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N.B.: TYPE indicates that a question is new, modified, or unchanged, as follows.

- N A question new to this edition of the Test Bank.
- + A question modified from the previous edition of the Test Bank.
- = A question included in the previous edition of the Test Bank.

TRUE/FALSE QUESTIONS

1. The function of the courts is to interpret and apply the law.

ANSWER: T PAGE: 30 TYPE: =
BUSPROG: Analytic LO: 2-1 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

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

ANSWER: T PAGE: 31 TYPE: N
BUSPROG: Analytic LO: 2-1 BLOOM'S: Comprehension
DIF: Easy AICPA: BB-Legal

3. A state court can exercise jurisdiction over any person within the

boundaries of the state.

22 UNIT ONE: THE FOUNDATIONS

ANSWER: T PAGE: 31 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

4. A state court can exercise jurisdiction over any property within the boundaries of the state regardless of the property owner's location.

ANSWER: T PAGE: 31 TYPE: +
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

5. A long arm statute permits a court to exercise jurisdiction over an out-of-state defendant.

ANSWER: T PAGE: 32 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

6. Minimum contacts with a jurisdiction are never enough to support jurisdiction over a nonresident defendant.

ANSWER: F PAGE: 32 TYPE: N
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Moderate AICPA: BB-Legal

7. A business firm may have to comply with the laws of any jurisdiction in which it actively targets customers.

ANSWER: T PAGE: 32 TYPE: N
BUSPROG: Reflective LO: 2-2 BLOOM'S: Comprehension
DIF: Easy AICPA: BB-Critical Thinking

8. A lawsuit involving a federal question can originate in a federal court.

ANSWER: T PAGE: 34 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

9. For purposes of diversity of citizenship, a corporation is a citizen only of the state in which it is incorporated.

10. Concurrent jurisdiction exists when both federal and state courts have the power to hear a particular case.

ANSWER: T PAGE: 34 TYPE: N
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

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

ANSWER: F PAGE: 35 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

12. Venue is the term for the subject matter of a case.

ANSWER: F PAGE: 37 TYPE: N
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

13. To have standing to sue, a party must have been harmed or have been threatened with harm by the action about which he or she complains.

ANSWER: T PAGE: 37 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

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

ANSWER: F PAGE: 37 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

15. The jurisdiction of a state court of appeal is substantially limited to hearing appeals.

ANSWER: T PAGE: 40 TYPE: =
BUSPROG: Analytic LO: 2-2 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

16. A federal case typically originates in a federal district court.

ANSWER: T PAGE: 41 TYPE: =
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Critical Thinking

17. The United States Supreme Court has appellate authority over some cases decided in the state courts.

ANSWER: T PAGE: 41 TYPE: N
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

18. No case can proceed to trial unless the plaintiff can prove that he or she has properly served the defendant.

ANSWER: T PAGE: 43 TYPE: N
BUSPROG: Reflective LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Critical Thinking

19. An answer can deny the allegations made in a complaint.

ANSWER: T PAGE: 44 TYPE: +
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

20. A counterclaim is raised by a plaintiff against a defendant's response to a complaint.

ANSWER: F PAGE: 44 TYPE: N
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

21. A summary judgment is granted only if there is a genuine question of fact.

ANSWER: F PAGE: 44 TYPE: +
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Critical Thinking

22. Interrogatories are written questions for which written answers are prepared and signed under oath.

ANSWER: T PAGE: 45 TYPE: N
BUSPROG: Analytic LO: 2-4 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

23. In most states, if neither party requests a jury, there will be no jury trial.

ANSWER: T PAGE: 46 TYPE: =
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

24. Voir dire is a process for presenting evidence in a case.

ANSWER: F PAGE: 46 TYPE: =
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

25. A judge instructs a jury as to the law that applies in a case.

ANSWER: T PAGE: 48 TYPE: N
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

26. A motion for a judgment notwithstanding the verdict seeks to set aside a verdict and enter a new verdict in favor of the non-prevailing party.

ANSWER: T PAGE: 48 TYPE: N
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

27. Any judgment is enforceable.

ANSWER: F PAGE: 50 TYPE: =
BUSPROG: Analytic LO: 2-3 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Critical Thinking

28. Negotiation is the most complex form of alternative dispute resolution.

BUSPROG: Technology LO: 2-5
DIF: Easy

BLOOM'S: Knowledge
AICPA: BB-Leveraging
Technology

35. Unless otherwise agreed, the result of an online dispute resolution proceeding may not be appealed to a court.

ANSWER: F PAGE: 55 TYPE: =
BUSPROG: Analytic LO: 2-5 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

1. Moby, a resident of New Jersey, has an accident with Ogden, a resident of New York, while driving through that state. Ogden files a suit against Moby in New York. Regarding Moby, New York has

- a. federal question jurisdiction.
- b. in personam jurisdiction.
- c. in rem jurisdiction.
- d. no jurisdiction.

ANSWER: B PAGE: 31 TYPE: +
BUSPROG: Reflective LO: 2-2 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

2. Hua, a resident of Illinois, owns a warehouse in Indiana. A dispute arises over the ownership of the warehouse with Jac, a resident of Kentucky. Jac files a suit against Hua in Indiana. Regarding this suit, Indiana has

- a. federal question jurisdiction.
- b. in personam jurisdiction.
- c. in rem jurisdiction.
- d. no jurisdiction.

ANSWER: C PAGE: 31 TYPE: +
BUSPROG: Reflective LO: 2-2 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

3. Marbled Granite Company files a suit against Natural Stone, Inc., in a Colorado court with general jurisdiction. In a Delaware court with limited jurisdiction, E-Sales Corporation files a suit against First State Bank. The difference between general and limited jurisdiction is

- a. the subject matter of the cases that the courts can decide.
- b. whether a case is being heard for the first time.
- c. whether a suit is filed against a single individual or many people.
- d. whether a suit is filed by a citizen or by a business.

ANSWER: A PAGE: 33 TYPE: N
BUSPROG: Reflective LO: 2-2 BLOOM'S: Comprehension

DIF: Easy

AICPA: BB-Legal

13. Lynn files a suit against Karl. Karl denies Lynn's charges and sets forth his own claim that Lynn breached their contract and owes Karl money for the breach. This is

- a. a counterclaim.
- b. a crossclaim.
- c. an affirmative defense.
- d. an irrelevant response.

ANSWER: A PAGE: 44 TYPE: =
BUSPROG: Reflective LO: 2-3 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

14. Gooseberry Grocery Company files a suit against Homemade Breads, Inc. Homemade responds that even if Gooseberry's statement of the facts is true, according to the law Homemade is not liable. This is

- a. a counterclaim.
- b. a violation of the law.
- c. a motion for summary judgment.
- d. a motion to dismiss.

ANSWER: D PAGE: 44 TYPE: +
BUSPROG: Reflective LO: 2-3 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

15. Carol files a suit against Downwind Boat Corporation. Downwind responds that it appears from the pleadings the parties do not dispute the facts and the only question is how the law applies to those facts. Downwind supports this response with witnesses' sworn statements. This is

- a. a counterclaim.
- b. a violation of the law.
- c. a motion for summary judgment.
- d. a motion to dismiss.

ANSWER: C PAGE: 44 TYPE: +
BUSPROG: Reflective LO: 2-3 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Lega

16. Quality Products, Inc., files a suit against Retail Sales Corporation. Sid is a witness for Quality. Tod is a witness for Retail. Quality may direct interrogatories to

- a. Retail.
- b. Sid.
- c. Tod.
- d. none of the choices.

ANSWER: A PAGE: 45 TYPE: N
BUSPROG: Reflective LO: 2-4 BLOOM'S: Application
DIF: Moderate AICPA: BB-Legal

17. In Ed's suit against First National Bank, the discovery phase would include all of the following EXCEPT

- a. Ed's complaint.
- b. Ed's deposition.
- c. Ed's requests for First National's admissions.
- d. First National's replies to Ed's interrogatories.

