

Ch01: Law and Legal Reasoning

True / False

1. In the United States, the law consists of written laws and court decisions.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: False

4. The study of business law does not involve an ethical dimension.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

6. A constitution is a primary source of law.

- a. True
- b. False

ANSWER: True

7. A statute is a secondary source of law.

- a. True
- b. False

ANSWER: False

8. A secondary source of law establishes the law on a particular issue.

- a. True
- b. False

ANSWER: False

9. Courts often refer to secondary sources of law for guidance in interpreting and applying a primary source of law.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: False

11. The U.S. Constitution is the basis of all law in the United States.

- a. True
- b. False

ANSWER: True

12. Only if a state legislature adopts a uniform law does that law become part of the statutory law of that state.

- a. True
- b. False

ANSWER: True

13. A citation is a regulation enacted by a city or county legislative body.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: False

16. Congress or a state legislature establishes an administrative agency to perform a specific function.

- a. True
- b. False

ANSWER: True

17. Independent regulatory agencies are not subject to the authority of the president.

- a. True
- b. False

ANSWER: False

18. Rules issued by administrative agencies affect almost every aspect of a business's operations.

- a. True
- b. False

ANSWER: True

19. Federal agency regulations do not take precedence over conflicting state regulations.

- a. True
- b. False

ANSWER: False

20. Administrative law plays a relatively insignificant role in the regulatory environment of business.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: True

22. The common law is a body of law developed from judicial decisions.

- a. True
- b. False

ANSWER: True

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

- a. True

b. False

ANSWER: False

24. Controlling precedents are binding authorities.

a. True

b. False

ANSWER: True

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

a. True

b. False

ANSWER: False

26. Often, more than one rule of law will be applicable to a case.

a. True

b. False

ANSWER: True

27. There is one right answer to every legal question.

a. True

b. False

ANSWER: False

28. Because courts of law and equity have merged, the principles of equity are no longer applied.

a. True

b. False

ANSWER: False

29. With respect to the study of jurisprudence, there is only one school of legal thought.

a. True

b. False

ANSWER: False

30. Civil law has to do with wrongs committed against society for which society demands redress.

a. True

b. False

ANSWER: False

31. International law derives from a variety of sources, including the laws of individual

nations.

a. True

b. False

ANSWER: True

32. In a criminal case, the object is to obtain a remedy.

a. True

b. False

ANSWER: False

33. Courts will not grant an equitable remedy unless the remedy at law is adequate.

a. True

b. False

ANSWER: False

34. Rescission is the cancellation of a contractual obligation.

a. True

b. False

ANSWER: True

35. The basis of a civil law system is a written code of laws.

a. True

b. False

ANSWER: True

Multiple Choice

36. Power, Inc., is a corporation engaged in the business of producing, refining, and distributing energy resources. With respect to the firm's managers, legal concepts can be useful for Power's

a. accounting and finance manager.

b. human resources manager.

c. marketing manager.

d. all of the choices.

ANSWER: d

37. Primary sources of law include

a. legal encyclopedias.

b. official comments to statutes.

c. case law.

d. legal treatises.

ANSWER: c

38. Secondary sources of law include
- a. state constitutions.
 - b. legal scholars' research.
 - c. laws passed by local governing bodies.
 - d. regulations created by administrative agencies.

ANSWER: b

39. A constitution sets forth a government's
- a. limits, but not powers.
 - b. limits and powers.
 - c. neither limits nor powers.
 - d. powers, but not limits.

ANSWER: b

40. The basis of all law in the United States is
- a. the U.S. Constitution.
 - b. laws passed by Congress.
 - c. case law.
 - d. regulations created by administrative agencies.

ANSWER: a

41. Laws enacted by legislative bodies at any level of government make up the body of law generally referred to as
- a. statutory law.
 - b. the basis of all law in the United States.
 - c. the supreme law of the land.
 - d. uniform law.

