

**Test Bank for Legal Environment of Business Text and Cases 9th Edition
Cross Miller 1285428943 9781285428949**

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Chapter 1

Law and Legal Reasoning

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. Laws and government regulations affect almost all business activities.

ANSWER: T

PAGES: Section 1

TYPE: N

BUSPROG: Analytic

AICPA: BB-Legal

2. The U.S. Constitution is the basis of all law in the United States.

ANSWER: T

PAGES: Section 2

TYPE: +

BUSPROG: Analytic

AICPA: BB-Legal

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

ANSWER: F

PAGES: Section 2

TYPE: N

BUSPROG: Analytic

AICPA: BB-Critical Thinking

4. The Uniform Commercial Code has been adopted in all fifty states.

ANSWER: T

PAGES: Section 2

TYPE: +

BUSPROG: Reflective

AICPA: BB-Critical Thinking

5. Federal agency regulations take precedence over conflicting state agency regulations.

ANSWER: T

PAGES: Section 2

TYPE: +

BUSPROG: Analytic

AICPA: BB-Legal

6. *Common law* is a term for the laws that are familiar to most of us.

ANSWER: F

PAGES: Section 3

TYPE: =

BUSPROG: Analytic

AICPA: BB-Critical Thinking

7. Decisions by higher courts are *not* binding on lower courts.

ANSWER: F

PAGES: Section 3

TYPE: +

BUSPROG: Analytic

AICPA: BB-Legal

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

ANSWER: F PAGES: Section 3 TYPE: =
BUSPROG: Analytic AICPA: BB-Legal

9. Courts are *not* obligated to follow precedents.

ANSWER: F PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

10. In most legal controversies, there is one single correct result.

ANSWER: F PAGES: Section 3 TYPE: N
BUSPROG: Analytic AICPA: BB-Critical Thinking

11. Although cases may be similar, no two cases are ever identical in all respects.

ANSWER: T PAGES: Section 3 TYPE: N
BUSPROG: Analytic AICPA: BB-Critical Thinking

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

ANSWER: T PAGES: Section 3 TYPE: N
BUSPROG: Analytic AICPA: BB-Critical Thinking

13. Each judge had his or her personal beliefs and philosophy, which shape the legal reasoning process.

ANSWER: T PAGES: Section 4 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

14. Clearly, a judge's function is to *make* the laws.

ANSWER: F PAGES: Section 4 TYPE: N
BUSPROG: Analytic AICPA: BB-Critical Thinking

15. A jury's good sense and careful consideration of consequences is known as jurisprudence.

ANSWER: F PAGES: Section 4 TYPE: =
BUSPROG: Reflective AICPA: BB-Critical Thinking

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

ANSWER: T PAGES: Section 5 TYPE: N
BUSPROG: Analytic AICPA: BB-Legal

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

ANSWER: T PAGES: Section 6 TYPE: N
BUSPROG: Analytic AICPA: BB-Research

18. The decisions made by the courts establish the boundaries of the law as it applies to almost all business relationships.

ANSWER: T

PAGES: Section 7

TYPE: N

BUSPROG: Analytic

AICPA: BB-Critical Thinking

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

ANSWER: F PAGES: Section 7 TYPE: N
BUSPROG: Analytic AICPA: BB-Critical Thinking

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

ANSWER: F PAGES: Section 7 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

MULTIPLE-CHOICE QUESTIONS

1. Data Analytics, Inc., is a corporation engaged in the business of compiling, analyzing, and marketing data. To accomplish its purposes, Data Analytics 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 PAGES: Section 1 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

2. The U.S. Congress enacts a new federal statute that imposes liability on businesses hiring employees without verifying their citizenship status. This statute applies
- a. only to businesses not covered by state law.
 - b. only to those states that consent to apply it.

- c. to all of the states.
- d. to none of the states.

ANSWER: C

BUSPROG: Reflective

PAGES: Section 2

TYPE: +

AICPA: BB-Legal

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

ANSWER: D PAGES: Section 2 TYPE: +
BUSPROG: Reflective AICPA: BB-Legal

4. The Pennsylvania legislature enacts a state law that violates the U.S. Constitution. This law can be enforced by
- no one.
 - the federal government only.
 - the state of Pennsylvania only.
 - the United States Supreme Court only.

ANSWER: A PAGES: Section 2 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

5. The Bay City Planning Department, the Coastal County Zoning Commission, the Delaware Environmental Quality Agency, and the U.S. Bureau of Land Management issue regulations. These rules constitute
- administrative law.
 - case law.
 - stare decisis*.
 - statutory law.

