***Dynamic Business Law: The Essentials, 4e* (Kubasek)**

**Chapter 1 An Introduction to the Fundamentals of Dynamic Business Law**

1) Business law consists of the enforceable rules of conduct that govern commercial relationships.

Answer: TRUE

Explanation: Business law consists of the enforceable rules of conduct that govern commercial relationships. In other words, buyers and sellers interact in market exchanges within the rules that indicate the boundaries of legal business behavior. Constitutions, legislatures, regulatory bodies, and courts spell out what market participants may or may not legally do.

Difficulty: 2 Medium

Topic: An Introduction to the Fundamentals of Dynamic Business Law

Learning Objective: 01-01 What is business law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

2) Many market transactions occur without legal guidelines.

Answer: FALSE

Explanation: There is simply no market transaction that occurs outside legal guidelines.

Difficulty: 2 Medium

Topic: An Introduction to the Fundamentals of Dynamic Business Law

Learning Objective: 01-01 What is business law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

3) Law is rules of conduct in any organized society that are enforced by the governing authority of the community.

Answer: TRUE

Explanation: Law is rules of conduct in any organized society that are enforced by the governing authority of the community.

Difficulty: 1 Easy

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) The respect we give to the law as a source of authority is in part a recognition of the fact that in the absence of law, we would rely solely on the goodwill and dependability of one another.

Answer: TRUE

Explanation: The respect we give to the law as a source of authority is in part a recognition of the fact that in the absence of law, we would rely solely on the goodwill and dependability of one another. Most of us greatly prefer the law to that option.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

5) Crimes are prosecuted not by individuals but by the state or federal government.

Answer: TRUE

Explanation: Criminal law applies to situations in which someone commits an act against the public as a unit. These crimes are prosecuted not by individuals but by the state or federal government.

Difficulty: 1 Easy

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

6) Private law involves disputes between private individuals or groups and their government.

Answer: FALSE

Explanation: Public law involves disputes between private individuals or groups and their government.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

7) If a pet store dumps waste from its business behind its building, it is a violation of a public law.

Answer: TRUE

Explanation: If a business violates a law, the resulting dispute focuses on public law. Public law involves disputes between private individuals or groups and their government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

8) The U.S. Constitution is the foundation for approximately one-half of all laws in the United States.

Answer: FALSE

Explanation: The U.S. Constitution is the supreme law of the land; the foundation for all laws in the United States.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

9) The legislative branch of government creates statutory law.

Answer: TRUE

Explanation: Legislative actions, called statutes, are an important source of law. The assortment of rules and regulations put forth by legislatures is statutory law.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

10) An alternative name for case law is statutory law.

Answer: FALSE

Explanation: An alternative name for case law is common law.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

11) Judicial decisions are law even if the legislative branch should revoke them later by enacting new statutory law.

Answer: FALSE

Explanation: Judicial decisions are law unless new statutory law revokes them later.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

12) The term *stare decisis* means "standing by the decision."

Answer: TRUE

Explanation: When courts rely on precedent, they are obeying *stare decisis* ("standing by their decision").

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

13) The purpose of *stare decisis* is to create less predictability for businesses and individuals.

Answer: FALSE

Explanation: The purpose of *stare decisis* is to create greater predictability for businesses and individuals.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

14) *Stare decisis* is a legal principle that rulings made by lower courts are binding on higher courts in the same jurisdiction.

Answer: FALSE

Explanation: *Stare decisis* is a legal principle that rulings made by higher courts are binding on lower courts in the same jurisdiction.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) A decision of a state appeals court is not binding on a trial court located in the same state.

Answer: FALSE

Explanation: If an issue is brought before a state court, the court will ascertain whether the state appeals court has made a decision on a similar issue, which would have then set a binding precedent that the lower court would need to follow.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

16) A decision from the New Jersey Supreme Court is not binding on a New York trial court, even if New York has no applicable law on the issue involved.

Answer: TRUE

Explanation: Different state courts are not bound by each other's decision, and so they might have different decisions on the same subject.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

17) The National Conference of Commissioners on Uniform State Laws (NCC) regularly urges states to enact model laws to provide greater uniformity of law.

Answer: TRUE

Explanation: The National Conference of Commissioners on Uniform State Laws (NCC) regularly urges states to enact model laws to provide greater uniformity of law. The response is entirely in the hands of the state legislatures. They can ignore a suggestion or adopt part or all of the proposed model law.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

18) Judges claim the power to issue executive orders on the basis of the Article II, Section 1 constitutional power to "take care that the laws be faithfully executed."

Answer: FALSE

Explanation: Presidents claim the power to issue executive orders on the basis of their Article II, Section 1 constitutional power to "take care that the laws be faithfully executed."

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

19) A treaty is a non-binding agreement between two states or international organizations.

Answer: FALSE

Explanation: A treaty is a binding agreement between two states or international organizations. In the United States, a treaty is generally negotiated by the executive branch. To be binding, it must then be approved by two-thirds of the Senate.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

20) Laws comparing and studying the laws in different countries are known as contributory law.

Answer: FALSE

Explanation: Laws comparing and studying the laws in different countries are known as comparative law.

Difficulty: 1 Easy

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

21) How many of the functional areas of business sit on a foundation of business law?

A) Six

B) Five

C) Four

D) Three

E) Two

Answer: A

Explanation: Each of the six functional areas of business—management, production and transportation, marketing, research and development, accounting and finance, and human resource management—sits on a foundation of business law.

