March 17, 2016

# Solution Manual for Andersons Business Law and the Legal Environment Comprehensive Volume 23rd Edition Twome Jennings Greene 1305575083 9781305575080



**Twomey – Jennings: Anderson's Business Law, 23 e**
**End of Chapter: CPA Questions and Answers**

**CORRECT ANSWERS IN BOLDFACE.**

**Chapter 9: Intellectual Property Rights and the Internet**

1. Multicomp Company wishes to protect software it has developed. It is concerned about others copying this software and taking away some of its profits. Which of the following is true concerning the current state of the law?
   a. **Computer software is generally copyrightable.**
   b. To receive protection, the software must have a conspicuous copyright notice.
   c. Software in human readable source code is copyrightable but machine language object code is not.
   d. Software can be copyrighted for a period not to exceed 20 years.

2. Which of the following is not correct concerning computer software purchased by Gultch Company from Softtouch Company? Softtouch originally created this software.
   a. Gultch can make backup copies in case of machine failure.
   b. **Softtouch can typically copyright its software for at least 75 years.**
   c. If the software consists of compiled computer databases, it cannot be copyrighted.
   d. Computer programs are generally copyrightable.

3. Using his computer, Professor Bell makes 15 copies (to distribute to his accounting class) of a database in some software he has purchased for his personal research. The creator of this software is claiming copyright. Which of the following is correct?

a. This is an infringement of copyright, since he bought the software for personal use.
b. This is not an infringement of copyright, since databases cannot be copyrighted.
c. This is not an infringement of copyright because the copies were made using a computer.
**d. This is not an infringement of copyright because of the fair use doctrine.**

4. Intellectual property rights included in software may be protected under which of the following?
   a. Patent law
   b. Copyright law
   **c. Both of the above**
   d. None of the above

**Chapter 11: Nature and Classes of Contracts: Contracting on the Internet**

1. Kay, an art collector, promised Hammer, an art student, that if Hammer could obtain certain rare artifacts within two weeks, Kay would pay for Hammer's postgraduate education. At considerable effort and expense, Hammer obtained the specified artifacts within the two-week period. When Hammer requested payment, Kay refused. Kay claimed that there was no consideration for the promise. Hammer would prevail against Kay based on:
   **a. Unilateral contract**
   **b.** Unjust enrichment

**c.** Public policy
**d.** Quasi contract

**Chapter 12: Formation of Contracts: Offer and Acceptance**

1. Able Sofa, Inc., sent Noll a letter offering to sell Noll a custom-made sofa for $5,000. Noll immediately sent a telegram to Able purporting to accept the offer. However, the telegraph company erroneously delivered the telegram to Abel Soda, Inc. Three days later, Able mailed a letter of revocation to Noll, which was received by Noll. Able refused to sell Noll the sofa. Noll sued Able for breach of contract. Able:
    a. Would have been liable under the deposited acceptance rule only if Noll had accepted by mail.
    b. Will avoid liability since it revoked its offer prior to receiving Noll's acceptance.
    **c. Will be liable for breach of contract.**
    d. Will avoid liability due to the telegraph company's error (Law, #2, 9911).

2. On September 27, Summers sent Fox a letter offering to sell Fox a vacation home for $150,000. On October 2, Fox replied by mail agreeing to buy the home for $145,000. Summers did not reply to Fox. Do Fox and Summers have a binding contract?
    a. No, because Fox failed to sign and return Summers's letter.
    **b. No, because Fox's letter was a counteroffer.**
    c. Yes, because Summers's offer was validly accepted.
    d. Yes, because Summers's silence is an implied acceptance of Fox's letter (Law, #2, 0462).

3. On June 15, Peters orally offered to sell a used lawn mower to Mason for $125. Peters specified that Mason had until June 20 to accept the offer. On June 16, Peters received an offer to purchase the lawn mower for $150 from Bronson, Mason's neighbor. Peters accepted Bronson's offer. On June 17, Mason saw Bronson using the lawn mower and was told the mower had been sold to Bronson. Mason immediately wrote to Peters to accept the June 15 offer. Which of the following statements is correct?
    a. Mason's acceptance would be effective when received by Peters.
    b. Mason's acceptance would be effective when mailed.
    **c. Peters's offer had been revoked and Mason's acceptance was ineffective.**
    d. Peters was obligated to keep the June 15 offer open until June 20 (Law, #13, 3095).

