

Indicate whether the sentence or statement is True or False. Mark "A" if True or "B" if False.			
	a. True	b. False	
1. The absence of a genuine agreement will make contract papers voidable.	a. True	b. False	
2. In some states, the contract is still valid if the mutual mistake is about the applicable law.	a. True	b. False	
3. Minors have contractual capacity.	a. True	b. False	
4. It is legal for manufacturers to identify a "suggested retail price."	a. True	b. False	
5. An oral agreement to sell a house is bound by the down payment of the buyer.	a. True	b. False	
6. Valid contracts may be oral, written, implied from conduct, or some combination of these unless otherwise required by law.	a. True	b. False	
7. The Uniform Commercial Code (UCC) governs sales of goods and contracts to sell goods in the future.	a. True	b. False	
8. The bill of sale is absolute proof of ownership.	a. True	b. False	
9. A contract in which ownership of (title to) goods transfers immediately from the seller to the buyer for a price is a contract to sell.	a. True	b. False	
10. The partnership and all partners are liable when any partner commits a tort while acting within the scope of the firm's business.	a. True	b. False	
11. Actual bailments and constructive bailments are two ways to transfer possession and control of goods.	a. True	b. False	
12. The bailee must return the goods to the bailor and no one else.	a. True	b. False	
13. Product liability laws have increased in recent years to protect injured plaintiffs.	a. True	b. False	
14. Negotiable instruments is another term for commercial paper.	a. True	b. False	
15. A will is a legal expression by which a person directs how his or her property is to be distributed after death.	a. True	b. False	
16. Bankruptcy is always a voluntary request.	a. True	b. False	
17. All agents owe to their principals obligations called fiduciary duties.	a. True	b. False	
18. Insurance is a contractual arrangement that protects against loss.	a. True	b. False	
<b>Mark the correct answer(s) on your Scantron sheet for each of the following questions.</b>			
19. Which of the following is <b>not</b> one of the major requirements for a contract?	a. Time	b. Genuine assent	c. Capacity d. Consideration
20. Offers that require the offeree to accept by communicating the requested promise to the offeror are	a. unilateral contracts.	b. bilateral contracts.	c. matching offer contracts. d. mirror image rules.
21. In misrepresentation, the statement must be one of	a. slander.	b. fact.	c. opinion. d. unimportant information.

	a. An act	b. Forbearance	c. A promise	d. A gift
22. Which of the following are <b>not</b> given in mutual consideration?	a. an output contract.	b. an option contract.	c. a production contract.	d. a requirements contract.
23. When buyers agree to purchase all of a particular producer's production, it is called	a. Future performance	b. Immediate performance	c. Past performance	d. Present performance
24. Which of the following is <b>not</b> a part of consideration?	a. Housing	b. Clothes	c. Cosmetics	d. Food
25. Which of the following would most likely be classified as non-necessaries?	a. emancipated.	b. non-necessary.	c. ratified.	d. disaffirmed.
26. When the consideration by both parties has been given back, the contract is said to be	a. sports wagering.	b. state lotteries.	c. office pools.	d. after hours poker games.
27. Some legalized forms of gambling might include	a. Allocation of markets	b. Bid rigging	c. Price fixing	d. Franchising
28. Which of the following would <b>not</b> be an agreement that would restrain trade unreasonably?	a. procedural unconscionability.	b. substantive unconscionability.	c. rare unconscionability.	d. false unconscionability.
29. When contracts contain very fine print, light typesetting, or elements of fraud, duress, undue influence, or misrepresentation, they are said to be	a. Most contracts are enforceable even if there is no writing.	b. Certain contracts are enforceable only if they are written and signed.	c. Some contracts may be implied from conduct.	d. Contracts that are unenforceable are illegal.
30. Which of the following statements is <b>not</b> true?	a. to guarantee that each party gets equal monetary value from the contract.	b. every possible interpretation of the contract to ensure equality.	c. to interpret the contract in terms of the parties' principal objective.	d. to side with the weaker party to the contract.
31. When interpreting a written contract, the courts generally seek	a. interpreted based on the handwritten portion.	b. interpreted based on the typewritten portion.	c. considered illegal and unenforceable.	d. voided, and a new contract written.
32. A typewritten agreement that includes a conflicting handwritten statement will be	a. numerical prevails.	b. written prevails.	c. contract is void.	d. highest value prevails.
33. In contracts referring to amounts of money in which both the numerical and the written expressions of the amount are unambiguous, the	a. the buyer selects and agrees to buy the goods in the seller's store.	b. the goods are accepted by the buyer.	c. delivery is made.	d. the final payment is made.
34. When payment for goods takes place at a later date, the transfer of title takes place when	a. The right to return damaged goods	b. The right of ownership and risk of loss	c. The right to pay for the goods	d. The right to inspect the goods before payment
35. In a COD transaction, what right does the buyer lose?	a. The goods exist and have been identified.	b. Risk of loss goes to the buyer.	c. A contract for the sale of future goods is merely an agreement to sell, but does not constitute a sale.	d. The goods have been identified, but do not exist.
36. In the case of future goods, which of the following statements is true?				

