

Chapter 1
Introduction to Law and Legal Systems

True/False Questions

1. With regard to the functions of the law, the empire may have kept the peace—largely with force—but it did not change the status quo and seldom promoted the native peoples' rights or social justice within the colonized nation.
False; Easy
2. The positivist school of legal thought relies on social context and the actual behavior of the principal actors who enforce the law.
False; Easy
3. If a lawmaker issues a command that is in violation of natural law, a citizen would be morally justified in demonstrating civil disobedience.
True; Easy
4. A priori means “existing in the mind prior to and dependent on experience.”
False; Easy
5. According to the contract law, promise-breaking is considered as unethical.
True; Easy
6. If a competitor lies about your product, your remedy would be in contract, not tort.
False; Easy
7. The substantive rules tell us how to act with one another and with the government.
True; Easy
8. In the case of Virginia Rulon-Miller, the court gave the judgment based on the treaties agreement.
False; Easy
9. The Constitution prescribes that the president has the veto power over any legislation, but the House and Senate can override a presidential veto with two-thirds vote in each chamber.
True; Easy
10. Common law consists of decisions by courts that involve interpretation of statutes, regulations, and treaties.
False; Easy
11. Under most treaties, the United States cannot withdraw any voluntary limitation on its sovereignty.
False; Easy
12. A holding is the court's complete answer to an issue that is critical to deciding the case and thus gives guidance to the meaning of the case as a precedent for future cases.

True; Easy

13. The main alternative to the common-law legal system is based in Roman and Napoleonic law.

True; Easy

14. State and federal statutes that prohibit discrimination on any basis other than race are essentially legislative exceptions to the common-law employment-at-will rule.

False; Easy

15. According to the case *Harris v. Forklift Systems*, the Supreme Court decided that an employee need not prove severe psychological injury in order to win a Title VII sexual harassment claim.

True; Easy

Multiple Choice Questions

1. According to which school of thought is law the command of a sovereign?

- a. Positive-law school of legal thought
- b. Natural-law school of legal thought
- c. Legal realist school of thought
- d. Critical legal studies school of thought
- e. Ecofeminist school of legal thought

a; Easy

2. According to the legal realist school of thought, _____.

- a. precedent was more important than moral arguments
- b. law is politics and is thus not neutral
- c. wives, children, land, and animals are valued as economic resources
- d. the social context of law was more important
- e. there is preeminence of man and his dominance of both nature and women

d; Easy

3. Which of the following was a belief held by some Critics?

- a. Precedent is more important than moral arguments
- b. Distributive justice theory
- c. Dominator culture
- d. Social context of law
- e. Upheaval of women

b; Easy

4. Dominator culture is _____.

- a. one in which man is charged with making all that he controls economically productive
- b. dominated by those with power, wealth, and influence
- c. influenced by the economist Karl Marx
- d. more important to legal realists than the formal application of precedent to current or future legal disputes
- e. one in which man has historically oppressed those with less wealth and has maintained social control through law

a; Easy

5. The historical school of law _____.
a. believed that precedent would be more important than moral arguments
b. stated that the social context of law was more important
c. stressed the need for certain laws and doctrines to be altered in order to remain current
d. emphasized the longstanding domination of men over both women and the rest of the world
e. influenced the emergence of critical legal studies

a; Easy

6. The _____ would use the law to overturn the hierarchical structures of domination in the modern society.
a. historical school of law
b. critical legal studies school of thought
c. ecofeminist school of legal thought
d. legal realist school
e. natural law school of thought

b; Easy

7. According to contract law _____.
a. harming others is considered unethical
b. private ownership of property is socially useful
c. anarchy is caused if people are not restrained by law
d. promise-breaking is seen as unethical
e. compensation is provided when serious injuries or harms occur

d; Easy

8. Tort law deals with _____.
a. the rights and duties of those who can legally own land
b. what kinds of promises courts should enforce
c. how ownership can be legally confirmed and protected
d. cases that involve dispute over illegally owned property
e. cases that involve some kind of harm between plaintiff and defendant when no contract exists

e; Easy

9. Which of the following is true of civil cases?
a. Plaintiff brings the case and defendant must answer
b. Their purpose is to maintain order in society.
c. Their purpose is to deter serious wrongdoing
d. Proof must be beyond reasonable doubt
e. Remedies include fines, jail, and forfeitures

a; Easy

10. Which of the following is true of criminal cases?
a. Disputes are settled peacefully between private parties.
b. The most blameworthy are punished.
c. Prosecutor brings the case.
d. Proof depends upon preponderance of evidence.

