

***Essentials of Business Law 7th edition Beatty Test
Bank***

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Chapter 01: Introduction to Law

1. Congress passed a law imposing penalties for displaying "indecent" material online where children could see it. If the U.S. Supreme Court subsequently rules that the statute conflicts with the First Amendment of the U.S. Constitution, the statute is void.

- a. True
- b. False

ANSWER: True

2. In Anglo-Saxon society, men were put into groups of ten, known as a "tithing," and were individually held responsible for any injury caused by any member of the group. This is the forerunner of the idea of business partnerships.

- a. True
- b. False

ANSWER: True

3. A rule that establishes maximum length of work shifts for air traffic controllers demonstrates an agency imposing a regulation.

- a. True
- b. False

ANSWER: True

4. In 1994, the Arizona Supreme Court decided the case of *Hernandez v. Arizona Board of Regents* and found a duty of care to avoid furnishing alcohol to underage consumers. If in 2008 a Flagstaff, Arizona, plaintiff brings a lawsuit against an Arizona university's fraternity for providing alcohol to members under the legal drinking age, the *Hernandez v. Arizona Board of Regents* case will serve as precedent.

- a. True
- b. False

ANSWER: True

5. Wilfred was driving too fast for the icy road conditions and hit Sally's car. Sally can sue Wilfred in criminal court.

- a. True
- b. False

ANSWER: False

6. Lawyers originated in Anglo-Saxon courts, where they were used to mediate disputes.

- a. True
- b. False

ANSWER: False

7. Congress can create a statute on any topic at all.

- a. True
- b. False

ANSWER: False

8. If the president vetoes a bill, it can still become law if both the House and the Senate approve it with a 51 percent majority.

- a. True
- b. False

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ANSWER: False

9. The doctrine of precedent is binding on all courts from county courts to the U.S. Supreme Court.

- a. True
- b. False

ANSWER: False

10. The case called *Kuehn v. Pub Zone* would reveal that *Kuehn* is the plaintiff, since the plaintiff is always listed first.

- a. True
- b. False

ANSWER: False

11. Under the natural law theory of jurisprudence, an unjust law is no law at all.

- a. True
- b. False

ANSWER: True

12. Common law is a body of cases decided by legislatures.

- a. True
- b. False

ANSWER: False

13. In order to determine if the case she was hearing broke the law, Judge Jane referred to prior rulings on the same subject. In other words, the judge is relying on precedent to make her decision.

- a. True
- b. False

ANSWER: True

14. DoorWay Computers, Inc., the trademark owner of "DoorWay," sought a court injunction to prevent Handyman Hardware, Inc. from using the domain name, "DoorWay.com." A jury will decide whether DoorWay is entitled to this remedy.

- a. True
- b. False

ANSWER: False

15. In the case of *Panavision Int'l. v. Toeppen*, the Ninth Circuit Court of Appeals affirmed the district court's decision. This means that the Ninth Circuit Court of Appeals approved the district court's decision and upheld the outcome in the case.

- a. True
- b. False

ANSWER: True

16. The government itself prosecutes the wrongdoer in a case involving behavior so threatening that society outlaws it altogether. This kind of case involves

- a. procedural law.

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- b. private law.
- c. civil law.
- d. criminal law.

ANSWER: d

17. In the House of Representatives, a state's voting power is based on its
- a. relative wealth.
 - b. date of entry into the Union.
 - c. physical size.
 - d. population.

ANSWER: d

18. Common law refers to
- a. law that is the same or similar in all the states.
 - b. law made when judges decide cases and then follow those decisions in later cases.
 - c. law made by legislatures in the form of statutes.
 - d. the legal systems of France, Germany, and Italy.

ANSWER: b

19. Hasbro, Inc., the trademark owner of "Candy Land," sought a court injunction to stop Internet Entertainment Group, LTD from using the domain name, "candyland.com." Internet Entertainment Group had established a sexually explicit site at the domain name. This injunction would have to be issued by
- a. a jury.
 - b. a judge.
 - c. an executive order.
 - d. a lawyer.

ANSWER: b

20. The three branches of government in the United States are
- a. the executive, legislative, and administrative.
 - b. the administrative, executive, and statutory.
 - c. the executive, legislative, and judicial.
 - d. the administrative, legislative, and international.

ANSWER: c

21. The doctrine of *stare decisis*
- a. makes the legal process more expensive.
 - b. is an equitable remedy.
 - c. makes the law more predictable.
 - d. is unimportant to the common law.

ANSWER: c

22. In 1992, the North Carolina Supreme Court ruled in a case entitled *Goodman v. Wenco Foods, Inc.*, that when a substance in food causes injury to a consumer of the food, it is not a bar to recovery against the seller that the substance

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was natural to the food. If, in a 2008 case involving a consumer's injury caused by a fish bone in a bowl of fish chowder, the court followed the decision in *Goodman v. Wenco Foods, Inc.*, the court's action in the second case is an example of

- a. *stare decisis*.
- b. statutory law.
- c. public law.
- d. criminal law.