	a. existing good.	b. identified good.	c. fungible good	d. deliverable good.
37. Helena examines countless catalogs and pinpoints several wedding dresses that she likes. After discussing the various dresses with her maid of honor, she determines the dress she wants to purchase. She calls the company, gives the sales representative her measurements, and specifies material type, color of fabric, and delivery date. After placing this order on her charge card, the wedding dress is an example of a(n)				
38. When a buyer's credit is questionable, what options does a seller have in order to receive payment?	a. COD basis	b. On approval	c. Transfer	d. FOB basis
39. Unconscionable contracts are	a. criminal in nature.	b. null and void.	c. unethical.	d. against the law.
40. If a party admits in legal testimony that they agreed to part or all of an oral contract governed by the statute of frauds, the contract would be	a. binding to the extent admitted.	b. null and void.	c. rewritten and signed by both parties.	d. voidable.
41. The most numerous legal form of business organizations are	a. corporations.	b. non-trading partnerships.	c. sole proprietorships.	d. trading partnerships.
42. Which of the following hold themselves out as partners or let others do so, but are not actual partners?	a. Dormant partner	b. Nominal partner	c. Secret partner	d. Silent partner
43. A partner who invests more capital, brings in more business, or works longer and harder than his or her associates is entitled to	a. a larger percentage of the business.	b. a larger share of the profits.	c. extra pay.	d. no extra compensation unless all partners agree.
44. Corporations established for a governmental purpose are called	a. private corporations.	b. public corporations.	c. public service corporations.	d. profit-making corporations.
45. Electric, gas, and water companies are examples of	a. private corporations.	b. public corporations.	c. public service corporations.	d. profit-making corporations.
46. An application for incorporation must be accompanied by or contain the basic plan of operation called the	a. articles of incorporation.	b. business judgment rule.	c. bylaws.	d. shares of stock.
47. The number of shareholders in an S corporation must be	a. 75 or less.	b. 60 or less.	c. 30 or less.	d. unlimited.
48. Which of the following is <b>not</b> an advantage of the LLC?	a. Members are allowed to participate in management	b. No limitation as to whom or what can be a stockholder	c. No limitation on the number of members	d. Taxes associated with transferring assets
49. Charging demurrage occurs in	a. bailment for hire.	b. bailment for sale.	c. bailment for services.	d. bailment for transport.
50. The relationship that exists between contracting parties as a result of their legally binding agreement is referred to as	a. caveat emptor.	b. caveat venditor.	c. express warranty.	d. privity of contract.
51. When a prospective buyer uses the goods to decide whether or not to buy them, it is	a. a bailee's lien.	b. a carrier's lien.	c. a consignment.	d. a sale on approval.
52. A voluntary, court-enforceable agreement to stop an illegal or questionable practice is	a. a cease-and-desist order.	b. a consent order.	c. a class action.	d. a restitution order.
53. Consumer protection of consumer goods and services often begins with	a. caveat venditor.	b. class actions.	c. licensing suppliers.	d. mandatory inspections of all businesses.
54. An assurance of quality or promise of performance clearly made by the seller is	a. an express warranty.	b. an implied warranty.	c. a warranty of title.	d. a warranty against infringement.
55. An instrument is not negotiable if it requires that the amount be paid	a. with bank charges.	b. with costs of collection.	c. with interest or a discount.	d. along with a good or service.

