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## BUSINESS LAW

### Overview

This event provides recognition for FBLA members who are familiar with specific legal areas that most commonly affect personal and business relationships.

This is an individual online test.

### Competencies and Task Lists

<http://www.fbla-pbl.org/competitive-event/business-law-fbla/>

### Website Resources

- American Bar Association - Business Law Today, Online Resources  
<http://www.abanet.org/buslaw/bit/index.html>
- Law for Business or Personal  
<http://lawxtra.swlearning.com/>
- Law Check  
<http://www.lawchek.com/>
- Law Guru  
<http://www.lawguru.com/>
- Legal Definitions & Legal Terms Defined  
<http://definitions.uslegal.com/>
- Legal Information Institute  
<http://www.law.cornell.edu/>
- SBA - Business Law & Regulations  
<http://www.sba.gov/category/navigation-structure/starting-managing-business/managing-business/business-law-regulations>
- USA Laws and Regulations - General Reference Resources  
<http://www.usa.gov/Topics/Reference-Shelf/Laws.shtml>

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## BUSINESS LAW SAMPLE QUESTIONS

- 1) What school of jurisprudential thought emphasizes using law as a tool for market efficiency while solving legal disputes?
  - A) The Law and Economics School of jurisprudence
  - B) The Critical Legal Studies School of jurisprudence
  - C) The Command School of jurisprudence
  - D) The Sociological School of jurisprudence

**Competency:** Agency and Employment Law

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2) Which one of the following identifies the duties, scope of authority, responsibilities, and liabilities of agents?

A) An agent has a duty to be accountable, loyal, obedient, and to act in good faith with reasonable skill and diligence. The agent is liable to the principal for any breach of good faith or lack of skills.

B) An agent has a duty to be accountable, loyal, obedient, and to act in good faith with reasonable skill and diligence. The agent is liable to the principal for monetary losses only.

C) An agent has a duty to be accountable, loyal, obedient, and to act in good faith with reasonable skill and diligence. The agent has the right to breach under circumstances beyond his control and is thereby released of liability.

D) An agent has a duty to be accountable, loyal, obedient, and to act in good faith with reasonable skill and diligence. The agent is liable to the principal for any illegal activities wrought by the principal.

**Competency:** Agency and Employment Law

3) The law that makes it unlawful to fail to hire, discharge, or discriminate against anyone on the basis of color, religion, sex, or national origin is known as

A) Title VI of the Federal Civil Rights Act of 1963

B) Title VII of the Federal Civil Rights Act of 1963

C) Title VI of the Federal Civil Rights Act of 1964

D) Title VII of the Federal Civil Rights Act of 1964

**Competency:** Agency and Employment Law

4) The area franchise is also called what?

A) Strategic partner

B) Limited partner

C) Subfranchisor

D) Join partner

**Competency:** Business Organization

5) A minor entering into a partnership agreement:

A) retains all the rights and privileges of a minor

B) has the same liability as an adult

C) cannot plead minority as a defense if sued

D) can only function as a limited partner

**Competency:** Business Organization

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- 6) Which one of the following best describes the differences between types of corporations?
- A) The nonprofit corporation, the for-profit corporation, and the governmental corporations all seek to make a profit.
  - B) Aside from employee and officer salaries, the for-profit corporations do not seek to make a profit whereas the nonprofit and governmental corporations seek to make no profit at all.
  - C) The government corporation and the for-profit corporation seek to make a profit while the non-profit corporation does not.
  - D) The non-profit corporation and the governmental corporation do not seek to make a profit while the for-profit corporation does.

**Competency:** Business Organization

- 7) Which one of the following best explains a business's responsibility?
- A) A business's responsibility is to ensure that employees file state and federal tax statements in a timely manner.
  - B) A business's responsibility is to know, abide by, and enforce laws and regulations that affect business operations and transactions.
  - C) A business's responsibility is to ensure profitability by employing the most qualified personnel.
  - D) A business's responsibility is to participate in community activities by providing financial support.

**Competency:** Business Organization

- 8) What law sets the time limit for bringing a lawsuit?
- A) Past Consideration
  - B) Separation
  - C) Statue of Limitations
  - D) Ratification

**Competency:** Computer Law

- 9) According to the objective theory of contracts, the intent to enter into an implied-in-face contract is judged by who?
- A) Doctrine of equity
  - B) Common law of contracts
  - C) Reasonable person standard
  - D) Legality of the contract

**Competency:** Contracts and Sales

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- 10) When an individual fails to read a contract before signing, a \_\_\_\_ contract has occurred.
- A) mutual
  - B) fraudulent
  - C) unilateral
  - D) misrepresentation

**Competency:** Contracts and Sales

- 11) A mistake resulting from a failure to read a contract before signing it will render the contract:
- A) valid
  - B) voidable
  - C) rescindable
  - D) void

**Competency:** Contracts and Sales

- 12) Which one of the following describes the ways that a contract can be void?
- A) A contract can be void under conditions of unilateral mistake, when both parties think they are agreeing to something when, in fact, neither has the same thing in mind.
  - B) A contract can be void under conditions of mutual ignorance, when both parties think they are agreeing to something when, in fact, neither has the same thing in mind.
  - C) A contract can be void under conditions of fraud, when both parties think they are agreeing to something when, in fact, neither has the same thing in mind.
  - D) A contract can be void under conditions of mutual mistake, when both parties think they are agreeing to something when, in fact, neither has the same thing in mind.

**Competency:** Contracts and Sales

- 13) In breach of contract, the non-breaching party is entitled to remedies for breach. Which one of the following is a list available legal remedies?
- A) money damages and equitable remedies are the only remedies available to make the non-breaching party whole.
  - B) money damages may be awarded, but under no conditions may punitive damages be awarded.
  - C) money damages, equitable remedies, and under certain conditions, punitive damages may be awarded.
  - D) only money damages are available to make the non-breaching party whole.

