Register
  - D) State Reporter
  - E) State Reference Manual

Answer: B

Explanation: Legislative acts are written into the appropriate state codes when they are enacted by state legislatures.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

46) The United States Code is where you can go to find \_\_\_\_\_.

- A) Laws enacted by Congress
- B) Presidential Enactments
- C) Laws of all 50 states
- D) Federal Supreme Court cases
- E) Court cases of all 50 states

Answer: A

Explanation: The U.S. Code is where you can find the legislative enactments of the U.S. Congress.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) The group that urges states to enact model laws to provide greater uniformity of law is called the \_\_\_\_\_.

- A) Model Law on Uniform State Laws Organization
- B) Federal Uniform Law Commission
- C) National Conference of Commissioners on Uniform State Laws
- D) Model and Uniform Law Consortium
- E) Uniform Statutory Enforcement Commission

Answer: C

Explanation: The National Conference of Commissioners on Uniform State Laws (NCC) regularly urges states to enact model laws to provide greater uniformity.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

48) When the organization in charge of proposing uniform laws proposes a statute, which of the following is true?

- A) All states must adopt the uniform statute within one year.
- B) All states must adopt the uniform statute within six months.
- C) The uniform statute automatically goes into effect without any action by state legislatures.
- D) A state legislature is not required to adopt the uniform statute; but if the state legislature decides to go forward with adoption, all portions of the statute must be adopted.
- E) A state legislature can ignore the proposed uniform law, adopt it in full, or adopt it in part.

Answer: E

Explanation: The response to suggestions regarding uniform laws is entirely in the hands of the state legislatures, and they can ignore a suggestion or adopt part or all of the proposed model law.

Difficulty: 2 Medium Page Ref: 5

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

49) A treaty is a binding agreement between two states or between international organizations. If the executive branch negotiates a treaty it must then be approved by:

- A) The House of Representatives
- B) All 50 states
- C) The Senate
- D) The Supreme Court
- E) All of Congress

Answer: C

Explanation: A treaty determines rights and obligations between two parties. If the US negotiates a treaty with another party, the treaty must then be approved by two-thirds of the members of the US Senate.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

50) The court hears a discrimination case in which they are asked to decide whether local anti-discrimination laws protect against a person being fired because they have red hair. The court holds that since Irish people are more likely to have red hair, this is an example of national origin discrimination and anti-discrimination laws should apply. The legislature, following the court ruling, passes a statute saying hair color is not covered by anti-discrimination laws. The legislature's action is an example of:

- A) Overturning stare decisis
- B) Overturning precedent
- C) Revoking common law by new statutory law
- D) Following precedent
- E) Following stare decisis

Answer: C

Explanation: Case law, or common law, is law unless revoked later by a new statutory law.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

51) Judge George decides a case before his court that has the same set of facts as a case he heard four months ago. Judge George should apply \_\_\_\_\_.

- A) Procedural laws
- B) A different state statute
- C) Restatement
- D) Precedent
- E) Legal realism

Answer: D

Explanation: If a case has the same set of facts and is brought before the same court again, precedent is used to help guide later decisions.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation



52) The \_\_\_\_\_ is a body of law significant to business activities including sales, banking, and warranty.

- A) Federal Business Code
- B) Model Business Code
- C) Uniform Transactional Model
- D) Uniform Commercial Code
- E) Marketing Transaction Code

Answer: D

Explanation: The Uniform Commercial Code is a body of law significant for business activities including sales laws and other regulations affecting commerce, such as bank deposits and collections, title documents, and warranties.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

53) When courts rely on precedent, they are obeying \_\_\_\_\_.

- A) Common analysis
- B) *Res judicata*
- C) Stare decisis
- D) *In rem* process
- E) Federal law

Answer: C

Explanation: When courts rely on precedent, they are obeying the principle of stare decisis ("standing by their decision"), in which rulings made in higher courts become binding precedent for lower courts.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

54) When a state supreme court issues a binding ruling on a matter of law, who must follow the precedent set by the state supreme court?

