

Chapter 1

Today's Business Environment: Law and Ethics

TEST BANK

1. Which of these issues may impact a company's operations?
 - a. international issues
 - b. political issues
 - c. ethical issues
 - d. legal issues
 - e. all of these issues can impact operations

ANSWER: e (page 3-4)

National: AACSB Analytic; Diversity; AICPA BB-Legal

2. Which area of law is most likely to impact directly the finance and accounting departments of a company?
 - a. products liability
 - b. employment discrimination
 - c. credit regulation
 - d. environmental law
 - e. all of these are likely to impact about the same

ANSWER: c (page 3)

National: AACSB Analytic; AICPA BB-Legal

3. Which is generally recognized as the best (most correct) definition of law?
 - a. a body of rules of action or conduct prescribed by controlling authority, and having binding legal force
 - b. that which must be obeyed and followed by members of a society subject to sanctions or legal consequences
 - c. the circumstances in which the public force is brought to bear through the courts
 - d. a rule of conduct that justifies a prediction that it likely will be enforced by the courts if its authority is challenged
 - e. all of the other choices are correct; there is no one agreed upon best definition

ANSWER: e (page 3)

National: AACSB Analytic; Communication; AICPA BB-Legal

4. Which of the following is an accepted definition of law?
- a. a body of rules of action or conduct prescribed by controlling authority, and having binding legal force
 - b. a body of rules of action or conduct prescribed by society, but lacking legal force
 - c. a body of rules of action or conduct prescribed by courts and sanction by international society
 - d. a body of rules of action or conduct prescribed by the Supreme Court, and having binding legal force
 - e. none of the other choices

ANSWER: a (page 3)

National: AACSB Analytic; Communication; AICPA BB-Legal

5. Which of the following is an accepted definition of law?
- a. a body of rules of action or conduct prescribed by society, but lacking legal force
 - b. that which must be obeyed and followed by members of a society subject to sanctions or legal consequences
 - c. that which must be obeyed and followed by the controlling authority of a country
 - d. a body of rules of action or conduct prescribed by the Supreme Court, and having binding legal force
 - e. none of the other choices

ANSWER: b (page 3)

National: AACSB Analytic; Communication; AICPA BB-Legal

6. In an orderly society, law and the legal system help to:
- a. influence the behavior of members of society
 - b. resolve disputes
 - c. maintain the important values of society
 - d. provide a way for important social changes to take effect
 - e. all of the answers are part of the role of law

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

7. Enforcement of law in a society is important because it:
- a. provides some predictability and uniformity to the boundaries of acceptable conduct
 - b. promotes social well-being
 - c. leads to higher literacy rates
 - d. prevents large disparities in income
 - e. none of the other choices

ANSWER: a (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

8. Which of the following is not a part of the rules that govern behavior in most nations:
- a. formal rules
 - b. informal rules
 - c. social customs
 - d. ethics
 - e. all of the other choices are part of the rules

ANSWER: e (page 4-6)

National: AACSB Analytic; AICPA BB-Legal

9. Both _____ and _____ are part of the rules that govern behavior in most nations.
- a. philosophy and sociology
 - b. psychology and ethics
 - c. formal rules and informal rules
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: c (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

10. Both _____ and _____ are part of the rules that govern behavior in most nations.
- a. philosophy and sociology
 - b. customs and ethics
 - c. formal rules and psychology
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: b (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

11. Both _____ and _____ are part of the rules that govern behavior in most nations.
- a. customs and informal rules
 - b. formal rules and ethics
 - c. formal rules and informal rules
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: d (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

12. Which of the following is a part of the rules that govern behavior in most nations:
- a. the Old Testament
 - b. the New Testament
 - c. social customs
 - d. the Torah
 - e. all of the other choices are parts of the rules

ANSWER: c (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

13. Which of the following is a part of the rules that govern behavior in most nations:
- a. ethics
 - b. statutory law
 - c. social customs
 - d. all of the choices above are parts of the rules
 - e. none of the other choices are correct

ANSWER: d (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

14. Which of the following is NOT a part of the rules that govern behavior in most nations:
- a. ethics
 - b. formal rules
 - c. social customs
 - d. administrative rules
 - e. all of the other choices are parts of the rules

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

15. Which of the following is NOT generally considered to be a part of the rules that govern behavior in most nations:
- a. ethics
 - b. psychology
 - c. social customs
 - d. administrative rules
 - e. all of the other choices are NOT parts of the rules

ANSWER: b (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

16. By the use of laws and the legal system, the government can:
- a. change acceptable behavior
 - b. instruct people on what is allowed in certain circumstances
 - c. encourage certain types of business activity
 - d. impose sanctions to try to eliminate certain business activities
 - e. all of the other choices are included

ANSWER: e (page 4-6)

National: AACSB Analytic; Ethics; AICPA BB-Legal

17. Which of the following statements is true?
- a. law imposes structure on society by limiting activities that hurt the “public interest”
 - b. the sale of marijuana is illegal worldwide
 - c. the sale of alcoholic beverages is legal worldwide
 - d. laws do not apply to individuals; only to society as a whole
 - e. all of the other choices are correct

ANSWER: a (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

18. Which of the following statements about law is true?
- a. law must be approved by the “will of the people”
 - b. the sale of marijuana is illegal worldwide
 - c. the sale of alcoholic beverages is legal worldwide
 - d. formal law is respected in all nations
 - e. none of the other choices are necessarily correct

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

19. Which of the following statements is true?
- a. formal law is respected in all nations
 - b. the sale of marijuana is illegal worldwide
 - c. the sale of alcoholic beverages is legal worldwide
 - d. law imposes structure on society by limiting activities that hurt the “public interest”
 - e. all of the other choices are correct

ANSWER: d (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

20. Which of the following statements is true?
- a. law applies to individuals only; not to groups or society as a whole

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- b. the sale of marijuana is illegal worldwide
- c. the sale of alcoholic beverages is legal worldwide
- d. formal law is respected by all nations
- e. none of the other choices are true

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

21. Making marijuana illegal in the United States and alcohol illegal in Saudi Arabia are both examples of:
- a. how law applies to individuals and not to groups or society as a whole
 - b. how governments can use law to enforce different social norms
 - c. how formal law is respected in all nations
 - d. how law applies to both individuals and to groups equally
 - e. none of the other choices

ANSWER: b (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

22. Making marijuana illegal in the United States and alcohol illegal in Saudi Arabia are both examples of:
- a. how law applies to individuals and not to groups or society as a whole
 - b. how law applies to both individuals and to groups equally
 - c. how formal law is respected by all nations
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

23. Laws are important in societies made up of people with differing desire and values because:
- a. disagreements are inevitable and laws is an attempt to settle disputes in a peaceful manner
 - b. disagreements are inevitable and law is a force that constrains people within a society
 - c. disagreements are inevitable and law provides social rules to govern behavior
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: d (page 4-5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

24. Law(s) is (are):
- a. an attempt to settle disputes in a peaceful manner
 - b. forces that constrains people within a society
 - c. social rules that govern our behavior
 - d. written statutes passed by legislatures

- e. all of the other choices are correct

ANSWER: e (pages 4-6)

National: AACSB Analytic; Ethics; AICPA BB-Legal

25. The reasonable “doing of something about disputes” refers to:
- a. the business of law
 - b. the business of legality
 - c. the business of management
 - d. the business of courts
 - e. all of the other choices are correct

ANSWER: a (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

26. The reasonable “doing of something about disputes” refers to:
- a. the business of the private sector
 - b. the need for regulations
 - c. the leadership of management
 - d. the structure of courts
 - e. none of the other choices

ANSWER: e (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

27. Which of the following are reflected in some aspect of law:
- a. honesty and integrity are reflected by the enforceability of contracts
 - b. respect for other people and their property is reflected in tort and property law
 - c. some measures of acceptable behavior are reflected in criminal laws
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: d (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

28. Which of the following are reflected in some aspect of law:
- a. honesty and integrity are reflected by the enforceability of contracts
 - b. respect for other people and their property is reflected in agency law
 - c. some measures of acceptable behavior are reflected in tort and property law
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: a (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

29. Which of the following are reflected in some aspect of law:
- a. honesty and integrity are reflected by family law
 - b. respect for other people and their property is reflected in agency law
 - c. some measures of acceptable behavior are reflected in tort and property law
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: e (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

30. The shift from laws of the past that required discrimination based on race to laws of today that prohibit discrimination based on race show how:
- a. the legal system can bring about changes in “acceptable” behavior
 - b. the legal system does not change with time
 - c. the legal system is subject to the whims of Supreme Court Judges
 - d. the legal system is subject to the will of the general public
 - e. none of the other choices

ANSWER: a (page 3)

National: AACSB Analytic; Diversity; Ethics; AICPA BB-Legal

31. The shift from laws of the past that enforced discrimination based on race to laws of today that prohibit discrimination based on race show how:
- a. the legal system can only change when the majority of the country wants it to change
 - b. the legal system does not change with time
 - c. the legal system is subject to the whims of Supreme Court Justices
 - d. the legal system is subject to the will of the general public
 - e. none of the other choices

ANSWER: e (page 5)

National: AACSB Analytic; Ethics; Diversity; AICPA BB-Legal

32. One of the major challenges that the extremely poor nation of Haiti faces is:
- a. Haiti suffers under a corrupt government and a legal system that does not protect people's lives and property
 - b. Haiti has too many legislative officials who have not studied constitutional law prior to entering the legislature
 - c. Haiti does not have any legal system
 - d. Haiti lacks a middle class that is capable of operating a successful business sector
 - e. none of the other choices

ANSWER: a (page 5)

National: AACSB Analytic; Diversity; AICPA BB-Legal

33. In the extremely poor nation of Haiti, doing business is almost impossible because:
- a. there are too many natural disasters in Haiti
 - b. there are no businessmen in Haiti
 - c. the demands for bribes are endless
 - d. the leaders of the country do not like business
 - e. none of the other choices