**Competency:** Contracts and Sales

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- 14) What is an annulment?
- A) a divorce
  - B) an illegal act that constitutes grounds for divorce
  - C) an illegal marriage
  - D) a legal cancellation of a marriage

**Competency:** Domestic/Personal Law

- 15) If only one party wants out of the marriage contract:
- A) the courts require the marriage to take place
  - B) all gifts exchanged during the relationship must be returned
  - C) a breach-of-promise suit may be brought by the other party in some states
  - D) the woman always gets to keep the engagement ring

**Competency:** Domestic/Personal Law

- 16) What is the federal agency that is primarily responsible for regulating the safety of meat and poultry?
- A) S. Department of Agriculture
  - B) S. Food Safety
  - C) Food and Drug Administration
  - D) Consumer Product Safety Commission

**Competency:** Consumer Protection, Product/Personal Liability

- 17) Which one of the following best describes deceptive organizational practices?
- A) Anticompetitive behavior by a company may cause harm to the consumer. A consumer who is harmed in an antitrust claim may seek damages and attorney fees against the company in violation.
  - B) Anticompetitive behavior is encouraged for the sake of capital gains. Individuals are discouraged from bringing suits against companies engaged in making profitable sales.
  - C) Companies have the right to make a profit at the risk of harming the consumer. Company rights to profit are protected by antitrust laws.
  - D) Regulation of business is unnecessary since companies regulate themselves and generally exhibit fairness in business practices.

**Competency:** Consumer Protection, Product/Personal Liability

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- 18) Implicit warranty obligations imposed by law on all sellers are known as:
- A) trade warranties
  - B) implied warranties
  - C) void warranties
  - D) expressed warranties

**Competency:** Consumer Protection, Product/Personal Liability

- 19) Which of the following describes The Supremacy Clause?
- A) When there is a direct conflict between a federal law and a state law, the state law is rendered invalid
  - B) The parties have agreed that the agent will act on behalf of the principle in negotiating and transacting business with third parties
  - C) Exists only when state or federal courts have the authority to hear a case
  - D) Determining who benefits from a contract

**Competency:** Legal System

- 20) The document that sets forth the framework of a government and its relationship to the people it governs is:
- A) the Uniform Commercial Code
  - B) a constitution
  - C) the Bill of Rights
  - D) an ordinance

**Competency:** Legal System

- 21) What can a government do to compel a witness to testify after she or he has asserted the right against self-incrimination?
- A) arrest the witness
  - B) grant immunity
  - C) plea bargain
  - D) ask the judge to hold the witness in contempt

**Competency:** Legal System

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- 22) Which one of the following best describes the differences between the roles of lawyers and paralegals?
- A) Paralegals are essentially lawyers with a lower law degree and may substitute for a lawyer in some legal situations.
  - B) Lawyers qualify to practice law after graduating from an accredited law school or after having fulfilled other extensive training; paralegals qualify to practice law after having served as an apprentice to a lawyer for five years, rendering the paralegal capable of offering the same services as a lawyer.
  - C) Paralegals are essentially lawyers with a lower law degree and may substitute for a lawyer in any legal situation.
  - D) Paralegals draft court documents, manage the office, and speak with clients while the lawyer uses the work completed by the paralegal to assist in winning client cases.

**Competency:** Legal System

- 23) A person who obtains money or other property by lying about a past or existing fact is guilty of:
- A) false pretenses
  - B) forgery
  - C) larceny
  - D) perjury

**Competency:** Legal System

- 24) Which one of the following describes crimes that occur in the business environment?
- A) John Philburn and Terry Waters are both employees at Brand X Marketing. Philburn and Waters secretly sell Brand X products to friends who work for a subsidiary of Brand X Marketing without the consent of Brand X Administrators. Philburn and Waters engaged in insider trading.
  - B) John Philburn is the administrative assistant in Brand X Marketing. His supervisor, Terry Waters is out of the office when a check is required to complete a delivery. Since Philburn is an insider in the company, Philburn receives the package and hands over a company check which Philburn has signed, "John Philburn." Philburn has engaged in insider trading.
  - C) John Philburn and Terry Waters are top executives at Brand X Marketing. Philburn and Waters knew that stock prices were overinflated due to overstated earnings. They used the knowledge gained as a result of their position in the company to sell off their stock before the price lowered drastically, thus engaging in insider trading.
  - D) John Philburn and close friend, Terry Waters often engaged in stock trading. Philburn was particularly astute at gauging the volatility of stocks, so on a hunch, he called Waters with stock information that helped him avoid losing money. Philburn and Waters engaged in insider trading.

**Competency:** Legal System

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- 25) Sam wants to file a petition for bankruptcy. Which of the following is true in this context?
- A) Sam's attorney is liable for perjury if information filed by Sam is incorrect.
  - B) Sam's bankruptcy petition cannot be filed electronically.
  - C) Sam need not submit a list of creditors; it is obtained by the court upon investigation.
  - D) Only Sam's attorney can file his bankruptcy petition.

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy

- 26) Which one of the following best describes presentment for payment?
- A) Beverly Smith borrows \$1,000 from Carey Jones and gives him a promissory note for \$1,000 payable in six months. Carey indorses the note and at the end of the six months, Beverly takes the note to Carey and presents it for payment. Carey is liable to pay it when it is due.
  - B) Beverly Smith borrows \$1,000 from Carey Jones and gives him a promissory note for \$1,000 payable in six months. Carey indorses the note and at the end of the six months, Beverly takes the note to Carey and presents it for payment. Carey is liable to pay it in 30 days.
  - C) Beverly Smith borrows \$1,000 from Carey Jones and gives him a promissory note for \$1,000 payable in six months. Carey indorses the note and at the end of the six months, Beverly takes the note to Carey and presents it for payment. Carey is liable to pay it within ten days of the due date.
  - D) Beverly Smith borrows \$1,000 from Carey Jones and gives him a promissory note for \$1,000 payable in six months. Carey indorses the note and at the end of the six months, Beverly takes the note to Carey and presents it for payment. Carey is liable to pay it within a reasonable amount of time.

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy

- 27) Which one of the following statements defines secured transaction?
- A) a transaction whereby a financial institution guarantees payment
  - B) an agreement in which a debtor gives a secured interest to a secured party
  - C) an agreement whereby a financial instrument is designated as a note, stock, or bond
  - D) a transaction in which the payment of a debt is guaranteed by personal property owned by the debtor

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy



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- 28) The most common document used to transfer ownership of realty is:
- A) a contract
  - B) a license
  - C) a covenant
  - D) a deed

**Competency:** Property Laws

- 29) What describes the legal aspects of a real estate transaction?
- A) The act of recording a deed is a courtesy for the recipient of the property extended by the seller.
  - B) The act of recording a deed is required to protect the seller of the property.
  - C) The act of recording a deed is required to protect the recipient of the property.
  - D) The act of recording a deed is not required for property transfer to be final.

