

## **Business Law**

### **True/False**

*Indicate whether the sentence or statement is true or false.*

- \_\_\_ 1. The golden rule holds that you "Do unto others before they do unto you."
- \_\_\_ 2. A juvenile, if arrested before reaching age 18, will be tried in a juvenile court even if he or she turns 18 before the case comes to trial.
- \_\_\_ 3. Public officials must prove actual malice to succeed in a defamation lawsuit.
- \_\_\_ 4. Even the most careless conduct will not result in liability for negligence unless there is actual harm.
- \_\_\_ 5. A person may win a lawsuit for fraud even if no loss is suffered.
- \_\_\_ 6. A pledge to charity is usually not binding.
- \_\_\_ 7. Legality of a contract refers solely to the way in which it is drafted.
- \_\_\_ 8. A promise to pay another person's debts must be in writing to be enforceable.
- \_\_\_ 9. A contract for the sale of goods for the price of \$500 or more must be in writing to be enforceable.
- \_\_\_ 10. The destruction of the subject matter of a contract discharges that contract.
- \_\_\_ 11. You have a right to sue a person who breaches a contract made with you.
- \_\_\_ 12. Auction bids may not be withdrawn.
- \_\_\_ 13. Product liability laws cover defective products that do not cause injury.
- \_\_\_ 14. Federal law regulates advertisements of leases.
- \_\_\_ 15. Vicarious liability is usually limited to negligence rather than intentional tort.
- \_\_\_ 16. General agents are employed to accomplish a specific purpose or to do a particular job.
- \_\_\_ 17. A subagent is an agent lawfully appointed by a principal.
- \_\_\_ 18. Featherbedding is assigning more employees than necessary to a job.
- \_\_\_ 19. Collective bargaining agreements guarantee union employees lifelong employment.
- \_\_\_ 20. If a debtor does not pay, the secured party has the right to repossess the goods.

- \_\_\_ 21. The promise in a note or the order in a draft must be unconditional.
- \_\_\_ 22. The procedure for stopping payment on an electronic fund transfer is the same as that for stopping payment on a check.
- \_\_\_ 23. Infancy is a real defense.
- \_\_\_ 24. A partnership by estoppel is not a real partnership.
- \_\_\_ 25. A secret partner has limited liability for the firm's debts.
- \_\_\_ 26. You have a right to sue a person who breaches a contract made with you.
- \_\_\_ 27. A contract for the sale of goods may be made before the price is settled.
- \_\_\_ 28. Auction bids may not be withdrawn.
- \_\_\_ 29. When a buyer breaches a sales contract, the seller may cancel the contract.
- \_\_\_ 30. The warranty of merchantability applies to nonmerchants as well as merchants.
- \_\_\_ 31. The word "guaranteed" on a product means it has adequate protection.
- \_\_\_ 32. A limited warranty gives limited information.
- \_\_\_ 33. Consumers who order goods by mail are protected by state statutes.
- \_\_\_ 34. The cooling-off rule applies to consumer product parties given in private homes.
- \_\_\_ 35. Leasing is the least expensive way to obtain a car.
- \_\_\_ 36. Federal law regulates advertisements of leases.
- \_\_\_ 37. A bailor is a person whose personal property is in another's possession.
- \_\_\_ 38. A bailee is absolutely responsible for any damage to goods in his or her possession.
- \_\_\_ 39. A written statement that an employment-at-will situation still exists is a disclaimer.
- \_\_\_ 40. The National Labor Relations Act of 1935 was the first federal law dealing with collective bargaining.
- \_\_\_ 41. Certain minors must have a work permit to work.
- \_\_\_ 42. Collective bargaining agreements guarantee union employees lifelong employment.

- \_\_\_ 43. All debts may be discharged under the Bankruptcy Reform Act.
- \_\_\_ 44. Open-end credit may be increased by the debtor, up to a limit set by the creditor.
- \_\_\_ 45. Business profits or losses are combined with the sole proprietor's other income for income tax purposes.
- \_\_\_ 46. In a general partnership, each partner is liable for the other partners' actions within the scope of the partnership.
- \_\_\_ 47. A secret partner has limited liability for the firm's debts.
- \_\_\_ 48. Selling shares is a source of capital that is available to sole proprietorships, partnerships, and corporations.
- \_\_\_ 49. Each state legislature has passed its own version of corporate law.
- \_\_\_ 50. The owner of a sole proprietorship may not incorporate.