Difficulty: 2 Medium

Topic: An Introduction to the Fundamentals of Dynamic Business Law

Learning Objective: 01-02 How does business law relate to business education?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

22) \_\_\_\_\_\_\_\_ consists of the enforceable rules of conduct that govern commercial relationships.

A) Ethics

B) Equity

C) Business law

D) The Uniform Contracts Code

E) The International Contracts Code

Answer: C

Explanation: Business law consists of the enforceable rules of conduct that govern commercial relationships. In other words, buyers and sellers interact in market exchanges within the rules that indicate the boundaries of business behavior.

Difficulty: 1 Easy

Topic: Introduction

Learning Objective: 01-01 What is business law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

23) "Guaranteeing personal freedoms" is:

A) The exclusive purpose of the law.

B) One of the numerous purposes fulfilled by the law.

C) A purpose of criminal, but not civil, law.

D) A purpose of civil, but not criminal, law.

E) A cultural, but not legal, expectation.

Answer: B

Explanation: "Guaranteeing personal freedoms" is one of the numerous purposes fulfilled by the law.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

24) Which of the following is one of the numerous purposes fulfilled by the law?

A) Discouraging social justice

B) Limiting personal freedoms

C) Serving as a moral guide by indicating maximum expectations of citizens and organizations

D) Providing order such that one can depend on a promise or an expectation of obligations

E) Serving as a supplement to fighting

Answer: D

Explanation: One of the numerous purposes fulfilled by the law is providing order such that one can depend on a promise or an expectation of obligations.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

25) Which of the following is not one of the numerous purposes fulfilled by the law?

A) Providing order such that one can depend on a promise or an expectation of obligations

B) Serving as an alternative to fighting

C) Facilitating change without requiring a rational consideration of options

D) Encouraging social justice

E) Serving as a moral guide by indicating minimal expectations of citizens and organizations

Answer: C

Explanation: The numerous purposes fulfilled by the law include: providing order such that one can depend on a promise or an expectation of obligations; serving as an alternative to fighting; facilitating a sense that change is possible, but only after a rational consideration of options; encouraging social justice; guaranteeing personal freedoms; and serving as a moral guide by indicating minimal expectations of citizens and organizations.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) Ordinances address all but which of the following business considerations?

A) Local taxes

B) Environmental standards

C) Zoning

D) Building codes

E) Federal taxes

Answer: E

Explanation: Because so much business activity occurs within the jurisdiction of state courts, business managers must be familiar with the local city and county ordinances that govern matters not covered by federal or state codes. These ordinances address important business considerations such as local taxes, environmental standards, zoning ordinances, and building codes.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

27) Which of the following is *not* a purpose of the law as set forth in the text?

A) Encouraging taxation

B) Serving as a moral guide by indicating minimal expectations of citizens and organizations

C) Encouraging social justice

D) Guaranteeing personal freedoms

E) Providing order such that one can depend on a promise or an expectation of obligations

Answer: A

Explanation: Purposes of the law include the following: Providing order such that one can depend on a promise or an expectation of obligations; serving as an alternative to fighting; facilitating a sense that change is possible, but only after a rational consideration of options; encouraging social justice; guaranteeing personal freedoms; and serving as a moral guide by indicating minimal expectations of citizens and organizations.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

28) Which of the following is not a commonly recognized classification of the law?

A) National

B) Federal

C) International

D) Private

E) Philosophical

Answer: E

Explanation: There are many ways of thinking about the law. For example, we can divide law into national versus international law, federal versus state law, and public versus private law.

Difficulty: 1 Easy

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

29) Which of the following involves disputes between private individuals or groups?

A) Public law

B) Private law

C) Governmental law

D) Public law and private law, but not governmental law

E) Public law, private law, and governmental law

Answer: B

Explanation: Private law involves disputes between private individuals or groups.

Difficulty: 1 Easy

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

30) Which of the following involves disputes between private individuals or groups and their government?

A) Public law

B) Private law

C) Governmental law

D) Public law and private law, but not governmental law

E) Public law, private law, and governmental law

Answer: A

Explanation: Public law involves disputes between private individuals or groups and their government.

Difficulty: 1 Easy

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

31) Which of the following involves remedies available to an individual when his or her rights are violated?

A) Civil law

B) Criminal law

C) Procedural law

D) Civil law and procedural law, but not criminal law

E) Civil law, criminal law, and procedural law

Answer: A

Explanation: Civil law involves the rights and responsibilities found in relationships between persons and between persons and their government. It also involves the remedies available when someone's rights are violated.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

32) If someone commits an act against the public, he or she will be violating what type of law?

A) Civil law

B) Criminal law

C) Procedural law

D) Civil law and procedural law, but not criminal law

E) Civil law, criminal law, and procedural law

Answer: B

Explanation: Criminal law applies to situations in which someone commits an act against the public as a unit. These crimes are prosecuted not by individuals but by the state or federal government.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

33) In 2009, Mississippi Valley Silica Company was ordered to pay a plaintiff $9 million because the court ruled that it sold sand to the plaintiff's employer with the knowledge that using the sand on a regular basis would expose a worker to a form of cancer, and Mississippi Valley did not alert those who bought the sand about the risk. The $9 million recovery is an example of a \_\_\_\_\_\_\_\_.