**Competency:** Property Laws

- 30) What are the consequences of infringement on intellectual property rights of others?
- A) If an infringement claim is successful, the copyright owner could elect to enjoin the continued use of the work or could receive either actual damages, including profits made by the infringer or statutory damages up to \$50,000.
  - B) If an infringement claim is successful, the copyright owner could elect to enjoin the continued use of the work or could receive either actual damages, including profits made by the infringer or statutory damages up to \$75,000.
  - C) If an infringement claim is successful, the copyright owner could elect to enjoin the continued use of the work or could receive either actual damages, including profits made by the infringer or statutory damages up to \$100,000.
  - D) If an infringement claim is successful, the copyright owner could elect to enjoin the continued use of the work or could receive either actual damages, including profits made by the infringer or statutory damages up to \$125,000.

**Competency:** Property Laws

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**Business Communication Answer Key**

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

**Business Law Answer Key**

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

**Computer Applications Answer Key**

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

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- Law Guru  
<http://www.lawguru.com/>
- Legal Definitions & Legal Terms Defined  
<http://definitions.uslegal.com/>
- Legal Information Institute  
<http://www.law.cornell.edu/>
- SBA - Business Law & Regulations  
<http://www.sba.gov/category/navigation-structure/starting-managing-business/managing-business/business-law-regulations>
- USA Laws and Regulations - General Reference Resources  
<http://www.usa.gov/Topics/Reference-Shelf/Laws.shtml>

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**BUSINESS LAW SAMPLE QUESTIONS**

1. Employment relationship whereby the employee may be discharged at any time because no agreement was made about length of employment.
  - a. employment at will
  - b. contract employment
  - c. venture agreement
  - d. duty of reasonable performance

**Competency:** Agency and Employment Law

2. \_\_\_ occurs when an employee is fired in retaliation for reporting violations of law by the company.
  - a. Wrongful discharge
  - b. Duty of reasonable performance
  - c. Duty of obedience
  - d. Employment at will

**Competency:** Agency and Employment Law

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3. What do whistleblower laws protect workers from?
- government intervention
  - lawsuits against their employer
  - company liability
  - job loss

**Competency:** Agency and Employment Law

4. \_\_\_\_ occurs when a worker agrees to perform a dangerous job.
- Coercion
  - Genuine consent
  - Negligence
  - Assumption of risk

**Competency:** Agency and Employment Law

5. The partner whose potential liability is restricted to his or her investment in the partnership is a(n):
- active partner
  - limited partner
  - silent partner
  - secret partner

**Competency:** Business Organization

6. A \_\_\_\_ is the association of two or more to do business as co-owners for profit.
- cooperative
  - venture
  - partnership
  - corporation

**Competency:** Business Organization

7. The \_\_\_\_ has liability restricted by the amount of their investment in the partnership.
- general partner
  - dormant partner
  - silent partner
  - limited partner

**Competency:** Business Organization

8. Which one of the following are the rules for the internal organization and management of a corporation?
- Constitution
  - Charter
  - Bylaws
  - Articles of Incorporation

**Competency:** Business Organization

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9. \_\_\_ are business crimes that do **not** involve force or violence.
- a. Felonies
  - b. Civil offenses
  - c. White-collar crimes
  - d. Misdemeanors

**Competency:** Computer Law

10. \_\_\_ is law that is intended to govern the use of computers in e-commerce and the Internet.
- a. Cyber law
  - b. Civil law
  - c. Technology law
  - d. Commercial law

**Competency:** Computer Law

11. \_\_\_ involves sending bulk emails (that were **not** requested) to thousands of potential customers through the Internet.
- a. Blogging
  - b. Hacking
  - c. Spamming
  - d. Surfing

**Competency:** Computer Law

12. Token consideration which bears **no** relation to the real value of the contract is:
- a. nominal consideration
  - b. future consideration
  - c. past consideration
  - d. binding consideration

**Competency:** Contracts and Sales

13. Refraining from doing what one has a right to do is called:
- a. estoppel
  - b. statute of limitations
  - c. forbearance
  - d. restraint

**Competency:** Contracts and Sales

14. Giving back what you have received under a contract and requesting the return of what you gave is called:
- a. ratification
  - b. disaffirmance
  - c. emancipation
  - d. retroaction

**Competency:** Contracts and Sales

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15. \_\_\_ is the voiding of a marital contract.
- a. Divorce
  - b. Void marriage
  - c. Annulment
  - d. Voidable marriage

**Competency:** Domestic/Personal Law

16. \_\_\_ is a legal contract resolving property and other claims that might result from a marriage.
- a. Prenuptial agreement
  - b. Marriage
  - c. Marital consortium
  - d. Common-law marriage

**Competency:** Domestic/Personal Law

17. The \_\_\_ is a legal vehicle used to transfer the immediate control of property to another party.
- a. estate
  - b. will
  - c. deed
  - d. trust

**Competency:** Domestic/Personal Law

18. Caveat emptor means \_\_\_ when conducting business transactions.
- a. the buyer is not responsible
  - b. the buyer should be aware
  - c. the buyer is liable
  - d. the buyer is not liable

**Competency:** Consumer Protection, Product/Personal Liability

19. \_\_\_ is an improper business practice involving luring buyers to the store with an understocked, low-priced good and then redirecting them to a more expensive product.
- a. Disclaimer
  - b. Puffing
  - c. Bait and switch
  - d. High balling

**Competency:** Consumer Protection, Product/Personal Liability

20. \_\_\_ permits a party to a contract to recover money or property (or the value of) given to the other party.
- a. Punitive action
  - b. Government sanction
  - c. Class action
  - d. Restitution

**Competency:** Consumer Protection, Product/Personal Liability

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21. The court **cannot** enforce a contract between two parties when the:

- a. agreement is oral and not written
- b. offer and acceptance occur simultaneously
- c. agreement purpose is unlawful
- d. parties act with reasonable care

**Competency:** Legal System

22. \_\_\_ is the doctrine requiring lower courts to adhere to existing case law in making decisions.