ANSWER: a

42. On a challenge to a provision in a state constitution that conflicts with a provision in the U.S. Constitution
- a. neither provision will be enforced.
 - b. both provisions will be enforced.
 - c. the state provision will be enforced only within that state's borders.
 - d. the state provision will not be enforced.

ANSWER: d

43. The Florida legislature enacts a state law that violates the U.S. Constitution. This law can be enforced by
- a. no one.
 - b. the federal government only.
 - c. the state of Florida only.
 - d. the United States Supreme Court only.

ANSWER: a

44. The Uniform Commercial Code facilitates commerce

- a. among the states.
- b. between the states and the federal government.
- c. in countries that were once colonies of Great Britain.
- d. in international markets.

ANSWER: a

45. The Uniform Commercial Code provides a set of rules governing

- a. commercial transactions.
- b. state legislative adoptions.
- c. congressional procedures.
- d. administrative processes.

ANSWER: a

46. Administrative law includes

- a. all laws that affect business operations.
- b. the rules, orders, and decisions of a government agency.
- c. model laws developed by the National Conference of Commissioners on Uniform State Laws.
- d. laws enacted by a legislative body.

ANSWER: b

47. Regulations issued by a state or local agency may affect all of the following aspects of a business's operations except

- a. capital structure and financing.
- b. product manufacturing and marketing.
- c. relations with employees and unions.
- d. compliance with conflicting federal agency regulations.

ANSWER: d

48. The Food and Drug Administration (FDA) is an executive agency. As an executive agency, the FDA is subject to the authority of

- a. no government official or entity.
- b. the president.
- c. state legislatures.
- d. the U.S. Attorney General

ANSWER: b

49. Common law rules develop from

- a. principles underlying judges' decisions in actual controversies.
- b. regulations issued by administrative agencies.
- c. statutes enacted by Congress and the state legislatures.
- d. uniform laws drafted by legal scholars.

ANSWER: a

50. Stare decisis is best defined as

- a. a doctrine under which judges follow established precedents.
- b. the authority to decide a specific dispute.
- c. a judicial proceeding to redress a wrong.
- d. a situation giving a person a right to initiate a judicial proceeding.

ANSWER: a

51. A precedent is

- a. the chief executive officer of the United States.
- b. a court decision that furnishes an example for deciding subsequent cases involving similar or identical facts or principles.
- c. a lawsuit in which a number of persons join together.
- d. the fundamental procedure by which the government exercises its authority.

ANSWER: b

52. Each court has a jurisdiction. Jurisdiction is best defined as

- a. a doctrine that follows established precedents.
- b. the geographic area in which a court has the power to apply the law.
- c. a judicial proceeding to redress a wrong.
- d. a situation giving a person a right to initiate a judicial proceeding.

ANSWER: b

53. Once a court has applied a principle to a certain set of facts, that principle must be applied in future cases involving

- a. different facts.
- b. similar facts.
- c. any facts.
- d. no particular facts.

ANSWER: b

54. In deciding a case of first impression, appropriate sources for a court to consider include all of the following except

- a. legal authorities that are not binding on the court.
- b. issues of fairness.
- c. government policy based on widely held social values.
- d. a poll of those present in the courtroom at the time of the decision.

ANSWER: d

55. In *Peyton v. Quality Motors*, a state supreme court held that a minor could cancel a contract for the sale of a car. Now a trial court in the same state is deciding *Rikki v. Street Deals, Inc.*, a case with similar facts. Under the doctrine of stare decisis, the trial court is likely to

- a. allow the minor to cancel the contract.
- b. disregard the Peyton case.
- c. order the minor to cancel the contract.
- d. require the minor to fulfill the contract.

ANSWER: a

56. In the case of Sales Corp. v. Transport Co., the court may rule contrary to a precedent if the court decides that the precedent

- a. is incorrect or inapplicable.
- b. is not in line with the judge's personal values.
- c. would lead to unintended consequences.
- d. would not bring about the result the judge prefers.