A) frivolous lawsuit

B) jury nullification

C) public law remedy

D) civil law remedy

E) criminal law remedy

Answer: D

Explanation: Civil law involves the rights and responsibilities found in relationships between persons and their government. It also involves the remedies available when someone's rights are violated, including financial recovery.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

34) A majority of citizens in a democracy can agree to permit certain authorities to make and enforce rules describing what behavior is permitted and encouraged in their community. These rules are what we refer to as \_\_\_\_\_\_\_\_.

A) the electoral college

B) good faith and fair dealing

C) *respondeat superior*

D) *stare decisis*

E) the law

Answer: E

Explanation: A majority of citizens in a democracy can agree to establish rules for business behavior permitting certain authorities to make and enforce rules describing what behavior is permitted and encouraged in their community, and these rules are what we refer to as the law.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

35) Assume a businessperson who owns a computer equipment store is delinquent in paying rent to the landlord. The resulting dispute involves \_\_\_\_\_\_\_\_.

A) public law

B) federal law

C) the Uniform Contracts Code

D) private law

E) equity

Answer: D

Explanation: Private law involves disputes between private individuals or groups.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

36) If a computer store dumps waste behind its building in violation of local, state, or federal environmental regulations, the resulting dispute focuses on \_\_\_\_\_\_\_\_ law.

A) public

B) preferential

C) consensual

D) private

E) black letter

Answer: A

Explanation: Public law involves disputes between private individuals or groups and their government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

37) Which type of law involves the rights and responsibilities involved in relationships between persons, and between persons and their government?

A) Criminal

B) Procedural

C) Civil

D) Natural

E) Positive

Answer: C

Explanation: Civil law involves the rights and responsibilities found in relationships between persons and between persons and their government. It also involves the remedies available when someone's rights are violated.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

38) Crimes are prosecuted by:

A) Only injured individuals

B) Any interested person, whether injured or not

C) State governments only

D) The federal government only

E) The state or federal government

Answer: E

Explanation: Criminal law applies to situations in which someone commits an act against the public as a unit. Crimes are prosecuted not by individuals but by the state or federal government.

Difficulty: 2 Medium

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

39) Assume a restaurant chain is forced to pay damages to a person who suffered food poisoning after eating at the restaurant. What type of law is involved?

A) Public law only

B) Private law only

C) Civil law only

D) Public, private, and civil law

E) Private law and civil law

Answer: E

Explanation: Private law involves disputes between private individuals or groups, and civil law involves the rights and responsibilities found in relationships between persons and between persons and their government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

40) Assume the Securities and Exchange Commission (SEC) prosecutes someone for insider trading. That prosecution is an example of \_\_\_\_\_\_\_\_.

A) criminal law

B) procedural law

C) civil law

D) natural law

E) adherence to the Uniform Criminal Code

Answer: A

Explanation: One example of a criminal law is the prohibition against insider trading on the stock exchange. Insider trading occurs when an individual uses insider, or secret, company information to increase her or his own finances or those of family or friends.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

41) The \_\_\_\_\_\_\_\_ is the supreme law of the land.

A) United States Constitution

B) Declaration of Independence

C) U.S. Code

D) International Contracts Code

E) Uniform Commercial Code

Answer: A

Explanation: The U.S. Constitution is the supreme law of the land; the foundation for all laws in the United States.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

42) The United States Constitution and \_\_\_\_\_\_\_\_ establish the fundamental principles and rules by which the United States and the several states are governed.

A) the administrative rules

B) the procedural rules

C) the constitution of each state

D) the bylaws of each state

E) both the procedural rules and the bylaws of each state

Answer: C

Explanation: The United States Constitution and the constitution of each state establish the fundamental principles and rules by which the United States and the individual states are governed. The term constitutional law refers to the general limits and powers of the federal and state governments as stated in their written constitutions.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

43) The laws put forth by the legislative branch are referred to as:

A) Administrative Codes

B) Statutes

C) Uniform Rules

D) Executive Orders

E) Secondary Laws

Answer: B

Explanation: Legislative actions, called statutes, are an important source of law. The assortment of rules and regulations put forth by legislatures is what we call statutory law.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

44) Legislative acts passed by state legislatures can be found in \_\_\_\_\_\_\_\_.

A) the United States Code

B) state codes

C) the Uniform Register

D) the State Reporter

E) the State Reference Manual

Answer: B

Explanation: Legislative acts can be found in the various state codes when they are enacted by state legislatures. The codes are a collection of all the laws in one convenient location.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

45) Legislative acts passed by the United States Congress can be found in the \_\_\_\_\_\_\_\_.

A) U.S.Code

B) various state codes

C) Uniform Register

D) Uniform Contracts Code

E) Restatement (Second) of Statutory Law

Answer: A

Explanation: Legislative actions, called statutes, are an important source of law. The assortment of rules and regulations put forth by legislatures is what we call statutory law. Legislative acts can be found in the United States Code when Congress passes them.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

46) Which of the following is a term used to refer to laws that are contained in one convenient location?

A) Area laws

B) Codes

C) Classifications

D) Filings

E) Reports

Answer: B

Explanation: The codes are a collection of all the laws in one convenient location.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) What are local legislative laws called?