- a. Stare decisis
- b. Case law
- c. Ordinance
- d. Jurisdiction

**Competency:** Legal System

23. A \_\_\_ is a private or civil wrong for which the law grants a remedy.

- a. tort
- b. crime
- c. code
- d. statute

**Competency:** Legal System

24. The \_\_\_ is a court in which an accurate, detailed report of what went on at trial is made.

- a. appellate court
- b. specialized court
- c. court of record
- d. writ of certioria

**Competency:** Legal System

25. \_\_\_ is an unconditional written promise or order to pay money.

- a. Note
- b. Draft
- c. Commercial paper
- d. Traveler's check

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy

26. What is the person called who executes a promissory note?

- a. payee
- b. maker
- c. cashier
- d. teller

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy

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27. \_\_\_ is a written instrument acknowledging a bank's receipt of money and promising to repay it at a definite future time.
- Certificate of deposit
  - Cashier's check
  - Money order
  - Promissory note

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, and Bankruptcy

28. \_\_\_ is the party who accepts possession and control of another's personal property.
- Bailor
  - Carrier
  - Lien holder
  - Bailee

**Competency:** Property Laws

29. \_\_\_ gives the government power to take private property for public use upon payment of the fair market price.
- Private domain
  - Public domain
  - Public transfer
  - Eminent domain

**Competency:** Property Laws

30. The \_\_\_ is the legal document used to transfer ownership of real property.
- will
  - contract
  - lease
  - deed

**Competency:** Property Laws



**Business Law Answer Key**

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

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This event provides recognition for FBLA members who are familiar with specific legal areas that most commonly affect personal and business relationships.

This is an individual objective test.

### Competencies and Task Lists

<http://www.fbla-pbl.org/docs/ct/FBLA/BUSINESSLAW.pdf>

### Web Site Resources

- Analyzing Supreme Court Cases  
[http://www.kent.wednet.edu/KSD/MK/MK\\_Lessons/lesson\\_supreme\\_court/court\\_lesson.html](http://www.kent.wednet.edu/KSD/MK/MK_Lessons/lesson_supreme_court/court_lesson.html)
- American Bar Association  
<http://www.abanet.org/buslaw/blt/index.html>
- Business Education Links  
<http://lessonplans.btskinner.com/>
- Business Law Topics  
<http://www.groupweb.com/business/law/consumer.htm>
- Cyberjury: Law Trial cases  
<http://www.cyberjury.com/>
- General Legal Topics/Articles  
<http://www.njlawnet.com/general.html>
- Law for Business or Personal  
<http://lawxtra.swlearning.com/>
- Law Check  
<http://www.lawchek.com/>
- Law Guru  
<http://www.lawguru.com/>
- LawTalk - Business Law and Personal Finance  
<http://www.law.indiana.edu/law/bizlaw.html>
- Legal Definitions & Legal Terms Defined  
<http://definitions.uslegal.com/>
- Wex  
[http://www.law.cornell.edu/wex/index.php/Trade\\_regulation](http://www.law.cornell.edu/wex/index.php/Trade_regulation)

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### BUSINESS LAW SAMPLE QUESTIONS

1. The contracting party who makes a promise is called the:
  - a. promisor
  - b. offeree
  - c. promisee
  - d. offeror
  
2. Laura is at an auction. People who attend an auction are:
  - a. both offerors and offerees
  - b. neither offerors nor offerees
  - c. the offerees
  - d. the offerors

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3. A corporation that has been properly and legally organized is referred to as:
    - a. an illusory corporation
    - b. a de facto corporation
    - c. a de jure corporation
    - d. a domiciled corporation
  
  4. A corporation that has been properly and legally organized is referred to as:
    - a. a domiciled corporation
    - b. a de jure corporation
    - c. a de facto corporation
    - d. an illusory corporation
  
  5. The U.S. Post Office delivered a household appliance to you. The package was addressed to you. However, you never ordered it! Legally, what do you do?
    - a. You must return the item to the Post Office within a reasonable time.
    - b. You may keep the item and treat it as a gift.
    - c. You must use your best efforts to return the item to the company that mailed it to you.
    - d. You must call the Post Office, let them know, and then make the item available for the letter carrier to pick it up from you.
  
  6. What legal document sets forth the rules that govern the corporation's daily internal activities?
    - a. Articles of Incorporation
    - b. Subscription Agreement
    - c. Bylaws
    - d. Registration Agreement
  
  7. From a legal standpoint, what is the biggest advantage to the corporate form of ownership for a shareholder?
    - a. Corporations are rarely sued and, if they are, most people favor corporations over consumers.
    - b. Only the officers of a corporation are liable for the debts of the company.
    - c. Shareholders have limited liability for the company's debts.
    - d. A shareholder is guaranteed to earn at least a certain amount of money every year.
  
  8. What are the two basic types of commercial paper or negotiable instruments?
    - a. certificates of deposit and checks
    - b. federal reserve notes and coins
    - c. time and sight instruments
    - d. notes and drafts
  
  9. Which one of the following is **not** a requirement of a negotiable instrument?
    - a. that the instrument contain an unconditional order or promise to pay a sum certain amount of money
    - b. that the instrument be signed by the maker or drawer
    - c. that the instrument be in writing
    - d. that the instrument be payable at a definite time
  
  10. Janice is driving her father's car. The brakes to the car fail and she is involved in a serious accident. A product liability lawsuit is filed against the manufacturer of the car. Which statement is **true**?
    - a. Janice may not file a lawsuit against the manufacturer; however, her father can file a product liability lawsuit against the company since he was in privity of contract with the seller.
    - b. Janice's father can file a lawsuit, but not Janice. However, the lawsuit can only be filed against the retailer—not the manufacturer of the car.
    - c. Since Janice was driving the car that was owned by her father, neither she nor her father may file a lawsuit against the manufacturer of the car.
    - d. Janice has a legal right to sue the company even though she was not in privity of contract with the seller or the manufacturer.