e. Defendant must answer or lose by default.

b; Easy

11. In the case of Virginia Rulon-Miller, the court gave the judgment based on which source of law?

- a. Statutes
- b. Constitution
- c. Agency regulations
- d. Judicial decisions
- e. Treaties agreements

b; Easy

12. Which of the following is true about statutes?

- a. They are more important than treaties or conventions.
- b. Under most statutes, the United States may unbind itself whenever it chooses.
- c. U.S. environmental statutes cannot be overruled contrary to U.S. treaty obligations.
- d. They generally take precedence over case laws.
- e. The tuna-dolphin dispute between the United States and Mexico is an example of statutes taking priority over treaties.

d; Easy

13. What is the meaning of the Latin expression *de minimis non curat lex*?

- a. What the law should be
- b. Let the decision stand
- c. The law does not deal in trifles
- d. The rationale for the decision
- e. A matter settled by judgment

c; Moderate

14. A code-law system ____.

- a. is used to resolve particular cases, usually by judges and a jury
- b. is unique to England, the United States, and former colonies of the British Empire
- c. recognizes the use of precedents in judicial cases
- d. is similar to the communist and socialist legal systems
- e. is one where all the legal rules are in one comprehensive legislative enactment

e; Easy

15. In the *Harris v. Forklift Systems* case, the Supreme Court ____.

- a. ruled that whether an environment is hostile or abusive can be determined just by the present circumstances
- b. ruled that an employee had to prove severe psychological injury in order to win a Title VII sexual harassment claim
- c. ruled that Title VII comes into play only if the harassing conduct has led to a serious nervous breakdown
- d. raised the bar and made hostile-working environment claims under Title VII more difficult to win
- e. reversed the judgment of the Court of Appeals

e; Moderate

Short Answer Questions

1. What are the functions of law?
In a nation, the law can serve to:

- Keep the peace.
- Maintain the status quo.
- Preserve individual rights.
- Protect minorities against majorities.
- Promote social justice.
- Provide for orderly social change.

Moderate

2. Explain the main sources of law in the United States.
The main sources of law in the United States are:

- **Constitutions—both state and federal:** **Constitutions** are the foundation for a state or nation's other laws, providing the country's legislative, executive, and judicial framework.
- **Statutes and agency regulations:** Statutes are legislative directives, having the form of general rules that are to be followed in the nation-state or its subdivisions. Statutes are controlling over judicial decisions or common law, but are inferior to (and controlled by) constitutional law. Both the federal government and the states have created administrative agencies. An agency only has the power that the legislature gives it. Within the scope of that power, an agency will often create regulations, which have the same force and effect as statutes.
- **Judicial decisions:** Common law consists of decisions by courts (judicial decisions) that do not involve interpretation of statutes, regulations, treaties, or the Constitution. Courts make such interpretations, but many cases are decided where there is no statutory or other codified law or regulation to be interpreted. United States law comes primarily from the tradition of English common law.

Moderate

Chapter 2

Corporate Social Responsibility and Business Ethics

True/False Questions

1. Ethics is the study of what is right and wrong just from an individual's personal moral viewpoint.
False; Easy
2. There are many professional ethics codes because they provide goals that help provide excellent service to customers.
False; Easy
3. What is legal is not necessarily ethical and what is ethical is not necessarily legal.
True; Easy
4. In the Sears Auto Centers case, the loss of goodwill was real, even though the total amount of money could not be clearly accounted for.
True; Easy
5. According to utilitarianism, results, not rules, are emphasized.
True; Easy
6. Act utilitarianism describes what rule or principle, if followed regularly, will create the greatest good.
False; Easy
7. According to the sum total of utilities, we can be satisfied if an act provides the greatest utility to an individual even if it does not provide the greatest utility to society as a whole.
False; Easy
8. According to Immanuel Kant, we should be able to universalize any particular law or action to determine whether it is ethical.
True; Easy
9. If you have a right of free expression, the government has a duty to respect that right, but can put unreasonable limits on it.
False; Easy
10. According to Josephson, if there is no such decision that satisfies the greatest number of core values, one should try to determine which decision delivers the greatest good to the various stakeholders.
True; Easy
11. The agency problem in corporate governance is about how to get managers' interests well aligned with the shareholders' interests.
True; Easy