A) Area laws

B) Ordinances

C) Classifications

D) Filings

E) Reports

Answer: B

Explanation: Local city and county ordinances govern matters not covered by federal or state codes. These ordinances address important business considerations such as local taxes, environmental standards, zoning ordinances, and building codes.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

48) The National Conference of Commissioners on Uniform State Laws (NCC) was an important source of the \_\_\_\_\_\_\_\_.

A) Uniform Contracts Code

B) International Criminal Court

C) Uniform Commercial Code

D) Uniform Criminal Code

E) International Commercial Code

Answer: C

Explanation: The proposals of the National Conference of Commissioners on Uniform State Laws (NCC), while not laws themselves, have been adopted on more than 200 occasions by state legislatures. The NCC urges states to enact model laws to provide greater uniformity of law. The NCC is an especially important influence on business law. Paired with the publications of the American Law Institute, the NCC became the source of the Uniform Commercial Code (UCC).

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

49) When the organization in charge of proposing uniform laws proposes a statute, which of the following is true?

A) All states must adopt the uniform statute within one year.

B) All states must adopt the uniform statute within six months.

C) The uniform statute automatically goes into effect without any action by state legislatures.

D) A state legislature is not required to adopt the uniform statute, but if the state legislature decides to go forward with adoption, all portions of the statute must be adopted.

E) A state legislature can ignore the proposed uniform law, adopt it in full, or adopt it in part.

Answer: E

Explanation: State legislatures can ignore a suggestion or adopt part or all of a proposed model law. The response is entirely in the hands of the state legislatures.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

50) An alternative name for case law is \_\_\_\_\_\_\_\_.

A) common law

B) statutory law

C) constitutional law

D) equity

E) ethics

Answer: A

Explanation: Case law is the collection of legal interpretations made by judges. An alternative name for case law is common law.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

51) The term \_\_\_\_\_\_\_\_ involves the use of past decisions to guide future decisions.

A) *res ipsa loquitur*

B) precedent

C) restatement

D) *respondeat superior*

E) *certiorari*

Answer: B

Explanation: Precedent is the use of past decisions to guide future decisions. An earlier decision in a similar fact pattern is a precedent that guides later decisions, thereby providing greater stability and predictability to the law.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

52) The \_\_\_\_\_\_\_\_ is a significant body of law for business activities. It includes sales laws and other regulations affecting commerce, such as bank deposits and collections, title documents, and warranties.

A) Federal Business Code

B) Model Business Code

C) Uniform Contracts Code

D) Uniform Commercial Code

E) International Commercial Code

Answer: D

Explanation: The Uniform Commercial Code laws include sales laws and other regulations affecting commerce, such as bank deposits and collections, title documents, and warranties.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

53) When courts rely on precedent, they are obeying \_\_\_\_\_\_\_\_.

A) legislative stasis

B) *res judicata*

C) *stare decisis*

D) *in rem*jurisdiction

E) federal law

Answer: C

Explanation: When courts rely on precedent, they are obeying *stare decisis* ("standing by the decision"). Following *stare decisis* creates greater predictability for both businesses and individuals that look to the courts for the rules on which they should rely when they engage in market exchanges. In accordance with *stare decisis*, rulings that are made in higher courts become binding precedent for lower courts.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

54) A case that has been used in accordance with *stare decisis* as a binding precedent is \_\_\_\_\_\_\_\_, which abolished discriminatory policies for individuals of different racial backgrounds.

A) *Curtis v. School Board*

B) *Laughlin v. Glover*

C) *Grover v. BreeBee*

D) *Brown v. Board of Education*

E) *Story v. Price*

Answer: D

Explanation: One example of a case that has been used in accordance with *stare decisis* as a binding precedent is *Brown v. Board of Education,* which abolished discriminatory policies for individuals of different racial backgrounds.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

55) In which of the following cases did the U.S. Supreme Court rely on precedent to strike down a school's admissions policy that reserved slots for members of minority races?

A) *Story v. Price*

B) *Brown v. Board of Education*

C) *University of California v. Bakke*

D) *Grover v. University of Mississippi*

E) *Adkins v. Price*

Answer: C

Explanation: In *University of California v. Bakke*, the U.S. Supreme Court found that the school's admissions policy was not legal, referencing *Brown v. Board of Education* and stating that the basic principle behind it and similar cases was that individuals could not be excluded on the basis of race or ethnicity.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

56) Which of the following are summaries of common law rules in a particular area of the law that have been enacted by most states?

A) Restatements of the Law

B) Codifications of the Law

C) Reporters

D) Reports of the Law

E) Codes of Reporters

Answer: A

Explanation: Just as state statutes have been strongly influenced by the suggestions of the National Conference of Commissioners on Uniform State Laws (NCC), common law evolves with the assistance of a mechanism called Restatements of the Law. These Restatements are summaries of the common law rules in a particular area of the law that have been enacted by most states.

Difficulty: 1 Easy

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

57) Which of the following is an example of an independent federal administrative agency?

A) The Consumer Product Safety Commission

B) The Occupational Safety and Health Administration

C) The Small Business Administration

D) The National Science Foundation

E) The Veteran's Administration

Answer: A

Explanation: The Consumer Product Safety Commission is an example of an independent federal administrative agency. The Occupational Safety and Health Administration, the Small Business Administration, the National Science Foundation, and the Veteran's Administration are all examples of executive administrative agencies of the federal government.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

58) Which of the following is true regarding administrative agencies?

A) There are state administrative agencies, but no federal administrative agencies.

B) There are federal administrative agencies, but no state administrative agencies.