56. The most common type of endorsement that automatically transfers order paper into bearer paper is a	a. blank endorsement.	b. qualified endorsement.	c. restrictive endorsement.	d. special endorsement.
57. To make the paper payable to the order of a designated party, one must use	a. blank endorsement.	b. a qualified endorsement.	c. a restrictive endorsement.	d. a special endorsement.
58. Which of the following is <b>not</b> an element of most torts?	a. Causation	b. Conspiracy	c. Injury	d. Violation of a duty
59. Which of the following compels a witness to appear in court and testify?	a. The complaint	b. The subpoena	c. The tort	d. The verdict
60. A threat with an apparent ability to do immediate injury is referred to as	a. an assault.	b. battery.	c. defamation.	d. an invasion of privacy.
61. An unlawful or harmful touching is called	a. an assault.	b. battery.	c. defamation.	d. an invasion of privacy.
62. In a jury trial, who decides issues of fact?	a. The defendant	b. The judges of the appellate court	c. The jury	d. The trial judge
63. Which of the following is <b>not</b> a defense to the tort of negligence?	a. Assumption of the risk	b. Contributory negligence	c. Comparative negligence	d. Fraud
64. Which of the following would probably <b>not</b> be considered strict liability?	a. Raising tulips	b. Raising tigers	c. Selling defective car seats	d. Storing several 100-gallon tanks of propane gas in your garage
65. The division of labor between the federal and state governments produced such uneven and ineffective regulation that the U.S. Supreme Court redefined	a. commercial transportation.	b. interstate commerce.	c. intrastate commerce.	d. non-commercial transportation.
66. Which area does the reviewing court of appeals check first?	a. Conspiracy	b. Due process	c. Not arbitrary or capricious	d. Within the agency's powers
67. The agency that deals with discrimination in the workplace is the	a. Equal Opportunity Employers.	b. Equal Employment Opportunity Commission.	c. National Immigration Board.	d. National Labor Relations Board.
68. The act requiring information in federal agency records to be made available if properly requested is the	a. Administrative Procedure Act.	b. Disclosure of Information Act.	c. Freedom of Information Act.	d. Sunshine Act.
69. The female maker of a will is properly called	a. an administratrix.	b. an executrix.	c. a testatrix.	d. a trustee.
70. A court-appointed male personal representative overseeing an estate is called	a. an executor.	b. a testator.	c. a trustee.	d. an administrator.
71. A will <b>only</b> takes effect	a. upon the death of the maker.	b. upon the witnessed signing of it.	c. upon the official recording of it.	d. upon the one-year anniversary of the death of the maker.
72. If proclaimed during the maker's last illness or by service personnel on active duty, some states will recognize	a. a codicil.	b. a holographic will.	c. a nuncupative will.	d. a testamentary trust.
73. When a separate entity under law becomes the transferee of the property, it creates	a. an estate.	b. a codicil.	c. a council.	d. a trust.
74. A trust created during the lifetime of the settlor is	a. a charitable trust.	b. an inter vivos trust.	c. a spendthrift trust.	d. a testamentary trust.
75. The trust that protects the beneficiary's interest in the subject property from the beneficiary's creditors is	a. a charitable trust.	b. an inter vivos trust.	c. a spendthrift trust.	d. a testamentary trust.
76. A constructive trust is a type of	a. charitable trust.	b. express trust.	c. implied trust.	d. private trust.
77. Any agreement reached by the representative in an agency relationship binds	a. the agent and the principal.	b. the agent and the third party.	c. the principal and the third party.	d. the employee and the third party.
78. A warranty of the principal's capacity is imposed by law on the	a. agent.	b. employer.	c. principal.	d. third party.

79. Before a valid ratification can occur,	a. the principal must ratify at least one part of the transaction.	b. the principal must ratify after the third person withdraws from the transaction.	c. the principal must have some knowledge of the material facts.	d. the third person must have believed that he or she was making a contract with the principal.
80. The fiduciary duty that requires the agent to communicate to the principal any information that would affect the principal's decisions is	a. accounting.	b. care and skill.	c. confidentiality.	d. loyalty and obedience.
81. The fiduciary duty that binds the agent even years after the agency relationship has ended is	a. accounting.	b. care and skill.	c. confidentiality.	d. loyalty and obedience.
82. In case of default, a lien does <b>not</b> give the creditor the right to	a. attach the debtor's wages.	b. repossess the property.	c. seize control of the property.	d. sell the property.
83. A person who has not been paid for labor to build a home is allowed to file a legal claim against the property under	a. an artisan's lien.	b. a mechanic's lien.	c. a pawn.	d. a pledge.
84. A person who has not been paid for services is allowed to retain possession of the repaired or delivered property until payment is made under	a. an artisan's lien.	b. a mechanic's lien.	c. a pawn.	d. a pledge.
85. The bankruptcy law that involves liquidation of nonexempt property is	a. Chapter 7.	b. Chapter 11.	c. Chapter 12.	d. Chapter 13.
86. The bankruptcy law that is available only to individuals who have regular income is	a. Chapter 7.	b. Chapter 11.	c. Chapter 12.	d. Chapter 13.
87. The first to be paid from the proceeds of liquidation would be	a. administrative expense.	b. certain unpaid taxes.	c. secured creditors.	d. unpaid wages, salaries, and commissions.
88. The stated maximum amount of money that can be paid on an insurance policy is the	a. benefit.	b. endorsement.	c. face value.	d. premium.
89. The type of insurance that covers structural loss due to rain, hail, earthquake, and windstorm is	a. fidelity.	b. fire.	c. inland marine.	d. social.
90. The type of insurance that covers automobile, burglary, disability, and liability would be	a. casualty.	b. fidelity.	c. inland marine.	d. social.
91. Insurance providing protection against claims of parties who suffer injury or other loss as a result of negligence committed by the insured would be	a. fidelity.	b. inland marine.	c. liability.	d. social.
92. A fire insurance clause that requires the insured to maintain coverage equal to a certain percentage of the total current value of the insured property is	a. coinsurance.	b. an endorsement.	c. an omnibus clause.	d. an exclusion clause.
93. The relationship that exists between contracting parties as a result of their legally binding agreement is referred to as	a. caveat emptor.	b. caveat venditor.	c. express warranty.	d. privity of contract.
94. A life insurance clause prohibiting the insurer from refusing to perform due to misrepresentation or fraud after the policy has been in effect for one or two years is	a. an endorsement.	b. an exclusion.	c. an incontestability clause.	d. an omnibus clause.
95. The primary source for social insurance coverage in the country is the	a. Federal Insurance Contributions Act.	b. Retirement, Survivors' Disability, and Health Insurance Act.	c. Social Security Act.	d. Medicare Act.

