

***Introduction to Business Law 7th edition Beatty Test
Bank***

SKU: 9780357717189-TEST-BANK

Chapter 01: Introduction to Law

True / False

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. 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

3. 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

4. Because Alana was driving too fast for the icy road conditions and hit Blanca's car, Blanca can sue Alana in criminal court.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

6. If a president vetoes a bill, it can still become a statute if both the House and the Senate approve it by a 51 percent majority.

- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

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

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- a. True
- b. False

ANSWER: False

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

- a. True
- b. False

ANSWER: False

10. 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

11. DoorWay Computers, Inc., the trademark owner of "DoorWay," sought a court injunction to prevent Fixer-Upper 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

12. 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

Multiple Choice

13. 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.
- b. private law.
- c. civil law.
- d. criminal law.

ANSWER: d

14. 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

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15. 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

16. 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

17. The three branches of government in the United States are the

- a. executive, legislative, and administrative.
- b. administrative, executive, and statutory.
- c. executive, legislative, and judicial.
- d. administrative, legislative, and international.

ANSWER: c

18. 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

19. 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 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

20. 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.

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- d. an executive order.

ANSWER: b

21. 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. one 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

22. An example of a statute would be
- a. the president of the United States issuing an executive order banning the use of federal funds for abortion.
 - b. a North Dakota judge issuing an injunction prohibiting a man from contacting his ex-wife.
 - c. the Ohio legislature passing a law requiring all bicycle riders to wear a helmet.
 - d. the Federal Communications Commission instructing all radio stations to refrain from broadcasting "indecent" programming during daylight hours.

ANSWER: c

23. The doctrine of precedent requires
- a. that a 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

24. The Securities and Exchange Commission (SEC) is an independent agency whose function is to regulate securities in the stock market. The SEC thus creates rules. These rules are
- a. statutes.
 - b. administrative law.
 - c. executive orders.
 - d. common law.

ANSWER: b

25. In the United States, the powers of government are divided between one national government and 50 state governments. This type of system is called
- a. federalism.
 - b. democracy.
 - c. confederation.
 - d. oligarchy.

ANSWER: a

26. The United States Supreme Court has the power to
- a. appoint judges to serve on the Supreme Court.

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- b. void laws passed by Congress.
- c. issue executive orders.
- d. ratify treaties.

ANSWER: b

27. The president of the United States

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

ANSWER: b

28. 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. How would each legal action be classified?

- 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

29. President Nixon issued wage-price controls in an effort to stabilize the economy. This use of executive power was

- a. an unlawful taking 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 unlawful taking of the regulatory powers of administrative agencies.

ANSWER: b

30. 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

31. Curtis filed a lawsuit against Morgan 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. Morgan has appealed, and the Supreme Court of Iowa has remanded the case. This means that

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

ANSWER: d

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32. Lorraine sues Alan in a Kentucky court. Lorraine loses her lawsuit in Kentucky and appeals her case to a Kentucky appellate court. The appellate court judges consider Lorraine's appeal and decide that the trial court made an incorrect ruling because the trial court judge received testimony from an expert witness without first qualifying the witness as an expert. The appellate court will

- a. affirm the decision of the trial court.
- b. reverse the decision of the trial court.
- c. not render a decision because the court docket is backlogged.
- d. imprison Alan.

ANSWER: b

33. Elena is a new law student and is excited to be in her first law school class. Elena must read her first case and analyze it in preparation for class the next day. To understand the case, Elena analyzes it in a way that helps her to thoroughly understand all its nuances. To do this, Elena must understand the

- a. facts of the case, the issue involved in the case, the decision of the case, and the reasoning behind that decision.
- b. facts of the case, the decision of the case, and the morality behind that decision.
- c. classification of the law involved in the case and the source of law involved in the case.
- d. role of the judges in the case, whether it is a federal or state case, and the reasoning behind the ethics of the case.

ANSWER: a

34. Laws provide society with

- a. unlimited power.
- b. safe communities, functioning economies, and personal liberties.
- c. the means for some members of society to oppress other members through the use of civil lawsuits.
- d. an unequal distribution of wealth.

ANSWER: b

35. Our founders created federalism, which is a

- a. triple-layered system of government with a national government, state governments, and administrative agencies all exercising important but limited powers.
- b. system where the state governments take precedence over the national government.
- c. double-layered system of government, with the national government and state governments each exercising important but limited powers.
- d. system where the national, federal government is supreme.

ANSWER: c

36. The United States Constitution is

- a. the supreme law of the land.
- b. a discretionary guideline for the federal government to follow.
- c. a guideline for states to follow in developing their own state constitutions.
- d. *stare decisis*.

