***Essentials of Business Law, 10e* (Liuzzo)**

**Chapter 1 Our System of Law**

1) It is not necessary for the average person to understand some of the general principles of law, how to avoid common problem and pitfalls, and know when to seek professional help.

Answer: FALSE

Explanation: The average person should understand the principles of law.

Difficulty: 1 Easy

Topic: Applications of Law

Learning Objective: 01-01 Discuss the application of law in today's world.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

2) Unlike the federal constitution, whose rights applied in all states, a specific state constitution provides safeguards for the rights of individuals only within a particular state.

Answer: TRUE

Explanation: State constitutions provide safeguards for the rights of individuals within a particular state.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

3) Court decisions are not recorded in writing because lawyers and judges do not refer to past court decisions when preparing or hearing a case.

Answer: FALSE

Explanation: Court decisions are recorded in writing so that lawyers and judges can refer to them.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

4) The laws enacted by local government, such as a city council, are often known as statutes.

Answer: FALSE

Explanation: A law that is passed by a local government, such as a city council, is often called an ordinance.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

5) Administrative law is the body of rules, regulations, and decisions created by administrative agencies.

Answer: TRUE

Explanation: Administrative law is the body of rules, regulations, and decisions created by administrative agencies.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

6) Administrative agencies have the authority to establish rules that have the force of law.

Answer: TRUE

Explanation: Both federal agencies and state agencies have the authority to establish rules that have the force of law, to maintain "courts" that are often called appeal boards, and to conduct "trials" that are often called hearings.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

7) An example of a federal administrative agency is the National Labor Relations Board.

Answer: TRUE

Explanation: The National Labor Relations Board is an example of a federal administrative agency.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

8) The Uniform Commercial Code has been adopted in its entirety by all 50 states.

Answer: FALSE

Explanation: Not every state has adopted the entire UCC.  For example, Louisiana has adopted only parts of the Code.

Difficulty: 1 Easy

Topic: Uniform Commercial Code

Learning Objective: 01-04 Explain the reasons for the preparation of the Uniform Commercial Code.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

9) The State of Louisiana had earlier been a French territory, and therefore, has greatly been influenced by the French civil laws.

Answer: TRUE

Explanation: Louisiana, having been a French territory and therefore greatly influenced by the French civil law, has adopted only parts of the Code.

Difficulty: 1 Easy

Topic: Uniform Commercial Code

Learning Objective: 01-04 Explain the reasons for the preparation of the Uniform Commercial Code.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

10) The Uniform Commercial Code is a set of laws governing various commercial transactions that are designed to bring uniformity to the laws of the different states.

Answer: TRUE

Explanation: The UCC is a set of laws that govern various commercial transactions and are designed to bring uniformity to the laws of the states.

Difficulty: 1 Easy

Topic: Uniform Commercial Code

Learning Objective: 01-04 Explain the reasons for the preparation of the Uniform Commercial Code.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

11) Many legal obligations are based on moral obligations, but not all moral obligations are legally enforceable.

Answer: TRUE

Explanation: Many legal obligations are based on moral obligations, but not all moral obligations are legally enforceable; a person's conscience is often the only means of enforcement of moral obligations.

Difficulty: 1 Easy

Topic: Moral Law

Learning Objective: 01-06 Distinguish moral law from legal obligations.

Bloom's: Analyze

AACSB: Ethics

Accessibility: Keyboard Navigation

12) A court has no jurisdiction if it has the authority to hear appeals from other courts.

Answer: FALSE

Explanation: If a court has the power to review the decisions of another court, it has appellate jurisdiction (the authority to hear appeals).

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

13) Federal district courts do not have original jurisdiction to hear all appeals from state trial courts.

Answer: TRUE

Explanation: The federal district courts have original jurisdiction in cases involving federal statutes and in cases when the parties are citizens of different states and the amount involved is greater than $75,000.00.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

14) There are 50 federal circuit courts of appeals, one circuit for each state.

Answer: FALSE

Explanation: There are 13 federal circuit courts of appeals.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

15) The person against whom a lawsuit is brought or who is charged with a violation of the law is called a \_\_\_\_\_\_\_\_.