ANSWER: c (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

34. One of the major differences between high income countries like New Zealand and extremely low income countries like Haiti is:
- a. New Zealand has a well-functioning legal system and lack of corruption while Haiti has no meaningful law to protect life and property and high corruption
 - b. Haiti has a well-functioning legal system and lack of corruption while New Zealand has no meaningful law to protect life and property and high corruption
 - c. New Zealand has an elected parliament and Haiti does not
 - d. Haiti has a growing population and New Zealand has a declining population
 - e. none of the other choices

ANSWER: a (page 5)

National: AACSB Analytic; Diversity; Ethics; AICPA BB-Legal

35. Many studies find that there is a strong relationship between:
- a. a well-functioning legal system and the number of prisons
 - b. a well-functioning legal system and the level of economic development
 - c. a well-functioning legal system and the birth rate
 - d. the level of corruption and life expectancy
 - e. none of the other choices

ANSWER: b (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

36. Many studies find that there is a strong relationship between:
- a. a well-functioning legal system and the number of prisons
 - b. a well-functioning legal system and incidence of disease
 - c. a well-functioning legal system and the birth rate
 - d. the level of corruption and life expectancy
 - e. none of the other choices

ANSWER: e (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

37. To resolve disputes between citizens or between citizens and government, which is the most important institution that has evolved?
- a. the penitentiary system
 - b. the diplomatic corps
 - c. the court system
 - d. the military
 - e. all of the other choices

ANSWER: c (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

38. One example of the law working to effect social change in the U.S. is in the area of:
- a. commercial paper
 - b. negotiable instruments
 - c. easements
 - d. racial discrimination
 - e. covenants

ANSWER: d (page 5)

National: AACSB Analytic; Diversity; Ethics; AICPA BB-Legal

39. One example of the law working to effect social change in the U.S. that is discussed in the text is in the area of:
- a. commercial paper
 - b. negotiable instruments
 - c. easements
 - d. land titles
 - e. none of the other choices

ANSWER: e (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

40. The United States Constitution:
- a. is the oldest written constitution except for those in England (U.K.) and Spain
 - b. created the three branches of government
 - c. established the common law
 - d. created the cabinet officers (Secretary of State, Secretary of Defense, etc.)
 - e. all of the other choices are correct

ANSWER: b (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

41. The United States Constitution:

- a. is the oldest written constitution in force in a major nation
- b. created the four branches of government
- c. established the common law
- d. created the 50 states
- e. all of the other choices are correct

ANSWER: a (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

42. The United States Constitution:
- a. is the oldest written constitution in force in a major nation
 - b. provides for the general powers and limits of the federal government
 - c. establishes a division in governmental powers called the separation of powers
 - d. establishes itself as supreme over state law
 - e. all of the other choices are correct

ANSWER: e (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

43. The United States Constitution:
- a. has both clear rules and general principles
 - b. has only clear rules
 - c. has only general principles
 - d. has one fundamental goal
 - e. none of the other choices

ANSWER: a (page 6)

National: AACSB Analytic; AICPA BB-Legal

44. The United States Constitution:
- a. lacks both clear rules and general principles
 - b. has only specific rules
 - c. has only "theoretical" principles
 - d. has one fundamental goal
 - e. none of the other choices

ANSWER: e (page 6)

National: AACSB Analytic; AICPA BB-Legal

45. A constitution must be:
- a. a written document
 - b. applicable to all situations
 - c. accepted by at least two-thirds of the citizens of a country

- d. acknowledged by the international community
- e. none of the other choices

ANSWER: e (page 6)

National: AACSB Analytic; AICPA BB-Legal

46. The fundamental law of the nation is the:
- a. Declaration of Independence
 - b. Bill of Rights
 - c. Constitution
 - d. *magna charta*
 - e. *curia regis*

ANSWER: c (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

47. The U.S. Constitution:
- a. established and limited the powers of the U.S. government
 - b. created the common law
 - c. created the four major branches of the U.S. government
 - d. created the 50 states
 - e. all of the other choices are included in the Constitution

ANSWER: a (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

48. The U.S. Constitution creates:
- a. the rights of citizens
 - b. *stare decisis*
 - c. the executive branch of government
 - d. informal law
 - e. none of the other choices are in the Constitution

ANSWER: c (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

49. The United States Constitution:
- a. established the form of state governments
 - b. gave the government certain powers
 - c. granted freedom to all citizens
 - d. granted Congress the power to impose income taxes
 - e. all other choices are correct

ANSWER: b (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

50. The United States Constitution divides governmental power to prevent:
- a. extreme gaps in income
 - b. states from becoming too powerful
 - c. the tyranny the founders experienced under King George III
 - d. excessive taxation
 - e. none of the other choices

ANSWER: c (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

51. Powers not granted to the federal government are retained by states or are left to the people according to:
- a. the Constitution
 - b. the Supreme Court
 - c. the common law
 - d. Executive Order 153
 - e. none of the other choices are correct

ANSWER: a (page 6)

National: AACSB Analytic; AICPA BB-Legal

52. Powers not granted to the federal government are retained by states or are left to the people according to:
- a. the Court of Law
 - b. the Supreme Court in *Marbury v. Madison*
 - c. the common law
 - d. Executive Order 153
 - e. none of the other choices are correct

ANSWER: e (page 6)

National: AACSB Analytic; AICPA BB-Legal

53. A constitution is best described as:
- a. the statutory law of the land
 - b. the fundamental law of the land
 - c. the supplementary law of the land
 - d. the nuanced law of the land
 - e. the accessory law of the land

ANSWER: b (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

54. The United States Constitution is:
- a. an unwritten document
 - b. an understanding between the people and the government
 - c. the highest legal authority
 - d. the second highest legal authority; the Executive is the highest legal authority
 - e. the supplementary law of the land

ANSWER: c (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

55. The United States Constitution is:
- a. an unwritten document
 - b. an understanding between the people and the government
 - c. the second highest legal authority; the Declaration of Independence is the highest legal authority
 - d. the second highest legal authority; the Executive is the highest legal authority
 - e. none of the other choices is correct

ANSWER: e (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

56. As the highest legal authority, the United States Constitution:
- a. is unwritten
 - b. overrides any state or federal laws that go beyond what the Constitution permits
 - c. overrides any state, but not any federal, laws that go beyond what the Constitution permits
 - d. overrides any federal, but not any state, laws that go beyond what the Constitution permits
 - e. none of the other choices is correct

ANSWER: b (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

57. The United States Constitution:
- a. is unwritten
 - b. overrides any state or federal laws that go beyond what the Constitution permits
 - c. overrides any state, but not any federal, laws that go beyond what the Constitution permits
 - d. overrides any federal, but not any state, laws that go beyond what the Constitution permits
 - e. none of the other choices is correct

ANSWER: b (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

58. The United States Constitution:
- a. is unwritten
 - b. cannot override any state or federal laws that go beyond what the Constitution permits

- c. overrides any state, but not any federal, laws that go beyond what the Constitution permits
- d. overrides any federal, but not any state, laws that go beyond what the Constitution permits
- e. none of the other choices is correct

ANSWER: e (page 6)

National: AACSB Analytic; Communication; AICPA BB-Legal

59. Statutory law is:
- a. a law enacted by a legislative body
 - b. also known as the fundamental law of the nation
 - c. a form of common law
 - d. the separation of powers at the federal level
 - e. all of the other choices are correct

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

60. Statutory law is:
- a. a rule declared by the Supreme Court
 - b. also known as the fundamental law of the nation
 - c. a form of common law
 - d. the separation of powers at the federal level
 - e. none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

61. Statutory law is:
- a. the separation of powers at the federal level
 - b. also known as the fundamental law of the nation
 - c. a form of common law
 - d. a law enacted by a legislative body
 - e. all of the other choices are correct

ANSWER: d (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

62. Statutory law comes from:
- a. Senate resolutions
 - b. state legislatures
 - c. Executive Orders
 - d. the Supreme Court
 - e. all other choices are correct

ANSWER: b (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

63. The U.S. Constitution created these branches of the federal government: (1) executive, (2) judicial, and (3):
- senatorial
 - administrative
 - legislative
 - constitutional
 - states

ANSWER: c (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

64. The U.S. Constitution created these branches of the federal government: (1) executive, (2) judicial, and (3):
- senatorial
 - administrative
 - constitutional
 - states
 - none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

65. The U.S. Constitution created these branches of federal government:
- executive, senatorial and administrative
 - executive, legislative and state
 - executive, legislative and judicial
 - legislative, judicial and constitutional
 - legislative, judicial and state

ANSWER: c (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

66. The U.S. Constitution created these branches of federal government:
- executive, senatorial and administrative
 - executive, legislative and state
 - executive, legislative and senatorial
 - legislative, judicial and constitutional
 - none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

67. The division in government power as established by the Constitution is referred to as the:
- a. Three Branches
 - b. Executive Privilege
 - c. *Stare Decisis*
 - d. Separation of Powers
 - e. Law of the Land

ANSWER: d (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

68. The division in government power as established by the Constitution is referred to as the:
- a. Three Branches
 - b. Executive Privilege
 - c. *Stare Decisis*
 - d. Legal Separation
 - e. none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

69. The separation of powers is:
- a. the division in government powers as established by the Constitution
 - b. the division of power within state legislatures
 - c. the division of the power of the president and the power of the vice president
 - d. the division of executive privileges
 - e. the law of the land

ANSWER: a (page 7)

National: AACSB Analytic; AICPA BB-Legal

70. The separation of powers is:
- a. generally called the law of the land
 - b. the division of powers within state legislatures
 - c. the division of the power of the president and the power of the vice president
 - d. the division of executive privileges
 - e. none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; AICPA BB-Legal

71. State constitutions:

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- a. must be approved by majority vote in Congress
- b. must be approved by a two-thirds vote of Congress
- c. are the highest form of law within each state
- d. tend to be much shorter than the U.S. Constitution
- e. all of the other choices are correct

ANSWER: c (page 7)