### Multiple Choice

*Identify the letter of the choice that best completes the statement or answers the question.*

- \_\_\_ 51. If a law enforcement officer induces a law-abiding citizen to commit a crime, the accused may claim
- |                 |                 |
|-----------------|-----------------|
| a. self-defense | c. endangerment |
| b. entrapment   | d. insanity     |
- \_\_\_ 52. A contract that contains a promise by both parties is
- |            |               |
|------------|---------------|
| a. express | c. bilateral  |
| b. implied | d. unilateral |
- \_\_\_ 53. A contract that at first appears to bind both parties, but really binds no one is
- |                   |                        |
|-------------------|------------------------|
| a. unconscionable | c. gratuitous          |
| b. illusory       | d. promissory estoppel |
- \_\_\_ 54. The law generally will not enforce a contract in which there is no consideration; the contract is
- |               |               |
|---------------|---------------|
| a. fortuitous | c. gratuitous |
| b. illusory   | d. voidable   |
- \_\_\_ 55. An offer to do what you have agreed to do under a contract is
- |                            |                             |
|----------------------------|-----------------------------|
| a. substantial performance | c. tender of performance    |
| b. accord and satisfaction | d. satisfactory performance |

- \_\_\_ 56. The party who transfers a right is called the
- a. assignee
  - b. assignor
  - c. delegator
  - d. delegatee
- \_\_\_ 57. The transfer of a duty or detriment is called
- a. delegation
  - b. assignment
  - c. novation
  - d. relegation
- \_\_\_ 58. The right of ownership to goods is known as
- a. risk of loss
  - b. title
  - c. identified goods
  - d. bill of lading
- \_\_\_ 59. The transfer of all goods owned by a business is known as a
- a. forced sale
  - b. shipment contract
  - c. total transfer
  - d. bulk transfer
- \_\_\_ 60. A guarantee that goods are free of financial obligation, or lien, is called a
- a. limited warranty
  - b. warranty of merchantability
  - c. warranty of privity
  - d. warranty of title
- \_\_\_ 61. An oral statement of fact or promise constitutes
- a. no warranty
  - b. an implied warranty
  - c. an express warranty
  - d. a limited warranty
- \_\_\_ 62. Manufacturers and sellers are accountable for injuries caused by unsafe or defective under the principle of
- a. warranty
  - b. caveat emptor
  - c. fraudulent misrepresentation
  - d. product liability
- \_\_\_ 63. Insurance that protects the insured's car from acts of nature, vandalism, or theft is
- a. comprehensive insurance
  - b. property damage liability insurance
  - c. collision insurance
  - d. no-fault insurance
- \_\_\_ 64. If you have in your possession something that belongs to someone else, you are a
- a. donee
  - b. bailee
  - c. donor
  - d. bailor

- \_\_\_ 65. An agency by circumstance, created by law, is called
- a. negligent hiring
  - b. agency by estoppel
  - c. independent contracting
  - d. ratification
- \_\_\_ 66. Closed shops were made illegal by the
- a. Wagner Act
  - b. Taft-Hartley Act
  - c. Landrum-Griffin Act
  - d. Fair Labor Standards Act
- \_\_\_ 67. A check that has been written but not yet returned to the bank for payment is a(n)
- a. certified check
  - b. stale check
  - c. outstanding check
  - d. canceled check
- \_\_\_ 68. Negotiation is transfer of an instrument in such a way that the transferee becomes a
- a. holder
  - b. indorser
  - c. payee
  - d. drawee
- \_\_\_ 69. Liability to pay only under certain conditions have been met is
- a. primary liability
  - b. secondary liability
  - c. tertiary liability
  - d. surety liability
- \_\_\_ 70. A partner who takes no active role, but is known publicly and has unlimited liability is a
- a. silent partner
  - b. secret partner
  - c. dormant partner
  - d. limited partner
- \_\_\_ 71. A corporation organized for the purpose of making money is a(n)
- a. stock corporation
  - b. profit corporation
  - c. public corporation
  - d. nonprofit corporation
- \_\_\_ 72. Shareholders who want to control the election of the board of directors by buying a majority of the shares in a corporation but are unable to, may try to obtain a
- a. pooling agreement
  - b. proxy
  - c. shareholder proposal
  - d. voting trust
- \_\_\_ 73. A type of co-ownership in which a person's heirs inherit that person's share of a property is known as
- a. tenancy by the entirety
  - b. tenancy in common
  - c. joint tenancy
  - d. adverse possession