ANSWER: a

57. The means to enforce a right or compensate for the violation of a right is

- a. a cornerstone.
- b. a remedy.
- c. jurisdiction.
- d. stare decisis.

ANSWER: b

58. Federico and Gwen are involved in a court proceeding to enforce a right. This is

- a. an action.
- b. stare decisis.
- c. an injunction.
- d. a remedy.

ANSWER: a

59. When Lara and Mick cannot resolve their dispute amicably, Lara initiates a lawsuit against Mick. Lara is

- a. the case of first impression.
- b. the persuasive authority.
- c. the plaintiff.
- d. the defendant.

ANSWER: c

60. Ordering a party to perform what was promised is

- a. an equitable remedy.
- b. an unenforceable demand.
- c. an action.
- d. beyond the court's authority.

ANSWER: a

61. An injunction is

- a. an order to do or to refrain from doing a certain act.
- b. a departure from precedent.
- c. a payment of money.
- d. the cancellation of a contract.

ANSWER: a

62. An award of damages is

- a. an order to do or to refrain from doing a certain act.
- b. the right to harm another.
- c. a payment of money or property.
- d. the cancellation of a contract.

ANSWER: c

63. At one time, a court of law could grant as a remedy only

- a. monetary damages.
- b. an order to perform a contract as promised.
- c. a judicial proceeding for the resolution of a dispute.
- d. an injunction.

ANSWER: a

64. Believing that a higher, or universal, law exists that applies to all human beings, and that each written law should reflect the principles inherent in this higher law, is

- a. the historical school of legal thought.
- b. legal positivism.
- c. the natural law tradition.
- d. legal realism.

ANSWER: c

65. The classification of law that concerns the rights and duties that exist between persons and between citizens and their government is

- a. criminal law.
- b. civil law.
- c. natural law.
- d. legal positivism.

ANSWER: b

66. Criminal statutes proscribe

- a. the prosecution of private individuals by other private individuals.
- b. the prosecution of public officials by private individuals.
- c. the relief available when a person's rights are violated.
- d. wrongs committed against society for which society demands redress.

ANSWER: d

67. In a civil case, the object is to

- a. resolve a dispute to the satisfaction of all concerned parties.
- b. take coercive action against a violating party.
- c. punish a wrongdoer to deter others from similar actions.
- d. obtain a remedy to compensate the injured party.

ANSWER: d

68. Cyberlaw is

- a. a classification of law.
- b. a new type of law.
- c. law that relates to the online environment.
- d. all of the choices.

ANSWER: c

69. The Appellate Division of the New York Supreme Court issues an opinion that can be found at 157 A.D.3d 486, 69 N.Y.S.3d 26. "157" is

- a. the number of the volume in the official reports of the court's decisions.
- b. the number of the volume in an unofficial report of the court's decisions.
- c. a page number in the referenced volume.
- d. the number of the case in its chronological sequence.

ANSWER: a

70. The United States Supreme Court issues an opinion that can be found at __ U.S. __, 138 S.Ct. 617, 199 L.Ed.2d 501. "617" is

- a. the number of the volume in the official reports of the Court's decisions.
- b. the number of the volume in an unofficial report of the Court's decisions.
- c. a page number in the referenced volume.
- d. the number of the case in its chronological sequence.

ANSWER: c

Essay

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

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

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

ANSWER: In a common law legal system, past judicial decisions are binding in current

disputes with similar facts. This feature of the common law, which is the basis of the American legal system, is unique because, unlike the law in other legal systems, it is judge-made law. Within the common law system, when possible, judges attempt to be consistent and to base their decisions on the principles suggested by earlier cases. The body of principles and doctrines that form the common law emerged over time as judges applied the principles announced in earlier cases to subsequent legal controversies. The practice of deciding cases with reference to former decisions, or precedents—the cornerstone of the American legal system—is called the doctrine of stare decisis. Under this doctrine, judges are obligated to follow the precedents established within their jurisdictions. This helps courts to be more efficient, and makes the law more stable and predictable.