National: AACSB Analytic; AICPA BB-Legal

72. State constitutions:
- a. must be approved by a two-thirds vote of Congress
 - b. are the highest form of law within each state
 - c. tend to be much shorter than the U.S. Constitution
 - d. must be approved by state supreme courts
 - e. none of the other choices are correct

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

73. The powers and structures of all state governments are based on:
- a. unwritten constitutions
 - b. written constitutions
 - c. unwritten agreements between the state residents and their congressional representatives
 - d. written agreements between the state residents and their congressional representatives
 - e. the Bill of Rights

ANSWER: b (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

74. The powers and structures of all state governments are based on:
- a. unwritten constitutions
 - b. the Bill of Rights
 - c. unwritten agreements between the state residents and their congressional representatives
 - d. written agreements between the state residents and their congressional representatives
 - e. none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

75. State constitutions:
- a. specify how state officials are chosen and removed
 - b. specify how finances and revenues are paid and collected
 - c. specify how laws are passed
 - d. specify how the court systems run
 - e. all of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

76. State constitutions:
- a. specify how state officials are chosen and removed
 - b. specify how the federal government should enforce laws
 - c. specify how the Supreme Court takes cases
 - d. all of the other specific choices are correct
 - e. none of the other choices are correct

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

77. State constitutions:
- a. specify how finances and revenues are paid and collected
 - b. specify how the federal government should enforce laws
 - c. specify how the Supreme Court takes cases
 - d. all of the other specific choices are correct
 - e. none of the other choices are correct

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

78. State constitutions:
- a. specify how the court systems run
 - b. specify how the federal government should enforce laws
 - c. specify how the Supreme Court takes cases
 - d. all of the other specific choices are correct
 - e. none of the other choices are correct

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

79. State constitutions tend to be longer and more detail-filled than the U.S. Constitution in part because:
- a. state constitutions are more important
 - b. individual states have different moral codes that require frequent changes
 - c. amending state constitutions is generally easier than changing the U.S. Constitution
 - d. there is no separation of power at the state level
 - e. none of the other choices is correct

ANSWER: c (page 7)

National: AACSB Analytic; AICPA BB-Legal

80. State constitutions tend to be longer and more detail-filled than the U.S. Constitution in part because:
- a. state constitutions are more important
 - b. individual states have different moral codes
 - c. there is no separation of power at the state level
 - d. all of the other specific choices are correct
 - e. none of the other specific choices is correct

ANSWER: e (page 7)

National: AACSB Analytic; AICPA BB-Legal

81. Federal courts can review statutes passed by Congress to ensure:
- a. that the statutes do not violate the U.S. Constitution
 - b. that the statutes are fair
 - c. that the statutes do not violate women's rights
 - d. that the statutes do not violate previously passed statutes
 - e. none of the other choices

ANSWER: a (page 7)

National: AACSB Analytic; AICPA BB-Legal

82. State courts can review statutes passed by their legislatures to ensure:
- a. that the statutes are fair
 - b. that the statutes do not violate the state constitution or the U.S. Constitution
 - c. that the statutes do not violate women's rights
 - d. that the statutes do not violate previously passed statutes
 - e. none of the other choices

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

83. What part of the Constitution provides that all power to make laws for the federal government shall be held by Congress?
- a. Article I, Section 1.
 - b. Article II, Section 1.
 - c. Article I, Section 2.
 - d. Article II, Section 2.
 - e. this power comes from the *Magna Charta*, not the Constitution.

ANSWER: a (page 7)

National: AACSB Analytic; AICPA BB-Legal

84. What part of the Constitution provides that all power to make laws for the federal government shall be held by Congress?
- a. Article II, Section 3.
 - b. Article II, Section 1.
 - c. Article I, Section 2.
 - d. Article II, Section 2.
 - e. none of the other choices

ANSWER: e (page 7)

National: AACSB Analytic; AICPA BB-Legal

85. Article I, Section 1 of the U.S. Constitution:
- a. provides that all power to make laws for the federal government shall be held by Congress
 - b. provides that all power to make laws for the federal government shall be held by the Supreme Court
 - c. provides that all power to make laws for the federal government shall be held by the Vice President
 - d. provides that all power to make laws for state governments shall be held by senators
 - e. provides that all power to make laws for state governments shall be held by state governors

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

86. Article I, Section 1 of the U.S. Constitution:
- a. provides that all power to make laws for state governments shall be held by state governors
 - b. provides that all power to make laws for the federal government shall be held by the Supreme Court
 - c. provides that all power to make laws for the federal government shall be held by the Vice President
 - d. provides that all power to make laws for state governments shall be held by senators
 - e. provides that all power to make laws for state governments shall be held by state governors

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

87. Of the thousands of pieces of legislature proposed in each session of Congress:
- a. about half pass both the House and Senate
 - b. about two-thirds pass both the House and Senate
 - c. about 200 to 300 pass both the House and Senate
 - d. about 1000 pass both the House and Senate
 - e. about 50 pass both the House and Senate

ANSWER: c (page 7)

National: AACSB Analytic; AICPA BB-Legal

88. About 200 to 300 of the thousands of pieces of legislature proposed in each session of Congress:
- a. are valid pieces of legislation
 - b. pass both the House and Senate
 - c. are voted on by the general public
 - d. pass the House, but not the Senate
 - e. are voted on by both Democrats and Republicans

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

89. About 200 to 300 of the thousands of pieces of legislature proposed in each session of Congress:
- a. are valid pieces of legislation
 - b. pass the House, but not the Senate
 - c. are voted on by the general public
 - d. go to the President for his signature
 - e. are voted on by both Democrats and Republicans

ANSWER: d (page 7)

National: AACSB Analytic; AICPA BB-Legal

90. All states except one have a bicameral (two part) legislature containing two bodies, such as a House and a Senate. The exception is:
- a. Maine
 - b. Nebraska
 - c. Alaska
 - d. New Jersey
 - e. Hawaii

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

91. Only one state has a unicameral (one part) legislature. That state is:
- a. Maine
 - b. Arkansas
 - c. Alaska
 - d. New Jersey
 - e. none of the states listed have such a legislature

ANSWER: e (page 7)

National: AACSB Analytic; AICPA BB-Legal

92. Nebraska differs from all other states in that:
- a. it does not have senators
 - b. it does not have a bicameral legislature
 - c. it does not have a judicial branch
 - d. all of the other specific choices are correct
 - e. none of the other specific choices are correct

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

93. Nebraska is the only state that:
- a. has a unicameral legislature
 - b. has a bicameral legislature
 - c. does not have a legislature
 - d. does not have sales tax
 - e. does not have income tax

ANSWER: a (page 7)

National: AACSB Analytic; AICPA BB-Legal

94. Most states have a two-part legislature. Having two legislative house is meant to:
- a. make things more efficient
 - b. make things more fair
 - c. serve as an added check on government power
 - d. serve to enhance government power
 - e. none of the other choices

ANSWER: c (page 7)

National: AACSB Analytic; AICPA BB-Legal

95. Unlike at the federal level, in some states:
- a. voters must be over 21 to vote on legislation
 - b. voters make all the laws through the voting process
 - c. voters may not directly enact legislation through the voting process
 - d. voters may directly enact legislation through the voting process
 - e. none of the other choices

ANSWER: d (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

96. One of the most important state laws affecting business is:
- a. the Uniform Probate Code
 - b. the Uniform Commercial Code

- c. the Federal Rules of Civil Procedure
- d. the Uniform Partnership Act
- e. the Compensation for Tort Victims Act

ANSWER: b (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

97. The Uniform Commercial Code is:
- a. one of the most important state laws affecting business
 - b. a minor state law affecting business
 - c. a set of federal regulations
 - d. a code enforced by the Supreme Court
 - e. none of the other choices

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

98. The National Conference of Commissioners on Uniform State Laws works with:
- a. lawyers
 - b. law professors
 - c. the business community
 - d. judges
 - e. all of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; AICPA BB-Legal

99. The National Conference of Commissioners on Uniform State Laws:
- a. protects worker rights in all states
 - b. makes sure all state laws affecting businesses are the same
 - c. drafts proposed laws for consideration by state legislatures
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: c (page 7)

National: AACSB Analytic; AICPA BB-Legal

100. An important source of U.S. law affecting the legal environment of business are regulations, opinions, and orders from:
- a. administrative agencies
 - b. police department policies
 - c. U.S. Senate resolutions
 - d. U.N. treaties
 - e. executive (Presidential) charters

ANSWER: a (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

101. An important source of U.S. law affecting the legal environment of business are regulations, opinions, and orders from:
- a. police departments
 - b. the U.S. Senate
 - c. U.N. treaties
 - d. executive (Presidential) charters
 - e. none of the other choices are correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

102. An administrative agency is created when the:
- a. legislative branch delegates some authority to a group or agency
 - b. legislative branch enacts a law specifying the duties and responsibilities of an agency
 - c. executive branch delegates some of its authority to a group or agency
 - d. the President creates an office by Executive Order
 - e. all of the other choices can be correct

ANSWER: e (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

103. Regulatory law may come from:
- a. Congress
 - b. state legislatures
 - c. administrative agencies
 - d. the President
 - e. any of the other choices can be correct

ANSWER: e (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

104. The Environmental Protection Agency is an example of:
- a. a state legislature
 - b. an administrative agency
 - c. an executive agency
 - d. a congressional agency
 - e. none of the other choices

ANSWER: b (page 7)

National: AACSB Analytic; AICPA BB-Legal

105. Administrative agencies can:
- a. enact regulations
 - b. supervise compliance with regulations
 - c. adjudicate violations of regulations
 - d. all of the other specific choices are correct
 - e. none of the other specific choices are correct

ANSWER: d (page 7)

National: AACSB Analytic; Communication; AICPA BB-Legal

106. The judiciary:
- a. reviews actions taken by the executive branch
 - b. interprets laws enacted by legislative bodies
 - c. enforces laws enacted by legislative bodies
 - d. contributes to the development of the common law
 - e. all of the other choices are possible

