

Chapter 01: Law and Legal Reasoning

True / False

1. Laws and government regulations affect almost all business activities.

- a. True
- b. False

ANSWER: True

2. Law consists of enforceable rules governing relationships among individuals and between individuals and their society.

- a. True
- b. False

ANSWER: True

3. Many different laws may affect a single business transaction.

- a. True
- b. False

ANSWER: True

4. Business decision makers are expected to make decisions that are ethically sound.

- a. True
- b. False

ANSWER: True

5. A key to avoiding business disputes is to go ahead without thinking ahead.

- a. True
- b. False

ANSWER: False

6. Statutory law does not include county ordinances.

- a. True
- b. False

ANSWER: False

7. The stability and predictability of the law are essential to business activities.

- a. True
- b. False

ANSWER: True

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8. Remedies in equity include decrees of specific performance.

- a. True
- b. False

ANSWER: True

9. “UCC 2–207(1)” is a citation to *Uniform Commercial Code* Section 2–207, subsection 1.

- a. True
- b. False

ANSWER: True

10. The courts, in interpreting statutory law, often rely on the common law as a guide to what the legislators intended.

- a. True
- b. False

ANSWER: True

11. Most state trial court decisions are *not* published.

- a. True
- b. False

ANSWER: True

12. A jury’s good sense and careful consideration of consequences is known as jurisprudence.

- a. True
- b. False

ANSWER: False

13. Procedural law consists of all laws that outline the methods of enforcing rights.

- a. True
- b. False

ANSWER: True

14. Administrative law is a source of American law that is consists of statutes.

- a. True
- b. False

ANSWER: False

15. Statutes are laws enacted by Congress and the state legislatures and comprise one of the sources of American law.

- a. True
- b. False

ANSWER: True

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16. Courts do *not* depart from precedents.

- a. True
- b. False

ANSWER: False

17. *Stare decisis* is a doctrine obligating judges to help persons who have failed to protect their own rights.

- a. True
- b. False

ANSWER: False

18. In a common law system, judges are *not* obligated to follow the precedents established within their jurisdictions.

- a. True
- b. False

ANSWER: False

19. Damages are a remedy at law.

- a. True
- b. False

ANSWER: True

20. Remedies in equity include injunctions.

- a. True
- b. False

ANSWER: True

21. In most states, the courts no longer grant “equitable” remedies.

- a. True
- b. False

ANSWER: False

22. The term *common law* refers to law that is common throughout the world.

- a. True
- b. False

ANSWER: False

23. The *common law* is a term for the laws that are familiar to most of us.

- a. True
- b. False

ANSWER: False

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24. Constitutional law includes only the U.S. Constitution.

- a. True
- b. False

ANSWER: False

25. Whether a law is constitutional depends on its source.

- a. True
- b. False

ANSWER: False

26. The U.S. Constitution reserves to the federal government all powers not granted to the states.

- a. True
- b. False

ANSWER: False

27. Statutory law includes state statutes.

- a. True
- b. False

ANSWER: True

28. The courts, in interpreting statutory law, may rely on the common law as a guide to what the legislators intended.

- a. True
- b. False

ANSWER: True

29. A citation identifies the publication in which a legal authority can be found.

- a. True
- b. False

ANSWER: True

30. Administrative law consists of the rules, orders, and decisions of administrative agencies.

- a. True
- b. False

ANSWER: True

31. Administrative law includes only state regulations.

- a. True
- b. False

ANSWER: False

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32. Criminal law focuses on rights and duties that exist between persons.

- a. True
- b. False

ANSWER: False

33. Criminal acts are prohibited only by federal government statutes.

- a. True
- b. False

ANSWER: False

34. The party against whom a lawsuit is brought is the *plaintiff* or *petitioner*.

- a. True
- b. False

ANSWER: False

35. When all the judges (or justices) agree on a decision, a *majority opinion* is written for the entire court.

- a. True
- b. False

ANSWER: False

Multiple Choice

36. Statistics, Inc., is a corporation engaged in the business of compiling, analyzing, and marketing data. To accomplish its purposes, Statistics obtains financing, and hires and fires employees. Laws and government regulations affect such business activities as

- a. hiring and firing decisions.
- b. the manufacturing and marketing of products.
- c. business financing.
- d. all of the choices.

ANSWER: d

37. In a suit against Olive, Pimento obtains damages. In the U.S. legal system, this remedy at law is

- a. unique.
- b. usual.
- c. unlikely.
- d. unusual.

ANSWER: b

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38. Congress enacts a statute, the Federal Deposit Insurance Corporation (an administrative agency) issues rules, the Southeast Financial Institutions Association (a private organizations) issues instructions, South Valley Bank posts a memo with orders for its employees, and Tina tells her co-worker about a recent news story. Sources of law include
- a. the instructions issued by private associations.
 - b. the orders posted by employers.
 - c. the rules issued by federal administrative agencies.
 - d. the stories released by news agencies.