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11. Bill wants to enroll in medical school, but does **not** have the financial resources to do so. Bill's brother Ted promises to pay for his medical degree after he graduates. Based on this information Bill borrows the money, enrolls, and subsequently graduates. Bill's brother then notifies Bill that he can no longer afford to pay his school loans. Even though there was no consideration by Bill, Ted's promise to pay may be enforceable under which one of the following?
    - a. preexisting duties
    - b. statute of limitations
    - c. promissory estoppel
    - d. past consideration
  12. A contract stated in either oral or written words is known as a(n):
    - a. express contract
    - b. retractable contract
    - c. implied contract
    - d. bilateral contract
  13. A corporation that does **not** exist in law but does exist in fact is called a(n):
    - a. de jure corporation
    - b. de facto corporation
    - c. statutory corporation
    - d. corporation by estoppel
  14. When one party ceases to be associated with the partnership, the partnership undergoes a:
    - a. dissolution
    - b. reversion
    - c. limited accounting
    - d. separation
  15. A unit of ownership of a corporation is a(n):
    - a. proxy
    - b. share
    - c. dividend
    - d. asset
  16. Someone who is injured from a product's unsafe or defective condition may recover damages under:
    - a. product liability law
    - b. common law
    - c. no-fault law
    - d. criminal law
  17. A corporation incorporated in one state but doing business in another is called a:
    - a. out-of-state corporation
    - b. imported corporation
    - c. foreign corporation
    - d. alien corporation
  18. A \_\_\_\_\_ is a partnership with at least one general partner and one limited partner.
    - a. partnership by proof of existence
    - b. registered limited liability partnership
    - c. limited partnership
    - d. joint partnership

- 
19. Which statement is **false** concerning silence as a method of acceptance?
- a. Automatic re-orders in a contract are valid.
  - b. Parties' course of dealing may allow silence as a valid acceptance.
  - c. If the offer states that silence means acceptance, then the offeree must respond or there will be a valid contract.
  - d. The UCC allows conduct of the parties to give rise to a contract.
20. Consideration is **not** needed for:
- a. firm offers
  - b. consideration is always required in a contract
  - c. service contracts
  - d. real estate sales
21. In most states a minor is a person under the age of:
- a. sixteen
  - b. twenty-one
  - c. seventeen
  - d. eighteen
22. Pat signs an instrument that states it is being executed "in accord with a contract for the sale of four thousand barrels of oil dated April 15." This instrument is:
- a. nonnegotiable because it includes the specific date of a contract
  - b. negotiable
  - c. nonnegotiable because it refers to an express contract
  - d. nonnegotiable because banks cannot easily process oil
23. Adam signs an instrument in favor of Francis that states it is "subject to a certain security agreement between Adam and Conrad." This instrument is:
- a. nonnegotiable because it refers to a security agreement
  - b. nonnegotiable because it is made subject to a security agreement
  - c. nonnegotiable because Francis and Conrad are not the same persons
  - d. negotiable
24. Rita signs a promissory note for \$10,000 in favor of State University (SU). The note does not specify the date of its payment. Rita defaults. In SU's suit to collect on the note, the court will most likely rule in favor of:
- a. SU because the note is an unconditional promise to pay the holder
  - b. Rita because the note is not payable at a definite time or on demand
  - c. Rita because SU assumed the risk that the note would not be paid
  - d. SU because there is a uniform "default time" for repayment when a date is not specified
25. Elaine executes an instrument in favor of Jerry that states, "The holder of this note at the date of maturity, June 1, 2011, can extend the time of payment indefinitely, if the holder so desires." This language will result, after June 1, 2011, in the instrument being treated as:
- a. a bearer instrument
  - b. a promissory instrument
  - c. an order instrument
  - d. a demand instrument
26. Ben trains with and works as an agent for Computer Associates. For his personal gain after termination of the relationship, Ben can use:
- a. funds and supplies stolen from Computer Associates
  - b. skills acquired during the relationship
  - c. information acquired during the relationship
  - d. knowledge acquired during the relationship

- 
27. Beta Distribution Company grants its agent Cathy an exclusive territory in which to sell Beta products. Beta cannot compete with Cathy in that territory under the principal's duty of:
- compensation
  - reimbursement
  - cooperation
  - indemnification
28. Julie rents a horse from a local stable and goes horseback riding. A worn strap on the saddle supplied by the stable breaks while Julie is riding causing her injuries. The stable is:
- liable for negligence because it could have discovered by reasonable inspection the strap was worn
  - not liable if it did not know of the strap's condition
  - liable because bailors are always liable to bailees for damage or harm caused by bailed property
  - not liable because Julie assumed the risk of injury when she rented the horse and engaged in the potentially dangerous sport of horseback riding
29. Frank stores computer equipment in Great Storage Company's warehouse. The bailment contract includes a clause excusing Great Storage from liability for loss or damage. A fire attributable to Great Storage's negligence destroys Frank's equipment. The loss is suffered by:
- Great Storage because it is strictly liable for loss of bailed property
  - Frank because a bailor always assumes the risk of loss
  - Frank because the contract excused Great Storage from liability
  - Great Storage because a warehouse is liable for loss of bailed property caused by the warehouse's negligence
30. Barb, a doctor, hires Mike, an accountant, to balance Barb's accounts. Barb is dissatisfied with the work and sues Mike alleging negligence. Mike may successfully defend against the suit by proving that:
- Barb could not have done a better job
  - Mike is not familiar with every principle of accounting
  - Barb was not injured in any way
  - Mike's work is consistent with that of an ordinary person

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Business Law Answer Key

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

**Overview**

This event provides recognition for FBLA members who are familiar with specific legal areas that most commonly affect personal and business relationships.

**Competencies**

The topics listed below are prioritized, listing first the most important content areas of the test.

- Contracts
- Sales
- Business organization
- Bailments
- Agency
- Bankruptcy
- Insurance
- Trade regulation
- Product and personal liability
- Wills
- Consumer protection
- Negotiable instruments
- Torts

**Procedures/Tips**

- Review the Competitive Events Tips in the front of the book.

