

Business Law - 2006 SLC

- 1) Minority ends the day after the birthday of the age of majority.
A) True
B) False
- 2) Withdrawal from a contract has to take place within sixty days once ratification occurs.
A) True
B) False
- 3) Unlicensed persons can make valid contracts even when business licenses are required as a means of raising public revenue.
A) True
B) False
- 4) Waivers are intentional, not implied by conduct.
A) True
B) False
- 5) Auction sales are "with reserve" unless specifically announced in advance to be "without reserve."
A) True
B) False
- 6) A limited partner may be employed as an independent contractor for the limited partnership under the Revised Uniform Limited Partnership Act.
A) True
B) False
- 7) Battery and negligence are intentional torts.
A) True
B) False
- 8) Competition is the driving force behind the creation and improvement of products and services.
A) True
B) False
- 9) Up to the time of the Depression, the U.S. Supreme Court defined intrastate commerce as that which actually flowed over state lines.
A) True
B) False
- 10) The oldest federal agency is the Federal Trade Commission.
A) True
B) False
- 11) The law provides an order of priority for payout of the proceeds of a liquidation.
A) True
B) False
- 12) Bankruptcy laws protect only the debtors.
A) True
B) False
- 13) An unaccepted offer may be terminated by
A) the rejection of the offeree.
B) all of the answers are correct.
C) a reasonable length of time.
D) a counteroffer.
- 14) When the terms of acceptance must exactly match the terms contained in the offer, it is called
A) a bilateral contract.
B) a unilateral contract.
C) a matching offer contract.

D) a mirror image rule.

- 15) In economic duress cases, the courts look at
A) both the threat and the size of the threatened party.
B) both the threat and the alternatives available to the threatened party.
C) both the threat and the place where the threat occurred.
D) none of the answers are correct.
- 16) Contracts entered into as a result of misrepresentation or fraud are voidable by
A) the injured party and the UCC.
B) the UCC.
C) none of the answers are correct.
D) the injured party.
- 17) When buyers agree to purchase all of a particular producer's production, it is called
A) an output contract.
B) a requirements contract.
C) a production contract.
D) an option contract.
- 18) A liquidated debt is one where the parties agree
A) on the amount of the debt and that the debt exists.
B) on the amount of the debt.
C) none of the answers are correct.
D) that the debt exists.
- 19) The statute of limitations specifies
A) the maximum amount of people who can file on the same claim.
B) the time limit for consideration.
C) the time limit for bringing a lawsuit.
D) the maximum amount of money one can receive on a claim.
- 20) A big difference in economic value of what one gives and receives may be evidence of
A) duress.
B) all of the answers are correct
C) mutual mistake.
D) fraud.
- 21) Acting toward a contract as though one intends to be bound by it is called
A) ratification.
B) contractual capacity.
C) none of the answers are correct
D) disaffirmance.
- 22) When the consideration by both parties has been given back, the contract is said to be
A) disaffirmed.
B) emancipated.
C) ratified.
D) nonnecessary.
- 23) When a person has the capacity to bind an organization to a contract, they are said to have
A) none of the answers are correct
B) scope of authority and free range.
C) scope of authority.
D) free range.
- 24) Generally, a person lacking contractual capacity can disaffirm a contract for nonnecessaries
A) within a reasonable time after attaining capacity and any time while still under the incapacity.
B) any time while still under the incapacity.
C) within a reasonable time after attaining capacity.
D) none of the answers are correct