A) incorporator

B) plaintiff

C) defendant

D) decree holder

Answer: C

Explanation: A defendant is the person against whom a lawsuit is brought or who is charged with a violation of the law.

Difficulty: 1 Easy

Topic: The Law in Our World

Learning Objective: 01-01 Discuss the application of law in today's world.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

16) The person who brings a lawsuit is called a \_\_\_\_\_\_\_\_.

A) defendant

B) plaintiff

C) judgement debtor

D) decree holder

Answer: B

Explanation: The party who begins a lawsuit by filing a complaint in the appropriate court is called the plaintiff.

Difficulty: 1 Easy

Topic: The Law in Our World

Learning Objective: 01-01 Discuss the application of law in today's world.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

17) State laws require that barbers and pharmacists pass examinations to be \_\_\_\_\_\_\_\_.

A) licensed to practice in their profession

B) corporate officers

C) immune from lawsuits

D) enrolled in the Bar Council

Answer: A

Explanation: State laws require that barbers and pharmacists pass examinations to be licensed.

Difficulty: 1 Easy

Topic: Applications of Law

Learning Objective: 01-02 Provide examples of how the application of law affects (a) one's personal or social life, (b) business or business operations, and (c) governments.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

18) Every business must comply with \_\_\_\_\_\_\_\_ laws.

A) federal

B) state

C) local

D) all of above

Answer: D

Explanation: Every business must comply with federal, state and local laws.

Difficulty: 1 Easy

Topic: Applications of Law

Learning Objective: 01-02 Provide examples of how the application of law affects (a) one's personal or social life, (b) business or business operations, and (c) governments.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

19) The principles and ideals that protect individual liberty and freedom are incorporated in the \_\_\_\_\_\_\_\_.

A) U.S. Executive Order No. 1579

B) operating agreement of a typical limited liability company (LLC)

C) memorandum of articles of a typical corporation

D) Constitution of the United States

Answer: D

Explanation: In the United States, the principles and ideals that protect individual liberty and freedom are incorporated in the Constitution of the United States (the federal Constitution).

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

20) In the United States, the federal Constitution gives \_\_\_\_\_\_\_\_.

A) unlimited powers exclusively to the federal government

B) unlimited powers to both the federal and state governments

C) reasonable powers exclusively to state governments

D) limited, reasonable powers to the federal government

Answer: D

Explanation: The Constitution gives the federal government certain reasonable powers and, at the same time, clearly limits the use of those powers.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

21) The practice of relying on previous decisions is known as \_\_\_\_\_\_\_\_.

A) stare decisis

B) res judicata

C) obiter dicta

D) habeas corpus

Answer: A

Explanation: The practice of relying on previous decisions is known as stare decisis, which means "to stand on decided cases".

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

22) The literal translation of "*stare decisis*" would mean \_\_\_\_\_\_\_\_.

A) "to stand on decided cases"

B) "to send a summons"

C) "to postpone a hearing without a date"

D) "during the pendency of a proceeding"

Answer: A

Explanation: The practice of a court relying on previous decisions is known as *stare decisis*, which means "to stand on decided cases."

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

23) Decisions made by the U.S. Supreme Court must \_\_\_\_\_\_\_\_ by other courts.

A) be ignored

B) not be cited

C) be followed

D) be reviewed

Answer: C

Explanation: Decisions made by the U.S. Supreme Court must be followed by other courts due to the concept of precedent.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

24) A court decision upon which courts later rely in similar cases is known as a(n) \_\_\_\_\_\_\_\_.

A) injunction

B) precedent

C) arbitration

D) statutory review

Answer: B

Explanation: A model case that a court can follow when facing a similar situation is known as a precedent.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

25) The laws passed by Congress and by state legislatures are called \_\_\_\_\_\_\_\_.

A) ordinances

B) executive orders

C) statutes

D) notices

Answer: C

Explanation: The laws passed by Congress and by state legislatures are called statutes, and the field of the law that deals with these statutes is known as statutory law.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

26) A law that is passed by a local government, such as a city council, is often called a(n) \_\_\_\_\_\_\_\_.