- \_\_\_ 74. A deed that transfers a seller's interest in property but does not warrant that the seller owns any interest is a
- a. general warranty deed
  - b. mortgage deed
  - c. quitclaim deed
  - d. special warranty deed
- \_\_\_ 75. A signed document providing for the distribution of a person's property at his or her death is known as a
- a. living will
  - b. will
  - c. surety
  - d. fiduciary
- \_\_\_ 76. An offer to do what you have agreed to do under a contract is
- a. substantial performance
  - b. accord and satisfaction
  - c. tender of performance
  - d. satisfactory performance
- \_\_\_ 77. A substitution of one contract for another is
- a. substantial performance
  - b. tender of performance
  - c. satisfactory performance
  - d. accord and satisfaction
- \_\_\_ 78. Wrongful acts of one of the parties may discharge a contract by
- a. the Wrongful Act Statute
  - b. the Statute of Limitations
  - c. operation of law
  - d. mutual release
- \_\_\_ 79. The transfer of all goods owned by a business is known as a
- a. forced sale
  - b. shipment contract
  - c. total transfer
  - d. bulk transfer
- \_\_\_ 80. The law requiring that written express warranties on products costing more than \$10 meet certain requirements is the
- a. parol evidence rule
  - b. Right of Warranty Law
  - c. Nader-Clayton Warranty Act
  - d. Magnuson-Moss Warranty Act
- \_\_\_ 81. Goods must be fit for ordinary purposes under the implied warranty of
- a. merchantability
  - b. title
  - c. fitness for a particular purpose
  - d. privity
- \_\_\_ 82. A guarantee that goods are free of financial obligation, or lien, is called a
- a. limited warranty
  - b. warranty of merchantability
  - c. warranty of privity
  - d. warranty of title

- \_\_\_\_\_ 83. An oral statement of fact or promise constitutes
- a. no warranty
  - b. an implied warranty
  - c. an express warranty
  - d. a limited warranty
- \_\_\_\_\_ 84. Advertising a nonexistent bargain to lure customers and then selling the customers more expensive merchandise is called
- a. bait and switch
  - b. cease and desist
  - c. claim and change
  - d. fraudulent misrepresentation
- \_\_\_\_\_ 85. A consumer who wishes to cancel a contract made with a door-to-door salesperson must do so within
- a. three days
  - b. three weeks
  - c. 24 hours
  - d. two days
- \_\_\_\_\_ 86. Companies that run telemarketing scams often charge for their services through
- a. 800-numbers
  - b. 900-numbers
  - c. credit card numbers
  - d. long distance numbers
- \_\_\_\_\_ 87. Insurance that pays for damage from some type of impact to the insured's own car is
- a. property damage liability insurance
  - b. comprehensive insurance
  - c. collision insurance
  - d. uninsured
- \_\_\_\_\_ 88. The federal regulation that requires used car dealers to place warranty information in car windows is
- a. Regulation Z
  - b. the New-Car Rule
  - c. the Used-Car Rule
  - d. the Truth in Lending Act
- \_\_\_\_\_ 89. Standard-form, written contracts prepared by the seller for the buyer to sign are called
- a. adjudicatory contracts
  - b. adhesion contracts
  - c. executory contracts
  - d. cohesive contracts
- \_\_\_\_\_ 90. A person who wrongfully retains possession of lost property is a(n)
- a. gratuitous bailor
  - b. pledgee
  - c. tortious bailee
  - d. involuntary bailee
- \_\_\_\_\_ 91. The person making a gift is a
- a. bailor
  - b. donor
  - c. giftor
  - d. donee

- \_\_\_ 92. Patents, copyrights, and trademarks refer to
- a. tangible personal property
  - b. intangible personal property
  - c. bailments
  - d. intellectual property
- \_\_\_ 93. The doctrine stating that an employer can fire an employee at any time for any reason is known as
- a. wrongful discharge
  - b. employment-at-will
  - c. collective bargaining
  - d. grievance procedure
- \_\_\_ 94. A broad legal principle stating that people may not do anything that injures society at large is the principle of
- a. public policy
  - b. wrongful discharge
  - c. employment-at-will
  - d. civic protection
- \_\_\_ 95. Minors may be employed in certain jobs as long as their work does not interfere with
- a. religious training
  - b. schooling
  - c. family duties
  - d. social life
- \_\_\_ 96. If unauthorized charges are made on a credit card before the issuing company is notified, the cardholder is liable for
- a. \$25
  - b. \$50
  - c. \$75
  - d. \$100
- \_\_\_ 97. To assist consumers who receive bills for charges they dispute, Congress passed the
- a. Fair Credit Billing Act
  - b. Fair Debt Collection Practices Act
  - c. Fair Credit Reporting Act
  - d. Disputed Charges Reform Act
- \_\_\_ 98. A partnership that is formed simply by the way two or more people conduct their business is called
- a. partnership by estoppel
  - b. partnership by proof of existence
  - c. apparent partnership
  - d. limited partnership
- \_\_\_ 99. When a partnership ends, the firm's assets are first paid to
- a. partners who lent money to the firm
  - b. partners who put money into the firm
  - c. surplus due partners
  - d. creditors other than partners

- \_\_\_\_100. All corporations issue
- a. preferred stock
  - b. par value stock
  - c. common stock
  - d. no-par value stock