**Web Site Resources**

- [http://law.freeadvice.com/general\\_practice/contract\\_law/](http://law.freeadvice.com/general_practice/contract_law/)
- [http://www.law.cornell.edu/wex/index.php/Trade\\_regulation](http://www.law.cornell.edu/wex/index.php/Trade_regulation)
- <http://www.quickmba.com/law/>
- <http://www.abanet.org/buslaw/blt/index.html>
- <http://search.live.com/results.aspx?q=legal+definitions&FORM=SEMTC3&vendor=google&pkw=legal+definitions>
- <http://www.flashcardexchange.com/flashcards/view/493489>
- [http://www.quia.com/shared/search?category=16458&adv\\_search=true](http://www.quia.com/shared/search?category=16458&adv_search=true)



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## Business Law Sample Questions

1. Professionals such as physicians, teachers, lawyers, and pharmacists must have
  - a. a revenue license.
  - b. a federal license.
  - c. a competency license.
  - d. all of the answers are correct
2. Contracts within the statute of frauds might include
  - a. promises to pay the debt of another person.
  - b. contracts requiring less than a year to complete.
  - c. contracts to buy and sell goods for a price of \$300 or less.
  - d. all of the answers are correct
3. Impossibility of performance refers to
  - a. an obligor's personal inability to perform and external conditions.
  - b. external conditions.
  - c. an obligor's personal inability to perform.
  - d. none of the answers are correct
4. 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
5. 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. none of the answers are correct
  - b. null and void.
  - c. rewritten and signed by both parties.
  - d. binding to the extent admitted.
6. Transfer of ownership of goods may be done by the owners and authorized persons, or
  - a. by buyers in a sale induced by fraud.
  - b. by merchants with possession of sold goods.
  - c. by holders of negotiable documents of title.
  - d. all of the answers are correct
7. Unanimous agreement under the Uniform Partnership Act is required for decisions to
  - a. buy inventory or equipment for the firm on credit.
  - b. assign partnership property to creditors.
  - c. all of the answers are correct
  - d. hire or fire a permanent, full-time employee.
8. Under the RULPA, a limited partner does not participate in the managerial control of the business when
  - a. acting as an agent or employee for the partnership.
  - b. consulting with the general partner(s).
  - c. all answers are correct
  - d. participating in the restructuring of the partnership.

- 
9. The number of shareholders in an S corporation must be
    - a. 30 or less.
    - b. unlimited.
    - c. 60 or less.
    - d. 75 or less.
  
  10. Bailment ends when
    - a. the parties mutually agree to end it,
    - b. the agreed purpose has been achieved.
    - c. the agreed time has elapsed.
    - d. all the answers are correct
  
  11. Involuntary bailments, which arise without the consent of the bailee, call for
    - a. ordinary care.
    - b. minimal care.
    - c. extraordinary care.
    - d. all of the answers are correct
  
  12. Charging demurrage occurs in
    - a. bailment for transport.
    - b. bailment for services.
    - c. bailment for hire.
    - d. bailment for sale.
  
  13. When the consideration by both parties has been given back, the contract is said to be
    - a. ratified.
    - b. disaffirmed.
    - c. emancipated.
    - d. nonnecessary.
  
  14. Consumer protection of consumer goods and services often begins with
    - a. mandatory inspections of all businesses.
    - b. class actions.
    - c. licensing suppliers.
    - d. caveat venditor.
  
  15. 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.
  
  16. A qualified endorsement
    - a. does not permit the endorser to be a minor.
    - b. eliminates the endorser's secondary liability.
    - c. requires minors to have co-signers.
    - d. none of the answers are correct
  
  17. In contracts referring to amounts of money in which both the numerical and the written expressions of the amount are unambiguous, the
    - a. contract is void.
    - b. written prevails.
    - c. highest value prevails.
    - d. numerical prevails.

- 
18. 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.
    - b. Payless would pay for the injured employee's attorney.
    - c. The injured employee would file a workers' compensation suit and Payless would pay for the injured employee's attorney.
    - d. The injured employee would file a negligence suit.
  19. 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. limited partners contribute capital and share profits and losses with general partners
    - c. one partner must be a general partner with unlimited liability
    - d. none of the answers are correct
  20. 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.
  21. A court-appointed male personal representative overseeing an estate is called
    - a. an executor.
    - b. an administrator.
    - c. a trustee.
    - d. a testator.
  22. The clear intention to make a will without undue influence of others is called
    - a. testamentary capacity.
    - b. testamentary intent.
    - c. testamentary formality.
    - d. all the answers are correct
  23. If commingling occurs and there is a loss, the loss is borne by the
    - a. agent and principal.
    - b. third party.
    - c. principal.
    - d. agent.
  24. The power, but not the right, to eliminate the agency at any time goes to
    - a. the agent.
    - b. the principal.
    - c. none of the answers are correct
    - d. the agent and the principal.
  25. In a jury trial, who decides the issues of fact?
    - a. the defendant
    - b. the jury
    - c. the trial judge
    - d. the judges of the appellate court

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26. The bankruptcy law that involves liquidation of nonexempt property is
- Chapter 12.
  - Chapter 13.
  - Chapter 7.
  - Chapter 11.
27. The type of insurance that covers automobile, burglary, disability, and liability would be
- social.
  - fidelity.
  - inland marine.
  - casualty.
28. Automobile insurance coverage indemnifying insures for damage to their own vehicles is
- collision.
  - comprehensive and collision.
  - not available.
  - comprehensive.
29. 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?
- hold the manufacturer strictly liable
  - hold the wholesaler strictly liable
  - hold the retailer of the product strictly liable
  - all of the answers are correct
30. 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)
- strict liability.
  - expressed warranty.
  - warranty of merchantability.
  - caveat emptor.

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**Business Law Answer Key**

- 1) C
- 2) A
- 3) B
- 4) D
- 5) D
- 6) D
- 7) B
- 8) C
- 9) D
- 10) C

- 11) B
- 12) A
- 13) B
- 14) C
- 15) D
- 16) B
- 17) B
- 18) D
- 19) A
- 20) A

- 21) B
- 22) B
- 23) D
- 24) D
- 25) B
- 26) C
- 27) D
- 28) B
- 29) D
- 30) C

This event provides recognition for FBLA members who are familiar with specific legal areas that most commonly affect personal and business relationships.

### Competencies

Test will focus on specific legal areas that most commonly affect personal and business relationships. The topics listed below are prioritized, listing first the most important content areas of the tests; grouped topics are equal.

