

Chapter 2

The Court System

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. Federal courts are superior to state courts.

ANSWER: F PAGE: 28 TYPE: N
NAT: AACSB Analytic AICPA Legal

A2. The courts can decide whether the other branches of government have acted within the scope of their constitutional authority.

ANSWER: T PAGE: 28 TYPE: =
NAT: AACSB Analytic AICPA Legal

A3. *Minimum* contacts with a jurisdiction can be sufficient to support jurisdiction over a nonresident defendant.

ANSWER: T PAGE: 30 TYPE: +
NAT: AACSB Analytic AICPA Legal

A4. Federal courts have jurisdiction over any case involving citizens of different states regardless of the amount in controversy.

ANSWER: F PAGE: 33 TYPE: N

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NAT: AACSB Analytic

AICPA Legal

- A5. Concurrent jurisdiction exists when *neither* federal *nor* state courts have the power to hear a particular case.

ANSWER: T PAGE: 33 TYPE: +
NAT: AACSB Analytic AICPA Legal

- A6. A court cannot exercise jurisdiction over an out-of-state defendant who has only done business in the state over the Internet.

ANSWER: F PAGE: 33 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A7. *Venue* is the term for the subject matter of a case.

ANSWER: F PAGE: 34 TYPE: =
NAT: AACSB Analytic AICPA Legal

- A8. A justiciable controversy is a case in which the court's decision—the "justice" that will be served—will be controversial.

ANSWER: F PAGE: 35 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A9. Generally, lawyers are required to represent people in small claims courts.

ANSWER: F PAGE: 37 TYPE: N
NAT: AACSB Analytic AICPA Critical Thinking

- A10. Federal cases typically originate in appellate courts.

ANSWER: F PAGE: 38 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A11. The United States Supreme Court has original jurisdiction in rare instances.

ANSWER: T PAGE: 39 TYPE: N
NAT: AACSB Analytic AICPA Legal

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A12. There is one set of procedural rules for federal courts and various sets for state courts.

ANSWER: T PAGE: 40 TYPE: N
NAT: AACSB Analytic AICPA Legal

A13. A default judgment is entered against a party who fails to respond to the allegations in a complaint.

ANSWER: T PAGE: 42 TYPE: N
NAT: AACSB Analytic AICPA Legal

A14. At every stage of a trial, either party can file a motion to dismiss the case.

ANSWER: T PAGE: 44 TYPE: N
NAT: AACSB Analytic AICPA Legal

A15. A summary judgment is granted only if there is no genuine question of law.

ANSWER: F PAGE: 44 TYPE: N
NAT: AACSB Analytic AICPA Legal

A16. If a discovery request involves confidential business information, the scope of the request can be limited.

ANSWER: T PAGE: 46 TYPE: N
NAT: AACSB Analytic AICPA Legal

A17. Hearsay evidence is testimony about a statement made by someone who was not under oath at the time.

ANSWER: T PAGE: 49 TYPE: N
NAT: AACSB Analytic AICPA Legal

A18. A motion for a directed verdict is also known as a motion for judgment as a matter of law.

ANSWER: T PAGE: 50 TYPE: N
NAT: AACSB Analytic AICPA Legal

A19. A trial commences with the plaintiff's attorney's direct examination of the first witness.

ANSWER: F PAGE: 50 TYPE: N
NAT: AACSB Analytic AICPA Legal

A20. An appellate court can affirm or reverse the decision of a trial court *in part*.

ANSWER: T PAGE: 52 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

MULTIPLE CHOICE QUESTIONS

A1. The Ohio state legislature passes a law to regulate local delivery services. The final authority regarding the constitutionality of this law is

- a. the judicial system.
- b. the president of the United States.
- c. the governor of Ohio.
- d. the U.S. Congress.

ANSWER: A PAGE: 28 TYPE: =
NAT: AACSB Reflective AICPA Legal

A2. Ginger wants to file a suit against Fred. For a court to hear the case

- a. Fred must agree.
- b. the court must have jurisdiction.
- c. the parties must have no minimum contact with each other.
- d. the parties must own property.

ANSWER: B PAGE: 30 TYPE: N
NAT: AACSB Reflective AICPA Legal

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A3. The case of *Max v. National Credit Co.* is heard in a trial court. The case of *O! Boy! Ice Cream Co. v. Pickled Peppers, Inc.*, is heard in an appellate court. The difference between a trial and an appellate court is whether

- a. a trial is being held.
- b. the court is appealing.
- c. the parties question how the law applies to their dispute.
- d. the subject matter of the case involves complex facts.