ANSWER: a

37. Hawaii passes a statute that does not conflict with its state constitution, and the statute is followed for three years.

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After a period of three years, the statute still does not conflict with the state constitution, but the U.S. Supreme Court rules that the statute now conflicts with the Fourth Amendment of the United States Constitution. The Hawaii statute will

- a. remain effective because it does not conflict with the Hawaii state constitution, which is the supreme law of the land in Hawaii.
- b. remain effective because it has been followed for three years in Hawaii.
- c. no longer be effective because statutes must be revised periodically such as here as it has been in effect for three years.
- d. be void as being unconstitutional.

ANSWER: d

38. The Environmental Protection Agency (EPA) is concerned about the high levels of air pollution in American cities. The EPA proposes a regulation that requires a city with a population density of a specific size to reduce their air pollution by any means necessary within 12 months. The city of Los Angeles does not believe this regulation must be followed because it is not a law passed by a government. Is the city of Los Angeles correct in its thinking?

- a. Yes as this is not a statute passed by a government, and thus, the regulation does not have to be followed.
- b. No because this is a regulation promulgated by an administrative agency and is therefore administrative law and must be followed.
- c. Yes because this regulation is unconstitutional and thus is void.
- d. No because this is a regulation promulgated by an administrative agency and is therefore constitutional law and must be followed.

ANSWER: b

39. When courts decide a case, they tend to apply the same legal rules that other courts have used in similar cases. The similar case that is applied to the current case is known as

- a. precedent.
- b. *stare decisis*.
- c. constitutionality.
- d. civil law.

ANSWER: a

40. Roberto and Kayleigh are neighbors living in Clermont County, Ohio. Roberto builds a fence on what he believes is the boundary of his property yet failed to have the property surveyed first. Kayleigh believes the fence is on her property, and subsequently sues Roberto, asking the court to require him to remove the fence. An earlier Ohio case held that in all boundary disputes, no fence may be built until a property survey occurs or the fence is subject to removal. The judge in Roberto and Kayleigh's case orders that the fence be removed because a survey was not done. In this case, the prior case upon which the judge relies is

- a. *stare decisis*.
- b. precedent.
- c. unethical.
- d. common law.

ANSWER: b

41. Roberto and Kayleigh are neighbors living in Clermont County, Ohio. Roberto builds a fence on what he believes is the boundary of his property yet failed to have the property surveyed first. Kayleigh believes the fence is on her property, and subsequently sues Roberto, asking the court to require him to remove the fence. An earlier Ohio case held that in all boundary disputes, no fence may be built until a property survey occurs or the fence is subject to removal. The judge in Roberto and Kayleigh's case orders that the fence be removed because a survey was not done. In this case, when the judge

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relies on the prior case, the judge is engaging in

- a. *stare decisis*.
- b. constitutionality.
- c. precedent.
- d. moral reasoning.

ANSWER: a

42. *Stare decisis* provides our legal system with

- a. morality.
- b. stability.
- c. professionalism.
- d. statutory law.

ANSWER: b

43. *Stare decisis* makes the law

- a. inconsistent.
- b. uncertain.
- c. predictable.
- d. intelligible.

ANSWER: c

44. Precedent is binding only on which courts?

- a. Trial courts
- b. Appellate courts
- c. Higher courts
- d. Lower courts

ANSWER: d

45. The Kentucky court system has different levels: the district court, a trial court of limited jurisdiction; the circuit court, a trial court of general jurisdiction; the Kentucky Court of Appeals, an appellate court; and the Kentucky Supreme Court, the highest court in Kentucky. The Kentucky Court of Appeals hears a case regarding preliminary breath tests and decides that preliminary breath test results may be entered into evidence at trial. This case is binding on

- a. the district and circuit courts.
- b. all courts in Kentucky, including the Kentucky Supreme Court.
- c. the district court only.
- d. no courts, as the use of preliminary breath tests is unconstitutional.

ANSWER: a

46. Which of the following statements accurately defines criminal law?

- a. Criminal law regulates the rights and duties between parties.
- b. Criminal law results in equitable remedies and money damages.
- c. Criminal law concerns behavior so threatening that society outlaws it altogether.
- d. Criminal law is a form of constitutional law.

ANSWER: c

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47. Which of the following statements accurately defines civil law?

- a. Civil law concerns behavior so threatening that society outlaws it altogether.
- b. Civil law regulates the rights and duties between parties.
- c. Civil law results in imprisonment and fines.
- d. Civil law is a form of administrative law.