ANSWER: e (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

107. The judiciary:
- a. applies the common law
 - b. writes laws
 - c. is not involved with the common law
 - d. is controlled by voters through referendums
 - e. none of the other choices

ANSWER: a (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

108. The original or oldest source of law in this country is:
- a. the federal Constitution
 - b. the constitution of the first state
 - c. the common law
 - d. the Declaration of Independence
 - e. none of the other choices are correct

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

109. Common law is:
- a. the original or oldest source of law in the United States
 - b. the law generally applied world wide

- c. the law that the legislature must follow
- d. the law that everyday citizens, but not government officials, must follow
- e. none of the other choices

ANSWER: a (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

110. Common law is:

- a. the law generally applied world wide
- b. the law that everyday citizens, but not government officials, must follow
- c. the foundation of agency, contract, property and tort law
- d. the foundation of criminal law
- e. none of the other choices

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

111. Common law is:

- a. the foundation of agency law
- b. the foundation of contract law
- c. the foundation of property law
- d. the foundation of tort law
- e. all of the above choices are correct

ANSWER: e (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

112. The U.S. common law originated in:

- a. colonial America
- b. the Confederate States of America
- c. England
- d. ancient Rome
- e. the Constitution

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

113. The common law began in:

- a. France, at the time of the French revolution
- b. Russia, at the time of the Russian revolution
- c. England, before colonial days in America
- d. the U.S., after the Declaration of Independence
- e. Italy in the *lex mercatoria*

ANSWER: c (page 9)

National: AACSB Analytic; AICPA BB-Legal

114. The common law in the United States began in:
- a. France, at the time of the French revolution
 - b. England, before colonial times in America
 - c. Russia, at the time of the Russian revolution
 - d. the U.S., after the Declaration of Independence
 - e. Italy in the *lex mercatoria*

ANSWER: b (page 9)

National: AACSB Analytic; AICPA BB-Legal

115. The term “common law” refers to:
- a. law common to most countries
 - b. laws passed by Congress
 - c. law made and applied by judges
 - d. law passed by a state's legislature
 - e. none of the other choices are correct

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

116. The term “common law” refers to:
- a. law common to most countries
 - b. laws passed by Congress
 - c. laws passed by state legislatures
 - d. legal rules identical in all 50 states
 - e. none of the other choices are correct

ANSWER: e (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

117. Under common law, disputes come to court:
- a. when police make an arrest
 - b. when counseling does not work
 - c. in the form of a case
 - d. in the form of a complaint
 - e. in the form of a criticism

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

118. A case is:
- a. the form in which a dispute comes to court
 - b. the breaking of a law
 - c. the breaking of a contract
 - d. the forming of a contract
 - e. none of the other choices

ANSWER: a (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

119. A case is:
- a. a dispute between two or more parties that is resolved through the legal process
 - b. the breaking of a law
 - c. the breaking of a contract
 - d. the forming of a contract through the legal process
 - e. none of the other choices

ANSWER: a (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

120. A case is:
- a. the forming of a contract through the legal process
 - b. the breaking of a law
 - c. the breaking of a contract
 - d. all of the other specific choices are correct
 - e. none of the other specific choices are correct

ANSWER: e (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

121. When judges use decisions from earlier legal cases for guidance in legal principles to solve current cases it is referred to as:
- a. common law
 - b. precedent
 - c. procedural law
 - d. statutory procedure
 - e. legal culture

ANSWER: b (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

122. When judges use decisions from earlier legal cases for guidance in legal principles to solve current cases it is referred to as:

- a. precedent
- b. judicial ethics
- c. procedural law
- d. statutory procedure
- e. legal culture

ANSWER: a (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

123. Precedent is when:
- a. judges use ethical principles to solve current cases
 - b. judges ask the jury to solve current cases by following state codes
 - c. judges use the U.S. Constitution to solve current cases
 - d. judges use decisions from earlier cases for guidance in legal principles to solve cases
 - e. judges confer with higher ranking judges to solve current cases

ANSWER: d (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

124. Precedent is when:
- a. judges use ethical principles to solve current cases
 - b. judges ask the jury to solve current cases
 - c. judges use the U.S. Constitution to solve current cases
 - d. judges confer with higher ranking judges to solve current cases
 - e. none of the other choices

ANSWER: e (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

125. Under the common law, judges usually decide cases based on:
- a. personal opinion
 - b. decisions from previous cases
 - c. the U.S. Code or U.S. Code Annotated
 - d. the statutes of the state within which the court sits
 - e. executive orders

ANSWER: b (page 10)

National: AACSB Analytic; AICPA BB-Legal

126. Under the common law, judges usually decide cases based on:
- a. personal opinion
 - b. the U.S. Code or U.S. Code Annotated
 - c. the statutes of the state within which the court sits
 - d. executive orders
 - e. none of the other choices are correct

ANSWER: e (page 10)

National: AACSB Analytic; AICPA BB-Legal

127. Case reporters are:
- a. unofficial publications of case decisions
 - b. reporters who publish court cases in newspapers
 - c. official publications of case decisions
 - d. secret case documents not available to the public
 - e. none of the other choices

ANSWER: c (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

128. The official, public publications of case decisions are called:
- a. case reporters
 - b. case files
 - c. case information
 - d. case ethics
 - e. case decisions

ANSWER: a (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

129. The official, public publications of case decisions are called:
- a. case pronouncements
 - b. case files
 - c. case information
 - d. case ethics
 - e. none of the other choices

ANSWER: e (page 9)

National: AACSB Analytic; Communication; AICPA BB-Legal

130. The use of legal precedent, or the use of prior decisions as guidance in disputes that occur later, is called:
- a. procedural law
 - b. public law
 - c. *stare decisis*
 - d. remedy in equity
 - e. tort law

ANSWER: c (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

131. The doctrine of *stare decisis* can be defined as:
- a. the use of prior case decisions as guidance in resolving later disputes
 - b. laws setting forth rules for relationships between people
 - c. a private or civil wrong that results in injury to another
 - d. decisions concerning legal wrongs or crimes committed against society
 - e. none of the other choices are correct

ANSWER: a (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

132. The doctrine of *stare decisis* is generally defined as:
- a. the use of *lex mercatoria* as guidance in judicial decisions
 - b. laws setting forth rules for relationships between people
 - c. a private or civil wrong that results in injury to another
 - d. decisions concerning legal wrongs or crimes committed against society
 - e. none of the other choices are correct

ANSWER: e (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

133. The legal doctrine of *stare decisis* is generally defined as:
- a. the doctrine that grants power to Congress to regulate commerce
 - b. the division of powers among three major branches of the federal government
 - c. the power of the Supreme Court to invalidate laws passed by Congress
 - d. the ability of the President to issue Executive Orders
 - e. none of the other choices are correct

ANSWER: e (page 10)

National: AACSB Analytic; Communication; AICPA BB-Legal

134. The practice of deciding court cases by referring to earlier decisions is known as:
- a. statutory decisions
 - b. *E pluribus unum*
 - c. *Curia Regis*
 - d. *stare decisis*
 - e. *lex mercatoria*

ANSWER: d (page 10)

National: AACSB Analytic; AICPA BB-Legal

135. The practice of deciding court cases by referring to earlier decisions is known as:
- a. statutory decisions

- b. *E pluribus unum*
- c. *Curia Regis*
- d. *lex mercatoria*
- e. none of the other choices

ANSWER: e (page 6)

National: AACSB Analytic; AICPA BB-Legal

136. A major advantages of the use of precedent in law for businesses is that they will:
- a. be able to get judges to resolve cases in favor of large businesses
 - b. be able to avoid harsh punishments from the use of ineffective attorneys
 - c. be unable to plan for future contingencies
 - d. be unable to enforce contracts
 - e. have reasonable expectations about the enforcement of agreements

ANSWER: e (page 10)

National: AACSB Analytic; AICPA BB-Legal

137. One of the major advantages of dispute resolution through the common law is:
- a. strict adherence to prior decisions, so that the law does not change
 - b. its ability to change with the times
 - c. the Congress can pass laws in accordance with the wishes of the voters
 - d. a state constitution specifies how laws are passed
 - e. none of the other choices are correct

ANSWER: b (page 10)

National: AACSB Analytic; AICPA BB-Legal

138. One of the major advantages of dispute resolution through the common law is:
- a. strict adherence to prior decisions, so that the law does not change
 - b. that plaintiffs incur no court costs when they win cases
 - c. the Congress can pass laws in accordance with the wishes of the voters
 - d. a state constitution specifies how laws are passed
 - e. none of the other choices are correct

ANSWER: e (page 10)

National: AACSB Analytic; AICPA BB-Legal

139. The value of precedence in legal decisions under the common law is:
- a. consistence in the legal system enhances the ability of persons and business to plan
 - b. parties will be confident that the rule will apply to future disputes that may arise
 - c. it helps to neutralize the prejudices of individual judges
 - d. the other three specific choices are correct

- e. none of the other specific choices are correct

ANSWER: d (page 10)

National: AACSB Analytic; AICPA BB-Legal

140. *Stare decisis* creates a more just legal system by:
- a. neutralizing the prejudices of individual judges
 - b. preventing judges from being appointed for life
 - c. neutralizing the prejudices of individuals in a jury
 - d. all of the other specific choices are correct
 - e. none of the other specific choices are correct

ANSWER: a (page 10)

National: AACSB Analytic; AICPA BB-Legal

141. In addition to judge-made common law, “law” includes:
- a. state constitutions
 - b. statutes
 - c. the federal constitution
 - d. administrative regulations
 - e. all of the other choices are possible

ANSWER: e (page 7-10)

National: AACSB Analytic; AICPA BB-Legal

142. In addition to judge-made common law, “law” includes:
- a. state constitutions
 - b. statutes
 - c. administrative regulations
 - d. amendments to the Constitution
 - e. all of the other choices can be correct

ANSWER: e (page 7-10)