ANSWER: a

23. When the Food and Drug Administration prohibits a certain drug from being marketed in the United States, this is

- a. private law.
- b. an agency regulation.
- c. legal negativism.
- d. an executive order.

ANSWER: b

24. If the title of an appellate court case appears as *Jones v. Smith*,

- a. then it is correct to say that Jones is the plaintiff and Smith is the defendant.
- b. it means that Smith won the trial court decision.
- c. you cannot determine which party is the plaintiff, because when a defendant loses a trial and files an appeal, some courts (but not all) reverse the names of the parties.
- d. the trial judge was Jones and the appellate judge is Smith.

ANSWER: c

25. Which is an example of a statute?

- a. President Joe Biden issues an executive order banning the use of federal funds for abortion.
- b. A North Dakota judge issues an injunction prohibiting a man from contacting his ex-wife.
- c. The Ohio legislature passes a law requiring all bicycle riders to wear a helmet.
- d. The Federal Communications Commission instructs all radio stations to refrain from broadcasting "indecent" programming during daylight hours.

ANSWER: c

26. The doctrine of precedent requires

- a. that the victim testify.
- b. that the defendant testify.
- c. a 12-member jury of the defendant's peers.
- d. judges to base rulings on previous cases.

ANSWER: d

27. Which of the following played a role in the creation of the U.S. government by solving the problem of federalism?

- a. The Visigoths
- b. The Iroquois Native Americans
- c. Confucius
- d. Alexis de Tocqueville

ANSWER: b

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28. Congress enacted legislation in 1933 to regulate the securities industry and prohibit various forms of fraud with securities. The Securities Exchange Act of 1934 was passed a year later. This law created the Securities and Exchange Commission (SEC) as an independent regulatory entity whose function is to administer the two laws. The SEC has generated rules and regulations to administer these acts. These rules and regulations are

- a. statutes.
- b. administrative law.
- c. executive orders.
- d. common law.

ANSWER: b

29. Henry David Thoreau felt that war was unjust and therefore refused to pay his taxes when the United States declared war on Mexico. Thoreau felt that there was a higher law than the law of the land. Which theory of jurisprudence was he applying?

- a. legal positivism
- b. natural law
- c. legal realism
- d. common law

ANSWER: b

30. In the United States, the powers of government are divided between a national, state, and several local governments. What is this type of system called?

- a. federalism
- b. democracy
- c. confederation
- d. oligarchy

ANSWER: a

31. Henry David Thoreau felt that war was unjust and therefore refused to pay his taxes when the United States declared war on Mexico. If Henry David Thoreau's neighbor agreed that war was unjust but paid his taxes because the law required him to pay the tax, the neighbor would be applying the jurisprudence theory of

- a. legal positivism.
- b. natural law.
- c. legal realism.
- d. common law.

ANSWER: a

32. The United States Supreme Court has the power to

- a. appoint judges to serve on the Supreme Court.
- b. void laws passed by Congress.
- c. issue executive orders.
- d. ratify treaties.

ANSWER: b

33. The president of the United States

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- a. creates federal common law.
- b. can veto Congressional legislation.
- c. determines the constitutionality of statutes.
- d. passes statutes.

ANSWER: b

34. Treaties with foreign nations can be made by only the _____ and ratified by the _____.
- a. Secretary of State; president
 - b. president; Senate by a two-thirds vote
 - c. Department of Defense; Senate by a plurality
 - d. president; House of Representatives by a three-fourths vote

ANSWER: b

35. Antonio assaulted Mark after the two argued about a parking space. The District Attorney's office prosecuted Antonio on assault charges. Subsequently, Mark filed a lawsuit against Antonio for money damages. Classify each legal action.
- a. The District Attorney's case was a criminal case; Mark's lawsuit was a civil case.
 - b. The District Attorney's case was a civil case. Mark's lawsuit was a criminal case.
 - c. Both cases are criminal.
 - d. Both cases are civil.

ANSWER: a

36. Which school of jurisprudence is based on the philosophy that what matters is not what is written as law, but who enforces the law and by what process?
- a. legal positivism
 - b. natural law
 - c. legal realism
 - d. sovereign selection

ANSWER: c

37. Contemporary law's principle of collective responsibility, such as all partners being personally responsible for the debts of the partnership, had its roots in the
- a. Anglo-Saxon method of ensuring public order through tithing.
 - b. Anglo-Saxon practice of using "oath helpers."
 - c. English use of "shire reeves."
 - d. English system of feudalism.

ANSWER: a

38. President Nixon issued wage-price controls in an effort to stabilize the economy. This use of executive power was
- a. an illegal usurpation of legislative powers that belong to the Congress.
 - b. a valid use of power based on Article II of the Constitution.
 - c. a valid use of judicial power.
 - d. an illegal usurpation of the regulatory powers of administrative agencies.