ANSWER: c

39. The Regional Counties Commission approves a new property tax measure, and the professors and students at State Law School publish the results of their most recent legal research. Sources of law include
- a. measures approved by governing bodies.
 - b. legal scholars' research.
 - c. measures approved by governing bodies and legal scholars' research.
 - d. neither measures approved by governing bodies nor legal scholars' research.

ANSWER: a

40. Dave and Ellen enter into a contract via e-mail. When a dispute arises over the performance of the deal, Dave files a suit against Ellen. The emerging body of law that governs transactions conducted via the Internet is referred to by the term
- a. cyberlaw.
 - b. civil law.
 - c. equitable maxims.
 - d. IRAC.

ANSWER: a

41. Kevin is a judge hearing the case of *Local Dispatch Co. v. National Transport Corp.* Applying the relevant rule of law to the facts of the case requires Kevin 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

42. As a judge, Baxter applies common law rules. These rules develop from
- a. decisions of the courts in legal disputes.
 - b. regulations issued by administrative agencies.
 - c. statutes enacted by Congress and the state legislatures.
 - d. uniform laws drafted by legal scholars.

ANSWER: a

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43. There are no precedents on which the court deciding the case *Standard Resource Co. v. Topline Inventory, Inc.*, can base its decision. The court can consider, among other things,
- a. the opinions of the friends and relatives of the judge.
 - b. the results of a poll of those in the courtroom.
 - c. public policy or social values.
 - d. none of the choices.

ANSWER: c

44. Larry enters into a contract with Motivational Education Services to host a panel discussion at a sales conference. When the conference is postponed indefinitely, Larry asks a court to cancel the contract and return the parties to the positions that they held before its formation. This request involves
- a. specific performance.
 - b. an injunction.
 - c. rescission.
 - d. an action that the court cannot order.

ANSWER: c

45. Charles is a federal judge whose judicial decisions are part of case law, which does *not* include interpretations of
- a. regulations created by administrative agencies.
 - b. constitutional provisions.
 - c. statutes enacted by legislatures.
 - d. parties' subjective motives for engaging in litigation.

ANSWER: d

46. In the case of *Retail Sales Corp. v. Trucking Delivery 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

47. In *Benny v. City 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 Auto Deals, Inc.*, a case with similar facts. Under the doctrine of *stare decisis*, the trial court is likely to
- a. allow the minor to cancel the contract.
 - b. disregard the Benny case.
 - c. order the minor to cancel the contract.
 - d. require the minor to fulfill the contract.

ANSWER: a

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48. Judge Bell decides that the precedent for the case she is hearing is no longer correct due to technological changes. She overturns the precedent when she decides the case. It is likely that her case will
- a. go unnoticed by the public.
 - b. be thrown out of court.
 - c. receive a great deal of publicity.
 - d. be ignored by the media.

ANSWER: c

49. Deb and Earl are involved in a lawsuit. This is
- a. an action.
 - b. a breach.
 - c. an injunction.
 - d. a remedy.

ANSWER: a

50. In an action against Gina, Harry obtains a *remedy*. This is
- a. an administrative agency's enforcement of its rule.
 - b. a principle of the law derived from earlier court cases.
 - c. a statute enacted by a state legislature or Congress.
 - d. the legal means to recover a right or to redress a wrong.

ANSWER: d

51. Rachel is a state court judge. Salina appears in a case in Rachel's court, claiming that Tomas breached a contract. Possible remedies include
- a. compensation to Rachel for a favorable ruling.
 - b. Tomas's imprisonment.
 - c. a criminal fine levied by Rachel on either party.
 - d. an award of damages to Salina.

ANSWER: d

52. The legislature of the state of Wyoming enacts a new statute that sets standards for the liability of businesses selling defective products. This statute applies in
- a. Wyoming only.
 - b. only Wyoming and its bordering states only.
 - c. all states.
 - d. all states but only to matters not covered by other states' laws.

ANSWER: a

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53. James and Kay enter into a contract for the sale of a bicycle, but Kay later refuses to deliver the goods. James asks a court to order Kay to perform as promised. Ordering a party to perform what was promised is
- an equitable remedy.
 - an unenforceable demand.
 - a remedy at law.
 - beyond the court's authority.

ANSWER: a

54. Reba is a state court judge. In her court, legal and equitable remedies have merged. In these circumstances, distinguishing between these types of remedies is
- not important because legal remedies cannot be granted today.
 - not important because equitable remedies cannot be granted today.
 - important so that statistical data on the remedies can be compiled.
 - important so that the proper remedy can be requested.

ANSWER: d

55. In a suit against Ian, Jenna obtains an *injunction*. This is
- an order to do or to refrain from doing a particular act.
 - an order to perform what was promised.
 - a payment of money or property as compensation.
 - the cancellation of a contract.

ANSWER: a

56. In a suit against Ethan, Francisco obtains an award of *damages*. This is
- an order to do or to refrain from doing a particular act.
 - an order to perform what was promised.
 - a payment of money or property as compensation.
 - the cancellation of a contract.