- 25) When contracts contain very fine print, light typesetting or elements of fraud, duress, undue influence, or misrepresentation, they are said to have
- A) rare unconscionability.
 - B) substantive unconscionability.
 - C) none of the answers are correct
 - D) procedural unconscionability.
- 26) Professionals such as physicians, teachers, lawyers, and pharmacists must have
- A) a competency license.
 - B) all of the answers are correct
 - C) a revenue license.
 - D) a federal license.
- 27) Which of the following statements is not true?
- A) Some contracts may be implied from conduct.
 - B) Certain contracts are enforceable only if they are written and signed.
 - C) Most contracts are enforceable even if there is no writing.
 - D) Contracts that are unenforceable are illegal.
- 28) Contracts within the statute of frauds might include
- A) contracts to buy and sell goods for a price of \$300 or less.
 - B) contracts requiring less than a year to complete.
 - C) all of the answers are correct
 - D) promises to pay the debt of another person.
- 29) The statute of frauds is satisfied when the agreement is signed by
- A) stamping.
 - B) engraving.
 - C) writing.
 - D) all of the answers are correct
- 30) In contracts referring to amounts of money in which both the numerical and the written expressions of the amount are unambiguous, the
- A) written prevails.
 - B) contract is void.
 - C) numerical prevails.
 - D) highest value prevails.
- 31) When there is an anticipatory breach of contract, the victim may
- A) treat the notice as evidence of a breach of contract and immediately sue for damages.
 - B) wait until the promised time of performance.
 - C) treat the notice as evidence of a breach of contract and immediately sue for damages and wait until the promised time of performance.
 - D) none of the answers are correct
- 32) The death or disability of the party who was to provide personal services
- A) terminates the agreement.
 - B) allows for a court-appointed substitute to perform the duty of the contract.
 - C) transfers the obligation to the decedent's personal representative.
 - D) transfers the obligation to whomever the other party chooses at the expense of the disabled party or the deceased estate.
- 33) Impossibility of performance refers to
- A) an obligor's personal inability to perform and external conditions.
 - B) none of the answers are correct
 - C) an obligor's personal inability to perform.
 - D) external conditions.
- 34) According to the UCC, goods do not include
- A) all of the answers are correct
 - B) dogs.
 - C) books and clothing.

D) patents and copyrights.

- 35) Acceptance of goods occurs when
A) the buyer has agreed by words or conduct that the goods received are satisfactory.
B) the buyer fails to reject the goods within a reasonable length of time.
C) the goods are used or resold.
D) all of the answers are correct
- 36) When payment for goods takes place at a later date, the transfer of title takes place when
A) the goods are accepted by the buyer.
B) delivery is made.
C) the final payment is made.
D) the buyer selects and agrees to buy the goods in the seller's store.
- 37) Casual sellers
A) may be required to be licensed.
B) are usually subjected to special taxation.
C) only sell casual items.
D) only sell occasionally.
- 38) 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) rewritten and signed by both parties.
B) binding to the extent admitted.
C) null and void.
D) none of the answers are correct
- 39) Transfer of ownership of goods may be done by the owners and authorized persons, or
A) all of the answers are correct
B) by holders of negotiable documents of title.
C) by merchants with possession of sold goods.
D) by buyers in a sale induced by fraud.
- 40) Goods, specifically designated as the subject matter of a particular sales contract, can be identified by
A) the buyer.
B) all of the answers are correct
C) the seller.
D) a mutually agreed-upon third party.
- 41) If the seller ships goods by carrier, the transfer of the risk of loss from seller to buyer occurs
A) none of the answers are correct
B) immediately when the title transfers.
C) upon payment.
D) at the destination upon tender of delivery by carrier.
- 42) If the parties do not specify when the title is to pass, the courts will
A) determine if there is any applicable custom or usage in the particular trade that can settle the question.
B) determine if there is any applicable custom or usage in the particular trade that can settle the question and look to the UCC for a solution.
C) none of the answers are correct
D) look to the UCC for a solution.
- 43) If a buyer of a bulk transfer fails to notify the seller's creditors of the forthcoming transfer, the creditors may
A) either make claims against the inventory and equipment after the buyer takes possession or make the sale null and void.
B) make the sale null and void.
C) none of the answers are correct
D) make claims against the inventory and equipment after the buyer takes possession.
- 44) In a limited partnership
A) limited partners contribute capital and share profits and losses with general partners and one partner must be a general partner with unlimited liability..