- Contracts
- Sales
- Business organization
- Trade regulation, bailments, consumer protection, negotiable instruments, trade regulation, wills, agency, bankruptcy, insurance, product liability, torts

### Procedures/Tips

1. Review the guidelines for this event found in the Competitive Events section of the current edition of the *Chapter Management Handbook*. You should have a copy of the guidelines and review them carefully.
2. Study from both South Western and Glencoe/McGraw Hill textbooks and review vocabulary lists in each book's glossary. FBLA tests are written from different sources. Do not rely solely on school texts for study. Check out library texts to gain a broader range of familiarity. Take as many practice tests as possible.
3. Dress according to the established dress code. If dress code is not followed, participant will be disqualified.
4. Check the location of your test well before the time of competition. Plan to arrive 15 minutes before the scheduled time for the test. Remember the elevators can be slow and hallways crowded.
5. Bring several sharpened No. 2 pencils with erasers. A calculator will be provided.
6. Check the event signs to be certain you are in the correct room or section of the room. More than one event may be tested in one room at the same time.
7. Listen carefully to instructions given by the event administrator. One hour is allowed for the actual test. Carefully read the instructions on the cover page of the test. Pace yourself during the testing to allow time to work quickly but accurately. Try to answer all the questions.
8. Make certain your answers are clearly marked and all stray marks are erased.
9. Turn in your test as soon as you are finished. A tiebreaker is resolved by evaluating the students' performance on the final ten questions of the exam and then by the time.
10. Take pride in your accomplishments and share the excitement of the awards program.

## BUSINESS LAW SAMPLE TEST QUESTIONS

### Multiple Choice

1. A doctrine under which no consideration is needed in a contract is called
  - a. unconscionable.
  - b. promissory estoppel.
  - c. forbearance.
  - d. eminent domain.
2. A contract that includes a promise in exchange of an act is
  - a. bilateral contract.
  - b. void contract.
  - c. unilateral contract.
  - d. quasi contract.
3. Failure of one of the parties of a contract to do what he or she agreed to do is
  - a. mitigation of a contract.
  - b. breach of a contract.
  - c. disaffirming a contract.
  - d. ratifying a contract.
4. The withdrawal of an offer by the offeror is called
  - a. novation.
  - b. revocation.
  - c. rejection.
  - d. estoppel.
5. Joannie Manon agreed to go to the prom with Jared White. Later Steve Whitman, the captain of the debate team, asked Joannie to be his date for the prom. Joannie broke her date with Jared to go to the prom with Steve. Does Jared have a legal claim against Joannie?
  - a. Yes. An oral agreement involving no money is considered a legal contract.
  - b. Yes. If an offer is accepted, the contract is binding as soon as the acceptance is sent.
  - c. No. This was a moral or social obligation. No consideration, therefore, no valid contract existed.
  - d. No. Both parties are minors, therefore, the contract is not valid.
6. Two months before reaching the age of majority, David Lowery buys a motorcycle for \$5000. Three years later he seeks to void the contract. Is he legally bound by the contract?
  - a. Yes. Minors must positively disaffirm their contracts within a reasonable time after reaching the age of majority or the contracts become binding.
  - b. No. David may return the motorcycle, disaffirm the contract, and demand the return of his money because he was a minor when he purchased the motorcycle.
  - c. No. The agreements of a minor are void; they are not binding on either party.
  - d. No. Minors may always void contracts for purchases other than necessities.
7. If an offer is mailed, the acceptance takes effect
  - a. when a letter of acceptance is mailed.
  - b. in ten days.
  - c. when the offeree agrees.
  - d. when the acceptance is received.
8. A false statement will be the basis of fraud if it is
  - a. given as an opinion only.
  - b. a statement of a material fact.
  - c. not relied upon by the injured party.
  - d. not made to the party relying on it.
9. The usury statute
  - a. is a statute that protects people by voiding contracts that take away the right to make a living and do business in a market economy.
  - b. is a statute that prevents competitors from agreeing to sell a particular product or service at an agreed price.
  - c. is a statute that allows people to carry on a certain trade or profession.
  - d. is a statute that prevents people from being charged more than the maximum legal interest rate.

10. The Statute of Limitation
- is a statute that specifies the length of time within which a legal action may be brought on a contract.
  - is a statute that specifies the monetary limit that a person can obtain in a contract dispute.
  - is a statute that specifies which debts can be discharged under the bankruptcy laws.
  - is a statute that determines the remedy if a contract is not performed in a certain amount of time.
11. Which of the following contracts generally do **not** have to be in writing?
- Contracts for the sale of real property
  - Contracts in consideration of marriage
  - Contracts to pay the debts of others
  - Contracts that must be performed out of state
12. Dane Deloy, 17, buys an electric guitar. She tells the owner of the shop that she is 19. She returns the guitar and demands the return of her money two months later. The owner refuses to comply. Can Deloy void the contract?
- Yes. Deloy was a minor and can void the contract. In most states, minors' rights to void contracts for purchases other than necessities are not affected by false statements of age.
  - Yes. Deloy was a minor and either party to the contract can void the contract.
  - No. Deloy committed fraud claiming to be over the age of majority and cannot void the contract.
  - No. Deloy did not return the guitar within 24 hours and therefore ratified the contract.
13. Which partner does **not** have unlimited liability for debts of a firm?
- General partner
  - Secret partner
  - Limited partner
  - Silent partner
14. If a partnership is dissolved, who is the first to receive payment for liabilities?
- Money lent by partners to the firm
  - Debts to creditors, other than partners
  - Surplus owed to the partners
  - The original money paid by each partner
15. Which of the following is **not** true of a Corporation?
- Each shareholder's liability is limited to the amount of money he or she invested.
  - A corporation continues to exist, regardless of the life spans of its founders, shareholders, managers, and directors.
  - Corporations must face extensive government regulations.
  - Since shareholders are the owners of the business, the profits of a corporation are taxed only once.
16. A consolidation occurs
- when one corporation absorbs the other.
  - when two or more corporations set prices or allocate exclusive marketing areas.
  - when two corporations cease to exist and a new corporation is formed.
  - when two or more partnerships draft an Article of Incorporation and submit it to the proper state officials.
17. Some goods in a bailment are fungible. This means
- the bailee must return the identical goods.
  - the bailee need only return the same quantity as received, not the exact unit of goods.
  - both possession of the goods and control of the goods must shift from the bailor to the bailee.
  - the bailee must exercise reasonable care to protect the goods.
18. A common carrier is strictly liable for injury to bailed goods. Thus, a common carrier must exercise
- ordinary care.
  - minimal care.
  - extraordinary care.
  - relaxed care.