ANSWER: b

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39. Which type of law regulates the rights and duties between parties?

- a. criminal law
- b. administrative law
- c. civil law
- d. judicial law

ANSWER: c

40. Curtis filed a lawsuit against Ulhoff for failure to repay \$1,000 according to the terms of a promissory note. The trial ended before it began, with the trial judge granting a motion for summary judgment in favor of Curtis. Ulhoff has appealed, and the Supreme Court of Iowa has remanded the case. This means

- a. Curtis automatically wins because he won in the lower court.
- b. Ulhoff automatically wins because he lost in the lower court.
- c. neither party wins because the case is being thrown out.
- d. we do not know who wins yet because the case is being returned to the trial court for additional steps.

ANSWER: d

41. Explain the role that power, importance, and fascination play in contemporary American law.

ANSWER: The role of "power" in contemporary law is reflected in the fact that the strong reach of the law touches nearly everything we do. The role of "importance" in contemporary law reflects the fact that law is essential. Every society of which we have any historical record has had some system of laws. The law, too, is fascinating. For better or worse, we do expect courts to resolve many problems. Not only do Americans litigate, they watch each other do it. Every television season offers at least one new courtroom drama to a national audience. In addition, almost all of the states permit live television coverage of real trials.

42. Identify and discuss the primary sources of contemporary U.S. law.

ANSWER: The primary sources of U.S. law include: (1) the U.S. Constitution (the supreme law of the land) and state constitutions (which establish state governments); (2) statutes, which are drafted by the legislatures; (3) common law, which is the body of cases decided by judges, as they follow earlier cases, known as precedent; (4) court orders, which compel a party to and prohibit it from doing something; (5) administrative law, which are the rules and decisions made by federal and state administrative agencies; and (6) treaties, which are agreements between the U.S. and other sovereign countries.

43. Explain the concepts of legal positivism, natural law, and legal realism as they relate to the field of jurisprudence.

ANSWER: Legal positivism simply means that the law is what the sovereign says it is. The sovereign is the recognized political power whom citizens obey, so, in the United States, both the state and federal governments are sovereign. Therefore, whatever the sovereign declares to be the law is the law, regardless of whether it is right or wrong.

Natural law stems from the belief that the law must have a moral basis. Therefore, an unjust law is no law at all and need not be obeyed.

Legal realism says that it does not matter what is written as law; what counts is who enforces that law and by what process. Personal characteristics and biases influence this determination.

44. Describe the doctrine of precedent and its application to common law.

ANSWER: The doctrine of precedent, which developed gradually over centuries, requires that judges decide current cases based on previous rulings. This vital principle is at the heart of American common law. Precedent ensures predictability. The accumulation of precedent, based on case after case, makes up the common law.

45. Misha, Gretchen, and Sam were stranded on a mountainside after their plane went down in a snowstorm. They had no

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means of radio communication and virtually no food or other supplies. After 18 days, Misha and Gretchen killed Sam, the weakest survivor. Misha and Gretchen ate Sam. This allowed them to survive until they were rescued. After they were rescued, they were charged with premeditated first-degree murder under the relevant state statute. Discuss the three schools of jurisprudence and how each would influence a finding of guilt or innocence for the two charged.

ANSWER: The three theories of jurisprudence are legal positivism, natural law, and legal realism. The legal positivism would say the law is the law. Therefore, Misha and Gretchen are guilty and must pay the consequences of the state statute. The natural law supporter would argue that in this instance the law is unjust and need not be obeyed because of the desperate circumstances. The legal realists would argue that the case will be influenced by the judges' and jury's income, education, family background, race, religion, and other factors which they bring to the case.

46. Which two answers correctly describe the role of Judicial power under the U.S. Constitution?
- a. to create laws
 - b. to enforce the laws
 - c. the right to interpret laws
 - d. to determine the validity of laws

ANSWER: c, d

47. Which of the following is a correct description of legal realism?
- a. There is no duty to follow unjust laws.
 - b. The law should advance morality.
 - c. The law is what the sovereign says it is.
 - d. Who enforces and by what process is the law enforced.

ANSWER: d

48. Identify which of the following is true of legal positivism.
- a. It leaves no room for questions of morality.
 - b. It follows precedent.
 - c. Government powers should be separated.
 - d. Laws that are unjust are not laws at all.

ANSWER: a

49. Congress can override the Supreme Court by which of the following?
- a. amending the Constitution
 - b. federalism
 - c. separation of power
 - d. checks and balances

ANSWER: a

50. The Supreme Court can be overridden by which of the following?
- a. the Senate
 - b. executive authority
 - c. a constitutional amendment
 - d. statutes

ANSWER: c

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51. Which of the following is NOT a primary source of contemporary law?

- a. common law
- b. natural law
- c. statutes
- d. treaties

ANSWER: b

52. Which of the following is a primary source of contemporary law?

- a. treaties
- b. state governments
- c. federal government
- d. checks and balances

ANSWER: a