National: AACSB Analytic; AICPA BB-Legal

143. In *Davis v. Baugh Industrial Contractors*, the traditional common law rule prevented a party who accepted a completed construction project from later suing the contractor for flaws in construction that caused injury to others. In reviewing such a case, the Washington state high court held that:
- a. state statute prevented the court from changing the rule
 - b. common law rules cannot be changed, so it could not amend the rule
 - c. common law rules cannot be changed without U.S. Supreme Court approval
 - d. the rule had a good rationale behind it, so it would be maintained
 - e. none of the other choices are correct

ANSWER: e (page 11)

National: AACSB Analytic; AICPA BB-Legal

144. In *Davis v. Baugh Industrial Contractors*, the traditional common law rule prevented a party who accepted a completed construction project from later suing the contractor for flaws in construction that caused injury to others. In reviewing such a case, the Washington state high court held that:
- state statute prevented the court from changing the rule
 - common law rules cannot be changed, so it could not amend the rule
 - common law rules cannot be changed without U.S. Supreme Court approval
 - the rule had a good rationale behind it, so it would be maintained
 - the rule was not sensible in modern times and would be changed

ANSWER: e (page 11)

National: AACSB Analytic; AICPA BB-Legal

145. In *Davis v. Baugh Industrial Contractors*, the traditional common law rule prevented a party who accepted a completed construction project from later suing the contractor for flaws in construction that caused injury to others. In reviewing such a case, the Washington state high court held that the rule was not sensible in modern times and would be dropped. This is an example of how:
- modern day values are changing
 - common law can adapt to changing circumstances
 - common law never changes
 - courts can never go against a precedent set in previous cases
 - none of the other choices

ANSWER: b (page 11)

National: AACSB Analytic; AICPA BB-Legal

146. In *Davis v. Baugh Industrial Contractors*, the traditional common law rule prevented a party who accepted a completed construction project from later suing the contractor for flaws in construction that caused injury to others. In reviewing such a case, the Washington state high court held that the rule was no longer sensible in modern times because:
- contractors no longer sign liability release forms
 - contractors are no longer considered trustworthy people compared to in earlier years
 - construction has become complex so landowners cannot be expected to recognize substandard performance
 - contractors no longer work directly with landowners
 - contractors will do substandard work if they are not held accountable even after a project is completed

ANSWER: c (page 11)

National: AACSB Analytic; AICPA BB-Legal

147. Executive orders are issued by:
- a. Congress
 - b. the Supreme Court
 - c. the President
 - d. the heads of administrative agencies
 - e. none of the other choices are correct

ANSWER: c (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

148. Executive orders are issued by:
- a. Congress
 - b. the Supreme Court
 - c. the Senate only
 - d. the other three specific choices can be correct
 - e. none of the three specific choices are correct

ANSWER: e (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

149. In addition to the legislature, the president or governor of a state is:
- a. a source of law
 - b. a source of funding
 - c. a source of judicial decisions
 - d. a source of moral codes
 - e. a source of compensation for injury

ANSWER: a (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

150. In addition to the legislature, the president or governor of a state is:
- a. a source of compensation for injury
 - b. a source of funding
 - c. a source of judicial decisions
 - d. a source of moral codes
 - e. none of the other choices

ANSWER: e (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

151. Executive orders:
- a. require businesses to pay taxes
 - b. require government officials to resign

- c. require private citizens to do certain things
- d. require agencies to do certain things
- e. none of the other choices

ANSWER: d (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

152. An order from the governor of a state to give preference to buying recycled products is an example of an:
- a. primary order
 - b. executive order
 - c. environmental order
 - d. health order
 - e. ethical order

ANSWER: b (page 13)

National: AACSB Analytic; Reflective Thinking; AICPA BB-Legal

153. An order from the governor of a state to give preference to buying recycled products is an example of an:
- a. primary order
 - b. ethical order
 - c. environmental order
 - d. health order
 - e. none of the other choices is correct

ANSWER: e (page 13)

National: AACSB Analytic; Reflective Thinking; AICPA BB-Legal

154. When operating in the international arena, American businesses must take into account:
- a. U.S. federal laws
 - b. the laws of all countries in which they have operations
 - c. international treaties and trade agreements that may apply
 - d. the rules of the World Trade Organization
 - e. all of the other choices

ANSWER: e (page 13)

National: AACSB Analytic; Diversity; AICPA BB-Legal

155. When operating in global business, American firms must take into account:
- a. U.S. federal laws
 - b. the laws of all countries in which they have operations
 - c. international treaties and trade agreements that may apply

- d. laws in U.S. states
- e. all of the other choices can be correct

ANSWER: e (page 13)

National: AACSB Analytic; Diversity; AICPA BB-Legal

156. American firms doing business in other countries:
- a. are not subject to any laws other than those of the United States
 - b. are subject to the laws of the country in which it does business
 - c. are only subject to the laws of the United States, unless the other country specifically says otherwise
 - d. are subject to international laws, but not the laws of the country in which they operate
 - e. none of the other choices

ANSWER: b (page 13)

National: AACSB Analytic; Diversity; AICPA BB-Legal

157. Article II, Section 2 of the U.S. Constitution:
- a. requires unanimous approval by the House of Representatives
 - b. requires approval by the entire Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - c. requires approval by two thirds of the Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - d. requires approval by one third of the Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - e. none of the other choices is correct

ANSWER: c (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

158. Article II, Section 2 of the U.S. Constitution:
- a. requires unanimous approval by the House of Representatives
 - b. requires approval by the entire Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - c. requires approval by two fifths of the Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - d. requires approval by one third of the Senate before a treaty, or international agreement, agreed to by the president become binding on the U.S.
 - e. none of the other choices is correct

ANSWER: e (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

159. According to _____ of the U.S. Constitution, two thirds of the Senate must approve any treaty the president agrees to before it becomes binding on the United States.

- a. Article II, Section 2
- b. Article III, Section 2
- c. Article IV, Section 2
- d. Article II, Section 3
- e. Article II, Section 1

ANSWER: a (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

160. Law may be classified on the basis of whether it is:
- a. public or private
 - b. civil or criminal
 - c. procedural or substantive
 - d. all of the three specific combinations can be correct
 - e. none of the three specific combinations are correct

ANSWER: d (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

161. Law may be classified on the basis of whether it is:
- a. environmental or industrial
 - b. civil or criminal
 - c. written or unwritten
 - d. all of the three specific combinations can be correct
 - e. none of the three specific combinations are correct

ANSWER: b (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

162. Law may be classified on the basis of whether it is:
- a. legal or illegal
 - b. common or unique
 - c. written or unwritten
 - d. all of the three specific combinations can be correct
 - e. none of the three specific combinations are correct

ANSWER: e (page 13)

National: AACSB Analytic; Communication; AICPA BB-Legal

163. Private law generally includes:
- a. the common law
 - b. the procedural process of courts
 - c. federal rules governing health and safety

- d. criminal statutes
- e. none of the other choices are correct

ANSWER: a (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

164. Contrasted with private law, an example of public law is:
- a. real property law
 - b. contract law
 - c. tort law
 - d. agency law
 - e. none of the other choices are correct

ANSWER: e (page 14)

National: AACSB Analytic; AICPA BB-Legal

165. Contrasted with private law, a good example of public law is:
- a. agency law
 - b. securities regulation
 - c. torts
 - d. contract law
 - e. none of the other choices are correct

ANSWER: b (page 14)

National: AACSB Analytic; AICPA BB-Legal

166. Contrasted with private law, an example of public law is:
- a. agency law
 - b. labor law
 - c. torts
 - d. contract law
 - e. none of the other choices are correct

ANSWER: b (page 14)

National: AACSB Analytic; AICPA BB-Legal

167. Contrasted with private law, an example of public law is:
- a. agency law
 - b. antitrust law
 - c. torts
 - d. contract law
 - e. none of the other choices are correct

ANSWER: b (page 14)

National: AACSB Analytic; AICPA BB-Legal

168. Contrasted with public law, an example of private law is:
- a. administrative law
 - b. securities regulation
 - c. contract law
 - d. environmental law
 - e. all of the other choices are private law

ANSWER: c (page 14)

National: AACSB Analytic; AICPA BB-Legal

169. Contrasted with public law, an example of private law is:
- a. administrative law
 - b. securities regulation
 - c. real property law
 - d. environmental law
 - e. all of the other choices are private law

ANSWER: c (page 14)

National: AACSB Analytic; AICPA BB-Legal

170. Contrasted with public law, an example of private law is:
- a. administrative law
 - b. securities regulation
 - c. tort law
 - d. environmental law
 - e. all of the other choices are private law

ANSWER: c (page 14)

National: AACSB Analytic; AICPA BB-Legal

171. Contrasted with public law, an example of private law is:
- a. agency law
 - b. contract law
 - c. real property law
 - d. tort law
 - e. all of the other choices are private law

ANSWER: e (page 8)

National: AACSB Analytic; AICPA BB-Legal

172. Public law:

- a. concerns crimes that occur in public places
- b. concerns the general well-being of the public
- c. concerns only private citizens
- d. concerns the legal relationship between members of society and the government
- e. none of the other choices

ANSWER: d (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

173. _____ is the law that concerns the legal relationship between members of society and the government.
- a. public law
 - b. private law
 - c. ethical law
 - d. tort law
 - e. corporation law

ANSWER: a (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

174. _____ is the law that concerns the legal relationship between members of society and the government.
- a. corporation law
 - b. private law
 - c. ethical law
 - d. tort law
 - e. none of the other choices

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

175. Private law:
- a. does not involve courts
 - b. sets forth rules governing the legal relationships among members of society
 - c. applies only to individual states
 - d. is criminal law
 - e. applies only to businesses within the United States

ANSWER: b (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

176. Private law:
- a. does not involve courts
 - b. provides a check on Congress's power
 - c. applies only to individual states

- d. is criminal law
- e. none of the other choices

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

177. Private law is:

- a. primarily common law and is enforced mostly through the state court system
- b. primarily federal law and is enforced mostly through the federal court system
- c. primarily federal law and is enforced mostly through the Supreme Court
- d. primarily common law and is enforced mostly through the Supreme Court
- e. primarily common law and is enforced by the executive branch

ANSWER: a (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

178. _____ sets forth rules governing the legal relationships among members of society and is enforced mostly through the state court systems.

