*Chapter 1*

**Law and Legal Reasoning**

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| N.B.: **TYPE** indicates that a question is new, modified, or unchanged, as follows.  **N** A question *new* to this edition of the Test Bank.  **+** A question *modified* from the previous edition of the Test Bank.  **=** A question *included* in the previous edition of the Test Bank. |

**TRUE/FALSE QUESTIONS**

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

ANSWER: T PAGE: 2 TYPE: N

BUSPROG: Analytic AICPA: BB-Legal

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

ANSWER: T PAGE: 4 TYPE: +

BUSPROG: Analytic AICPA: BB-Legal

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

ANSWER: F PAGE: 4 TYPE: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

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

ANSWER: T PAGE: 5 TYPE: +

BUSPROG: Reflective AICPA: BB-Critical Thinking

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

ANSWER: T PAGE: 5 TYPE: +

BUSPROG: Analytic AICPA: BB-Legal

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

ANSWER: F PAGE: 6 type: =

BUSPROG: Analytic AICPA: BB-Critical Thinking

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

ANSWER: F PAGE: 8 TYPE: +

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 PAGE: 8 TYPE: =

BUSPROG: Analytic AICPA: BB-Legal

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

ANSWER: F PAGE: 9 TYPE: N

BUSPROG: Reflective AICPA: BB-Critical Thinking

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

ANSWER: F PAGE: 10 TYPE: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

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

ANSWER: T PAGE: 10 TYPE: N

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 PAGE: 10 TYPE: N

BUSPROG: Reflective AICPA: BB-Critical Thinking

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

ANSWER: F PAGE: 11 type: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

B14. The courts, in interpreting statutory law, often rely on the common law as a guide to what the legislators intended.

ANSWER: T PAGE: 11 TYPE: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

B15. A jury’s good sense and careful consideration of consequences is known as jurisprudence.

ANSWER: F PAGE: 11 TYPE: =

BUSPROG: Reflective AICPA: BB-Critical Thinking

B16. Procedural law consists of all laws that outline the methods of enforcing rights.

ANSWER: T PAGE: 12 TYPE: N

BUSPROG: Analytic AICPA: BB-Legal

B17. A citation identifies the publication in which a legal authority can be found*.*

ANSWER: T PAGE: 13 TYPE: N

BUSPROG: Analytic AICPA: BB-Research

B18. The decisions made by the courts establish the boundaries of the law as it applies to almost all business relationships.

ANSWER: T PAGE: 15 TYPE: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

B19. The party against whom a lawsuit is brought is the *plaintiff* or *petitioner*.

ANSWER: F PAGE: 20 TYPE: N

BUSPROG: Analytic AICPA: BB-Critical Thinking

B20. When all the judges (or justices) agree on a decision, a *majority opinion* is written for the entire court.

ANSWER: F PAGE: 20 TYPE: N

BUSPROG: Reflective AICPA: BB-Critical Thinking

**multiple-choice questions**

B1. Data Analytics, Inc., is a corporation engaged in the business of compiling, analyzing, and marketing data. To accomplish its purposes, Data Analytics obtains financing, and hires and fires employees. Laws and government regulations affect such business activities as

a. hiring and firing decisions.

b. the manufacturing and marketing of products.

c. business financing.

d. all of the choices.

ANSWER: D PAGE: 2 TYPE: N

BUSPROG: Reflective AICPA: BB-Critical Thinking

B2. The U.S. Congress enacts a new federal statute that imposes liability on businesses hiring employees without verifying their citizenship status. This statute applies

a. only to businesses not covered by state law.

b. only to those states that consent to apply it.

c. to all of the states.

d. to none of the states.

ANSWER: C PAGE: 4 type: +

BUSPROG: Reflective AICPA: BB-Legal

B3. A provision in the California state constitution conflicts with a provision in the U.S. Constitution. If challenged

a. neither provision will be enforced.

b. the provisions will be balanced to reach a compromise.

c. the state provision, not the U.S. Constitution, will be enforced.

d. the U.S. Constitution, not the state provision, will be enforced.

ANSWER: D PAGE: 4 TYPE: +

BUSPROG: Reflective AICPA: BB-Legal

B4. The Pennsylvania legislature enacts a state law that violates the U.S. Constitution. This law can be enforced by

a. no one.

b. the federal government only.

c. the state of Pennsylvania only.

d. the United States Supreme Court only.

ANSWER: A PAGE: 4 TYPE: N

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

a. administrative law.

b. case law.

c. *stare decisis*.

d. statutory law.

ANSWER: A PAGE: 5 type: N

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

a. regulations created by administrative agencies.

b. constitutional provisions.

c. statutes enacted by legislatures.

d. sound bites in the media.

ANSWER: D PAGE: 5 TYPE: N

BUSPROG: Reflective AICPA: BB-Legal

B7. Much of American law is based on

a. the English legal system.

b. the French legal system.

c. Greek civil law.

d. ancient Chinese law.

ANSWER: A PAGE: 6 type: N

BUSPROG: Reflective AICPA: BB-Legal

B8. Bob’s Big Burgers n’ Shakes Restaurant brings a suit, seeking a remedy at law. A *remedy at law* is

a. monetary damages.

b. a decree of specific performance.

c. a judicial proceeding for the resolution of a dispute.

d. an injunction.

ANSWER: A PAGE: 6 type: N

BUSPROG: Reflective AICPA: BB-Critical Thinking

B9. Larry enters into a contract with Motivational Education Services to host a panel discussion at a sales conference. When the conference is postponed indefinitely, Larry asks a court to cancel the contract and return the parties to the positions that they held before its formation. This request involves

a. specific performance.

b. an injunction.

c. rescission.

d. an action that the court cannot order.

ANSWER: C PAGE: 7 type: N

BUSPROG: Reflective AICPA: BB-Legal