- A) The United States Supreme Court
- B) The U.S. Congress
- C) State legislatures
- D) Lower courts within the same state
- E) All lower courts in the United States

Answer: D

Explanation: Rulings made by higher courts become binding precedent for lower courts. When an issue is brought before a state court, the court will determine whether the state supreme court has made a decision on a similar issue, which creates a binding precedent or pattern of law the lower court must follow. If there is no binding decision, state courts need to look for other rulings on similar cases. They are not bound by each other's decisions and might decide differently on the same issue.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Ethics

Accessibility: Keyboard Navigation

[International Expansion] Ryan wants to expand his coffee business into Winland, a small, remote country. He moves to Winland temporarily in order to oversee operations. His friend Terrell asks him if he plans to hire legal counsel for the expansion. Ryan replies, "Of course not. The U.S. has the strictest laws regarding contracts, employment, and business practices in the world. So long as I'm legal in the U.S., I'm legal anywhere. Besides, I studied up on Winland law ten years ago, and I know it all." Ryan proceeds and lands in jail in Winland for violating recently passed laws which make it a crime to mistreat employees and which criminalized the failure to provide certain benefits. Authorities in Winland claim that he sexually harassed an employee, failed to pay sufficient wages, and failed to give employees Winland's mandated 12 weeks of paid vacation per year.

55) What is true regarding Ryan's defense that he thought he knew the law of Winland because he had studied it some years before and that the laws under which he was arrested were new? (Assume the law of Winland is the same as the U.S. on this issue.)

A) Rules change and Ryan had a duty to stay current. It is not a defense that he studied the law at one time and that the laws at issue were new.

B) Ryan is entitled to rely as a defense on the fact that he had studied the law at one time. Officials in Winland were charged with publicizing any changes.

C) If Ryan can prove that the laws at issue were passed within the last twelve months before he was arrested, he will get out of jail because there is a twelve month grace period for new laws.

D) If Ryan can prove that the laws at issue were passed within the last six months before he was arrested, he will get out of jail because there is a six month grace period for new laws.

E) Ryan cannot be prosecuted so long as he was not aware he was violating the law. He did not have the requisite intent to perform a criminal act, regardless of whether the laws were new.

Answer: A

Explanation: Business managers must pay attention to changes in the law and cases in which new precedents are set and take them into account when making business decisions.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Diversity

Accessibility: Keyboard Navigation

- 56) \_\_\_\_\_ is the type of law involved in comparing laws between the U.S. and Winland.
- A) Comparative law
  - B) Contributory law
  - C) Comprehensive law
  - D) Complete law
  - E) Delineated law

Answer: A

Explanation: Ryan should understand comparative law, which studies and compares the laws in different countries.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Diversity

Accessibility: Keyboard Navigation

- 57) Regarding Ryan's legal problems in Winland, which is a true statement?

- A) Ryan can rely upon the federal statutory laws of the U.S. as a defense but not the U.S. Constitution.
- B) Ryan is entitled to all U.S. Constitutional rights in Winland because he is a U.S. citizen, but he cannot rely on statutory law.
- C) Ryan can rely on U.S. laws as a defense only if he obtains an opinion from the office of the U.S. attorney that his operations in the U.S. have strictly complied with the law.
- D) Ryan must obey the laws of Winland when operating a business in Winland and cannot rely upon U.S. laws as a defense.
- E) Ryan can rely upon the federal statutory laws of the U.S. as a defense. Additionally, Ryan is entitled to all U.S. Constitutional rights in Winland because he is a U.S. citizen.

Answer: D

Explanation: Ryan should understand comparative law; and to do business in another country, Ryan must conform to that country's standards.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Diversity

Accessibility: Keyboard Navigation

- 58) Which of the following cases overturned prior precedent?
- A) *Brown v. Board of Education*
  - B) *Wygant v. Jackson Board of Education*
  - C) *Planned Parenthood of Southeastern Pennsylvania v. Casey*
  - D) *Plessy v. Ferguson*
  - E) Precedent cannot be overturned

Answer: A

Explanation: *Brown v. Board of Education* did not follow the precedent established by *Plessy v. Ferguson* on issues involving segregation.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Diversity

Accessibility: Keyboard Navigation

- 59) Which of the following is true regarding administrative agencies?
- A) There are state administrative agencies, but no federal administrative agencies.
  - B) There are federal administrative agencies, but no state administrative agencies.
  - C) There are state and federal administrative agencies, but no local administrative agencies.
  - D) Administrative agencies exist only at the local county level.
  - E) Administrative agencies exist at the federal, state, and local level.

Answer: E

Explanation: The federal, state, and local governments have dozens of administrative agencies.