96. Susan Fordham, age two, was attacked and severely bitten in the face and ear by a dog owned by Timothy Jones. Jones admitted that the dog barked frequently, was large, looked mean, and chased cars. On the other hand, no one had every complained about the dog, it had never bitten anyone before, and it frequently played with other children. Is Jones liable for the injuries to Fordham?	a. No. Owners are not liable for injuries caused by their dogs unless the owners know that their dogs are dangerous.	b. No. Owners are not liable for injuries caused by animals.	c. Yes. Owners are always liable for injuries caused by animals.	d. Yes. Owners are always liable for injuries caused by their domestic pets.
97. During a riot at the Iowa State Penitentiary, prisoners held staff members hostage. The staff members were released after the warden agreed in writing that the prisoners would experience no reprisals. Afterward, however, some of the prisoners were punished. One prisoner, Wagner, was placed in solitary confinement for 30 days and received 180 days of administrative segregation. He also lost 1,283 days of good time earned. On what legal grounds can the warden refuse to keep his promise to the inmates and why?	a. The warden can refuse to keep his promise to the inmates based on the fact they broke the law.	b. The warden can refuse to keep his promise to the inmates based on duress.	c. The warden cannot refuse to keep his promise because he agreed in writing.	d. The warden cannot refuse to keep his promise because he must keep a promise.
98. Coleman bid \$2,050 for a D-7 tractor at a public auction. It was not stated that the auction was with reserve. The auctioneer yelled "Sold" accepting Coleman's bid. Later, the owner of the tractor refused to sell it for \$2,050 saying that the auction was with reserve and that he could refuse to accept the bid. Did the owner have to sell the tractor to Coleman for \$2,050?	a. No, because the auction was with reserve	b. No, because the tractor was worth more than \$2050	c. Yes, the auctioneer is the seller's agent, whose act of accepting a bid is binding on the seller.	d. Yes, the auctioneer is the buyer's agent, whose act of accepting a bid is binding on the buyer.
99. Dolores Roberts paid a \$200 deposit to rent a banquet room at Alex's Continental Inn for her daughter's wedding reception. Three months before the wedding, Roberts notified the inn that the wedding reception had been cancelled. The inn refused to return Dolores's deposit arguing that this was not a consumer transaction. Does the inn have the right to retain the deposit? Why or why not?	a. Yes. Because it is a consumer transaction	b. Yes. Because it is not a consumer transaction	c. No. Because the wedding reception had been cancelled	d. No. A consumer transaction is a sale or lease of goods or services for personal, family, or household purposes. Renting a banquet hall for a wedding reception is both a sale and a service, and is for personal and family purposes.

**BUSINESS LAW**

No.	Answer	No.	Answer	No.	Answer	No.	Answer
1.	A	26.	D	51.	C	76.	C
2.	A	27.	B	52.	B	77.	C
3.	B	28.	D	53.	C	78.	A
4.	A	29.	A	54.	A	79.	D
5.	B	30.	D	55.	D	80.	B
6.	A	31.	C	56.	A	81.	C
7.	A	32.	A	57.	D	82.	A
8.	B	33.	B	58.	B	83.	B
9.	B	34.	A	59.	B	84.	A
10.	A	35.	D	60.	A	85.	A
11.	A	36.	C	61.	B	86.	D
12.	B	37.	B	62.	C	87.	C
13.	A	38.	A	63.	D	88.	C
14.	A	39.	C	64.	A	89.	B
15.	A	40.	A	65.	B	90.	A
16.	B	41.	C	66.	B	91.	C
17.	A	42.	B	67.	B	92.	A
18.	A	43.	D	68.	C	93.	D
19.	A	44.	B	69.	C	94.	C
20.	B	45.	C	70.	D	95.	C
21.	B	46.	A	71.	A	96.	A
22.	D	47.	A	72.	C	97.	B
23.	A	48.	D	73.	D	98.	C
24.	C	49.	D	74.	b	99.	D
25.	c	50.	D	75.	C	100.	