ANSWER: A PAGE: 45 TYPE: =
BUSPROG: Reflective LO: 2-4 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

18. To prepare for a trial between Large Lots Development Corporation (LLDC) and MiniMansion Construction Company (MMCC), MMCC's attorney places LLDC's president under oath. A court reporter makes a record of the attorney's questions and the officer's answers. This is

- a. a cross-examination.
- b. a deposition.
- c. a violation of the law.
- d. an interrogatory.

ANSWER: B PAGE: 45 TYPE: N
BUSPROG: Reflective LO: 2-4 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

25. Sheila files a suit against Tyler. Before going to trial, the parties, with their attorneys, meet to try to resolve their dispute. A third party helps them to reach an agreement. This is
- a. arbitration.
 - b. litigation.
 - c. mediation.
 - d. negotiation.

ANSWER: C PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Critical Thinking

26. Jim files a suit against Katy. Before going to trial, the parties meet, with their attorneys to represent them, to present their dispute to a third party who is not a judge but who renders a legally binding decision. This is
- a. arbitration.
 - b. litigation.
 - c. mediation.
 - d. negotiation.

ANSWER: A PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Critical Thinking

Java Cafes, Inc., and Kaffe Import Corporation dispute a term in their contract.

27. Refer to Fact Pattern 2-1. The least expensive method to resolve the dispute between Java and Kaffe may be
- a. arbitration because the case will be heard by a mini-jury.
 - b. litigation because each party will pay its own legal fees.
 - c. mediation because the dispute will be resolved by a non-expert.
 - d. negotiation because no third parties are needed.

ANSWER: D PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Application
DIF: Moderate AICPA: BB-Risk Analysis

42 UNIT ONE: THE FOUNDATIONS

28. Refer to Fact Pattern 2-1. If Java and Kaffe have a long-standing business relationship that they would like to continue, a preferred method of settling their dispute may be mediation because

- a. the case will be heard by a mini-jury.
- b. the dispute will eventually go to trial.
- c. the process is not adversarial.
- d. the resolution of the dispute will be decided an expert.

ANSWER: C PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Application
DIF: Moderate AICPA: BB-Risk Analysis

29. Refer to Fact Pattern 2-1. Resolving the dispute between Java and Kaffe by having a neutral third party render a binding decision is one of the advantages of

- a. arbitration.
- b. conciliation.
- c. intervention.
- d. mediation.

ANSWER: A PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Risk Analysis

30. National Consumer Goods Corporation and Paula Purchaser agree to resolve their dispute in arbitration. The arbitrator's decision is called

- a. a conclusion of law.
- b. a finding of fact.
- c. an award.
- d. a verdict.

ANSWER: C PAGE: 52 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

31. Owen, in Pennsylvania, and Quik Jobs, Inc., in Maryland agree to have their dispute resolved in arbitration according to the law of Virginia. This is a ground for a court to
- do nothing.
 - review the merits of the dispute.
 - review the sufficiency of the evidence.
 - set aside the award.

ANSWER: A PAGE: 52 TYPE: N
BUSPROG: Reflective LO: 2-5 BLOOM'S: Application
DIF: Moderate AICPA: BB-Legal

32. Massive Equipment Company and Wastewater Management Corporation agree in writing to submit a dispute to arbitration. In most circumstances, submission to arbitration is possible
- for any commercial matter.
 - for no commercial matter.
 - only after a dispute arises.
 - only before a dispute arises.

ANSWER: A PAGE: 53 TYPE: N
BUSPROG: Reflective LO: 2-5 BLOOM'S: Knowledge
DIF: Easy AICPA: BB-Legal

33. Transnational Corporation and United Shipping, Inc., agree to a contract that includes an arbitration clause. If a dispute arises, a court having jurisdiction may
- monitor any arbitration until it concludes.
 - order an arbitrator to rule in a particular way.
 - order a party to bring the dispute to court.
 - order a party to submit to arbitration.

ANSWER: D PAGE: 54 TYPE: =
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

44 UNIT ONE: THE FOUNDATIONS

34. Kato and Leilani dispute the quality of a collection of sports memorabilia sold over the Internet. They agree to resolve this dispute in 2BRNot2B.com, an online forum. Like most online forums, 2BRNot2B.com applies
- general, universal legal principles.
 - the provisions of the Federal Arbitration Act.
 - jurisprudence developed by the United Nations.
 - the law of California (or another specific U.S. jurisdiction).