**Chapter 13: Capacity and Genuine Assent**

1. A building subcontractor submitted a bid for construction of a portion of a high-rise office building. The bid contained material computational errors. The general contractor accepted the bid with knowledge of the errors. Which of the following statements best represents the subcontractor's liability?
    **a. Not liable, because the contractor knew of the errors.**
    **b.** Not liable, because the errors were a result of gross negligence.
    **c.** Liable, because the errors were unilateral. Liable, because the errors were material (5/95, Law, #17, 5351).

2. Egan, a minor, contracted with Baker to purchase Baker's used computer for $400. The computer was purchased for Egan's personal use. The agreement provided that Egan would pay $200 down on delivery and $200 thirty days later. Egan took delivery and paid the $200 down payment. Twenty days later, the computer was damaged seriously as a result of Egan's negligence. Five days after the damage occurred and one day after Egan reached the age of majority, Egan attempted to disaffirm the contract with Baker. Egan will:
    **a. Be able to disaffirm despite the fact that Egan was not a minor at the time of disaffirmance.**
    **b.** Be able to disaffirm only if Egan does so in writing.
    **c.** Not be able to disaffirm because Egan had failed to pay the balance of the purchase price.
    **d.** Not be able to disaffirm because the computer was damaged as a result of Egan's negligence (11/93, Law, #21, 4318).

**Chapter 15: Legality and Public Policy**

1. West, an Indiana real estate broker, misrepresented to Zimmer that West was licensed in Kansas under the Kansas statute that regulates real estate brokers and requires all brokers to be licensed. Zimmer signed a contract agreeing to pay West a 5 percent commission for selling Zimmer's home in Kansas. West did not sign the contract. West sold Zimmer's home. If West sued Zimmer for nonpayment of commission, Zimmer would be:
    **a.** Liable to West only for the value of services rendered.
    **b.** Liable to West for the full commission.
    **c.** Not liable to West for any amount because West did not sign the contract.
    **d. Not liable to West for any amount because West violated the Kansas licensing requirements (5/92, Law, #25).**

2. Blue purchased a travel agency business from Drye. The purchase price included payment for Drye's goodwill. The agreement contained a covenant prohibiting Drye from competing with Blue in the travel agency business. Which of the following statements regarding the covenant is not correct?
    **a. The restraint must be no more extensive than is reasonably necessary to protect the goodwill purchased by Blue.**
    **b.** The geographic area to which it applies must be reasonable.
    **c.** The time period for which it is to be effective must be reasonable.
    **d.** The value to be assigned to it is the excess of the price paid over the seller's cost of all tangible assets (11/87, Law, #2).

**Chapter 16: Writing, Electronic Forms, and Interpretation of Contracts**

1. Which of the following statements is true with regard to the statute of frauds?
    a. All contracts involving consideration of more than $500 must be in writing.
    b. The written contract must be signed by all parties.
    c. The statute of frauds applies to contracts that can be fully performed within one year from the date they are made.
    **d. The contract terms may be stated in more than one document.**

2. With regard to an agreement for the sale of real estate, the statute of frauds:

# *ANSWERS TO AICPA QUESTIONS*

**CHAPTER 9**
**INTELLECTUAL PROPERTY RIGHTS AND THE INTERNET**

1. (a) Computer software is covered under the general copyright laws and is therefore usually copyrightable as an expression of ideas. Answer (b) is incorrect because copyrights in general do not need a copyright notice for works published after March 1, 1989. Answer (c) is incorrect because a recent court ruled that programs in both source codes, which are human readable, and in machine readable object code can be copyrighted. Answer (d) is incorrect because copyrights taken out by corporations or businesses are valid for 100 years from creation of the copyrighted item or 75 years from its publication, whichever is shorter.

2. (c) Computer databases are generally copyrightable as compilations. Answer (a) is not chosen because copies for archival purposes are allowed. Answer (b) is not chosen because in the case of corporations or businesses, the copyright is valid for the shorter of 100 years after the creation of the work or 75 years from its date of publication. Answer (d) is not chosen because computer programs are now generally recognized as copyrightable.