C) There are state and federal administrative agencies, but no local administrative agencies.

D) Administrative agencies exist only at the local county level.

E) Administrative agencies exist at the federal, state, and local level.

Answer: E

Explanation: The federal government, as well as state and local governments, has dozens of administrative agencies whose task is to perform a particular government function.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

59) \_\_\_\_\_\_\_\_ are summaries of the common law rules in a particular area of the law that have been enacted by most states.

A) Appellate briefs

B) Amicus briefs

C) Statutes

D) Codifications

E) Restatements

Answer: E

Explanation: Restatements of the law are summaries of the common law rules in a particular area of the law that have been enacted by most states.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

60) Which of the following is true regarding treaties at the federal level?

A) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate.

B) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the House of Representatives.

C) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate and two-thirds of the House of Representatives.

D) A treaty is generally negotiated by the executive branch and no approval by the Senate or House of Representatives is required.

E) A treaty is generally negotiated by the executive branch and must then be approved by two-thirds of the Senate and two-thirds of the state legislatures.

Answer: A

Explanation: A treaty is a binding agreement between two states or international organizations. In the United States, a treaty is generally negotiated by the executive branch. To be binding, a treaty must be approved by two-thirds of the Senate.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

61) The cost-benefit analysis approach to legal change is tied closely to the pursuit of \_\_\_\_\_\_\_\_.

A) fairness

B) efficiency

C) equity

D) self-actualization

E) legal realism

Answer: B

Explanation: The cost-benefit analysis approach to legal change is tied closely to the pursuit of efficiency. If a law yields more benefits than costs, then we have saved resources. Those resources can then be used to provide us with more goods and services.

Difficulty: 2 Medium

Topic: Schools of Legal Interpretation

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

62) One of the most often-used guidelines for shaping the law is tradition, or custom, which is also called \_\_\_\_\_\_\_\_.

A) the historical school

B) legal realism

C) cost-benefit analysis

D) identification with the vulnerable

E) none of these

Answer: A

Explanation: One of the most often used guidelines for shaping the law is tradition, or custom, which is also called the historical school. When we follow this tradition, we attempt to link our future behavior to the behavior of those who faced similar problems in earlier historical periods.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Evaluate

AACSB: Ethics

Accessibility: Keyboard Navigation

63) In which school of jurisprudence is the concept of *stare decisis* rooted?

A) The historical school

B) Legal realism

C) Cost-benefit analysis

D) Legal positivism

E) Cultural retrenchment

Answer: A

Explanation: *Stare decisis* is rooted in the perspective of the historical school. When we follow tradition, or custom, we attempt to link our future behavior to the behavior of those who faced similar problems in earlier historical periods.

Difficulty: 2 Medium

Topic: Schools of Legal Interpretation

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation

64) Laws that help establish the conditions of trade between countries are:

A) The Uniform Commercial Code and the U.S. Constitution

B) Executive Orders and Administrative Codes

C) The North American Free Trade Agreement and the Bill of Rights

D) The North American Free Trade Agreement and the General Agreement on Tariffs and Trade

E) The General Agreement on Tariffs and Trade and the Uniform Commercial Code

Answer: D

Explanation: The North American Free Trade Agreement and the General Agreement on Tariffs and Trade help establish the conditions of trade between countries.

Difficulty: 2 Medium

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

65) Comparative law:

A) Compares and studies the laws in different countries.

B) Compares and studies state constitutions.

C) Compares and studies executive orders.

D) Compares and studies laws of federal administrative agencies.

E) Compares and studies laws of the European Union.

Answer: A

Explanation: Comparative law compares and studies laws in different countries.

Difficulty: 1 Easy

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

66) Candy wants to start an Internet business. The Chinese government tells her that certain items on her site are objectionable and illegal, and that if she wants to do business in China, she must remove the objectionable material. Which of the following is true?

A) Candy is within her rights and should stand her ground. She is a U.S. citizen, and so long as she obeys U.S. laws, she can do business in China.

B) Candy is within her rights only if she petitioned her state senator and obtained his or her permission to proceed.

C) If Candy wants to do business in China, she must abide by Chinese law.

D) By international law, there is a set fee of $10,000 that Candy can pay if she wants to obey only U.S. law. If she pays that amount, she can continue in China without any modification.

E) By international law, there is a set fee of $5,000 that Candy can pay if she wants to obey only U.S. law. If she pays that amount, she can continue in China without any modification.

Answer: C

Explanation: Business managers need to be aware of various trade laws and restrictions in different countries, so that they can act accordingly when they set out to do business in those countries.

Difficulty: 3 Hard

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Evaluate

AACSB: Diversity

Accessibility: Keyboard Navigation

67) The Stolen Book. Betty tells Susan that Bob stole her business law book from her car. The next day Susan confronts Bob and slaps him for stealing her book. Bob has Susan arrested for slapping him. Susan sues Bob for damages in the amount of the book and for maliciously having her arrested. Claiming that she lied, Bob sues Betty for defamation. The lawsuit Susan has against Bob for damages for stealing her book involves which of the following?

A) Public law

B) Private law

C) Administrative law

D) Both public and private law

E) Comprehensive law

Answer: B

Explanation: Private law involves disputes between private individuals or groups.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

68) The Stolen Book. Betty tells Susan that Bob stole her business law book from her car. The next day Susan confronts Bob and slaps him for stealing her book. Bob has Susan arrested for slapping him. Susan sues Bob for damages in the amount of the book and for maliciously having her arrested. Claiming that she lied, Bob sues Betty for defamation. The prosecution by the government against Susan for slapping Bob involves which of the following?