Difficulty: 1 Easy Page Ref: 7

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 60) Which of the following is true regarding treaties at the federal level?
- A) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate.
  - B) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the House of Representatives.
  - C) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate and also by two-thirds of the House of Representatives.
  - D) A treaty is generally negotiated by the executive branch and no approval by the Senate or House of Representatives is needed.
  - E) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate and also by two-thirds of the state legislatures.

Answer: A

Explanation: In the United States, a treaty is generally negotiated by the executive branch; and, in order to be binding, it must then be approved by two-thirds of the Senate.

Difficulty: 2 Medium Page Ref: 8

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 61) Judge Bob rules on a case in his state. A case in a neighboring state has the exact same facts. Judge Judy, when referring to Judge Bob's case
- A) Must follow the case as precedent
  - B) Must follow the case as precedent but only if the law is exactly the same in her state
  - C) May be influenced by the ruling but is not obligated to follow it
  - D) Would have to seek guidance on whether or not she must follow it from a higher court in her jurisdiction
  - E) Would need to seek guidance from a federal court in order to determine if she is obligated to follow Judge Bob's ruling

Answer: C

Explanation: Courts of one jurisdiction are not obligated to follow precedents of another jurisdiction but can use the information as influential information when they are making a decision.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

62) Which of the following is an independent agency?

- A) The Federal Deposit Insurance Corporation
- B) The Consumer Product Safety Commission
- C) The General Services Administration
- D) The Small Business Administration
- E) The Office of Personnel Management

Answer: B

Explanation: Exhibit 1-4 "Major Federal Administrative Agencies" reflects that the Consumer Product Safety Commission is an independent agency.

Difficulty: 2 Medium Page Ref: 8

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

63) Which of the following is an executive agency?

- A) The Federal Deposit Insurance Corporation
- B) The Federal Trade Commission
- C) The Securities and Exchange Commission
- D) The Federal Communications Commission
- E) The Nuclear Regulatory Commission

Answer: A

Explanation: Exhibit 1-4 "Major Federal Administrative Agencies" reflects that the Federal Deposit Insurance Corporation is an executive agency.

Difficulty: 2 Medium Page Ref: 8

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

[To the Dogs] Maria loves animals and is opening a grooming business. She believes that caring for animals properly is very important and plans to exceed any applicable regulations regarding cleanliness and health standards. Maria thinks, however, some local regulations make no sense. For example, there is a local ordinance that all dogs always must be kept on a leash when not in an inside area. Maria believes dogs need to exercise and to run freely in a safe area, so she is placing her business on a large lot with a fenced outside area. She thinks it is wrong to have to keep the dogs tied up while in a securely fenced area. She is aware that some members of the community have had success in changing local regulations by petitioning city council. Maria plans to proceed by petitioning to attempt a change in the leash law.

64) If Maria decides to ignore the leash law and let dogs run freely in the fenced outside area, this is an example of which legal school of thought?

- A) Legal positivism
- B) The historical school
- C) Legal realism
- D) Natural law
- E) Cost-benefit analysis

Answer: D

Explanation: The term natural law describes certain ethical laws and principles believed to be morally right and "above" the laws devised by humans.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

65) If Maria decides to follow all laws and regulations, even if she does not agree with them, this approach is rooted in what?

- A) Legal positivism
- B) The historical school
- C) Legal realism
- D) Natural law
- E) Cost-benefit analysis

Answer: A

Explanation: The concept of legal positivism sees our proper role as obedience to duly authorized law.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

66) Maria's strategy to try to change the law through petitioning city council, which others have



done in the past, is rooted in which of the following?

- A) Legal positivism
- B) The historical school
- C) Legal realism
- D) Natural law
- E) Cost-benefit analysis

Answer: B

Explanation: One of the guidelines most often used for shaping the law is tradition or custom, referenced as the historical school.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

67) The United States entered into a trade agreement with \_\_\_\_\_ known as NAFTA.

- A) Canada
- B) Mexico
- C) Canada and Russia
- D) Mexico and Canada
- E) Russia and Mexico

Answer: D

Explanation: The United States entered into a trade agreement with its bordering countries Canada and Mexico known as the North American Free Trade Agreement to help establish conditions of trade between the countries.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

68) Assume a judge writes that she is deciding to enforce a law in question but that her decision does not mean that she sees the law as the morally correct rule. The judge would have leanings in the direction of \_\_\_\_\_.