- a. criminal law
- b. bankruptcy law
- c. environmental law
- d. public law
- e. private law

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

179. _____ sets forth rules governing the legal relationships among members of society and is enforced mostly through the state court systems.

- a. criminal law
- b. bankruptcy law
- c. environmental law
- d. public law
- e. none of the other choices

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

180. Which of the following concerns legal wrongs committed against the government:

- a. tort law
- b. procedural law
- c. ethical law
- d. private law

- e. criminal law

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

181. Which of the following concerns legal wrongs committed against the government:
- a. tort law
 - b. procedural law
 - c. ethical law
 - d. private law
 - e. none of the other choices are correct

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

182. Criminal law:
- a. concerns legal wrongs or crimes committed against the state
 - b. concerns legal wrongs or crimes committed against businesses
 - c. concerns the environment
 - d. concerns sales
 - d. concerns contracts

ANSWER: a (page14)

National: AACSB Analytic; Communication; AICPA BB-Legal

183. The objective of criminal law is to:
- a. provide restitution for the victim of the crime
 - b. punish the wrongdoer for wrongs against the government
 - c. require the wrongdoer to pay money damages to the injured party
 - d. the three specific choices are correct
 - e. none of the three specific choices are correct

ANSWER: b (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

184. The objective of criminal law is to:
- a. provide restitution for the victim of the crime
 - b. strongly enforce ethical norms of social behavior
 - c. require the wrongdoer to pay money damages to the injured party
 - d. let judges make new precedent
 - e. none of the other choices are very good answers

ANSWER: e (page 14)

National: AACSB Analytic; Communication; AICPA BB-Legal

185. For a person to be found guilty under a criminal statute, the jury must find the evidence presented demonstrates:
- a. beyond all doubt that the person committed the crime
 - b. by a preponderance of the evidence that the person committed the crime
 - c. beyond a reasonable doubt that the person committed the crime
 - d. more than a modicum of doubt exists that the person committed the crime
 - e. none of the other standards apply in a criminal case

ANSWER: c (page 15)

National: AACSB Analytic; AICPA BB-Legal

186. For a person to be found guilty under a criminal statute, the jury must find the evidence presented demonstrates:
- a. beyond all doubt that the person committed the crime
 - b. by a preponderance of the evidence that the person committed the crime
 - c. more than a modicum of doubt exists that the person committed the crime
 - d. *res ipsa loquitur* by the defendant
 - e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; AICPA BB-Legal

187. A misdemeanor is:
- a. a more serious offense than a felony
 - b. a less serious offense than a felony
 - c. equivalent to a felony
 - d. a violation of private law
 - e. none of the other choices

ANSWER: b (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

188. A misdemeanor is:
- a. a more serious offense than a felony
 - b. a violation of contract law
 - c. equivalent to a felony
 - d. a violation of private law
 - e. none of the other choices

ANSWER: e (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

189. A criminal offense that is less serious than a felony is a:
- a. misdemeanor
 - b. tort
 - c. defamation
 - d. medical malpractice
 - e. breach of contract

ANSWER: a (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

190. If a criminal offense is punishable by imprisonment for more than a year, it is probably a:
- a. tort
 - b. defamation
 - c. felony
 - d. misdemeanor
 - e. breach of contract

ANSWER: c (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

191. If a criminal offense is punishable by a fine and/or imprisonment for less than a year, it is probably a:
- a. felony
 - b. tort
 - c. breach of contract
 - d. misdemeanor
 - e. defamation

ANSWER: d (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

192. The non-criminal law concerning the rights and duties that exist among individuals to each other, or to the state, is:
- a. administrative law
 - b. procedural law
 - c. constitutional law
 - d. civil law
 - e. felony law

ANSWER: d (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

193. The non-criminal law concerning the rights and duties that exist among individuals to each other, or to the state, is:
- a. administrative law

- b. procedural law
- c. constitutional law
- d. felony law
- e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

194. Civil law is:

- a. non-criminal law concerning the rights and duties that exist among individuals to each other, or to the state
- b. criminal law concerning the rights and duties that exist among individuals to each other, or to the state
- c. criminal law concerning felonies
- d. criminal law concerning misdemeanors
- e. none of the other choices

ANSWER: a (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

195. Invasion of privacy, defamation, and trespass are examples of civil law under the category of:

- a. contract law
- b. tort law
- c. felony offenses
- d. misdemeanor offenses
- e. none of the other choices are correct

ANSWER: b (page 15)

National: AACSB Analytic; AICPA BB-Legal

196. Which of the following is an example of a criminal felony?

- a. homicide
- b. fiduciary duty
- c. invasion of privacy
- d. intentional breach of contract
- e. trespass

ANSWER: a (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

197. Which of the following is usually a criminal felony?

- a. trespass
- b. fiduciary duty

- c. invasion of privacy
- d. intentional breach of contract
- e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; AICPA BB-Legal

198. Less serious crimes, punishable by fine or imprisonment for less than a year, are generally classified as:
- a. torts
 - b. misdemeanors
 - c. fraud
 - d. negligence
 - e. procedural violations

ANSWER: b (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

199. Less serious crimes, punishable by fine or imprisonment for less than a year, are generally classified as:
- a. torts
 - b. fraud
 - c. negligence
 - d. procedural violations
 - e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

200. If someone is sued in a civil suit, such as in tort for hitting someone on the head with a stick, to find the wrongdoer liable, the jury must find that the injured party was favored by:
- a. evidence beyond a reasonable doubt
 - b. substantive evidence
 - c. the preponderance of the evidence
 - d. civil evidence
 - e. none of the other choices are correct

ANSWER: c (page 15)

National: AACSB Analytic; Reflective Thinking; AICPA BB-Legal

201. If someone is sued in a civil suit, such as in tort for hitting someone on the head with a stick, to find the wrongdoer liable, the jury must find that the injured party was favored by:
- a. evidence beyond a reasonable doubt
 - b. substantive evidence
 - c. felony evidence

- d. judicial doubt
- e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; Reflective Thinking; AICPA BB-Legal

202. Which of the following characteristics differentiates a civil law system from common law:
- a. civil law systems are inquisitorial rather than adversarial
 - b. civil law is code-based rather than case-based
 - c. civil law is influenced more by academic experts than by practicing lawyers
 - d. all of the other specific choices are correct
 - e. none of the other specific choices are correct

ANSWER: d (page 12)

National: AACSB Analytic; Communication; AICPA BB-Legal

203. Civil law originated in:
- a. the Roman Empire
 - b. the Ottoman Empire
 - c. ancient China
 - d. Portugal
 - e. Britain

ANSWER: a (page 12)

National: AACSB Diversity; Communication; AICPA BB-Legal

204. The Napoleonic Codes were early examples of:
- a. tort law
 - b. contract law
 - c. civil law
 - d. criminal law
 - e. common law

ANSWER: c (page 12)

National: AACSB Diversity; AICPA BB-Legal

205. Under a civil law system, judges can:
- a. only rule on matters lawyers bring them
 - b. initiate proceedings on their own
 - c. only rule on cases involving businesses
 - d. only rule on tort cases
 - e. none of the other choices

ANSWER: b (page 12)

National: AACSB Analytic; Communication; AICPA BB-Legal

206. Laws that define and establish legal rights and regulate behavior are referred to as:
- a. procedural laws
 - b. moral laws
 - c. substantive laws
 - d. *stare decisis*
 - e. none of the other choices are correct

ANSWER: c (page 15)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

207. Laws that define and establish legal rights and regulate behavior are referred to as:
- a. procedural laws
 - b. moral laws
 - c. judicial ethics
 - d. *stare decisis*
 - e. none of the other choices are correct

ANSWER: e (page 15)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

208. How substantive law is enforced through the courts is determined by:
- a. criminal law
 - b. civil law
 - c. procedural law
 - d. public law
 - e. private law

ANSWER: c (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

209. Procedural law specifies:
- a. how a lawsuit should begin
 - b. what legal documents need to be filed in a lawsuit
 - c. which court may hear a case
 - d. how trials proceed
 - e. all of the other choices are part of that

ANSWER: e (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

210. Procedural, as opposed to substantive, law generally includes all of the following except for:

- a. court orders
- b. securities regulation
- c. rules of evidence
- d. administrative procedure
- e. all of the other choices are procedural law

ANSWER: b (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

211. Procedural, as opposed to substantive, law generally includes all of the following except for:
- a. court orders
 - b. contract law
 - c. rules of evidence
 - d. administrative procedure
 - e. all of the other choices are procedural law

ANSWER: b (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

212. Substantive, as opposed to procedural, law includes:
- a. antitrust law
 - b. administrative procedure
 - c. civil procedure
 - d. criminal procedure
 - e. none of the other choices are correct

ANSWER: a (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

213. Substantive, as opposed to procedural, law includes:
- a. contract law
 - b. administrative procedure
 - c. civil procedure
 - d. criminal procedure
 - e. all of the other choices are correct

ANSWER: a (page 15)

National: AACSB Analytic; Communication; AICPA BB-Legal

214. Surveys suggest that, over the past years:
- a. business leaders have become more ethical
 - b. workers at for-profit firms have become more ethical
 - c. workers at not-for-profit firms have become more ethical

- d. public confidence in the ethical standards of business leaders has fallen
- e. public confidence in the ethical standards of politicians has risen

ANSWER: d (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

215. Ethics, in the context of business practitioners:
- a. has to do with rules or standards governing the conduct of members of a profession and how standards are put into action within an organization
 - b. has to do with only rules governing interactions with other corporations
 - c. has to do with federal regulations about racial discrimination
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: a (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

216. Integrity means:
- a. thinking things through before making decisions
 - b. not living by a moral code, but maintaining a certain standard of ethics
 - c. living by a moral code and standards of ethics
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: c (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