A) Public law

B) Private law

C) Administrative law

D) Both public and private law

E) Comprehensive law

Answer: A

Explanation: Public law involves disputes between private individuals or groups and their government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

69) The Stolen Book. Betty tells Susan that Bob stole her business law book from her car. The next day Susan confronts Bob and slaps him for stealing her book. Bob has Susan arrested for slapping him. Susan sues Bob for damages in the amount of the book and for maliciously having her arrested. Claiming that she lied, Bob sues Betty for defamation. The action Bob has against Betty for defamation involves which of the following?

A) Criminal law

B) Civil law

C) Insider law

D) Both criminal and civil law

E) Administrative law

Answer: B

Explanation: Civil law involves the rights and responsibilities found in relationships between persons and between persons and their government as well as the remedies available when someone's rights are violated.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

70) The Stolen Book. Betty tells Susan that Bob stole her business law book from her car. The next day Susan confronts Bob and slaps him for stealing her book. Bob has Susan arrested for slapping him. Susan sues Bob for damages in the amount of the book and for maliciously having her arrested. Claiming that she lied, Bob sues Betty for defamation. Bob is anxious to see Susan punished for slapping him. Which of the following is true regarding action Bob can take?

A) Bob can hire his own lawyer to prosecute Susan and send her to jail but cannot bring a civil action if he prosecutes criminally.

B) Bob's privately retained lawyer may not prosecute Susan alone but may insist on jointly trying the criminal case with the government lawyer.

C) Bob can bring an additional civil action against Susan for slapping him only if he loses the criminal case.

D) Bob can hire his own lawyer to prosecute Susan and send her to jail, and Bob can also bring an additional civil action against Susan for slapping him.

E) Bob's privately retained lawyer may not prosecute Susan because that is the government's job, but the privately retained lawyer can bring a civil action against Susan.

Answer: E

Explanation: Civil law involves the remedies available when someone's rights are violated whereas criminal law applies to situations in which someone commits an act against the public as a unit. Crimes are prosecuted not by individuals but by the state or federal government.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

71) To the Dogs. Alice loves all animals and is starting a new grooming business for dogs. She believes that animals are very important and plans to exceed any applicable regulations regarding cleanliness and health standards. Alice thinks some local regulations make no sense. For example, there is a local ordinance that all dogs must be kept on a leash at all times when not in a fenced area. Although Alice lives on a large lot with plenty of room for dogs to run free, she plans to obey the leash regulation and all others. She is aware, however, that members of the community have had success in changing local regulations by petitioning the city council. Alice plans to proceed in that manner to attempt a change in the leash law. Alice's plan to seek change through following what others have done in the past by petitioning city council is rooted in which of the following?

A) Legal positivism

B) The historical school

C) Legal realism

D) Natural law

E) Cost-benefit analysis

Answer: B

Explanation: When we follow historical school tradition, we attempt to link our future behavior to the behavior of those who faced similar problems in earlier historical periods.

Difficulty: 3 Hard

Topic: Schools of Legal Interpretation

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Analyze

AACSB: Reflective Thinking; Ethics

Accessibility: Keyboard Navigation

72) International Expansion. Zach wants to expand his coffee business internationally - into Zeno, a small remote country in Africa. His best friend Zora asks him if he plans to hire legal counsel for the expansion. Zach replies, "Of course not. The U.S. has the strictest laws regarding contracts, employment, and business practices. So long as I'm legal here, I'm legal anywhere. Besides, I studied up on Zeno law ten years ago, and I know it all." Zach proceeds and lands in jail in the remote country of Zeno for violating recently passed laws protecting employees and mandating certain benefits. Authorities there claim that he sexually harassed an employee, failed to pay sufficient wages, and failed to give employees Zeno's mandated 12 weeks of vacation per year.

The type of law involved in comparing laws between the U.S. and Zeno is \_\_\_\_\_\_\_\_.

A) comparative law

B) contributory law

C) comprehensive law

D) complete law

E) delineated law

Answer: A

Explanation: It is important that future business managers understand comparative law, comparing and studying the laws in different countries.

Difficulty: 2 Medium

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Diversity

Accessibility: Keyboard Navigation

73) International Expansion. Zach wants to expand his coffee business internationally - into Zeno, a small remote country in Africa. His best friend Zora asks him if he plans to hire legal counsel for the expansion. Zach replies, "Of course not. The U.S. has the strictest laws regarding contracts, employment, and business practices. So long as I'm legal here, I'm legal anywhere. Besides, I studied up on Zeno law ten years ago, and I know it all." Zach proceeds and lands in jail in the remote country of Zeno for violating recently passed laws protecting employees and mandating certain benefits. Authorities there claim that he sexually harassed an employee, failed to pay sufficient wages, and failed to give employees Zeno's mandated 12 weeks of vacation per year.

Which of the following is true regarding Zach's legal problems in Zeno?

A) Zach can rely upon the federal statutory laws of the U.S. as a defense but not his U.S. Constitutional rights.

B) Zach is entitled to all U.S. Constitutional rights in Zeno because he is a U.S. citizen, but he cannot rely on U.S. statutory rights.