- A) Legal positivism
- B) Natural law
- C) Legal realism
- D) Conscience reaction
- E) Concluding law

Answer: A

Explanation: A judge with leanings in the direction of legal positivism might write that she is deciding to enforce the law in question but that her decision does not necessarily mean she sees the law as the morally correct rule.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Evaluate

AACSB: Ethics

Accessibility: Keyboard Navigation

69) In which school of jurisprudence is the concept of stare decisis rooted?

- A) The historical school
- B) Legal realism
- C) The cost-benefit analysis school
- D) Positivism
- E) Cultural reenactment

Answer: A

Explanation: One of the guidelines most often used for shaping the law is tradition, or custom; and stare decisis is rooted in this historical school.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

70) Which of the following is reported in the Federal Reporter?

- A) Statutes
- B) Executive orders
- C) Common law
- D) Administrative laws
- E) Local ordinances

Answer: C

Explanation: Exhibit 1-5 "Where to Locate the Law," shows that the Federal Reporter is a source for common law.

Difficulty: 2 Medium Page Ref: 9

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

71) Which of the following is reported in the United States Code?

- A) Statutes
- B) Executive orders
- C) Common law
- D) Administrative law
- E) Local ordinances

Answer: A

Explanation: Exhibit 1-5 "Where to Locate the Law," shows that statutes are reported in the United States Code.

Difficulty: 2 Medium Page Ref: 9

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

72) If the city of Normandy passes a new municipal ordinance, what type of law would this be considered?

- A) Executive order
- B) Common law
- C) Statute
- D) Administrative law
- E) Local ordinance

Answer: C

Explanation: Review of Exhibit 1-5 (Where to Locate the Law) indicates that municipal ordinances are statutes.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

73) Where can you find local common law?

- A) State reporters
- B) Regional reporters
- C) The local courthouse and clerk's office
- D) The state administrative code
- E) Municipal ordinances

Answer: C

Explanation: Exhibit 1-5 "Where to Locate the Law," shows that local common laws can be found at the local clerk's office or local courthouses.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

74) Which of the following is reported in the Code of Federal Regulations?

- A) Statutes
- B) Executive orders
- C) Common law
- D) Administrative law
- E) Congressional orders

Answer: D

Explanation: Exhibit 1-5 "Where to Locate the Law," shows that administrative law is reported in the Code of Federal Regulations and the Federal Register.

Difficulty: 2 Medium Page Ref: 9

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

75) The United States has strict standards for the production and transportation of chemicals. Dow Chemical insists that its suppliers conform to all the United States laws when they supply chemicals to other countries, even if the laws of these foreign countries are less restrictive in nature. This is a would be:

- A) Legal positivism
- B) Legal realism
- C) Natural law
- D) Cost benefit analysis
- E) Historical school

Answer: C

Explanation: Dow Chemical believes that even if the laws of a foreign country are not as stringent, its suppliers should follow the more stringent rules of the U.S. Natural law believes that not only do people have basic human rights, but that laws can be disobeyed if it goes against the conscience and if they believe the laws are wrong.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Diversity

Accessibility: Keyboard Navigation

76) Which of the following is based on the idea that, when ruling on a case, judges consider more than just the law; they also weigh factors such as social and economic conditions?

- A) Cost-benefit analysis
- B) Legal realism
- C) Historical school
- D) Legal positivism
- E) Executive positivism

Answer: B

Explanation: Legal realism is based on the idea that, when ruling on a case, judges need to consider more than just the law; they also weigh factors such as social and economic conditions, since legal guidelines were designed by humans and exist in an ever-changing environment.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

77) When the Supreme Court made its ruling on the legality of homosexual marriage, they considered social and economic conditions surrounding marriage rather than relying on precedent alone. This was an example of:

- A) Cost-benefit analysis
- B) Legal positivism
- C) Historical school
- D) Legal realism
- E) Executive positivism

Answer: D

Explanation: Legal realism is based on the idea that, when ruling on a case, judges need to consider more than just the law; they also weigh factors such as social and economic conditions, since legal guidelines were designed by humans and exist in an ever-changing environment.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

78) If a United States company is determining whether or not to move their manufacturing plant to a foreign nation to help decrease costs but potentially could help the foreign nation build infrastructure and bring needed jobs to that region, the company would use which approach in their decision making?