217. Morality concerns:
- a. conformity to the rules of the common law
 - b. conformity to rules of correct conduct within the context of a society, religion, or other institution
 - c. living in accordance with the law
 - d. living an ascetic lifestyle
 - e. conformity to the rules of civil law

ANSWER: b (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

218. Generally accepted rules of correct conduct within the standards of a society are:
- a. etiquette
 - b. ethics
 - c. morals
 - d. manners
 - e. all of the other choices are correct

ANSWER: c (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

219. Morals refer to:
- a. correct rules of conduct within the standards of a society
 - b. abstract theoretical concepts in the study of ethics
 - c. the rule of law
 - d. etiquette
 - e. none of the other choices are correct

ANSWER: a (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

220. The law is _____ ethics, integrity and morality.
- a. is always in opposition of
 - b. synonymous with
 - c. integrated into
 - d. distinct from
 - e. closely related to

ANSWER: d (page 16)

National: AACSB Analytic; Communication; Ethics; AICPA BB-Legal

221. Bribes are:
- a. illegal
 - b. unethical
 - c. sometimes used to obtain business contracts from government officials
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: d (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

222. In response to declining public image and to internal problems, most corporations now have:
- a. written codes of ethics
 - b. occasional discussions about ethical dilemmas
 - c. intensive multi-week training about ethics
 - d. more in-house security guards
 - e. none of the other choices are used

ANSWER: a (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

223. To help create an improved internal ethical environment many companies now use:
- a. administrative law judges
 - b. off-duty police
 - c. corporate compliance programs
 - d. commercial codes
 - e. litigation specialists

ANSWER: c (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

224. Some companies have employees take ethics classes online, rather than attend a classroom lesson. What has been the biggest drawback to online classes:
- a. testing knowledge is difficult
 - b. the evidence is that people do not pay much attention
 - c. it cannot be used to cover legal issues
 - d. failure of eye contact
 - e. none of the other choices are big drawbacks

ANSWER: e (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

225. Some companies have employees take ethics classes online, rather than attend a classroom lesson. One of the advantages to online classes is:
- a. employees who cannot hear well can still do online classes
 - b. employees prefer to be online
 - c. employees must be more attentive than when grouped in a large auditorium
 - d. employees retain information better when it is presented on a computer
 - e. employees are statistically less likely to violate ethics if they take an online course

ANSWER: c (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

226. Pressures to improve the ethical “climate” of a company come from:
- a. other managers, as businesses become less hierarchical
 - b. boards of directors
 - c. federal statutes
 - d. customers
 - e. all of the other choices can be correct

ANSWER: e (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

227. Which one contributed to the push for changes in corporate culture to include codes of ethics:
- a. changes in management structure (less hierarchical)

- b. the U.S. Sentencing Guidelines
- c. boards of directors
- d. all of the other choices play that role
- e. pressure from the public

ANSWER: d (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

228. With respect to the relation between morality and legality:
- a. legality does not always imply morality
 - b. illegality defines immorality
 - c. legality defines morality
 - d. none of the three specific choices are correct
 - e. the three specific choices are all correct

ANSWER: a (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

229. Corporate social responsibility, as written about by Peter Drucker, is defined as:
- a. "the ethics of social responsibility"
 - b. "the ethics of moral responsibility"
 - c. "the ethics of ethical responsibility"
 - d. "the ethics of human responsibility"
 - e. "the ethics of economic responsibility"

ANSWER: a (page 20)

National: AACSB Analytic; Ethics; Communication; AICPA BB-Legal

230. In his writings about "the ethics of social responsibility" Peter Drucker asserts that the first responsibility of a business leader is:
- a. to ensure that the company upholds its ethical standards
 - b. to ensure that there is no racial discrimination
 - c. to ensure that everyone gets an equal share of the profits
 - d. to ensure that the corporate mission is fulfilled
 - e. none of the other choices

ANSWER: d (page 20)

National: AACSB Analytic; Ethics; AICPA BB-Legal

231. In *Lamson v. Crater Lake Motors*, in which a car sales employee who felt that the sales tactics of the company were unethical and was fired after he refused to cooperate sued the company for wrongful discharge, the appeals court found that:
- a. Lamson had no case because his actions were not an important public duty

- b. Lamson had no case because his actions were illegal
- c. Lamson had no case because Crater Lake Motors was participating in illegal transactions, but Lamson was not aware of them
- d. Lamson had no case because Crater Lake Motors had no history of racial discrimination
- e. Lamson had no case because he had a history of making false claims against the company

ANSWER: a (page 21)

National: AACSB Analytic; AICPA BB-Legal

232. In *Lamson v. Crater Lake Motors*, in which a car sales employee who felt that the sales tactics of the company were unethical and was fired after he refused to cooperate sued the company for wrongful discharge, the appeals court found that Lamson had no case because:
- a. he was not explicitly or implicitly directed to participate in any unlawful activity
 - b. his actions were not an important public duty
 - c. the defendant took no action concerning the plaintiff that amounted to a tort under the applicable law
 - d. all of the other specific choices
 - e. none of the other specific choices

ANSWER: d (page 23)

National: AACSB Analytic; AICPA BB-Legal

TRUE - FALSE QUESTIONS

1. T F Law, as we know it today, was first developed in the middle ages.

ANSWER: F (page 3)

National: AACSB Analytic; AICPA BB-Legal

2. T F Law may be viewed as a collection of rules or principles intended to prescribe and control human behavior.

ANSWER: T (page 3)

National: AACSB Analytic; Ethics; AICPA BB-Legal

3. T F Law may be defined as the good acts people do for others without threat of sanction.

ANSWER: F (page 3)

National: AACSB Analytic; Ethics; AICPA BB-Legal

4. T F Law may be defined as a rule of conduct so established as to justify a prediction that it will be enforced by the courts if its authority is challenged.

ANSWER: T (page 3)

National: AACSB Analytic; Ethics; AICPA BB-Legal

5. T F Law operates best without use of force, as members of society regulate themselves.

ANSWER: F (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

6. T F Law is concerned with defining acceptable behavior, not controlling unacceptable behavior.

ANSWER: F (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

7. T F Ethics and customs are part of society's informal rules.

ANSWER: T (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

8. T F The legal system is designed to resolve public disputes but private disputes are always resolved informally.

ANSWER: F (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

9. T F Law is intended to be independent of the social values of members of society.

ANSWER: F (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

10. T F The legal culture of a society includes the attitudes of members of society concerning the law and legal system.

ANSWER: T (page 4)

National: AACSB Analytic; Ethics; AICPA BB-Legal

11. T F Social change occurs naturally and never involves the use of laws or the legal system.

ANSWER: F (page 5)

National: AACSB Analytic; Ethics; AICPA BB-Legal

12. T F The nation of Haiti has been a development success because of its strong system of informal law.

ANSWER: F (page 5)

National: AACSB Analytic; AACSB Diversity; AICPA BB-Legal

13. T F One of the main reasons that the country of Haiti has not experienced greater economic development is because its government is corrupt.

ANSWER: T (page 5)

National: AACSB Analytic; AACSB Diversity; AICPA BB-Legal

14. T F The U.S. Constitution is the source of all law in the U.S.

ANSWER: F (page 6)

National: AACSB Analytic; AICPA BB-Legal

15. T F The U.S. Constitution is the oldest written constitution in force of any major nation.

ANSWER: T (page 6)

National: AACSB Analytic; AICPA BB-Legal

16. T F The Constitution specifically creates the executive, legislative, and administrative branches of the federal government.

ANSWER: F (page 6)

National: AACSB Analytic; AICPA BB-Legal

17. T F The Constitution creates the executive, legislative, and judiciary branches of the federal government.

ANSWER: T (page 6)

National: AACSB Analytic; AICPA BB-Legal

18. T F A constitution is fundamental law which establishes the powers of the government and the limits of that power.

ANSWER: T (page 6)

National: AACSB Analytic; AICPA BB-Legal

19. T F The separation of powers determined by the U.S. Constitution means that each branch of government has functions that can be checked by other branches.

ANSWER: T (page 6)

National: AACSB Analytic; Ethics; AICPA BB-Legal

20. T F The separation of powers determined by the U.S. Constitution allocated powers between the federal courts and the state courts.

ANSWER: F (page 6)

National: AACSB Analytic; AICPA BB-Legal

21. T F The U.S. Constitution requires every state to have a legislature that has two parts, a house and a senate (or some bodies with similar structure).

ANSWER: F (page 6)

National: AACSB Analytic; AICPA BB-Legal

22. T F State constitutions, unlike the federal Constitution, tend to be very short and have few details.

ANSWER: F (page 6)

National: AACSB Analytic; AICPA BB-Legal

23. T F Statutory law is created by executive order.

ANSWER: F (page 7)

National: AACSB Analytic; AICPA BB-Legal

24. T F Only federal statutes may violate the Constitution.

ANSWER: F (page 7)

National: AACSB Analytic; AICPA BB-Legal

25. T F An important state law affecting the legal regulation of business is the Uniform Commercial Code.

ANSWER: T (page 7)

National: AACSB Analytic; AICPA BB-Legal

26. T F Nebraska is the only state with a legislature that only has one part or house. All other states have a two-part legislature.

ANSWER: T (page 7)

National: AACSB Analytic; AICPA BB-Legal

27. T F Delaware is the only state with a legislature that only has one part or house. All other states have a two-part legislature.

ANSWER: F (page 7)

National: AACSB Analytic; AICPA BB-Legal

28. T F An administrative agency is created when the legislative or executive branch of government delegate some of its authority to an appropriate group.