- B) none of the answers are correct
- C) one partner must be a general partner with unlimited liability.
- D) limited partners contribute capital and share profits and losses with general partners.

- 45) A minor entering into a partnership agreement
- A) cannot plead minority as a defense if sued.
 - B) can only function as a limited partner.
 - C) retains all the rights and privileges of a minor.
 - D) none of the answers are correct
- 46) Unanimous agreement under the Uniform Partnership Act is required for decisions to
- A) assign partnership property to creditors.
 - B) all of the answers are correct
 - C) buy inventory or equipment for the firm on credit.
 - D) hire or fire a permanent, full-time employee.
- 47) Under the ULPA, a limited partnership can be created only
- A) by proper recording.
 - B) by proper execution.
 - C) all of the answers are correct
 - D) by publication of a certificate that identifies the partners and states basic facts about their agreement.
- 48) Under the RULPA, a limited partner does not participate in the managerial control of the business when
- A) participating in the restructuring of the partnership.
 - B) all answers are correct
 - C) acting as an agent or employee for the partnership.
 - D) consulting with the general partner(s).
- 49) The number of shareholders in an S corporation must be
- A) 60 or less.
 - B) 75 or less.
 - C) unlimited.
 - D) 30 or less.
- 50) Elements of bailment do not include
- A) return of identical or fungible goods.
 - B) personal property.
 - C) real property.
 - D) possession and control of the goods by the bailee.
- 51) Bailment ends when
- A) the agreed purpose has been achieved.
 - B) all the answers are correct
 - C) the parties mutually agree to end it
 - D) the agreed time has elapsed.
- 52) A mutual-benefit bailment, in which consideration is given and received by both bailor and bailee, invokes the duty of
- A) extraordinary care.
 - B) all the answers are correct
 - C) minimal care.
 - D) ordinary care.
- 53) Involuntary bailments, which arise without the consent of the bailee, call for
- A) extraordinary care.
 - B) ordinary care.
 - C) minimal care.
 - D) any of the answers are correct
- 54) A bailment for the sole benefit of a bailor calls for
- A) extraordinary care.
 - B) minimal care.

- C) ordinary care.
D) any of the answers are correct
- 55) Charging demurrage occurs in
A) bailment for transport.
B) bailment for hire.
C) bailment for sale.
D) bailment for services.
- 56) A voluntary, court-enforceable agreement to stop an illegal or questionable practice is
A) a consent order.
B) a restitution order.
C) a class action.
D) a cease-and-desist order.
- 57) The Consumer Product Safety Commission receives reports about product failure from
A) all the answers are correct
B) the distributor.
C) the retailer.
D) the manufacturer.
- 58) An implied warranty of fitness for a particular purpose arises when the buyer
A) personally selects the goods.
B) none of the answers are correct
C) does not rely on the skill and judgment of the seller.
D) does not rely on the skill and judgment of the seller and personally selects the goods.
- 59) The ability to negotiate an instrument is not affected by the fact that it is
A) postdated.
B) antedated or postdated.
C) none of the answers are correct
D) antedated.
- 60) If there are conflicting terms within the writing,
A) handwritten terms prevail over typewritten terms.
B) printed form terms prevail over typewritten terms.
C) amounts expressed in figures prevail over amounts expressed in words.
D) printed form terms prevail over handwritten terms.
- 61) To make the paper payable to the order of a designated party, one must use
A) a restrictive endorsement.
B) a blank endorsement.
C) a qualified endorsement.
D) a special endorsement.
- 62) A qualified endorsement
A) requires minors to have co-signers.
B) does not permit the endorser to be a minor.
C) none of the answers are correct
D) eliminates the endorser's secondary liability.
- 63) Which of the following is not an element of most torts?
A) Conspiracy
B) Injury
C) Causation
D) Violation of a duty
- 64) An unlawful or harmful touching is called
A) an invasion of privacy.
B) defamation.
C) battery.
D) an assault.

- 65) In a jury trial, who decides issues of fact?
A) The jury
B) The trial judge
C) The defendant
D) The judges of the appellate court
- 66) Which of the following would probably not be considered strict liability?
A) Raising tulips
B) Storing several 100-gallon tanks of propane gas in your garage
C) Raising tigers
D) Selling defective car seats
- 67) The agency that determines crucial economic policies involving the money supply, credit availability, and interest rates is the
A) Internal Revenue Service.
B) Federal Reserve Bank.
C) Federal Reserve System's Board of Governors.
D) Securities and Exchange Commission.
- 68) States may regulate business, but they may not
A) impose an unreasonable burden on interstate commerce.
B) enact laws that conflict with federal laws covering the same subject matter.
C) deprive anyone of a constitutional right.
D) all of the answers are correct
- 69) The female maker of a will is properly called
A) a testatrix.
B) an executrix.
C) a trustee.
D) an administratrix.
- 70) A court-appointed male personal representative overseeing an estate is called
A) a trustee.
B) an executor.
C) an administrator.
D) a testator.
- 71) The clear intention to make a will without undue influence of others is called
A) testamentary formality.
B) testamentary capacity.
C) all the answers are correct
D) testamentary intent.
- 72) The relationship of agency exists when one person has the authority to
A) none of the answers are correct
B) alter legal relations and control and supervise.
C) control and supervise.
D) alter legal relations.
- 73) Any agreement reached by the representative in an agency relationship binds
A) the agent and the third party.
B) the principal and the third party.
C) the employee and the third party.
D) the agent and the principal.
- 74) Examples of fiduciary duties would not include
A) loyalty and obedience.
B) confidentiality.
C) accounting.
D) finances.

- 75) The fiduciary duty that binds the agent even years after the agency relationship has ended is
A) accounting.
B) loyalty and obedience.
C) confidentiality.
D) care and skill.
- 76) If commingling occurs and there is a loss, the loss is borne by the
A) principal.
B) agent and principal.
C) agent.
D) third party.
- 77) The power, but not the right, to eliminate the agency at any time goes to
A) the principal.
B) none of the answers are correct
C) the agent.
D) the agent and the principal.
- 78) The bankruptcy law that involves liquidation of nonexempt property is
A) Chapter 12.
B) Chapter 7.
C) Chapter 13.
D) Chapter 11.
- 79) Certain types of claims that cannot be discharged by bankruptcy might include
A) student loans owed to the government.
B) all the answers are correct
C) alimony and child support.
D) judgments resulting from driving while intoxicated.
- 80) The first to be paid from the proceeds of liquidation would be
A) unpaid wages, salaries, and commissions.
B) administrative expense.
C) certain unpaid taxes.
D) secured creditors.
- 81) When an insurance company makes payment for a loss to a suffering party, the insurance company is said to
A) benefit the loss.
B) none of the answers are correct
C) indemnify the loss.
D) endorse the loss.
- 82) The stated maximum amount of money that can be paid on an insurance policy is the
A) premium.
B) endorsement.
C) face value.
D) benefit.
- 83) The type of insurance that covers structural loss due to rain, hail, earthquake, and windstorm is
A) fire.
B) inland marine.
C) social.
D) fidelity.
- 84) The type of insurance that covers automobile, burglary, disability, and liability would be
A) social.
B) casualty.
C) fidelity.
D) inland marine.
- 85) 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) social.
 - B) fidelity.
 - C) inland marine.
 - D) liability.
- 86) Automobile insurance coverage indemnifying insureds for damage to their own vehicles is
- A) not available.
 - B) collision.
 - C) comprehensive and collision.
 - D) comprehensive.
- 87) The division of labor between the federal and state governments produced such uneven and ineffective regulation that the U.S. Supreme Court redefined
- A) interstate commerce.
 - B) noncommercial transportation.
 - C) intrastate commerce.
 - D) commercial transportation.
- 88) 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.
- 89) An assurance of quality or promise of performance clearly made by the seller is
- A) an implied warranty.
 - B) a warranty against infringement.
 - C) a warranty of title.
 - D) an express warranty.
- 90) The bankruptcy law that is available only to individuals who have regular income is
- A) Chapter 12.
 - B) Chapter 11.
 - C) Chapter 13.
 - D) Chapter 7.
- 91) Warranties implied by law for merchants include
- A) warranty against infringement.
 - B) warranty against infringement and warranty of merchantability.
 - C) warranty of merchantability.
 - D) none of the answers are correct
- 92) The one who makes a warranty is known as a(n)
- A) guarantor.
 - B) warrantor.
 - C) disclaimer.
 - D) warrantee.
- 93) If a person is injured as a result of an unreasonably dangerous or defective product, how will he or she most likely recover damages for the injury?
- A) all of the answers are correct
 - B) Hold the manufacturer strictly liable
 - C) Hold the wholesaler strictly liable
 - D) Hold the retailer of the product strictly liable
- 94) Hilda enjoys taking her children to the local ice cream parlor. The assurance that the ice cream she purchases is wholesome and fit for human consumption is an example of a(n)
- A) strict liability.
 - B) expressed warranty.
 - C) warranty of merchantability.
 - D) caveat emptor.

- 95) Roger is a crew foreman with Payless Window Washing, Inc. On several occasions Roger informed Payless' owner about the faulty scaffolding provided for one of his crews. However, the scaffolding locked up one day and seriously injured one of the workers. How would the common-law approach deal with this situation?
- A) The injured employee would file a workers' compensation suit and Payless would pay for the injured employee's attorney.
 - B) The injured employee would file a workers' compensation suit.
 - C) The injured employee would file a negligence suit.
 - D) Payless would pay for the injured employee's attorney.
- 96) Tricia is a 19-year-old bride-to-be looking for quality cookware to purchase over the next eight months prior to her marriage. Kevin offers to sell her a set of cookware valued at \$725. Since Tricia does not have \$725, Kevin then offers to sell her the same set of cookware on an installment plan of \$50 a month for 36 months. Tricia is naive and unfamiliar with various forms of credit, but signs a sales contract and an accompanying credit agreement. What type of contract was created in this situation?
- A) Contract of adhesion and unconscionable
 - B) Assignment
 - C) Contract of adhesion
 - D) Unconscionable
- 97) Lavonne receives four desk calendars from Time-Date, Inc., that she did not order. Two weeks later, Time Date calls Lavonne, demands payment, and then threatens to ruin her credit rating by turning her delinquency into a local credit bureau. This situation is an example of
- A) confidence games.
 - B) commercial bribery.
 - C) unfair trade practices.
 - D) solicitation.
- 98) A corporation doing business in one state but chartered in another state is called
- A) a domestic corporation.
 - B) none of the answers are correct
 - C) an alien corporation.
 - D) a foreign corporation.
- 99) The right to increase the capital stock of the corporation
- A) is up to the board of directors.
 - B) belongs to the shareholders alone.
 - C) is done only by proxy vote.
 - D) is the preemptive right.

- 1) B
- 2) B
- 3) A
- 4) B
- 5) A
- 6) A
- 7) B
- 8) A
- 9) B
- 10) B
- 11) B
- 12) B
- 13) B
- 14) D
- 15) B
- 16) D
- 17) A
- 18) A
- 19) C
- 20) B
- 21) A
- 22) A
- 23) C
- 24) A
- 25) D
- 26) A
- 27) D
- 28) D
- 29) D
- 30) A
- 31) C
- 32) A
- 33) D

- 34) D
- 35) D
- 36) D
- 37) D
- 38) B
- 39) A
- 40) B
- 41) B
- 42) B
- 43) D
- 44) A
- 45) C
- 46) A
- 47) C
- 48) B
- 49) B
- 50) C
- 51) B
- 52) D
- 53) C
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- 55) A
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- 57) A
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- 91) B
- 92) B
- 93) A
- 94) C
- 95) C
- 96) A
- 97) C
- 98) D
- 99) B