

Chapter 1

Law and Legal Reasoning

TRUE/FALSE QUESTIONS

B1. Laws and government regulations affect almost all business activities.

ANSWER: T
BUSPROG: Analytic

PAGES: Introduction
AICPA: BB-Legal

B2. The U.S. Constitution is the basis of all law in the United States.

ANSWER: T
BUSPROG: Analytic

PAGES: Section 2
AICPA: BB-Legal

B3. The U.S. Constitution reserves to the federal government all powers not granted to the states.

ANSWER: F
BUSPROG: Analytic

PAGES: Section 2
AICPA: BB-Critical Thinking

B4. The Uniform Commercial Code has been adopted in all fifty states.

ANSWER: T
BUSPROG: Reflective

PAGES: Section 2
AICPA: BB-Critical Thinking

B5. Federal agency regulations take precedence over conflicting state agency regulations.

ANSWER: T
BUSPROG: Analytic

PAGES: Section 2
AICPA: BB-Legal

2 TEST BANK B—UNIT ONE: THE LEGAL ENVIRONMENT OF BUSINESS

B6. *Common law* is a term for the laws that are familiar to most of us.

ANSWER: F PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Critical Thinking

B7. Decisions by higher courts are *not* binding on lower courts.

ANSWER: F PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Legal

B8. *Stare decisis* is a doctrine obligating judges to help persons who have failed to protect their own rights.

ANSWER: F PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Legal

B9. Courts are *not* obligated to follow precedents.

ANSWER: F PAGES: Section 3
BUSPROG: Reflective AICPA: BB-Critical Thinking

B10. In most legal controversies, there is one single correct result.

ANSWER: F PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Critical Thinking

B11. Although cases may be similar, no two cases are ever identical in all respects.

ANSWER: T PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Critical Thinking

B12. Each judge had his or her personal beliefs and philosophy, which shape the legal reasoning process.

ANSWER: T PAGES: Section 3
BUSPROG: Reflective AICPA: BB-Critical Thinking

B13. Clearly, a judge's function is to *make* the laws.

ANSWER: F PAGES: Section 4
BUSPROG: Analytic AICPA: BB-Critical Thinking

- B4. The Pennsylvania legislature enacts a state law that violates the U.S. Constitution. This law can be enforced by
- no one.
 - the federal government only.
 - the state of Pennsylvania only.
 - the United States Supreme Court only.

ANSWER: A PAGES: Section 2
BUSPROG: Reflective AICPA: BB-Legal

- B5. The Bay City Planning Department, the Coastal County Zoning Commission, the Delaware Environmental Quality Agency, and the U.S. Bureau of Land Management issue regulations. These rules constitute
- administrative law.
 - case law.
 - stare decisis*.
 - statutory law.

ANSWER: A PAGES: Section 2
BUSPROG: Reflective AICPA: BB-Critical Thinking

- B6. Charles is a federal judge whose judicial decisions are part of case law, which does *not* include interpretations of
- regulations created by administrative agencies.
 - constitutional provisions.
 - statutes enacted by legislatures.
 - sound bites in the media.

ANSWER: D PAGES: Section 2
BUSPROG: Reflective AICPA: BB-Legal

- B10. Maggie and Nate enter into a contract for the sale of a car, but Nate later refuses to deliver the car. Maggie asks a court to order Nate to perform as promised. Ordering a party to perform what was promised is
- specific performance.
 - damages.
 - rescission.
 - beyond the court's authority.

ANSWER: A PAGES: Section 3
BUSPROG: Reflective AICPA: BB-Decision Modeling

- B11. Jane enters into a contract with Jill to provide 100 roses for a dinner party. Jill fails to deliver the roses. Jane initiates a suit against Jill, asking the court to order Jill to refund Jane's payment. Jane is
- the plaintiff.
 - the defendant.
 - the binding authority.
 - the persuasive authority.

ANSWER: A PAGES: Section 3
BUSPROG: Analytic AICPA: BB-Legal

- B12. Sara believes that she has a strong case against Tom for the breach of an employment contract. Despite this belief, Sara cannot file a suit against Tom after the expiration of the time allowed for the filing under
- a statute of limitations.
 - the doctrine of laches.
 - an equitable maxim.
 - the remedy at law.

ANSWER: A PAGES: Section 3
BUSPROG: Reflective AICPA: BB-Legal

- B16. To Sam, the written law of a particular society at a particular time is most significant. Sam is a
- legal positivist.
 - person who adheres to the historical school of legal thought.
 - legal realist.
 - person who adheres to the natural law tradition.

ANSWER: A
BUSPROG: Analytic

PAGES: Section 4
AICPA: BB-Critical Thinking

- B17. Dave and Ellen enter into a contract via e-mail. When a dispute arises over the performance of the deal, Dave files a suit against Ellen. The emerging body of law that governs transactions conducted via the Internet is referred to by the term
- cyberlaw.
 - civil law.
 - equitable maxims.
 - IRAC.

ANSWER: A
BUSPROG: Reflective

PAGES: Section 5
AICPA: BB-Critical Thinking

- B18. Beth is a victim of Carl's violation of a criminal law. Criminal law is concerned with
- the prosecution of private individuals by other private individuals.
 - the prosecution of public officials by private individuals.
 - the relief available when a person's rights are violated.
 - wrongs committed against the public as a whole.

ANSWER: D
BUSPROG: Reflective

PAGES: Section 5
AICPA: BB-Research

The practice of deciding cases with reference to former decisions, or precedents—the cornerstone of the American legal system—is called the doctrine of *stare decisis*. Under this doctrine, judges are obligated to follow the precedents established within their jurisdictions. This helps courts to be more efficient and makes the law more stable and predictable.

PAGES: Section 3

BUSPROG: Reflective

AICPA: BB-Critical Thinking

- B2. For a business law class, Sierra reads and briefs several court opinions using the IRAC method of legal reasoning. What do the letters I, R, A, and C abbreviate? What are the steps in the IRAC method?

ANSWER: The letters I, R, A, and C are the first letters of “Issue,” “Rule,” “Application,” and “Conclusion.”

The IRAC method of legal reasoning requires Sierra or any other student or reader to first summarize the important facts of a legal case and state the salient issue or issues. The second step is to determine and set out the rule of law that applies to the facts to resolve the issue. The third step is to apply that rule to those facts. The application of the rule requires an answer to the question posed by the issue. This answer may involve one or more different types of legal reasoning, but those reasons should be thought out and expressed clearly. Finally, the conclusion derived from the application of the rule to the facts is stated. This is sometimes referred to as the result or the outcome in a case—who won; who lost; what the award, if any, consists of; or what the parties are, or are not, required to do next.

PAGES: Section 3

BUSPROG: Reflective

AICPA: BB-Legal