ANSWER: b

48. Jessica is required to go to court. The government prosecutes her case, and a district attorney brings the case against her to trial. The injured party in Jessica's case is a witness but does not prosecute her case. The government is seeking to imprison and fine Jessica. Jessica's case is an example of

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

ANSWER: d

49. Anya is required to go to court. The government will not prosecute her case, and a private party brings the case against Anya to trial. The injured party is the person who sues Anya and is seeking equitable remedies and money damages against her. Anya's case is an example of

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

ANSWER: a

50. Gerald's wife is ill and needs expensive medication, money for which Gerald does not have. In desperation, Gerald buys a gun and uses it to hold up a store to get enough money to buy the medication. As a result, Gerald is prosecuted. This is an example of

- a. morality because Gerald is trying to save his ill wife.
- b. criminal law because it concerns behavior so threatening that society outlaws it altogether.
- c. civil law because it regulates the rights and duties between parties.
- d. constitutionality because the U.S. Constitution allows citizens to save their loved ones.

ANSWER: b

51. Toby does not have enough money to pay his apartment rent for February. Fearing he and his family will be evicted, he enters into a contract with his friend Simone whereby Simone will lend him \$1,000, but he must pay her back by March 1. On March 2, Toby has not yet reimbursed Simone any money, and she sues Toby for payment of the \$1,000. This is an example of

- a. civil law because it regulates the rights and duties between parties.
- b. morality because Toby is trying to avoid his family being evicted.
- c. criminal law because it concerns behavior so threatening that society outlaws it altogether.
- d. morality because Simone is taking advantage of Toby's financial straits.

ANSWER: a

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52. Statutes are laws passed by
- administrative agencies.
 - state constitutions.
 - Congress or a state legislature.
 - local governments.

ANSWER: c

53. Judges have the authority to issue court orders that
- require people or companies to appeal their court orders.
 - place discretionary obligations on specific people or companies.
 - require Congress or state legislatures to ratify their court orders.
 - place binding obligations on specific people or companies.

ANSWER: d

54. Desiree has an employment contract with Granite Rock Company that says she will not take a position with a competitor for a period of six months upon leaving employment at Granite Rock. After being with Granite Rock for a decade, Desiree receives a job offer from a competitor of Granite Rock. Desiree resigns from Granite Rock and, within a month, begins working for the competing company. Granite Rock sues Desiree. In this case, the judge may
- issue an injunction, which is a court order to prohibit someone from doing something.
 - not issue an injunction because only Congress can issue an injunction.
 - issue a statute because both legislatures and judges may issue laws.
 - issue a fine, which is a court order to prohibit someone from doing something.

ANSWER: a

55. Laws are found in different sources, which include
- statutes, presidential veto, and precedent.
 - precedent, *stare decisis*, and court orders.
 - the U.S. Constitution, statutes, the common law, and administrative law.
 - the U.S. Constitution, Congressional acts, the common law, and statutes.

ANSWER: c

56. The U.S. Constitution
- is meant as a guideline for the states but does not have to be followed by the federal government.
 - ensures that the United States is not a monarchy.
 - establishes a national government with its four branches and establishes a system of checks and balances among the four branches.
 - establishes a national government with its three branches, establishes a system of checks and balances among the three branches, and guarantees many basic rights to the American people.

ANSWER: d

57. Belgium and Germany have a dispute that involves a U.S. military base located in Germany. The dispute becomes violent, and U.S. soldiers potentially could be harmed. The current U.S. president wants to ensure the safety of military personnel and, thus, orders an armed military response. This is an example of
- legislative power.
 - executive power.

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- c. judicial power.
- d. Constitutional power.

ANSWER: b

58. The Ohio state legislature is concerned because people guilty of lesser drug offenses are languishing in prison. The legislature passes a statute that requires probation instead of imprisonment for these offenders. The governor of Ohio supports the statute, as do Ohio district attorneys. This is an example of

- a. executive power.
- b. judicial power.
- c. legislative power.
- d. Constitutional power.

ANSWER: c

59. The Ohio state legislature is concerned because people guilty of lesser drug offenses are languishing in prison. The legislature passes a statute that requires probation instead of imprisonment for these offenders. The governor of Ohio supports the statute, as do Ohio district attorneys. A victim of a drug-related offense asks an Ohio court to consider the fact that this statute is unconstitutional. The court agrees and voids the statute. This is an example of

- a. judicial power.
- b. legislative power.
- c. executive power.
- d. administrative power.

ANSWER: a

60. The authors of the Constitution were not content to divide government power. They also wanted to give each part of the government some power over the other branches. This is known as

- a. *stare decisis*.
- b. precedent.
- c. veto power.
- d. checks and balances.