ANSWER: A PAGES: Section 2 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

6. 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. sound bites in the media.

ANSWER: D PAGES: Section 2 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

7. Much of American law is based on
- a. the English legal system.
 - b. the French legal system.
 - c. Greek civil law.
 - d. ancient Chinese law.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

8. 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 PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

9. Bob's Big Burgers n' Shakes Restaurant brings a suit, seeking a remedy at law. A *remedy at law* is
- monetary damages.
 - a decree of specific performance.
 - a judicial proceeding for the resolution of a dispute.
 - an injunction.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

10. Maggie and Nate enter into a contract for the sale of a car, but Nate later refuses to deliver the car. Maggie asks a court to order Nate to perform as promised. Ordering a party to perform what was promised is
- specific performance.
 - damages.
 - rescission.
 - beyond the court's authority.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Decision Modeling

11. Jane enters into a contract with Jill to provide 100 roses for a dinner party. Jill fails to deliver the roses. Jane initiates a suit against Jill, asking the court to order Jill to refund Jane's payment. Jane is
- the plaintiff.
 - the defendant.
 - the binding authority.
 - the persuasive authority.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Analytic AICPA: BB-Legal

12. Sara believes that she has a strong case against Tom for the breach of an employment contract. Despite this belief, Sara cannot file a suit against Tom after the expiration of the time allowed for the filing under
- a statute of limitations.
 - the doctrine of laches.
 - an equitable maxim.
 - the remedy at law.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

13. 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
- is incorrect or inapplicable.
 - is not in line with the judge's personal values.
 - would lead to unintended consequences.
 - would not bring about the result the judge prefers.

ANSWER: A PAGES: Section 3 TYPE: N
BUSPROG: Reflective AICPA: BB-Legal

14. Karen 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 Karen to find cases on point—previously decided cases that, in relation to the case under consideration, are
- as different as possible.
 - as similar as possible.
 - at odds.
 - exactly identical.

ANSWER: B
BUSPROG: Analytic

PAGES: Section 3 TYPE: N
AICPA: BB-Legal

15. Juan is a judge. How Juan and the judges in other courts interpret a particular statute determines
- a. how that statute will be applied.
 - b. how the law needs to be changed.
 - c. how the common law should be codified.
 - d. nothing.

ANSWER: A PAGES: Section 3 TYPE: =
BUSPROG: Analytic AICPA: BB-Legal

16. To Sam, the written law of a particular society at a particular time is most significant. Sam is a
- a. legal positivist.
 - b. person who adheres to the historical school of legal thought.
 - c. legal realist.
 - d. person who adheres to the natural law tradition.

ANSWER: A PAGES: Section 4 TYPE: +
BUSPROG: Analytic AICPA: BB-Critical Thinking

17. 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 PAGES: Section 5 TYPE: N
BUSPROG: Reflective AICPA: BB-Critical Thinking

18. Beth is a victim of Carl'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 PAGES: Section 5 TYPE: N
BUSPROG: Reflective AICPA: BB-Research

19. The Nebraska Supreme Court issues an opinion that can be found at 285 Neb. 88, 825 N.W.2d 429. "285" 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 appropriate volume.
 - d. the number of the case in the sequence decided by the state's highest court.

ANSWER: A PAGES: Section 6 TYPE: N
BUSPROG: Reflective AICPA: BB-Research

20. Operational Processes, Inc., appeals a decision against it, in favor of Precision Manufacturing Corporation, from a lower court to a higher court. Operational Processes is
- a. the appellant.
 - b. the appellee.
 - c. the defendant.
 - d. the respondent.

ANSWER: The letters I, R, A, and C are the first letters of “Issue,” “Rule,” “Application,” and “Conclusion.”

The IRAC method of legal reasoning requires Sierra or any other student or reader to first summarize the important facts of a legal case and state the salient issue or issues. The second step is to determine and set out the rule of law that applies to the facts to resolve the issue. The third step is to apply that rule to those facts. The application of the rule requires an answer to the question posed by the issue. This answer may involve one or more different types of legal reasoning, but those reasons should be thought out and expressed clearly. Finally, the conclusion derived from the application of the rule to the facts is stated. This is sometimes referred to as the result or the outcome in a case—who won; who lost; what the award, if any, consists of; or what the parties are, or are not, required to do next.

PAGES: Section 3
BUSPROG: Reflective

TYPE: =
AICPA: BB-Legal