C) Zach can rely upon the federal statutory laws of the U.S. as a defense, and he is also entitled to all U.S. Constitutional rights in Zeno because he is a U.S. citizen.

D) Zach must obey the laws of Zeno when operating a business in Zeno and cannot rely upon U.S. laws as a defense.

E) Zach is subject to civil laws but not criminal laws of Zeno.

Answer: D

Explanation: Globalization requires that business leaders be alert to legal differences among national jurisdictions.

Difficulty: 3 Hard

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Apply

AACSB: Diversity

Accessibility: Keyboard Navigation

74) International Expansion. Zach wants to expand his coffee business internationally - into Zeno, a small remote country in Africa. His best friend Zora asks him if he plans to hire legal counsel for the expansion. Zach replies, "Of course not. The U.S. has the strictest laws regarding contracts, employment, and business practices. So long as I'm legal here, I'm legal anywhere. Besides, I studied up on Zeno law ten years ago, and I know it all." Zach proceeds and lands in jail in the remote country of Zeno for violating recently passed laws protecting employees and mandating certain benefits. Authorities there claim that he sexually harassed an employee, failed to pay sufficient wages, and failed to give employees Zeno's mandated 12 weeks of vacation per year.

Which of the following is true regarding Zach's defense that he thought he knew the law of Zeno because he had studied it some years before and that the laws under which he was arrested were new?

A) Rules in international business change frequently, and Zach had a duty to stay current. It is not a defense that he studied the law at one time and that the laws at issue were new.

B) Zach is entitled to rely as a defense on the fact that he had studied the law at one time. Officials in Zeno were charged with publicizing any changes.

C) If Zach can prove that the laws at issue were passed within the last twelve months before he was arrested, he will get out of jail because under international law, there is a twelve month grace period for foreigners.

D) If Zach can prove that the laws at issue were passed within the last six months before he was arrested, he will get out of jail because under international law, there is a six-month grace period for foreigners.

E) Zach cannot be prosecuted so long as he was not aware he was violating the law. He did not have the requisite intent to perform a criminal act regardless of whether the laws were new.

Answer: A

Explanation: Globalization requires that business leaders be alert to legal differences among national jurisdictions.

Difficulty: 2 Medium

Topic: Global and Comparative Law

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Diversity

Accessibility: Keyboard Navigation

75) Inattentive Driving. While cutting class and driving off campus to check on her new dress for the upcoming formal, Molly, a busy college student, is busy talking on her cell phone with her friend Sharon. Molly is trying to talk Sharon into going to the dance with her brother, who has a big crush on Sharon. Unfortunately for Molly, there is a statute in her state outlawing talking on a cell phone while operating a motor vehicle. Molly crashes into the side of Sam's new convertible when she looks down to pick up a can of soda she just dropped onto her new jeans. A police officer just down the street comes over to investigate. Molly explains to him that it was difficult to hold the cell phone in one hand, the soda in the other, and also drive. The officer was not impressed. Around that time Sam comes along. He is furious regarding the significant dent in his new car. Molly says she has insurance and that she will cover the whole incident. Sam says that is insufficient. The officer is annoyed because it is his lunch break. He tells Molly that she must obey the law and proceeds to write several citations to her. Which type or types of law is or are involved in the above situation considering Molly's interaction with both the officer and Sam?

A) Public law only

B) Private law only

C) Civil law and private law only

D) Criminal law and public law only

E) Public law, private law, civil law, and criminal law

Answer: E

Explanation: Private law involves disputes between private individuals or groups; public law involves disputes between private individuals or groups and their government; civil law involves the rights and responsibilities found in relationships between persons and between persons and their government; and criminal law applies to situations in which someone commits an act against the public as a unit.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

76) Inattentive Driving. While cutting class and driving off campus to check on her new dress for the upcoming formal, Molly, a busy college student, is busy talking on her cell phone with her friend Sharon. Molly is trying to talk Sharon into going to the dance with her brother, who has a big crush on Sharon. Unfortunately for Molly, there is a statute in her state outlawing talking on a cell phone while operating a motor vehicle. Molly crashes into the side of Sam's new convertible when she looks down to pick up a can of soda she just dropped onto her new jeans. A police officer just down the street comes over to investigate. Molly explains to him that it was difficult to hold the cell phone in one hand, the soda in the other, and also drive. The officer was not impressed. Around that time Sam comes along. He is furious regarding the significant dent in his new car. Molly says she has insurance and that she will cover the whole incident. Sam says that is insufficient. The officer is annoyed because it is his lunch break. He tells Molly that she must obey the law and proceeds to write several citations to her. Which of the following is true regarding Molly's predicament?

A) Molly can be given a ticket and prosecuted criminally by government officials, but she may not be sued for a civil violation.

B) Molly can be sued for a civil action and must pay for Sam's car, but she cannot be prosecuted for a criminal violation.

C) Molly can be sued in a civil action by Sam, and the government can also prosecute her for a criminal violation.

D) So long as Molly has insurance and can pay for Sam's vehicle damage, she cannot be prosecuted in a civil or criminal action.

E) Sam can prosecute Molly in a criminal action, but he cannot sue her in a civil action.

Answer: C

Explanation: Civil law involves the rights and responsibilities found in relationships between persons and between persons and their government, and criminal law applies to situations in which someone commits an act against the public as a unit.