12. A manager's fiduciary duty refers to resisting hostile takeover bids.
False; Easy
13. Stakeholders can be economically dependent without having ownership.
True; Easy
14. According to the series of observations about corporations, ethics, and corporate culture, the best ethics codes are legalistic or compliance driven.
False; Easy
15. Conscious capitalism integrates the viewpoints of stakeholder theory and shareholder primacy.
True; Easy

Multiple Choice Questions

1. According to utilitarianism, _____.
a. results, not rules, are emphasized
b. ethical action arises from doing one's duty
c. duties are defined by rational thought
d. emphasis is on what is the fair way to distribute goods among a group of people
e. people give up certain rights to government in exchange for security
a; Easy
2. _____ describes what rule or principle, if followed regularly, will create the greatest good.
a. Deontology
b. Social justice
c. Rule utilitarianism
d. Social contract theory
e. Act utilitarianism
c; Easy
3. Which of the following uses the utilitarian test of the greatest good overall?
a. Project A provides a benefit of \$1 million to a company at an investment of \$10,000. Over a period of 10 years, the company has to reduce its workforce by 50 percent.
b. Project B provides a benefit of \$1 million to a company at an investment of \$10,000. Over a period of 10 years, the company has to come up with a new technology that will lead to an increase in the cost of living for all the people in the vicinity.
c. Project C provides a benefit of \$1 million to a company at an investment of \$10,000. Over a period of 10 years, the company has to employ 10,000 more people and cut down on 100 acres of forest area to expand the facility.
d. Project D provides a benefit of \$100,000 to a company at a cost of \$50,000. Over a period of 10 years, the company has to employ 100 more people.
e. Project E provides a benefit of \$1 million to a company at an investment of \$10,000. Over a period of 10 years, the company has to acquire two of its competitors, leading to total reduction of its workforce by 30 percent.
d; Moderate

4. According to deontology, _____.
a. rules are emphasized instead of results
b. lying cannot be universalized as it depends on the preexistence of honesty
c. emphasis is on what is the fair way to distribute goods among a group of people
d. people give up certain rights to government in exchange of security
e. social contract can be changes by the participants in a community
b; Easy
5. Which of the following is true for the relationship between rights and duties?
a. If you have a right of free expression, the government has a duty to respect that right but can put unreasonable limits on it.
b. Rights and duties exist only between people and their governments.
c. Your right in legal terms is only as good as your community's willingness to provide relief outside the legal system.
d. You can legally say whatever you want about the U.S. President even if the criticisms are strong and insistent.
e. If someone punches you in the nose, your rights as set forth in the negative law of the state have been violated.
d; Moderate
6. Which of the following is true according to Aristotle and the Virtue theory?
a. Aristotle believed that as all activity was aimed at some goal or perceived good, no ranking was required among those goals or goods.
b. Aristotle rejected wealth, pleasure, and fame as the distinguishing feature of humans as opposed to other species.
c. Happiness is living according to passive use of reason.
d. The emphasis on virtue theory has gradually been reducing while more attention is being given to the utilitarian and deontological approaches to ethics.
e. Happiness cannot be associated with reason.
b; Easy
7. What is the "agency problem" often discussed in corporate governance?
a. How to get the managers' interests well aligned with the shareholders' interests.
b. How to get owners replace nonperforming or underperforming officers and directors.
c. How a corporation should maximize profits for its stockholders.
d. How to get corporations engage in open and free competition without deception and fraud.
e. How to get a corporation to act responsibly toward nonshareholder interests.
a; Moderate
8. The manager's fiduciary duty refers to _____.
a. the duty of managers to maximize returns to employees
b. the legally prescribed duties which make their employment possible
c. the moral duty managers have to act as responsible agents to the owners
d. managers resisting hostile takeover bids
e. managers managing by number
c; Easy
9. According to limited liability, _____.

- a. smaller pools of capital could be aggregated for larger enterprises
- b. if the venture fails, shareholders would not lose their investments
- c. there would be personal liability only
- d. there would only be a loss in the value of the corporate stock
- e. corporations cannot extend beyond the bottom line to maximize profits

d; Moderate

10. Which of the following is true with regard to the stakes of various stakeholders?
- a. The value of the organization does not have a direct impact on the wealth of shareholders.
 - b. Stakeholders can be economically dependent without having ownership.
 - c. Government is directly linked to the organizations.
 - d. Local communities do not rely on the corporation for financial well-being.
 - e. The stakeholders not directly linked to the organization do not have interests in making sure that the organization works in a socially responsible manner.

b; Moderate

11. According to the stakeholder theory, ____.
- a. having gone along with legal duties, the corporation can ignore any other social obligations
 - b. a corporation's social responsibilities are limited to staying within the law only
 - c. corporations should pay attention only to the bottom line
 - d. a socially responsible corporation is likely to consider the impact of its decision on the shareholders only
 - e. all the stakeholders to a corporate decision deserve some kind of moral consideration

e; Easy

12. According to the Sears Auto Center case, which of the following is true?
- a. People would not justify the harm to others as being minimal even to achieve the desired sales quota.
 - b. The customers were treated as ends rather than means.
 - c. The key people were motivated by all the goals for the organization rather than maximizing profits.
 - d. The rip-offs were possible as individual consumers lacked the relevant information.
 - e. People generally choose long-term gains over short-term losses.

d; Easy

13. Which of the following is true according to conscious capitalism?
- a. Companies should operate with a holistic or systems view.
 - b. Companies that practice conscious capitalism concentrate only on giving superior results to shareholders.
 - c. People in an organization tend to closely watch what the top managers do and say.
 - d. The manager will often act more in his or her own self-interest than for the corporate interest.
 - e. The best ethics codes are legalistic or compliance driven.

a; Easy

14. ____ helps companies embrace the idea that profit and prosperity must go hand in hand with social justice and environmental stewardship.
- a. Social contract
 - b. Stakeholder theory

- c. Conscious capitalism
 - d. Virtue ethics
 - e. Deontology
- c; Easy**

15. Hobbes and Locke are generally regarded as the preeminent _____ theorists.
- a. stakeholder theory
 - b. shareholder primacy
 - c. social contract
 - d. conscious capital
 - e. virtue ethics
- d; Easy**

Short Answer Questions

1. What are the frequent mistakes that people make in applying utilitarianism?
The mistakes that people make while applying utilitarianism are:
- Failing to come up with lots of options that seem reasonable and then choosing the one that has the greatest benefit for the greatest number.
 - Assuming that the greatest good for you or the company is in fact the greatest good for all.
 - Underestimating the costs of a certain decision to you or your company.
 - Underestimating the cost or harm of a certain decision to someone else or some other group of people.
 - Favoring short-term benefits, even though the long-term costs are greater.
 - Assuming that all values can be reduced to money.

Moderate

2. What factors led to noted American ethicist Michael Josephson's core value analysis? What are the core values identified by Josephson?
The 14 virtues named by Aristotle seemed old-fashioned from a modern perspective. The issues that emerged were:
- How do we know what a virtue is these days?
 - How useful is a list of agreed-upon virtues anyway?
 - What do virtues have to do with companies, particularly large ones where various groups and individuals may have little or no contact with other parts of the organization? Also can corporations "have" virtues, as it is not the same as an individual?

These issues led to the identification of a current set of core values by noted American ethicist Michael Josephson, which can be meaningfully applied to a variety for personal and corporate decisions. The core values identified by him are:

- Trustworthiness
- Respect
- Responsibility
- Fairness
- Caring
- Citizenship

Moderate