3. (d) Under the fair use doctrine, copyrighted items can be used for teaching, including distributing multiple copies for class use. Answer (a) is incorrect because although he originally purchased this software for personal use, he may still use it for his class, in which case, the fair use doctrine applies. Answer (b) is incorrect because databases can be copyrighted as derivative works. Answer (c) is incorrect because the use of the computer is not the issue, but the fair use doctrine is.

4. (c) Both patent and copyright law are used under modern law to protect computer technology rights. Answer (a) is incorrect because copyright law now also protects software. Answer (b) is incorrect because modern law also protects software as patentable. Answer (d) is incorrect because modern law generally protects intellectual property rights in software under both patent law and copyright law.

**CHAPTER 11**
**NATURE AND CLASSES OF CONTRACTS: CONTRACTING ON THE INTERNET**

1. (a) The offeror made a promise for an act. When the act was performed, a unilateral contract was created and the offeror is bound to pay. Answer (b) is incorrect because unjust enrichment is generally considered only if there was no contract and the court wishes to provide an "equitable solution." Answer (c) is incorrect because there are no public policy issues involved. Answer (d) is incorrect because a quasi-contract arises only if there was no contract to begin with and the law implies one to prevent an unjust enrichment. Since there was a unilateral contract, there can be no quasi-contract.

**CHAPTER 12**
**FORMATION OF CONTRACTS: OFFER AND ACCEPTANCE**

1. (c) If sent by a mode of communication expressly or impliedly authorized by the offeror (e.g., mail or telegram), acceptance of an offer is normally effective on dispatch, even if subsequently delayed or lost. Noll's telegram was an effective acceptance of the offer by Able. The rule applies to any situation in which acceptance is made

in a manner expressly or impliedly authorized. This can include telegraph or telephone as well as mail in most circumstances. In this situation the acceptance was effective on dispatch, before Able's attempted revocation.

2. (b) Common law applies to this contract because it involves real estate. In this situation, Fox's reply on October 2 is a counteroffer and terminates Summers' original offer made on September 27. The acceptance of an offer must conform exactly to the terms of the offer under common law. By agreeing to purchase the vacation home at a price different from the original offer, Fox is rejecting Summers' offer and is making a counteroffer. Answer (a) is incorrect because the fact that Fox failed to return Summers' letter is irrelevant to the formation of a binding contract. Fox's reply constitutes a counteroffer as Fox did not intend to accept Summers' original offer. Answer (c) is incorrect because Summers' offer was rejected by Fox's counteroffer. Answer (d) is incorrect because with rare exceptions, silence does not constitute acceptance.

3. (c) Peters' offer had been revoked. Since revocation notice can be received either directly or indirectly, Mason, in effect, received the revocation notice when he was told the mower had been sold to Bronson; and therefore, Mason's acceptance was ineffective, even though the specified time of the oral contract had not expired. Peters' offer had been revoked prior to Mason's acceptance. There was no obligation on the part of Peters to keep the offer open, since there was no consideration for him to do so.

**CHAPTER 13**
**CAPACITY AND GENUINE ASSENT**

1. (a) Where a mistake is made by only one party (a unilateral mistake), the rule is that the mistaken party is bound by the contract unless the nonmistaken party knew of the mistake or should have known of the mistake. In this question, the nonmistaken party knew of the mistake; thus, the mistaken party is not bound by the contract. Whether the mistake was a result of gross negligence is irrelevant.

2. (a) Answer (b) is incorrect because a disaffirmance need not be in writing. Answer (c) is incorrect because a minor can disaffirm at any time during minority or for a reasonable time thereafter regardless of payment. Answer (d) is incorrect because a minor need only return whatever consideration he/she has, even if damaged or lost. Answer (a) is correct because it is still a reasonable time after majority.

**CHAPTER 15**
**LEGALITY AND PUBLIC POLICY**

1. (d) There are two types of licensing statutes. First, there are licensing statutes intended primarily for revenue raising. Second, there are licensing statutes (regulatory) intended primarily to protect the public against dishonest or incompetent professionals. An individual without a license can collect his total compensation if the primary purpose of the statute was to raise revenue. However, if the purpose was regulatory in nature (intended to protect the public), the individual can collect nothing since the contract is voidable. Thus, an unlicensed individual who enters into a contract to provide regulated services will not be allowed to enforce the contract or recover even the value of the services rendered.