ANSWER: A PAGE: 32 TYPE: N
NAT: AACSB Reflective AICPA Legal

A4. Tyler, a citizen of Utah, files a suit in a Utah state court against Veritas Sales Corporation, a Washington state company that does business in Utah. The court has original jurisdiction, which means that

- a. the case is being heard for the first time.
- b. the court has a unique method of deciding whether to hear a case.
- c. the court has unusual procedural rules.
- d. the subject matter of the suit is interesting and new.

ANSWER: A PAGE: 32 TYPE: N
NAT: AACSB Reflective AICPA Legal

A5. Rolf, a citizen of New Mexico, wants to file a suit against Sandy, a citizen of Texas, relating to a motorcycle accident in which Rolf's injuries resulted in medical costs of more than \$75,000. Their diversity of citizenship may be a basis for

- a. no court to exercise jurisdiction.
- b. a federal court to exercise original jurisdiction.
- c. a state court to exercise appellate jurisdiction.
- d. the United States Supreme Court to refuse jurisdiction.

ANSWER: B PAGE: 33 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A6. Liu files a suit against Macro Sales, Inc., in a New Jersey state court based on a Web site through which New Jersey residents can do business with Macro. The court will most likely exercise jurisdiction over Macro if the interactivity of the site is seen as
- a “substantial enough” connection with the state.
 - “downloading” from the state.
 - not connected with the state.
 - “uploading” to the state.

ANSWER: A PAGE: 33 TYPE: =
 NAT: AACSB Reflective AICPA Critical Thinking

- A7. 3D HD TV Company, a firm in Minnesota, advertises on the Web. A court in North Dakota would be most likely to exercise jurisdiction over 3D HD if the firm
- conducted substantial business with North Dakota residents through its Web site.
 - interacted with any North Dakota resident through its Web site.
 - only advertised without interactivity at its Web site.
 - suddenly removed its ad from the Internet.

ANSWER: A PAGE: 33 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- A8. Gaudy Ornaments, Inc., sells decorative ware. Hank, who has never bought a Gaudy product, files a suit against the firm, alleging that its products are defective. The firm’s best ground for dismissal of the suit is that Hank does not have
- venue.
 - jurisdiction.
 - standing.
 - sufficient minimum contacts.

ANSWER: C PAGE: 34 TYPE: +
 NAT: AACSB Reflective AICPA Decision Modeling

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- A9. Mariah wins her suit against Natural Products Company. Natural's best ground for appeal is the trial court's interpretation of
- a. the conduct of the witnesses during the trial.
 - b. the credibility of the evidence that Mariah presented.
 - c. the dealings between the parties before the suit.
 - d. the law that applied to the issues in the case.

ANSWER: D PAGE: 38 TYPE: =
NAT: AACSB Reflective AICPA Legal

- A10. Drummond wants to make a federal case out of his dispute with Elena. Federal cases originate in
- a. federal courts of appeals.
 - b. federal district courts.
 - c. state trial courts.
 - d. the United States Supreme Court.

ANSWER: B PAGE: 38 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A11. Boyd files a suit in a federal district court against Cathy. Cathy loses the suit, appeals to the U.S. Court of Appeals for the Second Circuit, and loses again. Cathy asks the United States Supreme Court to hear the case. The Court is
- a. not required to hear the case.
 - b. required to hear the case because Cathy lost in a federal court.
 - c. required to hear the case because Cathy lost in a lower court.
 - d. required to hear the case because it is an appeal.

ANSWER: A PAGE: 40 TYPE: =
NAT: AACSB Reflective AICPA Legal

A12. Ulrica wants to initiate a suit against Valley Farms by filing a complaint. The complaint should include

- a. an explanation to refute any defense the defendant might assert.
- b. a motion for summary judgment.
- c. a motion to dismiss.
- d. the facts establishing Ulrica's basis for relief.

ANSWER: D PAGE: 42 TYPE: =
NAT: AACSB Reflective AICPA Legal

A13. Beyond-the-Sea Imports, Inc., disputes the use of "beyond-the-sea.com" as a domain name by Beyond-the-Sea Overseas Exports, Ltd., and files a suit to resolve the dispute. Service of process must be

- a. by e-mail.
- b. by personal delivery.
- c. by sea.
- d. according to the rules of the court in which the suit is brought.