ANSWER: c

57. Bob's Burgers n' Shakes Restaurant brings a suit in a court of law. At one time, a court of law could grant as a remedy only
- damages.
 - an order to perform a contract as promised.
 - a judicial proceeding for the resolution of a dispute.
 - an injunction.

ANSWER: a

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58. A provision in the California state constitution conflicts with a provision in the U.S. Constitution. If challenged
- a. neither provision will be enforced.
 - b. the provisions will be balanced to reach a compromise.
 - c. the state provision, not the U.S. Constitution, will be enforced.
 - d. the U.S. Constitution, not the state provision, will be enforced.

ANSWER: d

59. Zoom In, Inc. is engaged in the business of coding, with an emphasis on Internet marketing, business apps, and intra-corporate networks. In all of Zoom In's business activities, it is subject to United States laws and regulations. The basis for all law in the U.S. is
- a. the U.S. Constitution.
 - b. each of the states' individual constitutions.
 - c. legislation enacted by Congress.
 - d. the executive orders of the president.

ANSWER: a

60. The North Carolina state legislature enacts a 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 North Carolina only.
 - d. the United States Supreme Court only.

ANSWER: a

61. Café Espresso is a coffee shop subject to the laws of Illinois. In Illinois, the highest-ranking (superior) law is
- a. a case decided by the Illinois Supreme Court.
 - b. a rule created by a Illinois state administrative agency.
 - c. a provision in the Illinois constitution.
 - d. a statute enacted by the Illinois legislature.

ANSWER: c

62. Creamy Dairy produces award-winning ice cream sold to wholesale distributors, retail sellers, and individual consumers in all fifty states. The UCC provides a set of rules governing
- a. commercial transactions.
 - b. dairy products and their production.
 - c. merit standards for nutrition awards.
 - d. the formation and initiation of a business.

ANSWER: a

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63. The Federal Trade Commission (FTC) is a government agency that issues rules, orders, and decisions. The Georgia state legislature enacts statutes. The Harrison County Board and the Island City Council enact ordinances. Administrative law includes
- a. all of the choices.
 - b. the rules, orders, and decisions of the FTC.
 - c. statutes enacted by the Georgia state legislature.
 - d. ordinances enacted by county boards and city councils.

ANSWER: b

64. The Bay City Planning Department, the Coastal County Zoning Commission, the California Environmental Quality Agency, and the U.S. Bureau of Land Management issue regulations. These rules constitute
- a. administrative law.
 - b. case law.
 - c. constitutional law.
 - d. statutory law.

ANSWER: a

65. Jessie, an employee of Kim's Restaurant, believes that her employer has violated her rights in the workplace. Larson argues that a Metro City government agency has imposed a ordinance that violates his rights under the U.S. Constitution. The branch of law dealing with the definition and enforcement of all private or public rights is
- a. administrative law.
 - b. civil law.
 - c. constitutional law.
 - d. federal law.

ANSWER: b

66. Rupert is a victim of Sara's violation of a criminal law. Criminal law is concerned with
- a. the prosecution of private individuals by other private individuals.
 - b. the prosecution of public officials by private individuals.
 - c. the relief available when a person's rights are violated.
 - d. wrongs committed against the public as a whole.

ANSWER: d

67. Erin believes that a higher, or universal, law exists that applies to all human beings. Erin asserts that each written law should reflect the principles inherent in this higher law. Erin
- a. is a legal positivist.
 - b. adheres to the historical school of legal thought.
 - c. is a legal realist.
 - d. adheres to the natural law tradition.

ANSWER: d

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68. The Appellate Division of the New York Supreme Court issues an opinion that can be found at 137 A.D.3d 409, 26 N.Y.S.3d 66. “137” is
- a. the number of the volume in the official reports of the court’s decisions.
 - b. the number of the volume in Thomson Reuter’s unofficial publication of the court’s decisions.
 - c. a page number in the referenced volume.
 - d. the number of the case in a sequence decided by the court.

ANSWER: a

69. Jack enters into a contract with Jill’s Farm to provide water for Jill’s irrigation needs. Jack fails to deliver. Jill initiates a suit against Jack, asking the court to order Jack to perform. Jill is
- a. the plaintiff.
 - b. the defendant.
 - c. the binding authority.
 - d. the persuasive authority.

ANSWER: a

70. Martin Luther King, Jr. played a singular role in the most significant social movement in the history of the United States—the Civil Rights Movement. King has been chronicled in books and movies, and is featured on mementoes, some of which are offered for sale by PriceMart Corp. Under the principles discussed in “A Sample Court Case,” *Rosa and Raymond Parks Institute for Self-Development v. Target Corp.*, PriceMart’s sale of these items most likely
- a. constitutes misappropriation.
 - b. implies something false about King’s legacy.
 - c. is a qualified privilege.
 - d. violates the common-law right of publicity.

ANSWER: c

Essay

71. 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.

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72. In a lawsuit between Cloud Computing Corporation and Digital Enterprises, Inc., the court applies the doctrine of *stare decisis*. What is this doctrine? What does this doctrine have to do with the American legal system?

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