A) ratio decidendi

B) statute

C) regulation

D) ordinance

Answer: D

Explanation: A law that is passed by a local government, such as a city council, is often called an ordinance.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

27) Statutes are different from ordinances because statutes are enacted by \_\_\_\_\_\_\_\_ instead of local councils or municipalities.

A) state and federal legislatures

B) the US Supreme Court

C) state courts

D) federal agencies

Answer: A

Explanation: The laws passed by Congress and by state legislatures are called statutes, and the field of the law that deals with these statutes is known as statutory law.

Difficulty: 1 Easy

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

28) The Uniform Commercial Code was \_\_\_\_\_\_\_\_.

A) enacted in 1962 by Congress to create a uniform federal law for commercial transactions in the United States

B) created in 1952 by the National Conference of Commissioners to aid states as they drafted laws regarding commercial transactions

C) adopted by all 50 states in 1943 to create a cohesive understanding of commercial transactions in the United States

D) a part of federal common law and was created in 1976 in a decision of the U.S. Supreme Court

Answer: B

Explanation: The Uniform Commercial Code (UCC) was prepared in 1952 by the National Conference of Commissioners on Uniform State Laws.

Difficulty: 1 Easy

Topic: Uniform Commercial Code

Learning Objective: 01-04 Explain the reasons for the preparation of the Uniform Commercial Code.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

29) The regulation of acts against the public (society) is classified as what area of law?

A) Civil law

B) Criminal law

C) Real property law

D) Contract law

Answer: B

Explanation: Criminal law is concerned with acts against society (criminal acts) and the regulation of criminal activity.

Difficulty: 1 Easy

Topic: Classification of Laws

Learning Objective: 01-05 Cite and describe the major classifications of law.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

30) The law concerned with the unenforceable obligations that people have to one another is known as \_\_\_\_\_\_\_\_.

A) international law

B) rural law

C) moral law

D) constitutional law

Answer: C

Explanation: Moral law is the "law" concerned with the unenforceable obligations that people have to one another.

Difficulty: 1 Easy

Topic: Moral Law

Learning Objective: 01-06 Distinguish moral law from legal obligations.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

31) The enforcement of any and all moral obligations results from \_\_\_\_\_\_\_\_.

A) actions by federal or state agencies

B) actions by state courts

C) actions by federal courts

D) the effect on a person's conscience

Answer: D

Explanation: A person's conscience is often the only means of enforcement of moral obligations.

Difficulty: 1 Easy

Topic: Moral Law

Learning Objective: 01-06 Distinguish moral law from legal obligations.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

32) Most legal scholars agree that today's laws provide adequate protection of the \_\_\_\_\_\_\_\_ of the individual.

A) obligations

B) responsibility

C) duties

D) rights

Answer: D

Explanation: Most legal scholars agree that today's laws provide adequate protection of the rights of the individual.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

33) The authority or power of a court to hear cases, as granted by a constitution or legislative act, is known as the court's \_\_\_\_\_\_\_\_.

A) incorporation

B) ratio decidendi

C) jurisdiction

D) venue

Answer: C

Explanation: The authority or power of a court to hear cases, as granted by a constitution or legislative act, is known as the court's jurisdiction.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

34) Courts that are given the power to hear only certain kinds of cases have \_\_\_\_\_\_\_\_ jurisdiction.

A) remand

B) special

C) pecuniary

D) appellate

Answer: B

Explanation: Courts that are given the power to hear only certain kinds of cases have special jurisdiction.  Examples are family courts, traffic courts, and tax courts.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

35) The U.S. Supreme Court hears \_\_\_\_\_\_\_\_.

A) all appeals directly from the federal trial courts

B) all appeals directly from the state trial courts

C) a large percentage of appeals from both the federal and state appellate courts

D) a small percentage of appeals from both the federal and state appellate courts

Answer: D

Explanation: The Supreme Court actually hears only a small percentage of appeals because it has no legal obligation to review decisions of lower courts, except in very limited cases.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

36) The federal district courts have original jurisdiction in cases involving \_\_\_\_\_\_\_\_.