ANSWER: A PAGE: 55 TYPE: N
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

35. To resolve a dispute, Amy in Boston and Chris in Denver utilize E-Solution, an online dispute resolution (ODR) service. This limits these parties' recourse to the courts
- not at all.
 - until the ODR service has issued a decision.
 - with respect to any dispute arising between them.
 - with respect to this dispute only.

ANSWER: A PAGE: 55 TYPE: N
BUSPROG: Reflective LO: 2-5 BLOOM'S: Comprehension
DIF: Moderate AICPA: BB-Legal

1. Norwest Trucking Corporation files a suit in a state court against Bob's Service Company (BSC), and wins. BSC appeals the court's decision, asserting that the evidence presented at trial to support Norwest's claim was so scanty that no reasonable jury could have found for the plaintiff. Therefore, argues BSC, the appellate court should reverse the trial court's decision. Is the appellate court likely to reverse the trial court's findings with respect to the facts? If not, why not? What are an appellate court's options after reviewing a case?

ANSWER: An appellate court will reverse a lower court's decision on the basis of the facts if the evidence does not support the findings or if it con-

tradicts them. Appellate courts normally defer to a judge's decision with regard to the facts of a case, however, for a number of reasons. First, trial judges routinely sit as fact finders. As a result, they develop a particular expertise in determining what kind of evidence and testimony is reliable and what kind is not. Second, trial judges and juries have the opportunity to observe witnesses and tangible evidence first hand. The appellate court sees only a cold record of the trial court proceedings and therefore cannot make the kind of judgments about the credibility of witnesses and the persuasiveness of evidence that can be gleaned only from first-hand experience. (There are also constitutional reasons for an appellate court to defer to a jury verdict. If, based on the evidence presented to a jury, a reasonable person could have come to the same decision that the jury came to, an appellate court cannot reverse the jury's decision with regard to the facts because this would, in essence, take away a person's right to a jury trial.) An appellate court's options after reviewing a case are to affirm the trial court's judgment, to reverse it in whole, to reverse it in part, to modify the decision, or to remand the case for further proceedings.

PAGES: 40 & 49-50

TYPE: =

BUSPROG: Reflective

LO: 2-3

BLOOM'S: Analysis

DIF: Moderate

AICPA: BB-Decision Modeling

2. Discount Mart, Inc., files a suit in a state court against Elements Computer Corporation, alleging that Elements breached a contract to sell 500 notebook computers to Discount. During the course of the suit, Discount files a motion for judgment on the pleadings, Elements files a motion for a directed verdict, and both parties file motions for summary judgment. When and for what purpose are each of these motions made?

ANSWER: After the pleadings have been filed, either party can file a motion for judgment on the pleadings. This motion may be used when no facts are disputed and, thus, only questions of law are at issue. The difference between this motion and a motion for summary judgment is that the party requesting the motion may support a motion for summary judgment with sworn statements and other materials; on a motion for a judgment on the pleadings, a court may consider only those facts pleaded. At the conclusion of the plaintiff's case, the defendant can file a motion for a directed verdict (federal courts use the term motion for a judgment as a matter of law), asking the court to direct a verdict for the defendant on the ground that the plaintiff has presented no evidence to justify the granting of the plaintiff's

remedy. In considering the motion, the judge looks at the evidence in the light most favorable to the plaintiff and grants the motion only if there is insufficient evidence to raise an issue of fact. At the end of the defendant's case, either party can move for a directed verdict. If the only question is which laws apply to the facts in a case, either party can move for summary judgment before or during a trial. When a court considers a motion for summary judgment, it can take into account evidence outside the pleadings. The evidence may consist of sworn statements by parties or witnesses, as well as documents. A motion for summary judgment will be granted only when there are no genuine questions of fact, and the only question is a question of law.

PAGES: 44-45 & 48

BUSPROG: Reflective

DIF: Moderate

LO: 2-3

TYPE: =

BLOOM'S: Analysis

AICPA: BB-Decision Modeling