

Name

Class

Date

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Chapter 01: 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

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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

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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. An administrative legislative rule is *not* legally binding on businesses.

- a. True
- b. False

ANSWER: False

21. If an agency fails to follow the rulemaking procedures imposed by the Administrative Act, the resulting rule may *not* be binding.

- a. True
- b. False

ANSWER: True

22. Courts give significant weight—deference—to an agency's judgment and interpretation of its rules.

- a. True
- b. False

ANSWER: True

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

- a. True
- b. False

ANSWER: True

24. Case law governs all areas of business not covered by statutory or administrative law.

- a. True
- b. False

ANSWER: True

25. Controlling precedents are binding authorities.

- a. True

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b. False

ANSWER: True

26. A precedent 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

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

a. True
b. False

ANSWER: True

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

a. True
b. False

ANSWER: False

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

a. True
b. False

ANSWER: False

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

a. True
b. False

ANSWER: False

31. Rescission is an equitable remedy.

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

a. True
b. False

ANSWER: False

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

- a. True
- b. False

ANSWER:

True

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

- 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

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- 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 Montana 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 Montana 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

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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. Persons who favor the creation of a federal agency to regulate the production of genetically modified agricultural products should concentrate their lobbying efforts on

- a. Congress.
- b. administrative agencies that oversee agricultural products.
- c. the United States Supreme Court.
- d. the president of the United States.

ANSWER:

a

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. The Securities and Exchange Commission decides to create a new rule relating to the dissemination of material nonpublic information through social media. The first step is

- a. compile the rule with others in the *Federal Register*.
- b. draft the rule.
- c. publish a notice of the proposed rulemaking.
- d. solicit public comment.

ANSWER:

c

50. The Environmental Protection Agency (EPA) discovers that Fish Farm Inc. has violated an EPA regulation. If no settlement is reached, the EPA can

- a. issue a formal complaint.
- b. do nothing.
- c. take the matter to the U.S. Supreme Court.
- d. immediately impose sanctions.

ANSWER:

a

51. Home Care Company is charged with violating a rule of the Social Security Administration. Most likely, Home Care will be required to appear at a hearing presided over by

- a. a federal appellate court judge.
- b. a federal district court judge.

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- c. an administrative law judge.
- d. a U.S. Marshal.

ANSWER:

c

52. 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

53. *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

54. 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

55. 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

56. Applying the relevant rule of law to the facts of a case requires a judge to find previously decided cases that, in relation to the case under consideration, are

- a. as different as possible.
- b. as similar as possible.
- c. at odds.
- d. exactly identical.

ANSWER:

b

57. There are no precedents on which the court deciding the case *Algorithm Corp. v. Beta Bytes, Inc.*, can base its decision. The court can consider, among other things,

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- a. the opinions of the friends and relatives of the judge.
- b. the results of a poll of those in the courtroom.
- c. government policy based on widely held social values.
- d. all of the choices.

ANSWER:

c

58. In *Beto v. 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 *Dora v. Even Steven Autos, 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 *Beto* case.
- c. order the minor to cancel the contract.
- d. require the minor to fulfill the contract.

ANSWER:

a

59. 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

60. 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

61. 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

62. 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.

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ANSWER:

c

63. Jaime and Kay enter into a contract for the sale of a bicycle, but Kay later refuses to deliver the goods. Jaime asks a court to order Kay to perform as promised. 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

64. In a suit against Karen, Luke obtains an *injunction*. This 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

65. In a suit against Guillermo, Hailey obtains an award of *damages*. This 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

66. 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

67. 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

68. 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.

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- d. wrongs committed against society for which society demands redress.

ANSWER:

d

69. 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

70. To benefit from international trade, individual nations agree to be governed by

- a. international law.
- b. the Uniform Commercial Code.
- c. none of the choices.
- d. the laws of other nations.

ANSWER:

a

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 and may use precedents established in other jurisdictions as guidance. This helps courts to be more efficient, and makes the law more stable and predictable.