19. Joe Yablo orders a computer through the mail. He waits 40 days and does not receive the computer or hear from the company. Yablo asks for his money back. Must the company return his money if they are ready to ship the computer?
- No. The general rule is that the company must ship all goods within a reasonable amount of time and 40 days falls within a reasonable amount of time.
  - No. The FTC has established rules that protect consumers who order goods by mail. Buyers have the right to cancel orders and have their money returned if the goods are not shipped within 60 days of receipt of the order.
  - Yes. The FTC has established rules that protect consumers who order goods by mail. Buyers have the right to cancel orders and have their money returned if the goods are not shipped within 30 days of receipt of the order.
  - No. In today's consumer environment, people must abide by the phrase caveat emptor.
20. To help consumers make better decisions when buying used cars, the FTC established the Used Car Rule in 1984. The rule requires
- that each used car be inspected by a licensed mechanic before it is offered for sale.
  - that all used car dealers place a large sticker, called a Buyer's Guide, in the window of each used vehicle they offer for sale.
  - that each used car is sold with a 30-day warranty for parts and labor.
  - that the dealer gives an implied warranty that the car is merchantable and that this warranty cannot be excluded or disclaimed by the dealer.
21. The law of negotiable instruments is also known as the law of
- bearer paper.
  - contracts.
  - bearer instruments.
  - commercial paper.
22. Which of the following is true of the term "f.o.b. shipping point"?
- "Free on board shipping point" indicates that the buyer must pay the freight charges, and the goods are the responsibility of the seller until the goods reach the destination.
  - "Free on board shipping point" indicates that the seller assumes the shipping charges and the goods are the responsibility of the seller until the goods reach the destination.
  - "Free on board shipping point" indicates that there is no charge for shipping and the carrier of the goods assumes full responsibility of the goods in transit.
  - "Free on board shipping point" indicates the buyer must pay the freight charges from the shipping point to the destination, and the goods become the responsibility of the buyer at the shipping point.
23. Which one of the following is **not** an exception to the rule that contracts for the sale of goods of \$500 or more must be in writing?
- Executed oral contracts
  - Oral contracts between two merchants when a confirmation is sent and no objection is made
  - Oral contracts for specially manufactured goods
  - Oral contracts made between two merchants when both merchants perform business operations in the same state
24. A court procedure for proving the validity of a will is called
- probate.
  - execution.
  - nuncupation.
  - intestate.
25. Mrs. Thomas was fatally injured in an automobile accident one evening. As she lay dying, she told three witnesses that she was making a will and that she wanted her valuable collection of paintings to go to her good friend Anne. This is an example of a
- holographic will.
  - nuncupative will.
  - testamentary will.
  - codicil.

26. Which of the following is **not** an element necessary to prove to recover damages for a defective product using the requirements of strict liability?
- The manufacturer or seller sold the product in a defective condition.
  - The product was unreasonably dangerous to the user or consumer.
  - The manufacturer or seller was negligent in the care, preparation, or sale of the product.
  - The consumer sustained physical harm or property damage by use or consumption of the product.
27. Bankruptcy law establishes an order or priority, for classes of debts owed to unsecured creditors. Which of the following has the **lowest** priority?
- Unsecured claims for contributions to employee benefit plans arising under services rendered within 180 days before the filing of the petition
  - Certain taxes and penalties legally due and owed to various government units
  - Claims of general creditors
  - Claims for wages, salaries, and commissions up to a certain dollar amount of \$2,000 per claimant
28. Wilma bought a life insurance policy on the life of her husband Jeff. She also purchased a fire insurance policy on the couple's home. Unfortunately, Wilma and Jeff got a divorce. In the property settlement between the couple, Jeff took sole ownership and responsibility for the house, and Wilma took other unrelated property. A fire occurred at the house, and Jeff died from smoke inhalation. Will Wilma be able to collect on either insurance policy?
- She can collect on the life insurance policy, but she cannot collect on the fire insurance policy.
  - She can collect on both policies.
  - She can collect on the fire insurance policy, but she cannot collect on the life insurance policy.
  - She cannot collect on either policy.
29. Which of the following best describes the Magnuson-Moss Warranty Act?
- A federal statute that states "the seller of goods must warrant that he or she has the right to pass good and rightful title, and that the goods are free from unstated leas"
  - A federal statute that states "a merchant who deals in goods of the kind sold must warrant that goods are reasonably fit for the ordinary purposes for which such goods are used"
  - A federal statute designed to prevent deception in warranties by making them easier to understand by requiring that, if a warranty is made, the warranty must be labeled
  - A federal statute that states "a warranty of fitness for a particular purpose is implied on all consumer goods"
30. Which of the following is **not** true of torts?
- Tort lawsuits are brought against a person by the injured person.
  - Tort lawsuits are brought about by the state in order to punish wrongdoers.
  - Under the law, all people are entitled to certain rights.
  - In some cases a wrong is both a tort and a crime.

#### True/False

- A contract stated in oral or written words is an express contract.
- It is illegal for a minor to enter into a contract.
- For a contract to be valid, each party must receive something of equal value.
- Corporations are the most numerous form of business ownership.
- The Federal Trade Commission has adopted the rule that all agreements that restrain trade are illegal.
- State laws specify the number of witnesses who must be present at the signing of a will.
- Since agents act for their principals, anyone including minors can be appointed an agent.

38. In order to recover from the injury or property damage from a defective product, it must be proved that the defective condition existed at the time it left the hands of the manufacturer or seller.
39. In general, all persons, including minors, are responsible for their conduct and are therefore liable for their torts.
40. In property insurance, the insurable interest must exist when the policy is purchased; for life insurance, the insurable interest must exist at the time of the loss

Business Law

	ANSWER		ANSWER		ANSWER		ANSWER
1.	B	11.	D	21.	D	31.	T
2.	C	12.	A	22.	D	32.	F
3.	D	13.	C	23.	D	33.	F
4.	B	14.	B	24.	A	34.	F
5.	C	15.	D	25.	B	35.	F
6.	A	16.	C	26.	C	36.	T
7.	A	17.	B	27.	C	37.	T
8.	B	18.	C	28.	A	38.	T
9.	D	19.	C	29.	C	39.	T
10.	A	20.	B	30.	B	40.	F