Difficulty: 3 Hard

Topic: Classification of the Law

Learning Objective: 01-04 What are alternative ways to classify the law?

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

77) Inattentive Driving. While cutting class and driving off campus to check on her new dress for the upcoming formal, Molly, a busy college student, is busy talking on her cell phone with her friend Sharon. Molly is trying to talk Sharon into going to the dance with her brother, who has a big crush on Sharon. Unfortunately for Molly, there is a statute in her state outlawing talking on a cell phone while operating a motor vehicle. Molly crashes into the side of Sam's new convertible when she looks down to pick up a can of soda she just dropped onto her new jeans. A police officer just down the street comes over to investigate. Molly explains to him that it was difficult to hold the cell phone in one hand, the soda in the other, and also drive. The officer was not impressed. Around that time Sam comes along. He is furious regarding the significant dent in his new car. Molly says she has insurance and that she will cover the whole incident. Sam says that is insufficient. The officer is annoyed because it is his lunch break. He tells Molly that she must obey the law and proceeds to write several citations to her. The law in Molly's state regulating cell phone usage would be classified as which of the following?

A) A statute

B) A type of common law

C) An executive order

D) A uniform law

E) A negative law

Answer: A

Explanation: The assortment of statutes, or rules and regulations put forth by legislatures, is what we call statutory law.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

78) List the purposes of the law and discuss why these purposes are necessary for an ordered society.

Answer: The purposes of the law should be listed as follows:

• Providing order such that one can depend on a promise or an expectation of obligations.

• Serving as an alternative to fighting.

• Facilitating a sense that change is possible, but only after a rational consideration of options.

• Encouraging social justice.

• Guaranteeing personal freedoms.

• Serving as a moral guide by indicating minimal expectations of citizens and organizations.

Students will vary on discussion of why the law is necessary for an ordered society. Ideas would include enforcement of contracts, protection of underprivileged members of society, and the provision of a remedy for injustice.

Difficulty: 2 Medium

Topic: Law and Its Purposes

Learning Objective: 01-03 What are the purposes of law?

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

79) Define "*stare decisis,*" discuss when it occurs in the legal system, and explain why *stare decisis* is important to businesses and individuals.

Answer: The term "*stare decisis*" means standing by a decision. It occurs when courts rely on precedent. The adherence to *stare decisis* creates greater predictability for both businesses and individuals who look to the courts for the rules on which they should rely when they engage in market exchanges.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

80) Explain in what ways a treaty between a foreign country and the United States is similar to a contract.

Answer: Both treaties and contracts are attempts by parties to determine rights and obligations among themselves. Additionally, when a party fails to obey a treaty or contract, international law imposes liability on the party who failed to obey the agreement.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

81) Explain the function of administrative agencies and why they are necessary. List five independent agencies and five executive agencies.

Answer: Constitutions and statutes are not complete in the sense of covering all the detailed rules that affect government and business relations. The task of administrative agencies is to perform particular governmental functions. For independent and executive agencies, students may choose from agencies listed in the textbook.

Difficulty: 2 Medium

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

82) Judge Susie Justice, who is newly appointed to the bench, is presented with a question of law involving a cat named Chester who scratched a neighbor's antique jalopy. The neighbor, George, demands justice in the form of full payment from Chester's owner, Bill, and also requests that Chester be shipped to the local animal shelter. Bill says that he should not have to pay anything because Chester had never scratched before, that Chester should be allowed to stay in the neighborhood, and that he should be reimbursed for his legal fees by George who is a grump and never should have brought the lawsuit. Judge Justice is perplexed and wants to make a good decision since she is new to the bench. Describe how the judge should go about reaching a decision. Discuss in your answer the impact of cases from other jurisdictions assuming there is no relevant law in Judge Justice's jurisdiction. Also, assuming there is relevant law in this jurisdiction, discuss the applicable legal standard the judge should apply if she finds a relevant statute that conflicts with earlier case law.

Answer: Students should reference the need for Judge Susie Justice to check for relevant case law and statutory law. Cases from other jurisdictions may be influential to the judge but are not binding. A later passed state statute would apply as opposed to conflicting case law.

Difficulty: 3 Hard

Topic: Sources of Business Law

Learning Objective: 01-05 What are the sources of the law?

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

83) Describe contrasts between the cost-benefit school of jurisprudence and the identification with the vulnerable school of jurisprudence.

Answer: The cost-benefit school of jurisprudence is an economic school of jurisprudence in which all costs and benefits of a law are given monetary values. Those laws with the highest ratios of benefits to costs are then preferable to those with lower ratios. From the cost-benefit perspective, one would examine all the costs and benefits for alternative laws or decisions and place monetary values on those costs and benefits. With those calculations, a cost-benefit analysis may serve as a guide to legal change with the most attractive choice being the one that maximizes the ration of benefits to costs. The identification with the vulnerable school of jurisprudence is tied closely to the pursuit of fairness in our society. The metaphor of a level playing field is linked with some higher law or body of moral principles that connects all of us in the human community. We might look at a particular employment contract, for example, and react by observing that "it is just not fair." Our caring impulse as a human feels outrage at that legal arrangement. That outrage can be a stimulus for legal change.

Difficulty: 2 Medium

Topic: Schools of Legal Interpretation

Learning Objective: 01-06 What are the various schools of jurisprudence?

Bloom's: Understand

AACSB: Ethics

Accessibility: Keyboard Navigation