

Chapter 1

Introduction to Law and Legal Reasoning

N.B.: **TYPE** indicates that a question is new, modified, or unchanged, as follows.

- N A question *new* to this edition of the Test Bank.
- + A question *modified* from the previous edition of the Test Bank.
- = A question *included* in the previous edition of the Test Bank.

TRUE/FALSE QUESTIONS

A1. The stability and predictability of the law is essential to business activities.

ANSWER: T PAGE: 2 TYPE: =
NAT: AACSB Analytic AICPA Critical Thinking

A2. Law is a body of enforceable rules governing relationships among individuals and between individuals and their society.

ANSWER: T PAGE: 2 TYPE: =
NAT: AACSB Analytic AICPA Legal

A3. A breach of a contract is a failure to perform it.

ANSWER: T PAGE: 3 TYPE: N
NAT: AACSB Ethics AICPA Critical Thinking

A4. Constitutional law includes only the U.S. Constitution.

ANSWER: F PAGE: 4 TYPE: =

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NAT: AACSB Analytic

AICPA Legal

A5. A state constitution is supreme within the state's borders.

ANSWER: T PAGE: 4 TYPE: =
NAT: AACSB Analytic AICPA Legal

A6. Whether a law is constitutional depends on its source.

ANSWER: F PAGE: 4 TYPE: =
NAT: AACSB Analytic AICPA Legal

A7. Uniform laws apply in all states, including those in which the laws have not been adopted.

ANSWER: F PAGE: 4 TYPE: =
NAT: AACSB Analytic AICPA Legal

A8. A state law that conflicts with the U.S. Constitution will be deemed unconstitutional.

ANSWER: T PAGE: 4 TYPE: =
NAT: AACSB Analytic AICPA Legal

A9. Statutory law does not include county ordinances.

ANSWER: F PAGE: 4 TYPE: =
NAT: AACSB Reflective AICPA Legal

A10. No state has adopted the Uniform Commercial Code in its entirety.

ANSWER: F PAGE: 5 TYPE: =
NAT: AACSB Reflective AICPA Legal

A11. Common law is a term for law that is common throughout the world.

ANSWER: F PAGE: 7 TYPE: =
NAT: AACSB Analytic AICPA Critical Thinking

A12. Damages is a remedy at law.

ANSWER: T PAGE: 7 TYPE: =
NAT: AACSB Analytic AICPA Legal

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A13. Remedies in equity include injunctions and decrees of specific performance.

ANSWER: T PAGE: 7 TYPE: =
NAT: AACSB Analytic AICPA Legal

A14. In most states, the courts no longer grant “equitable” remedies.

ANSWER: F PAGE: 8 TYPE: =
NAT: AACSB Analytic AICPA Legal

A15. A defendant is a person against whom a lawsuit is brought.

ANSWER: T PAGE: 8 TYPE: =
NAT: AACSB Analytic AICPA Legal

A16. Courts do not depart from precedents.

ANSWER: F PAGE: 9 TYPE: =
NAT: AACSB Reflective AICPA Critical Thinking

A17. A judge’s function is to make the law.

ANSWER: F PAGE: 13 TYPE: N
NAT: AACSB Analytic AICPA Legal

A18. Criminal law focuses on duties that exist between persons.

ANSWER: F PAGE: 15 TYPE: =
NAT: AACSB Analytic AICPA Legal

A19. A reference to “28 U.S.C. Section 1332” means that a statute can be found in section 1332 of title 28 of the *United States Code*.

ANSWER: T PAGE: 15 TYPE: =
NAT: AACSB Analytic AICPA Research

A20. Most state trial court decisions are not published.

ANSWER: T PAGE: 16 TYPE: =
NAT: AACSB Analytic AICPA Research

MULTIPLE CHOICE QUESTIONS

- A1. The legislature of the state of Mississippi enacts a new statute that sets standards for the liability of businesses selling defective products. This statute applies
- a. only in Mississippi.
 - b. only in Mississippi and its border states.
 - c. in all states.
 - d. in all states but only to matters not covered by other states' laws.

ANSWER: A PAGE: 4 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

- A2. Lewis is a state court judge. Like other judges, Lewis often refers to secondary sources of law for guidance. These sources include
- a. official comments to statute.
 - b. other states' statutes.
 - c. state constitutions.
 - d. the U.S. Constitution.

ANSWER: A PAGE: 4 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A3. Hawaii 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 Hawaii only.
 - d. the United States Supreme Court only.

ANSWER: A PAGE: 4 TYPE: =
NAT: AACSB Reflective AICPA Legal

- A4. The Federal Trade Commission is a government agency that issues rules, orders, and decisions. The Georgia state legislature enacts statutes. The Jackson County Board and the Peach City Council enacts ordinances. Administrative law includes
- all law that affects a business's operation.
 - the rules, orders, and decisions of the Federal Trade Commission.
 - statutes enacted by the Georgia state legislature.
 - ordinances created by the Jackson County Board and the city council of Peach City, Georgia.

ANSWER: B PAGE: 5 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- A5. The Securities Exchange Commission is an administrative agency. The chief purpose of such agencies is to
- act as liaisons between federal and state governments.
 - impose uniform laws on the states.
 - perform specific government functions.
 - standardize laws for the executive and judicial branches.

ANSWER: C PAGE: 5 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- A6. In a suit against Corbin, Donatella obtains *damages*. This is
- an order to do or to refrain from doing a particular act.
 - an order to perform what was promised.
 - a payment of money or property as compensation.
 - the cancellation of a contract.

ANSWER: C PAGE: 7 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A7. In an action against Elin, Frank obtains a *remedy*. This is
- an administrative agency's enforcement of its rule.
 - a principle of the law derived from earlier court cases.
 - a statute enacted by a state legislature or Congress.
 - the legal means to recover a right or to redress a wrong.

ANSWER: D PAGE: 7 TYPE: =

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NAT: AACSB Reflective

AICPA Legal

- A8. In a suit against Evan, Floyd obtains an *injunction*. This is
- a. an order to do or to refrain from doing a particular act.
 - b. an order to perform what was promised.
 - c. a payment of money or property as compensation.
 - d. the cancellation of a contract.

ANSWER: A PAGE: 7 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A9. In a suit against Vladimir over the performance of a contract, Wyler obtains *rescission*. This is
- a. an order to do or to refrain from doing a particular act.
 - b. an order to perform what was promised.
 - c. a payment of money or property as compensation.
 - d. the cancellation of a contract.

ANSWER: D PAGE: 7 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A10. In a suit against Sandy, Tippy obtains damages. In the U.S. legal system, this remedy at law is
- a. equitable.
 - b. normal.
 - c. unlikely.
 - d. unusual.

ANSWER: B PAGE: 7 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A11. Maggie and Nate enter into a contract for the sale of car, but Nate later refuses to deliver the goods. Maggie asks a court to order Nate to perform as promised. Ordering a party to perform what was promised is
- a. an equitable remedy.
 - b. an unenforceable demand.
 - c. a remedy at law.
 - d. a type of harm.

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ANSWER:	A	PAGE:	7	TYPE:	N
NAT:	AACSB Reflective		AICPA Critical Thinking		

A12. As a judge, Diane applies common law rules. These rules develop from

- a. decisions of the courts in legal disputes.
- b. regulations issued by administrative agencies.
- c. statutes enacted by Congress and the state legislatures.
- d. uniform laws drafted by legal scholars.

ANSWER: A PAGE: 8 TYPE: =
NAT: AACSB Reflective AICPA Legal

A13. Craig is a state court judge. In his court, as in most state courts, legal and equitable remedies have merged. But it is important to distinguish between equitable and legal remedies

- a. because neither type of remedy can be granted today.
- b. for no good reason.
- c. to negotiate an enforceable business contract.
- d. to request a proper remedy.

ANSWER: D PAGE: 8 TYPE: N
NAT: AACSB Reflective AICPA Legal

A14. In *Ben v. City Car Dealership*, a state supreme court held that a minor could cancel a contract for the sale of a car. Now a trial court in the same state is deciding *Daphne v. Even Steven Auto 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 previous case.
- c. order the minor to cancel the contract.
- d. require the minor to fulfill the contract.

ANSWER: A PAGE: 9 TYPE: =
NAT: AACSB Reflective AICPA Critical Thinking

A15. In *Export Co. v. Imports, Inc.*, there is no precedent on which the court can base a decision. The court can consider, among other things,

- a. neither public policy nor social values.
- b. public policy only.
- c. public policy or social values.
- d. social values only.

ANSWER: C PAGE: 10 TYPE: =
NAT: AACSB Reflective AICPA Critical Thinking

A16. A federal statute regulates an employment practice. To resolve a dispute concerning the practice, Paula, a judge, will most likely apply

- a. a common law doctrine that applied before the statute was enacted.
- b. a common law doctrine that applies to other, different practices.
- c. Paula's personal philosophy of law.
- d. the statute.

ANSWER: D PAGE: 12 TYPE: =
NAT: AACSB Reflective AICPA Critical Thinking

Fact Pattern 1-A1 (Questions A17–A19 apply)

The Texas Supreme Court decides the case of *Livewire Entertainment Co. v. Power Play Corp.* Of nine justices, six believe the judgment should be in Livewire's favor. Justice Bellamy, one of the six, writes a separate opinion. The four justices who believe the judgment should be in Power's favor join in a third separate opinion.

A17. Refer to Fact Pattern 1-A1. These opinions are collected and published in volumes called

- a. citations.
- b. codes.
- c. reporters.
- d. reviews.

ANSWER: C PAGE: 16 TYPE: +
NAT: AACSB Reflective AICPA Research

A18. Refer to Fact Pattern 1-A1. Bellamy's opinion is known as

- a. a concurring opinion.
- b. a dissenting opinion.
- c. a majority opinion.
- d. a *per curiam* opinion.

ANSWER: A

PAGE: 21

TYPE: +

NAT: AACSB Reflective

AICPA Research

A19. Refer to Fact Pattern 1-A1. The opinion joined by the four justices who favor Power is known as

- a. a concurring opinion.
- b. a dissenting opinion.
- c. a majority opinion.
- d. a *per curiam* opinion.

ANSWER: B

PAGE: 21

TYPE: +

NAT: AACSB Reflective

AICPA Research

A20. Anchorage Marina in Bay Harbor sponsors a fishing tournament that the crew of the *Chimera* enters. The prizes include cash and discount certificates for nautical equipment. Under the principles discussed in "A Sample Court Case," *Fehr v. Algard*, the offer of a prize in a contest is

- a. a binding contract in favor of a contestant who complies by the rules.
- b. a duty to be obeyed that is defined by the risk perceived.
- c. an equitable remedy that a modern trial court may or may not grant.
- d. a wager in favor of its offeror that is unenforceable at law.

ANSWER: A

PAGE: 26

TYPE: N

NAT: AACSB Reflective

AICPA Research

ESSAY QUESTIONS

A1. Citizens with a Better Cause (CBC), a nonprofit organization, files a suit against the U.S. Department of Justice (DOJ), claiming that a certain federal statute the DOJ is empowered to enforce conflicts with the U.S. Constitution and with a state constitution. In each situation, which source of law has priority?

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

PAGE: 4

TYPE: =

NAT: AACSB Reflective

AICPA Decision Modeling

- A2. Blizzard Entertainment, Inc., one of the owners of the World of Warcraft (WoW) computer game, is involved in a lawsuit with MDY Industries, LLC, the owner of Glider, a software program that plays WoW for its players while they are away from their keyboards. Blizzard asks the court to direct MDY to stop selling and distributing Glider. The court's opinion in the case is at *MDY Industries, LLC v. Blizzard Entertainment, Inc.*, 616 F.Supp.2d 958 (D.Ariz. 2010). What is the name for the remedy that Blizzard is seeking? What type of remedy is it? What court decided this case? Specifically where can the court's opinion be found?

ANSWER: The remedy that Blizzard asks the court to provide is an injunction—defined as an order to do or to refrain from doing a particular act. An injunction is an equitable remedy. The U.S. District Court for the District of Arizona decided this case in 2009. The opinion of the court in this case—*MDY Industries, LLC v. Blizzard Entertainment, Inc.*, 616 F.Supp.2d 958 (D.Ariz. 2010)—can be found in its entirety in volume 616 of the *Federal Supplement, Second Series*, on page 958. The case was decided by the U.S. District Court for the District of Arizona in 2010.

PAGES: 16 & 18–19

TYPE: N

NAT: AACSB Reflective

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