ANSWER: d

61. Congress passes a law that makes it illegal to discriminate against people based on their appearance. The U.S. Supreme Court examines the law pursuant to a case brought before the Court and rules that the law is unconstitutional and is thereby void. Congress does not approve of this ruling and therefore passes a new law expanding the group of people who may not be discriminated against. This is an example of

- a. judicial power.
- b. executive power.
- c. checks and balances.
- d. *stare decisis*.

ANSWER: c

62. The law is involved in nearly every facet of our lives and has the qualities of being both

- a. intriguing and essential.
- b. ethical and acceptable by all.
- c. applicable to some citizens while nonapplicable to others.

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- d. constitutional and part of the common law.

ANSWER: a

63. The Constitution grants many of our basic liberties, such as freedom of speech and free exercise of religion. These liberties are primarily found in the

- a. preamble to the Constitution.
- b. amendments to the Constitution.
- c. body of the Constitution.
- d. common law.

ANSWER: b

64. The United States invades a small country in Europe. Brittany is upset at this military action and believes what the United States is doing is unethical. In protest, Brittany burns the American flag. Brittany is arrested for this action. At trial, Brittany argues that the First Amendment protects her based on

- a. the common law.
- b. *stare decisis*.
- c. precedent.
- d. fundamental rights such as freedom of speech.

ANSWER: d

Essay

65. 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 we depend on it to keep our society functioning. The law, too, is fascinating. Verdicts have an impact on us in many ways.

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

ANSWER: The primary sources of U.S. law include: (1) the United States 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; and (5) administrative law, which are the rules and decisions made by federal and state administrative agencies.

67. 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. Common law, which is the body of cases decided by judges as they follow earlier cases, or precedent, is a primary source of contemporary law.

Multiple Response

68. The United States Constitution is a great legal achievement and accomplishes some basic things. What does the United States Constitution accomplish? Choose three answers.

- a. The United States Constitution establishes the national government of the United States, with its three branches.
- b. The United States Constitution creates a system of checks and balances among the three branches of the

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national government of the United States.

- c. The United States Constitution guarantees many basic rights to the American people.
- d. The United States Constitution positions the national government above the state governments.

ANSWER: a, b, c

69. The Founders sought a division of government power to avoid centralized power. The United States Constitution thus divides legal authority. How does the United States Constitution divide legal authority? Choose three answers.

- a. *Ultra vires* power
- b. Legislative power
- c. Executive power
- d. Judicial power

ANSWER: b, c, d

70. The founders created a system of federalism for the United States. What is federalism? Choose two answers.

- a. A double-layered system of government with a national government and state governments.
- b. A federal Constitution that specifically dictates to each state what that state may and may not do.
- c. A national government that is supreme over any state governmental action because the national government covers all states, while a state government covers only actions within the borders of that state.
- d. A national government that exercises important but limited powers and state governments for each state that also exercise important but limited powers.

ANSWER: a, d

71. The United States has many different sources of law. What are these sources of law? Choose three answers.

- a. Rules and regulations passed by administrative agencies
- b. The United States Constitution and statutes
- c. Administrative law
- d. Common law

ANSWER: b, c, d

72. Knowing the sources of law is important, but also important is knowing the classifications of law. How is the law classified? Choose two answers.

- a. Constitutional law
- b. Agency law
- c. Criminal law
- d. Civil law

ANSWER: c, d

73. In a criminal case, the government seeks to punish the wrongdoer. How may the wrongdoer in a criminal case be punished? Choose two answers.

- a. An injunction
- b. Imprisonment
- c. Money damages
- d. A fine

ANSWER: b, d

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74. Destiny and Elizabeth enter into a contract stating that Destiny will alter Elizabeth's wedding dress for \$1,000 and have it ready for Elizabeth's specifications on or before March 1. On March 2, the dress is not altered. Elizabeth sues Destiny in civil court. What are the possible outcomes? Choose two answers.

- a. Destiny will be imprisoned.
- b. Elizabeth may receive money damages.
- c. Elizabeth may receive equitable remedies.
- d. Destiny will be fined.

ANSWER: b, c

75. When an appellate court decides a case, the court has options for rendering the decision. What may an appellate court rule when rendering the decision in a case? Choose three answers.

- a. The appellate court may reverse the decision of the trial court.
- b. The appellate court may refer the decision of the trial court to a higher court without hearing the case.
- c. The appellate court may affirm the decision of the trial court.
- d. The appellate court may remand the case.

ANSWER: a, c, d