2. (d) Answer (a), (b), and (c) are correct statements because covenants not to compete must be reasonable in time and geographic scope. The answer is (d) because it is an incorrect statement regarding the value of goodwill.

**CHAPTER 16**
**WRITING, ELECTRONIC FORMS, AND INTERPRETATION OF CONTRACTS**

1. (d) The contract terms need not appear in a single document so long as the several documents refer to the same transaction. Only the signature of the party against whom enforcement is sought is required. If the performance *could* occur within a one-year period, the contract is not within the statute and need not be written. Only contracts of $500 or more that involve the sale of goods fall under the Statute of Fraud and must be in writing.

2. (c) The Statute of Frauds requires only that the written contract be signed by the party to be charged, not by all parties to the contract. Answer (a) is incorrect because it is not required that the contract be formalized in a single writing. Two or more documents can be combined to create a sufficient writing to satisfy the Statute of Frauds as long as one of the documents refers to the others. Answer (b) is incorrect because the Statute of Frauds does not require consideration to be fair and adequate. Answer (d) is incorrect because while the Statute of Frauds is applicable to the sale of goods only if the purchase price is $500 or more, it is always applicable to the sale of real estate, regardless of purchase price.

3. (c) The parole evidence rule will prevent the admission of evidence concerning the oral agreements regarding who pays the utilities, since the rule excludes evidence of prior or contemporaneous oral agreements, which would vary the written contract. However, the parol evidence rule will *not* prevent the admission of the fraudulent statements by Kemp during the original negotiations. Therefore, answers (a), (b), and (d) are incorrect.

**CHAPTER 17**
**THIRD PERSONS AND CONTRACTS**

1. (c) An assignment is rebuttably presumed to be an assignment of rights *and* a delegation of duties. Here, assignee Deep Sea Lobster Farms presumably could carry out the lobster delivery duties.

2. (c) Long is merely an incidental beneficiary – part of a large group that benefits from another's contract.

3. (a) Union is a creditor beneficiary under the insurance policy. It is not a donee or incidental beneficiary. Privity of contract is not the issue in this question.

**CHAPTER 18**
**DISCHARGE OF CONTRACTS**

1. (b) Glaze will win because he "substantially performed" on the contract. Glaze should receive the contract price less the cost of damages due to minor deviations from the required performance. Glaze can also collect because Parc refused to allow Glaze the opportunity to complete the contract. Glaze can recover for substantial performance of the contract. The breach was a minor breach. Glaze breached the contract by purchasing minor accessories not allowed under the contract. In response, Parc refused to allow Glaze to complete the contract. This is not considered to be anticipatory breach by Parc.

2. (b) The statute of limitations in an action for breach of contract begins to toll from the time the contract is breached.

3. (c) No official explanation given.

**CHAPTER 19**
**BREACH OF CONTRACT AND REMEDIES**

1. (a) Answer (a) is correct because liquidated damage clauses are valid if they are not a penalty on top of other damages and are agreed to as a reasonable projection of damages.

2. (b) The repudiation or renunciation of the contract before performance is due is known as anticipatory breach. Answers (a) and (c) are alternative choices for Foster. Answer (d) is the usual remedy for a breach of contract. Answer (b), which asks for the remedy of specific performance, is not available where the breaching party's performance requires personal services.

3. (a) No discussion provided.

**CHAPTER 21**
**LEGAL ASPECTS OF SUPPLY CHAIN MANAGEMENT**

1. (d) A common carrier has liability for even slight negligence. A common carrier would thus be liable if the goods were stolen while in the carrier's custody. The carrier would also be liable if the goods were destroyed as a result of its employees' negligence. The carrier would not, however, have any knowledge of or control over how the goods were packed by the bailor or other party.

2. (d) Under a nonnegotiable bill of lading, a carrier who accepts goods for shipment, must deliver the goods to the consignee of the bill of lading. Answers (a), (b), and (c) would be correct if the bill of lading was negotiable.

3. (a) A negotiable warehouse receipt is a document issued as evidence of the receipt of goods by a person engaged in the business of storing goods for hire. The warehouse receipt is negotiable if the face of the document contains the words of negotiability (order or bearer).

4. (d) No discussion provided.