A) criminal matters arising out of state statute

B) probate matters arising out of state statute

C) cases in which state law conflicts with county ordinances

D) federal questions arising out of federal statute

Answer: D

Explanation: The federal district courts have original jurisdiction in cases involving federal statutes and in cases when the parties are citizens of different states and the amount involved is greater than $75,000.00.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

37) Appeals of the decisions of federal administrative agencies are made to the \_\_\_\_\_\_\_\_.

A) U.S. Supreme Court

B) US Bankruptcy Court

C) U.S. District Courts

D) U.S. Circuit Courts of Appeals

Answer: D

Explanation: Appeals of the decisions of federal administrative agencies, such as the Federal Trade Commission (FTC), are made to the U.S. Circuit Courts of Appeals.

Difficulty: 1 Easy

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

38) Describe the parties in a civil case.

Answer: A civil law case involves curing a legal wrong between private parties, there is typically no government involvement. The parties in a civil law case are a plaintiff and a defendant. The plaintiff is the individual who brings the lawsuit and the defendant is the individual against whom the lawsuit is brought.

Explanation: In a civil case, that is a legal issue between two parties, there is a plaintiff and a defendant.

Difficulty: 2 Medium

Topic: The Law in Our World

Learning Objective: 01-01 Discuss the application of law in today's world.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

39) Explain what the term precedent means and how it is followed by courts in the United States.

Answer: A precedent is a court decision on which later courts rely in similar cases. In some instances, a court may be influenced by precedent; in other cases it may not. Whether a court follows a precedent or decides to overrule depends on the court that has ruled on the case and whether the previous case was decided by the highest court in the same state.

Difficulty: 2 Medium

Topic: Sources of Law

Learning Objective: 01-03 Identify the principal sources of law in the United States.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

40) What is the name of the uniform law that has attempted to create uniformity in state laws dealing with business and commercial transactions?

Answer: The conflicts in the laws of the various states were largely solved with the adoption of the Uniform Commercial Code (UCC).

Difficulty: 2 Medium

Topic: Uniform Commercial Code

Learning Objective: 01-04 Explain the reasons for the preparation of the Uniform Commercial Code.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

41) What classification of law deals with the conduct of government agencies and enforcement of their regulations?

Answer: The administrative branch is a reference to the part of our government that is managed by government agencies. Government agencies manage through rule making and regulation enforcement. The law that concerns the actions of government agencies is called administrative law.

Explanation: Administrative law is concerned with the rules and regulations of government agencies.

Difficulty: 2 Medium

Topic: Classification of Laws

Learning Objective: 01-05 Cite and describe the major classifications of law.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

42) Write a brief explanation of the federal court system.

Answer: The federal court system has three main levels: the trial court, called the District Court, the main appellate court, called the Circuit Court of Appeals, and the highest court in the United States that decides constitutional matters, the Supreme Court.

Explanation: The court of first impression, or general trial court, in the federal court system is the District Court. These are courts of original jurisdiction which are authorized to hear cases that are not otherwise restricted to specialized courts. If one of the parties in a case feels that he or she did not have a fair trial in the court of original jurisdiction, he or she can, with the aid of an attorney, seek an appeal in the Circuit Court of Appeals. There are 13 circuit courts of appeals. The highest court in the United States is the Supreme Court. The Supreme Court has original jurisdiction in certain cases and it hears appeals from lower courts. The Supreme Court rules on issues of constitutionality of laws.

Difficulty: 2 Medium

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

43) In what court would a case involving an appeal of a decision made by the Federal Trade Commission be tried?

Answer: The U.S. Circuit Court of Appeals would have jurisdiction in this case.

Explanation: The U.S. Circuit Court of Appeals would have jurisdiction in a case where an individual was appealing a decision of the Federal Trade Commission.

Difficulty: 2 Medium

Topic: A System of Courts

Learning Objective: 01-07 Describe the structure of our federal and state court systems.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation