

TRUE/FALSE

1. Law actually refers to the duties imposed upon people requiring them to act in a certain manner.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 6 OBJ: LO: 1-2 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

2. Business Ethics is the inquiry into the moral judgment people make in deciding what is right or good in their daily lives.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 16 OBJ: LO: 1-8 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

3. The constitution of a state is the primary legal authority for that state.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

4. A government may take private property without compensation if it is needed for public use.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-3 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

5. The most important influences on the development of law today are criminal law and civil law.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

6. The Romans developed the concept of a written code, which became known as the Justinian Code.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

7. English common law is the basis for much of the law in Europe today.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

8. "Law" refers only to the statutes passed by federal and state legislatures.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-2 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

9. Laws passed by local governments are called acts.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 10 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

10. Any law, whether enacted by Congress or by a state legislature, may be declared invalid if it conflicts with the Constitution of the United States.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

11. Administrative regulations have the same force and effect as statutes and court decisions.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 12 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

12. The Environmental Protection Agency is an example of a federal administrative agency.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 12 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

13. Criminal law includes rules that protect society.

ANS: T PTS: 1 DIF: Difficulty: Easy
REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

14. Because equity is so important, special equity courts have been established within the state court system.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 14 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

15. Violations of business ethics occur only in large corporations.

ANS: F PTS: 1 DIF: Difficulty: Easy
REF: p. 18 OBJ: LO: 1-8 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

MULTIPLE CHOICE

1. A major reason rules or laws were first established was to
- provide jobs for people.
 - restrict people's movement in society.
 - make it possible for the majority to rule the rest.
 - protect the rights of individuals against acts by others.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 7 OBJ: LO: 1-3 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

2. The Social Security system is an example of using law to
- settle disputes.
 - promote worthwhile social objectives.
 - protect property.
 - protect society.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-3 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

3. The body of legal decisions made by English court judges over a period of many years was called
- constitutional law.
 - administrative law.
 - statute law.
 - common law.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 8 OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

4. Law in the United States is derived primarily from
- constitutions, statutes, and ordinances.
 - court decisions.
 - administrative regulations.
 - all of these.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

5. The practice of following precedents in deciding later cases is known as
- stare decisis*.
 - equity.
 - statute law.
 - moral law.

ANS: A PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

6. The supreme law in the United States is
- the constitutions of the various states.
 - decisions made by courts.
 - administrative regulations.
 - the U.S. Constitution.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Knowledge

7. A city council passed a local law restricting the use of water for car washing and lawn watering during a very dry season. This law is an example of
- common law.
 - case law.
 - administrative law.
 - an ordinance.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 10 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Application

8. The body of written law that defines the rights and duties of individuals and describes the power and limitations of the government is known as
- business law.
 - common law.
 - constitutional law.
 - moral law.

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 9 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

9. It is *not* within the power of states to regulate
- zoning.
 - postal delivery.
 - marriage.
 - traffic control.

ANS: B PTS: 1 DIF: Difficulty: Moderate
REF: p. 11 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

10. Another name for common law is
- written law.
 - equity law.
 - administrative law.
 - case law.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 11 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

11. An illustration of common law is
- the constitution of a particular state.
 - the Constitution of the United States.
 - a statute enacted by a legislative body.
 - decisions of federal and state courts.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 11 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

12. A Federal Communications Commission restriction on the amount of prescription drugs permitted on television is an example of
- administrative law.

- b. constitutional law.
- c. common law.
- d. statutory law.

ANS: A PTS: 1 DIF: Difficulty: Moderate
 REF: p. 12 OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking
 STA: AICPA: BB-Legal KEY: Bloom's: Application

13. Laws regulating the rights and obligations of individuals in relationship to each other are called
- a. civil laws.
 - b. criminal laws.
 - c. constitutional laws.
 - d. administrative laws.

ANS: A PTS: 1 DIF: Difficulty: Easy
 REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
 STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

14. Higgins willfully and maliciously set fire to his neighbor's garage. The branch of law that would govern Higgins' action is
- a. moral law.
 - b. criminal law.
 - c. the law of equity.
 - d. administrative law.

ANS: B PTS: 1 DIF: Difficulty: Moderate
 REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
 STA: AICPA: BB-Legal KEY: Bloom's: Application

15. Grimes is suing Winkler for damages brought about when Winkler breached a contract with Grimes. Assuming that both parties lived in the state of Nevada, the case will appear on the court docket as
- a. *Winkler v. State of Nevada.*
 - b. *Winkler v. Grimes.*
 - c. *Grimes v. Winkler.*
 - d. *State of Nevada v. Winkler.*

ANS: C PTS: 1 DIF: Difficulty: Moderate
 REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
 STA: AICPA: BB-Legal KEY: Bloom's: Application

16. Laws that are enacted by legislative bodies forbidding conduct that is considered harmful to society and that is subject to punishment are referred to as
- a. moral law.
 - b. civil law.
 - c. Roman law.
 - d. criminal law.

ANS: D PTS: 1 DIF: Difficulty: Easy
 REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
 STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

17. Remedies available in a civil action include all of the following *except*
- a. damages.
 - b. ordering a person to refrain from certain conduct.
 - c. ordering a person to perform a certain act.

d. a prison term.

ANS: D PTS: 1 DIF: Difficulty: Easy
REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

18. The relief granted in a civil action is
- punishment.
 - money damages.
 - having a person arrested.
 - bringing an action against society.

ANS: B PTS: 1 DIF: Difficulty: Easy
REF: p. 13 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

19. In making a distinction between law and equity, which of the following is a correct statement concerning the distinction?
- Law provides different remedies than those available in equity.
 - Equity grants relief in accordance with fair and just principles.
 - One possible remedy in a court of equity is specific performance.
 - All of these.

ANS: D PTS: 1 DIF: Difficulty: Moderate
REF: p. 13-14 OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

20. The Uniform Commercial Code governs
- violations of civil law.
 - equity cases.
 - business transactions.
 - citizens' rights.

ANS: C PTS: 1 DIF: Difficulty: Easy
REF: p. 15 OBJ: LO: 1-7 NAT: BUSPROG: Reflective Thinking
STA: AICPA: BB-Legal KEY: Bloom's: Comprehension

COMPLETION

1. The rules established by government to regulate the conduct of individuals and groups in a society are called _____.

ANS: law

PTS: 1 DIF: Difficulty: Easy REF: p. 6
OBJ: LO: 1-2 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

2. An important concept in our legal system is that the law protects people but, at the same time, imposes legal _____ upon them.

ANS: duties

PTS: 1 DIF: Difficulty: Easy REF: p. 6

OBJ: LO: 1-2 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Comprehension

3. Common law had its beginnings in _____.

ANS: England

PTS: 1 DIF: Difficulty: Easy REF: p. 8
OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

4. One of the first printed books containing important decisions of English court judges was _____ Commentaries.

ANS: Blackstone's

PTS: 1 DIF: Difficulty: Easy REF: p. 9
OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

5. Most state constitutions are modeled after the _____.

ANS: U.S. Constitution

PTS: 1 DIF: Difficulty: Easy REF: p. 9
OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

6. Laws passed by Congress are called _____.

ANS: acts

PTS: 1 DIF: Difficulty: Easy REF: p. 10
OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

7. _____ is concerned with the relationships between and among individuals.

ANS: Civil law

PTS: 1 DIF: Difficulty: Moderate REF: p. 13
OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Comprehension

8. Two remedies available to persons at equity are _____ and _____.

ANS:
injunction; specific performance
specific performance; injunction

PTS: 1 DIF: Difficulty: Easy REF: p. 14
OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

9. The *State of Tennessee v. Peterson* is an example of a case title indicating a(n) _____ action.

ANS: criminal

PTS: 1 DIF: Difficulty: Moderate REF: p. 13
OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Application

10. The subject of contracts is governed by _____ law.

ANS: civil

PTS: 1 DIF: Difficulty: Moderate REF: p. 13
OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Comprehension

SHORT ANSWER

1. What were the two greatest influences on the development of law in the United States?

ANS:
Roman law and the English common law.

PTS: 1 DIF: Difficulty: Easy REF: p. 8
OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

2. What are the four sources of law in the United States?

ANS:
Constitutions, statutes, court decisions, and administrative regulations.

PTS: 1 DIF: Difficulty: Easy REF: p. 9-12
OBJ: LO: 1-5 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge

3. What is the advantage of relying on prior court decisions (stare decisis doctrine) to decide future cases?

ANS:
Predictability. Established court decisions allow judges, attorneys, and people in general to act in a certain way knowing that there is existing precedent to rely on when emerging cases involving similar disputes arise.

PTS: 1 DIF: Difficulty: Moderate REF: p. 11
OBJ: LO: 1-4 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Comprehension

4. Mention a basic distinction between suing at law and suing in equity.

ANS:

In a court of law, a person who sues another and is successful receives money damages. If money damages are unsuitable as a remedy, a court of equity may allow a person to seek nonmonetary relief, such as ordering a person to perform a certain act (specific performance) or to refrain from certain conduct (injunction).

PTS: 1 DIF: Difficulty: Moderate REF: p. 13-14 | p. 14, Table 1.2
OBJ: LO: 1-6 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Comprehension

5. Based on the information in the text, name three ethical challenges faced by business owners and managers in the workplace.

ANS:

Privacy issues; restrictions placed on employees; sexual harassment; behavior that significantly influences work performance; management style.

PTS: 1 DIF: Difficulty: Moderate REF: p. 19-20
OBJ: LO: 1-9 NAT: BUSPROG: Reflective Thinking STA: AICPA: BB-Legal
KEY: Bloom's: Knowledge