ANSWER: D PAGE: 42 TYPE: +
NAT: AACSB Reflective AICPA Legal

A14. Loren files a suit against Mabel, alleging a failure to pay for the harvest of Mabel's orchards. Mabel denies Loren's charge and claims that Loren breached their contract to harvest a certain number of acres and owes Mabel money for the breach. Mabel's claim is

- a. a contrary charge.
- b. a counterclaim.
- c. a counterpoint.
- d. a cross complaint.

ANSWER: B PAGE: 42 TYPE: N
NAT: AACSB Reflective AICPA Legal

A15. To prepare for a trial between Condo Development Corporation and Demo Construction Company, Condo's attorney places Demo's president under oath. An authorized court official makes a record of the attorney's questions and the officer's answers. This is

- a. a cross examination.
- b. a deposition.
- c. e-evidence.
- d. an interrogatory.

ANSWER: B PAGE: 46 TYPE: N
NAT: AACSB Reflective AICPA Legal

A16. In Dawg Stop's suit against Condiment Vendor, Inc., Dawg serves a written request for Condiment to admit the truth of matters relating to the trial. Condiment's admission in response is the equivalent of

- a. an admission in court.
- b. a statement to the media.
- c. information to which Condiment has a right of privacy.
- d. irrelevant evidence.

ANSWER: A PAGE: 47 TYPE: N
NAT: AACSB Reflective AICPA Legal

A17. During a trial in Gene's suit against Homer over the use of Gene's lakeside cabin, Gene's attorney asks questions of the plaintiff's witness Illya. This is

- a. a cross-examination.
- b. a deposition.
- c. a direct examination.
- d. an interrogatory.

ANSWER: C PAGE: 50 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A18. During a trial, the attorney for Gloria the plaintiff questions her witness Heidi. Heidi, who is not an expert in the matter about which she is being asked, can
- testify about any of the facts in the case.
 - testify about only what she personally observed.
 - offer her *opinion* about any of the evidence.
 - offer her *conclusion* with regard to the case.

ANSWER: B PAGE: 50 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A19. After a trial between OptiGames, Inc., and Play Video Corporation, the jury renders a verdict in OptiGames's favor. Play Video's attorney can file a motion
- for a new trial.
 - for judgment on the pleadings.
 - for summary judgment.
 - to dismiss the case.

ANSWER: A PAGE: 51 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A20. In Recycle Cafe's suit against Sanitary Services, Inc., the court issues a judgment in Recycle's favor. The judgment can be appealed to an appropriate court of appeals by
- neither party.
 - Recycle only.
 - Recycle or Sanitary.
 - Sanitary only.

ANSWER: C PAGE: 52 TYPE: N
 NAT: AACSB Reflective AICPA Legal

ESSAY QUESTIONS

- A1. Quik Results, Inc., a Maine corporation, makes and sells Power Up!, a weight-gain and muscle-building supplement. Orin, a citizen of New York, sees an ad for Power Up! in *WorkOut* magazine and buys it in New York City at a local health club. Within ten days of beginning to use Power Up!, Orin suffers internal injuries. Alleging that the injuries are caused by Power Up!, Orin files a suit against Quik in a New York state court. Quik asks the court to dismiss the suit on the ground that it does not have personal jurisdiction over Quik. What is the court most likely to rule and why?

ANSWER: The court will most likely refuse to dismiss the suit and allow the action to proceed, because Quik (the defendant) advertised and sold its product Power Up! in New York to New York residents and thus subjected itself to being sued in New York. In other words, because Quik purposefully availed itself of the privilege of conducting business in New York, it had sufficient minimum contacts with the state for a New York state court to exercise jurisdiction over Quik.

PAGES: 30–32 TYPE: =
NAT: AACSB Reflective AICPA Decision Modeling

- A2. Elle is walking to work along a sidewalk next to a road. A truck owned by Fast Distribution Company (FDC) strikes and injures Elle, causing her injuries that result in more than \$250,000 in medical expenses. Elle is a resident of Georgia, where the accident occurred. FDC has its principal place of business, and is incorporated, in Delaware. In what court may Elle sue FDC?

ANSWER: Elle may sue FDC in Delaware, because FDC has its principal place of business, and is incorporated, in that state. FDC may be sued in Georgia, because that is where Elle's injury occurred. FDC may be subject to Elle's suit in a federal court, because the parties have diversity of citizenship (Elle is a resident of Georgia and FDC has its principal place of business, and is incorporated, in Delaware) and the amount in controversy is more than \$75,000 (the cost of Elle's injuries is more than \$250,000).

PAGE: 33 TYPE: N
NAT: AACSB Reflective AICPA Decision Modeling