- A) Natural law
- B) Common law
- C) Historical school
- D) Cost-benefit analysis
- E) Legal realism

Answer: D

Explanation: Cost-benefit analysis would help the company choose the alternative that would help maximize the benefits to the parties and minimize costs. Cost-benefit analysis is closely tied to efficiency.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

79) The city council is considering a new ordinance to require stores to provide reusable bags and eliminate disposal paper or plastic bags. In determining whether to pass the law, the city council obtained an estimate for the expense stores would incur in offering reusable instead of disposable bags. They also obtained an estimate for the savings which would result from not having to clean up litter from disposable bags. Finally, they consulted with an environmentalist to assess the positive impact that phasing out bags would have, including enhanced safety for local wildlife. In deciding whether to pass the law, the council relied on:

- A) The historical school
- B) Stare decisis
- C) A cost benefit analysis
- D) Common law
- E) Legal positive

Answer: C

Explanation: Cost-benefit analysis involves choosing alternatives that maximize benefits and minimize costs.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 80) An example of pursuing change through identification with the vulnerable would involve:
- A) Arguing for stronger laws to protect abused children because abused children cannot protect themselves
  - B) Arguing for a stronger law to protect abused children because treating child victims is too costly for the public
  - C) Arguing for a stronger law to protect abused children because those who abuse children are not obeying duly authorized laws on child protection
  - D) Arguing for a stronger law to protect abused children because other jurisdictions have stronger laws
  - E) Arguing that current laws on child abuse should not be changed because of the tradition behind the laws

Answer: A

Explanation: Identification with the vulnerable involves pursuing change on the grounds that some higher law or body of moral principles connects all within the human community. Some members of society are able to take care of themselves, but others—especially the ill, children, the disabled, and the poor—require assistance to meet their fundamental needs.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 81) Why should business managers be familiar with laws that regulate business practices between nations?
- A) Advances in trade and technology have made trade with other countries easy, but companies must comply with local laws.
  - B) NAFTA requires registered businesses to understand and comply with international law.
  - C) GATT mandates that U.S. organizations know the laws in the United States and in 150 other member countries in order to incorporate.
  - D) Businesses are required to know the laws and to become WTO members to have Internet websites.
  - E) Businesses may meet foreigners and should be familiar with their customs to foster positive business relationships.

Answer: A

Explanation: Advances in technology and transportation make trade with other countries far easier today.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 82) What is the role of the World Trade Organization?



- A) To stimulate negotiations among member nations and to adjudicate trade disagreements among member nations.
- B) To enforce U.S. trade laws globally throughout 160 member nations.
- C) To restrict the flow of goods across borders in order to promote and protect domestic trade among member nations.
- D) To promote standardized trade laws globally.
- E) To create model trade treaties such as NAFTA and GATT to help establish conditions of global trade.

Answer: A

Explanation: The WTO stimulates negotiations among member nations to reduce barriers to international trade.

Difficulty: 3 Hard

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

83) What is the North American Free Trade Agreement?

- A) A U.S. law which protects citizens of the United States from being required to follow rules of commerce in foreign countries.
- B) A trade agreement with Canada and Mexico to help establish the conditions of global trade.
- C) A trade agreement with 150 countries to establish the conditions of global trade.
- D) An agreement with the World Trade Organization which allows the WTO to adjudicate trade disputes.
- E) A U.S. law which mandates citizens of the United States must follow rules of commerce in foreign countries.

Answer: B

Explanation: NAFTA is a trade agreement with Canada and Mexico to help establish the conditions of global trade.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

84) The EU regulates taxes on Internet sales and the amount of pollution differently than the U.S. government. U.S. companies doing business in the EU:

- A) Are required to comply with EU regulations only if their main headquarters are located within the European Union.
- B) Must pay taxes to the EU when conducting all business globally if they wish to do any business in the EU.
- C) Must comply with EU regulations when doing business in the European Union only.
- D) Are never required to comply with EU regulations as long as they are headquartered in the United States.
- E) Have the option to conduct business under either EU or U.S. regulations.

Answer: C

Explanation: Companies doing business in the EU must take different standards on Internet sales tax and pollution into account when doing business within the European Union.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

85) Candy wants to start an Internet business which will operate domestically as well as internationally. She is told by the Chinese government that certain items on her site are objectionable and illegal, and that if she wants to do business in China, she must remove the objectionable material. Which of the following is true?