ANSWER: T (page 7)

National: AACSB Analytic; AICPA BB-Legal

29. T F Administrative agencies are typically created by court orders.

ANSWER: F (page 7)

National: AACSB Analytic; AICPA BB-Legal

30. T F A key function of the judiciary is to interpret and enforce the laws.

ANSWER: T (page 9)

National: AACSB Analytic; AICPA BB-Legal

31. T F Common law in the U.S. has its origin in England.

ANSWER: T (page 9)

National: AACSB Analytic; AICPA BB-Legal

32. T F American common law dates back to colonial times.

ANSWER: T (page 9)

National: AACSB Analytic; AICPA BB-Legal

33. T F American common law was approved for adoption in Article III of the U.S. Constitution.

ANSWER: F (page 9)

National: AACSB Analytic; AICPA BB-Legal

34. T F Common law is based upon actual cases tried in court.

ANSWER: T (page 9)

National: AACSB Analytic; AICPA BB-Legal

35. T F Common law changes only by acts of the legislature.

ANSWER: F (page 9)

National: AACSB Analytic; AICPA BB-Legal

36. T F A precedent is a future legal decision.

ANSWER: F (page 10)

National: AACSB Analytic; AICPA BB-Legal

37. T F The doctrine of *stare decisis* means that decisions in past cases will be followed in resolving present cases.

ANSWER: T (page 10)

National: AACSB Analytic; AICPA BB-Legal

38. T F The doctrine of *stare decisis* in the common law means that decisions from past cases must always be followed so that common law rules will not change.

ANSWER: F (page 10)

National: AACSB Analytic; AICPA BB-Legal

39. T F A problem with the doctrine of *stare decisis* in common law is that judges are forced to stand by old rules, even if they no longer seem appropriate.

ANSWER: F (page 10)

National: AACSB Analytic; AICPA BB-Legal

40. T F The doctrine of *stare decisis* created a more just legal system by working to reduce the prejudices of individual judges.

ANSWER: T (page 11)

National: AACSB Analytic; AICPA BB-Legal

41. T F One of the benefits of the common law is that it is flexible in changing with the times.

ANSWER: T (page 10)

National: AACSB Analytic; Ethics; AICPA BB-Legal

42. T F Decisions from courts are published in case reporters.

ANSWER: T (page 10)

National: AACSB Analytic; AICPA BB-Legal

43. T F Legal documents could not be transmitted electronically due to common law rules based upon use of documents printed and delivered on paper.

ANSWER: F (page 10)

National: AACSB Analytic; AICPA BB-Legal

44. T F To allow electronic transmission of documents in the legal system, legislatures had to give the courts permission to change from traditional methods of transmittal.

ANSWER: F (page 10)

National: AACSB Analytic; AICPA BB-Legal

45. T F In *Davis v. Baugh Industrial Contractors* the Washington supreme court held that the traditional common law rule regarding negligence by a contractor could not be changed.

ANSWER: F (page 12)

National: AACSB Analytic; AICPA BB-Legal

46. T F In *Davis v. Baugh Industrial Contractors* the Washington supreme court held that the traditional common law rule regarding negligence by a contractor would be changed because the old rule was out of date.

ANSWER: T (page 11)

National: AACSB Analytic; AICPA BB-Legal

47. T F In *Davis v. Baugh Industrial Contractors* the Washington supreme court held that the traditional common law rule regarding negligence by a contractor could be changed only if a majority of state supreme courts agreed to change the rule.

ANSWER: F (page 11)

National: AACSB Analytic; AICPA BB-Legal

48. T F The President creates law by issuing executive orders.

ANSWER: T (page 13)

National: AACSB Analytic; AICPA BB-Legal

49. T F The President may not create any law without the permission of Congress.

ANSWER: F (page 13)

National: AACSB Analytic; AICPA BB-Legal

50. T F Presidents have no legal influence over administrative agencies.

ANSWER: F (page 13)

National: AACSB Analytic; AICPA BB-Legal

51. T F Treaties affect relations between sovereign governments only and do not affect the way companies do business.

ANSWER: F (page 13)

National: AACSB Analytic; AICPA BB-Legal

52. T F Article II, Section II of the U.S. Constitution requires a 2/3 vote of approval by the Senate before an international treaty is ratified.

ANSWER: T (page 13)

National: AACSB Analytic; AACSB Diversity; AICPA BB-Legal

53. T F The U.S. Constitution requires a majority vote of approval by the Senate before an international treaty is ratified.

ANSWER: F (page 13)

National: AACSB Analytic; AACSB Diversity; AICPA BB-Legal

54. T F International treaties accepted by the U.S. government apply only in foreign legal matters; they have no standing in domestic legal issues

ANSWER: F (page 13)

National: AACSB Analytic; AACSB Diversity; AICPA BB-Legal

55. T F Public law sets forth rules governing the legal relationships among society members and serves principally to resolve disputes among members of society.

ANSWER: F (page 14)

National: AACSB Analytic; Ethics; AICPA BB-Legal

56. T F Examples of public law are civil procedure, criminal law, and labor law.

ANSWER: T (page 14)

National: AACSB Analytic; AICPA BB-Legal

57. T F Examples of private law include contract law and partnership law.

ANSWER: T (page 14)

National: AACSB Analytic; AICPA BB-Legal

58. T F Private law, unlike public law, tends to change rapidly as it is based on current social attitudes.

ANSWER: F (page 14)

National: AACSB Analytic; Ethics; AICPA BB-Legal

59. T F Private law, unlike public law, is not binding.

ANSWER: F (page 14)

National: AACSB Analytic; Ethics; AICPA BB-Legal

60. T F Criminal law is defined as legal wrongs committed against individuals or businesses.

ANSWER: F (page 14)

National: AACSB Analytic; Ethics; AICPA BB-Legal

61. T F To find a person guilty of a crime, the jury or judge must find that the preponderance (majority) of the evidence is against the accused.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

62. T F Felonies are generally defined as serious criminal offenses punishable by death or imprisonment for more than a year.

ANSWER: T (page 15)

National: AACSB Analytic; AICPA BB-Legal

63. T F Felonies are generally defined as serious criminal offenses that violate federal law, not state law.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

64. T F Misdemeanors are criminal offenses generally punishable by imprisonment for more than one year.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

65. T F Misdemeanors are criminal offenses that violate state law, not federal law.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

66. T F Misdemeanors are civil offenses generally punishable by imprisonment for less than a year.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

67. T F The objective of the criminal law is to compensate victims of crimes.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

68. T F Examples of civil law include the torts of defamation, invasion of privacy, and trespass.

ANSWER: T (page 15)

National: AACSB Analytic; AICPA BB-Legal

69. T F Plaintiffs in civil law suits must demonstrate their case to the judge or jury beyond a reasonable doubt.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

70. T F Substantive law includes the common law.

ANSWER: T (page 15)

National: AACSB Analytic; AICPA BB-Legal

71. T F Civil procedure, appellate procedure, and criminal procedure are examples of substantive law.

ANSWER: F (page 15)

National: AACSB Analytic; AICPA BB-Legal

72. T F Procedural law determines how substantive law is enforced through the court process.

ANSWER: T (page 15)

National: AACSB Analytic; AICPA BB-Legal

73. T F Surveys indicate that the public has less confidence in the ethical standards of business leaders today than it did decades ago.

ANSWER: T (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

74. T F Whether or not the ethical standards of business leaders may have fallen, it is likely that the public expects much less from business leaders today than it did decades ago.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

75. T F Because companies have suffered so few public image problems, few corporations have codes of ethics.

ANSWER: F (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

76. T F Surveys indicate that the biggest ethics problem in companies is a lack of an ethics code.

ANSWER: F (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

77. T F Pressure for managers to behave ethically comes only from the government.

ANSWER: F (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

78. T F Companies that follow Department of Justice compliance codes carefully are not prosecuted for violations of related laws.

ANSWER: F (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

79. T F Companies that follow Department of Justice compliance codes carefully may suffer smaller penalties for violations of related laws.

ANSWER: T (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

80. T F Experience with online ethics training indicates it has almost no impact; such training must be personal.

ANSWER: F (page 18)

National: AACSB Analytic; Ethics; AICPA BB-Legal

81. T F Ethics is a set of rules that the government enforces and that constrain the behavior of members of society.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

82. T F Ethics generally refers to accepted standards of right and wrong in a society.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

83. T F Ethics is considered a part of etiquette or good manners.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

84. T F Ethics is generally the rules or standards governing the conduct of members of a profession.

ANSWER: T (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

85. T F Moral and ethical standards are the same as legal standards.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

86. T F Legality means morality.

ANSWER: F (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

87. T F Integrity is generally defined to mean living by a moral code and standard of ethics.

ANSWER: T (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

88. T F Morality concerns conforming to rules of correct conduct as defined by a society or a religion.

ANSWER: T (page 16)

National: AACSB Analytic; Ethics; AICPA BB-Legal

89. T F A World Bank study indicates that nations with more extensive regulation of business tend to have less corruption.

ANSWER: F (page 19)

National: AACSB Analytic; AICPA BB-Legal

90. T F A World Bank study indicates that nations with more extensive regulation of business generally have more corruption than nations with less regulation.

ANSWER: T (page 19)

National: AACSB Analytic; AICPA BB-Legal

91. T F When discussing the reality of business ethics, Peter Drucker held that it was not unethical to pay a bribe if that was the norm in a business and was absolutely needed to get business for a company.

ANSWER: F (page 17)

National: AACSB Analytic; Ethics; AICPA BB-Legal

92. T F Campaign contributions by companies are generally illegal and, even if not, considered to be highly unethical.

ANSWER: F (page 17)

National: AACSB Analytic; Ethics; AICPA BB-Legal

93. T F Corporate social responsibility is generally considered to be the ethics of a business.

ANSWER: T (page 20)

National: AACSB Analytic; AICPA BB-Legal

94. T F In *Lamson v. Crater Lake Motors* the Oregon appeals court held that a violation of ethical standards, which caused a sales manager to be fired, was grounds for wrongful termination.

ANSWER: F (page 21)

National: AACSB Analytic; AICPA BB-Legal

95. T F In *Lamson v. Crater Lake Motors*, where a sales manager was fired in a dispute over business ethics, the Oregon appeals court held that he had no basis for a suit for improper dismissal.

ANSWER: T (page 21)