- A) Candy is within her rights and should stand her ground. She is a U.S. citizen, and so long as she obeys U.S. laws, she can do business in China.
- B) Candy is within her rights only if she petitioned her state senator and obtained his or her permission to proceed.
- C) If Candy wants to do business in China, she must abide by Chinese law.
- D) By international law, there is a set fee of \$10,000 that Candy can pay if she wants to obey only U.S. law. If she pays that amount, she can continue in China without any modification.
- E) By international law, there is a set fee of \$5,000 that Candy can pay if she wants to obey only U.S. law. If she pays that amount, she can continue in China without any modification.

Answer: C

Explanation: Candy should understand comparative law which studies and compares the laws in different countries. The Chinese government does not want its citizens to have access to certain information and websites; and to do business there, Candy must conform to the Chinese standards.

Difficulty: 2 Medium

Topic: Schools of Jurisprudence

Learning Objective: 01-06 Identify the various schools of jurisprudence.

Bloom's: Apply

AACSB: Diversity

Accessibility: Keyboard Navigation

86) List the purposes of the law and discuss why these purposes are necessary for an ordered society.

Answer: Purposes of the law are listed as follows:

1. Providing order such that one can depend on a promise or an expectation of obligations
2. Serving as an alternative to fighting
3. Facilitating a sense that change is possible, but only after a rational consideration of options
4. Encouraging social justice
5. Guaranteeing personal freedom
6. Serving as a moral guide by indicating minimal expectations of citizens and organizations

Students' opinion will vary on discussion of why the law is necessary for an ordered society. Ideas would include enforcement of contracts, protection of underprivileged members of society, and the provision of a remedy for injustice.

Difficulty: 3 Hard

Topic: Law and Its Purposes

Learning Objective: 01-03 Recall the purposes of law.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

87) What is "stare decisis" and why is it so important to the American legal system? Why must business managers pay attention to changes in the law?

Answer: Students should discuss first what stare decisis is and how courts rely on precedent in making their decisions which helps provide a greater stability and predictability to the law. Business managers need to pay attention to the laws and any changes that may influence the decisions they make on a day to day basis.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) Judge Joanie Justice, who is newly appointed to the bench, is presented with a question of law involving a cat named Tiger who scratched a neighbor's antique car. The neighbor, Carl, demands justice in the form of full payment from Tiger's owner, Stacy, and also requests that Tiger be shipped to the local animal shelter. Stacy says that she should not have to pay anything because Tiger had never scratched before, that Tiger should be allowed to stay in the neighborhood, and that Carl (who is a grump and never should have brought the lawsuit) should reimburse her for her legal fees. Judge Justice is perplexed. Judge Justice wants to make a good decision, especially since she is new to the bench. Explain how the judge should go about reaching a decision. Discuss in your answer the impact of cases from other jurisdictions, assuming there is no relevant law in Judge Justice's jurisdiction. Also, assuming there is relevant law in Judge Justice's jurisdiction, discuss the applicable legal standard when case law conflicts with a later passed state statute.

Answer: Students should reference the need for Judge Joanie Justice to check for relevant case law and statutory law. Cases from other jurisdictions may be influential to the judge but are not binding. Decisions of higher courts within the state are binding. A state statute passed after a court decision would apply, as opposed to conflicting case law.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

89) The text references two ways in which a treaty between the U.S. and a foreign country is similar to a contract. Discuss these two ways.

Answer: Both treaties and contracts are attempts by parties to determine rights and obligations among themselves. Additionally, when a party fails to obey a treaty or contract, law imposes liability on the party who failed to obey the agreement.

Difficulty: 3 Hard Page Ref: 8

Topic: Sources of Business Law

Learning Objective: 01-05 Differentiate between sources of the law.

Bloom's: Analyze

AACSB: Diversity

Accessibility: Keyboard Navigation

90) The text discusses five factors suggested as a structure for critical thinking when reviewing case law. List and describe the five factors.

Answer: Students should list and discuss the following procedure:

- (1) Find the facts.
- (2) Look for the issue.
- (3) Identify the judge's reasons and conclusion.
- (4) Locate in the decision the rules of law that govern the judge's reasoning.
- (5) Apply critical thinking to the reasoning.

Difficulty: 3 Hard Page Ref: 12-13

Topic: Critical Thinking and Business Law

Learning Objective: 01-07 Outline the basic steps for applying critical thinking to business law.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation