

Appendix B for Unit Two

Questions on the Features

N.B.: TYPE indicates that a question is new, modified, or unchanged, as follows.

- N A question new to this edition of the Test Bank.
- + A question modified from the previous edition of the Test Bank.
- = A question included in the previous edition of the Test Bank.

CHAPTER 5—INSIGHT INTO ETHICS:

IS IT ILLEGAL TO DISTRIBUTE VIRTUAL PORNOGRAPHY?

- B1. Congress intends to enact a law to criminalize the distribution of illegal child pornography on the Internet. Most likely to be held constitutional is a statute that prohibits
- a. offers to provide, and requests to obtain, child pornography.
 - b. the possession of virtual child pornography.
 - c. the possession of real and virtual child pornography.
 - d. a substantial amount of protected speech—especially pornography.

ANSWER: A PAGE: 107 TYPE: N
NAT: AACSB Reflective AICPA Legal

CHAPTER 6—INSIGHT INTO ETHICS:

SHOULD PHARMACEUTICAL COMPANIES BE ALLOWED TO TWEET?

- B2. Walt, a consumer, needs medical information. On the Internet, Walt goes to social network to consult with other consumers about diagnosis and treatment. Due in part to the Food and Drug Administration's rules, pharmaceutical companies are reluctant to advertise on the Web. Thus Walt is most likely to find
- a. accurate information online.
 - b. all of the necessary information in a tweet.
 - c. incomplete information in traditional outlets, such as television.
 - d. incorrect information online.

ANSWER: D

PAGE: 128

TYPE: N

NAT: AACSB Reflective

AICPA Legal

CHAPTER 7—SHIFTING LEGAL PRIORITIES FOR BUSINESS:

PROSECUTING WHITE-COLLAR CRIME WITH THE HONEST-SERVICES FRAUD LAW

- B3. Delfino, an executive with Cartwright Corporation, orders corporate employees to unknowingly transfer corporate funds to Delfino's personal account. This use of the employees' services is most likely
- a. honest-services fraud, a federal crime.
 - b. a violation of corporate rules but no crime.
 - c. a breach of workplace rules generally but no civil or criminal wrong.
 - d. unethical but no crime.

ANSWER: A

PAGE: 146

TYPE: N

NAT: AACSB Reflective

AICPA Legal

CHAPTER 8—SHIFTING LEGAL PRIORITIES FOR BUSINESS:
THE NATIONAL EXPORT INITIATIVE

- B4. A Little Bit of Lipstick, Inc., is a small, U.S.-based business that sells nanotechnology-based cosmetics for export. Under the National Export Initiative, the federal government is
- pursuing trade agreements to improve market access for U.S. firms.
 - banning lending to small businesses, especially for export purposes.
 - placing less emphasis on exports than other governments.
 - playing a less active role in promoting exports in emerging markets.

ANSWER: A PAGE: 168 TYPE: N
NAT: AACSB Reflective AICPA Legal

UNIT TWO—FOCUS ON LEGAL ETHICS:
THE PUBLIC AND INTERNATIONAL ENVIRONMENT

- B5. ReadIt, Inc., develops an internationally popular Web site, tailoring its features to the censorship requirements of various governments. Critics charge ReadIt with “decapitating the voice of dissent.” Ethically, the best argument in favor of ReadIt’s policy is
- ReadIt is merely following the lead of governments everywhere.
 - ReadIt is only seeking profits in lucrative markets.
 - ReadIt’s action is a common international practice.
 - ReadIt’s approach is a move toward more open access in the future.

ANSWER: D PAGE: 179 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

- B6. The Environmental Protection Agency may inspect Freeflo Chemical Company’s plant without a search warrant
- if Freeflo is in an industry subject to extensive regulation.
 - only if Freeflo is not committing a regulatory violation.
 - only to obtain information for other than a regulatory purpose.
 - under no circumstances.

102 TEST BANK B—UNIT TWO: THE PUBLIC AND INTERNATIONAL
ENVIRONMENT

ANSWER: A	PAGE: 180	TYPE: =
NAT: AACSB Reflective	AICPA Legal	

Chapter 2

The Court System

N.B.: TYPE indicates that a question is new, modified, or unchanged, as follows.

- N A question new to this edition of the Test Bank.
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TRUE/FALSE QUESTIONS

- A1. Federal courts are superior to state courts.

ANSWER: F PAGE: 28 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A2. The courts can decide whether the other branches of government have acted within the scope of their constitutional authority.

ANSWER: T PAGE: 28 TYPE: =
NAT: AACSB Analytic AICPA Legal

- A3. Minimum contacts with a jurisdiction can be sufficient to support jurisdiction over a nonresident defendant.

ANSWER: T PAGE: 30 TYPE: +
NAT: AACSB Analytic AICPA Legal

- A4. Federal courts have jurisdiction over any case involving citizens of different states regardless of the amount in controversy.

ANSWER: F

PAGE: 33

TYPE: N

NAT: AACSB Analytic

AICPA Legal

- A5. Concurrent jurisdiction exists when neither federal nor state courts have the power to hear a particular case.

ANSWER: T PAGE: 33 TYPE: +
NAT: AACSB Analytic AICPA Legal

- A6. A court cannot exercise jurisdiction over an out-of-state defendant who has only done business in the state over the Internet.

ANSWER: F PAGE: 33 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A7. Venue is the term for the subject matter of a case.

ANSWER: F PAGE: 34 TYPE: =
NAT: AACSB Analytic AICPA Legal

- A8. A justiciable controversy is a case in which the court's decision—the "justice" that will be served—will be controversial.

ANSWER: F PAGE: 35 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A9. Generally, lawyers are required to represent people in small claims courts.

ANSWER: F PAGE: 37 TYPE: N
NAT: AACSB Analytic AICPA Critical Thinking

- A10. Federal cases typically originate in appellate courts.

ANSWER: F PAGE: 38 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A11. The United States Supreme Court has original jurisdiction in rare instances.

ANSWER: T PAGE: 39 TYPE: N
NAT: AACSB Analytic AICPA Legal

A12. There is one set of procedural rules for federal courts and various sets for state courts.

ANSWER: T PAGE: 40 TYPE: N
NAT: AACSB Analytic AICPA Legal

A13. A default judgment is entered against a party who fails to respond to the allegations in a complaint.

ANSWER: T PAGE: 42 TYPE: N
NAT: AACSB Analytic AICPA Legal

A14. At every stage of a trial, either party can file a motion to dismiss the case.

ANSWER: T PAGE: 44 TYPE: N
NAT: AACSB Analytic AICPA Legal

A15. A summary judgment is granted only if there is no genuine question of law.

ANSWER: F PAGE: 44 TYPE: N
NAT: AACSB Analytic AICPA Legal

A16. If a discovery request involves confidential business information, the scope of the request can be limited.

ANSWER: T PAGE: 46 TYPE: N
NAT: AACSB Analytic AICPA Legal

A17. Hearsay evidence is testimony about a statement made by someone who was not under oath at the time.

ANSWER: T PAGE: 49 TYPE: N
NAT: AACSB Analytic AICPA Legal

A18. A motion for a directed verdict is also known as a motion for judgment as a matter of law.

ANSWER: T PAGE: 50 TYPE: N
NAT: AACSB Analytic AICPA Legal

- A19. A trial commences with the plaintiff's attorney's direct examination of the first witness.

ANSWER: F PAGE: 50 TYPE: N
 NAT: AACSB Analytic AICPA Legal

- A20. An appellate court can affirm or reverse the decision of a trial court in part.

ANSWER: T PAGE: 52 TYPE: N
 NAT: AACSB Reflective AICPA Critical Thinking

MULTIPLE CHOICE QUESTIONS

- A1. The Ohio state legislature passes a law to regulate local delivery services. The final authority regarding the constitutionality of this law is

- a. the judicial system.
- b. the president of the United States.
- c. the governor of Ohio.
- d. the U.S. Congress.

ANSWER: A PAGE: 28 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- A2. Ginger wants to file a suit against Fred. For a court to hear the case

- a. Fred must agree.
- b. the court must have jurisdiction.
- c. the parties must have no minimum contact with each other.
- d. the parties must own property.

ANSWER: B PAGE: 30 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A3. The case of *Max v. National Credit Co.* is heard in a trial court. The case of *O! Boy! Ice Cream Co. v. Pickled Peppers, Inc.*, is heard in an appellate court. The difference between a trial and an appellate court is whether
- a. a trial is being held.
 - b. the court is appealing.
 - c. the parties question how the law applies to their dispute.
 - d. the subject matter of the case involves complex facts.

ANSWER: A PAGE: 32 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A4. Tyler, a citizen of Utah, files a suit in a Utah state court against Veritas Sales Corporation, a Washington state company that does business in Utah. The court has original jurisdiction, which means that
- a. the case is being heard for the first time.
 - b. the court has a unique method of deciding whether to hear a case.
 - c. the court has unusual procedural rules.
 - d. the subject matter of the suit is interesting and new.

ANSWER: A PAGE: 32 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A5. Rolf, a citizen of New Mexico, wants to file a suit against Sandy, a citizen of Texas, relating to a motorcycle accident in which Rolf's injuries resulted in medical costs of more than \$75,000. Their diversity of citizenship may be a basis for
- a. no court to exercise jurisdiction.
 - b. a federal court to exercise original jurisdiction.
 - c. a state court to exercise appellate jurisdiction.
 - d. the United States Supreme Court to refuse jurisdiction.

ANSWER: B PAGE: 33 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- A6. Liu files a suit against Macro Sales, Inc., in a New Jersey state court based on a Web site through which New Jersey residents can do business with Macro. The court will most likely exercise jurisdiction over Macro if the interactivity of the site is seen as
- a “substantial enough” connection with the state.
 - “downloading” from the state.
 - not connected with the state.
 - “uploading” to the state.

ANSWER: A PAGE: 33 TYPE: =
 NAT: AACSB Reflective AICPA Critical Thinking

- A7. 3D HD TV Company, a firm in Minnesota, advertises on the Web. A court in North Dakota would be most likely to exercise jurisdiction over 3D HD if the firm
- conducted substantial business with North Dakota residents through its Web site.
 - interacted with any North Dakota resident through its Web site.
 - only advertised without interactivity at its Web site.
 - suddenly removed its ad from the Internet.

ANSWER: A PAGE: 33 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- A8. Gaudy Ornaments, Inc., sells decorative ware. Hank, who has never bought a Gaudy product, files a suit against the firm, alleging that its products are defective. The firm’s best ground for dismissal of the suit is that Hank does not have
- venue.
 - jurisdiction.
 - standing.
 - sufficient minimum contacts.

ANSWER: C PAGE: 34 TYPE: +
 NAT: AACSB Reflective AICPA Decision Modeling

- A9. Mariah wins her suit against Natural Products Company. Natural's best ground for appeal is the trial court's interpretation of
- a. the conduct of the witnesses during the trial.
 - b. the credibility of the evidence that Mariah presented.
 - c. the dealings between the parties before the suit.
 - d. the law that applied to the issues in the case.

ANSWER: D PAGE: 38 TYPE: =
NAT: AACSB Reflective AICPA Legal

- A10. Drummond wants to make a federal case out of his dispute with Elena. Federal cases originate in
- a. federal courts of appeals.
 - b. federal district courts.
 - c. state trial courts.
 - d. the United States Supreme Court.

ANSWER: B PAGE: 38 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A11. Boyd files a suit in a federal district court against Cathy. Cathy loses the suit, appeals to the U.S. Court of Appeals for the Second Circuit, and loses again. Cathy asks the United States Supreme Court to hear the case. The Court is
- a. not required to hear the case.
 - b. required to hear the case because Cathy lost in a federal court.
 - c. required to hear the case because Cathy lost in a lower court.
 - d. required to hear the case because it is an appeal.

ANSWER: A PAGE: 40 TYPE: =
NAT: AACSB Reflective AICPA Legal

A12. Ulrica wants to initiate a suit against Valley Farms by filing a complaint. The complaint should include

- a. an explanation to refute any defense the defendant might assert.
- b. a motion for summary judgment.
- c. a motion to dismiss.
- d. the facts establishing Ulrica's basis for relief.

ANSWER: D PAGE: 42 TYPE: =
NAT: AACSB Reflective AICPA Legal

A13. Beyond-the-Sea Imports, Inc., disputes the use of "beyond-the-sea.com" as a domain name by Beyond-the-Sea Overseas Exports, Ltd., and files a suit to resolve the dispute. Service of process must be

- a. by e-mail.
- b. by personal delivery.
- c. by sea.
- d. according to the rules of the court in which the suit is brought.

ANSWER: D PAGE: 42 TYPE: +
NAT: AACSB Reflective AICPA Legal

A14. Loren files a suit against Mabel, alleging a failure to pay for the harvest of Mabel's orchards. Mabel denies Loren's charge and claims that Loren breached their contract to harvest a certain number of acres and owes Mabel money for the breach. Mabel's claim is

- a. a contrary charge.
- b. a counterclaim.
- c. a counterpoint.
- d. a cross complaint.

ANSWER: B PAGE: 42 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A15. To prepare for a trial between Condo Development Corporation and Demo Construction Company, Condo's attorney places Demo's president under oath. An authorized court official makes a record of the attorney's questions and the officer's answers. This is
- a. a cross examination.
 - b. a deposition.
 - c. e-evidence.
 - d. an interrogatory.

ANSWER: B PAGE: 46 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A16. In Dawg Stop's suit against Condiment Vendor, Inc., Dawg serves a written request for Condiment to admit the truth of matters relating to the trial. Condiment's admission in response is the equivalent of
- a. an admission in court.
 - b. a statement to the media.
 - c. information to which Condiment has a right of privacy.
 - d. irrelevant evidence.

ANSWER: A PAGE: 47 TYPE: N
NAT: AACSB Reflective AICPA Legal

- A17. During a trial in Gene's suit against Homer over the use of Gene's lakeside cabin, Gene's attorney asks questions of the plaintiff's witness Illya. This is
- a. a cross-examination.
 - b. a deposition.
 - c. a direct examination.
 - d. an interrogatory.

ANSWER: C PAGE: 50 TYPE: N
NAT: AACSB Reflective AICPA Legal

A18. During a trial, the attorney for Gloria the plaintiff questions her witness Heidi. Heidi, who is not an expert in the matter about which she is being asked, can

- a. testify about any of the facts in the case.
- b. testify about only what she personally observed.
- c. offer her opinion about any of the evidence.
- d. offer her conclusion with regard to the case.

ANSWER: B PAGE: 50 TYPE: N
 NAT: AACSB Reflective AICPA Legal

A19. After a trial between OptiGames, Inc., and Play Video Corporation, the jury renders a verdict in OptiGames's favor. Play Video's attorney can file a motion

- a. for a new trial.
- b. for judgment on the pleadings.
- c. for summary judgment.
- d. to dismiss the case.

ANSWER: A PAGE: 51 TYPE: N
 NAT: AACSB Reflective AICPA Legal

A20. In Recycle Cafe's suit against Sanitary Services, Inc., the court issues a judgment in Recycle's favor. The judgment can be appealed to an appropriate court of appeals by

- a. neither party.
- b. Recycle only.
- c. Recycle or Sanitary.
- d. Sanitary only.

ANSWER: C PAGE: 52 TYPE: N
 NAT: AACSB Reflective AICPA Legal

ESSAY QUESTIONS

A1. Quik Results, Inc., a Maine corporation, makes and sells Power Up!, a weight-gain and muscle-building supplement. Orin, a citizen of New York,

sees an ad for Power Up! in *WorkOut* magazine and buys it in New York City at a local health club. Within ten days of beginning to use Power Up!, Orin suffers internal injuries. Alleging that the injuries are caused by Power Up!, Orin files a suit against Quik in a New York state court. Quik asks the court to dismiss the suit on the ground that it does not have personal jurisdiction over Quik. What is the court most likely to rule and why?

ANSWER: The court will most likely refuse to dismiss the suit and allow the action to proceed, because Quik (the defendant) advertised and sold its product Power Up! in New York to New York residents and thus subjected itself to being sued in New York. In other words, because Quik purposefully availed itself of the privilege of conducting business in New York, it had sufficient minimum contacts with the state for a New York state court to exercise jurisdiction over Quik.

PAGES: 30–32

TYPE: =

NAT: AACSB Reflective AICPA Decision Modeling

- A2. Elle is walking to work along a sidewalk next to a road. A truck owned by Fast Distribution Company (FDC) strikes and injures Elle, causing her injuries that result in more than \$250,000 in medical expenses. Elle is a resident of Georgia, where the accident occurred. FDC has its principal place of business, and is incorporated, in Delaware. In what court may Elle sue FDC?

ANSWER: Elle may sue FDC in Delaware, because FDC has its principal place of business, and is incorporated, in that state. FDC may be sued in Georgia, because that is where Elle's injury occurred. FDC may be subject to Elle's suit in a federal court, because the parties have diversity of citizenship (Elle is a resident of Georgia and FDC has its principal place of business, and is incorporated, in Delaware) and the amount in controversy is more than \$75,000 (the cost of Elle's injuries is more than \$250,000).

PAGE: 33

TYPE: N

NAT: AACSB Reflective AICPA Decision Modeling

Chapter 2

The Court System

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TRUE/FALSE QUESTIONS

B1. The function of the courts is to interpret and apply the law.

ANSWER: T PAGE: 28 TYPE: N
NAT: AACSB Analytic AICPA Legal

B2. State courts are inferior to federal courts.

ANSWER: F PAGE: 28 TYPE: N
NAT: AACSB Analytic AICPA Legal

B3. The political branch of government is the final authority concerning the constitutionality of a law.

ANSWER: F PAGE: 28 TYPE: N
NAT: AACSB Analytic AICPA Legal

B4. Under a long arm statute, a court cannot exercise jurisdiction over a defendant who has minimum out-of-state contacts.

ANSWER: F PAGE: 30 TYPE: N
NAT: AACSB Analytic AICPA Legal

- B5. A state court can exercise jurisdiction over property located within the state's boundaries regardless of the property owners' location.

ANSWER: T PAGE: 30 TYPE: N
NAT: AACSB Analytic AICPA Legal

- B6. For purposes of diversity of citizenship, a corporation is a citizen only of the state in which its principal place of business is located.

ANSWER: F PAGE: 33 TYPE: +
NAT: AACSB Analytic AICPA Legal

- B7. A business firm may have to comply with the laws of any jurisdiction in which it actively targets customers for its products.

ANSWER: T PAGE: 34 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

- B8. To have standing to sue, a party must have been injured or have been threatened with injury by the action about which he or she is complaining.

ANSWER: T PAGE: 34 TYPE: =
NAT: AACSB Analytic AICPA Legal

- B9. Small claims courts are inferior trial courts.

ANSWER: T PAGE: 37 TYPE: N
NAT: AACSB Analytic AICPA Legal

- B10. Courts of appeals conduct new trials in which evidence is submitted to the court but witnesses are not examined.

ANSWER: F PAGE: 38 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

B11. U.S. district courts have original jurisdiction in matters involving federal questions.

ANSWER: T PAGE: 38 TYPE: N
NAT: AACSB Reflective AICPA Critical Thinking

B12. The United States Supreme Court can review any case decided by any of the federal courts of appeals.

ANSWER: T PAGE: 39 TYPE: N
NAT: AACSB Analytic AICPA Legal

B13. Before a lawsuit begins, the court must have proof that the defendant was notified.

ANSWER: T PAGE: 42 TYPE: N
NAT: AACSB Analytic AICPA Legal

B14. Discovery is the process of obtaining information from an apposing party before trial.

ANSWER: T PAGE: 44 TYPE: N
NAT: AACSB Analytic AICPA Legal

B15. A deposition is sworn testimony by a party to a lawsuit or any witness.

ANSWER: T PAGE: 46 TYPE: N
NAT: AACSB Analytic AICPA Legal

B16. Information stored electronically cannot be the object of a discovery request.

ANSWER: F PAGE: 47 TYPE: N
NAT: AACSB Analytic AICPA Legal

B17. A closing argument is a statement by a party that results in a summary judgment in that party's favor.

ANSWER: F PAGE: 50 TYPE: N

NAT: AACSB Analytic

AICPA Legal

B18. A court of appeals hears all of the same evidence that the trial court heard.

ANSWER: F

PAGE: 52

TYPE: N

NAT: AACSB Analytic

AICPA Legal

B19. A petitioner is the party against whom an appeal is taken.

ANSWER: F PAGE: 52 TYPE: N
 NAT: AACSB Analytic AICPA Legal

B20. The expenses associated with an appeal are minor.

ANSWER: F PAGE: 52 TYPE: N
 NAT: AACSB Analytic AICPA Legal

MULTIPLE CHOICE QUESTIONS

B1. Harvey, a resident of Indiana, has an accident with Janette, a resident of Kentucky, while driving through that state. Janette files a suit against Harvey in Kentucky. Regarding Harvey, Kentucky has

- a. diversity jurisdiction.
- b. in personam jurisdiction.
- c. in rem jurisdiction.
- d. no jurisdiction.

ANSWER: B PAGE: 30 TYPE: =
 NAT: AACSB Reflective AICPA Legal

B2. Inferior Company, which is based on South Carolina, makes and sells products that are poorly made. Jack, who is a resident of North Carolina, buys an Inferior product and suffers harm through its use. The diversity of citizenship between these parties means that

- a. federal and state courts have concurrent jurisdiction.
- b. federal courts have exclusive jurisdiction.
- c. no court has jurisdiction.
- d. state courts have exclusive jurisdiction.

ANSWER: A PAGE: 33 TYPE: N
 NAT: AACSB Reflective AICPA Critical Thinking

- B3. Lora is a resident of Illinois. Ned is a resident of Wisconsin. They dispute the ownership of a boat docked in a Michigan harbor. This diversity of citizenship could serve as a basis for
- a. federal jurisdiction.
 - b. general jurisdiction.
 - c. limited jurisdiction.
 - d. state jurisdiction.

ANSWER: A PAGE: 33 TYPE: N
 NAT: AACSB Reflective AICPA Legal

- B4. Jo files a suit against Kara in a Missouri state court. Kara's only connection to Missouri is an ad on the Web originating in Nebraska. For Missouri to exercise jurisdiction, the issue is whether Kara, through her ad, has
- a. a commercial cyber presence in Missouri.
 - b. conducted substantial business with Missouri residents.
 - c. general maximum contact with Missouri.
 - d. solicited virtual business in Missouri.

ANSWER: B PAGE: 33 TYPE: =
 NAT: AACSB Reflective AICPA Legal

- B5. Child's Play, Inc., sells a toy with a dangerous defect. Drew buys the toy for his son but discovers the defect before the child is injured. Drew files a suit against Child's Play. The firm's best ground for dismissal of the suit is that Drew does not have
- a. certiorari.
 - b. jurisdiction.
 - c. standing to sue.
 - d. sufficient minimum contacts.

ANSWER: C PAGE: 34 TYPE: N
 NAT: AACSB Reflective AICPA Decision Modeling

- B6. Lacey files a suit in Michigan against Ned over the ownership of a boat docked in a Michigan harbor. Lacey and Ned are residents of Ohio. Ned could ask for a change of venue on the ground that Ohio
- a. has a sufficient stake in the matter.
 - b. has jurisdiction.
 - c. has sufficient minimum contacts with the parties.
 - d. is a more convenient location to hold the trial.

ANSWER: D PAGE: 34 TYPE: N
NAT: AACSB Reflective AICPA Legal

- B7. Kit loses her suit against Lou in a Minnesota state trial court. Kit appeals to the state court of appeals and loses again. Kit would appeal next to
- a. a U.S. district court.
 - b. the Minnesota Supreme Court.
 - c. the United States Supreme Court.
 - d. the U.S. Court of Appeals for the Eighth Circuit.

ANSWER: B PAGE: 38 TYPE: =
NAT: AACSB Reflective AICPA Critical Thinking

- B8. The Idaho Supreme Court rules against Jiffy Mart in a case against Kwik Stop Stores, Inc. Jiffy Mart files an appeal with the United States Supreme Court. The Court does not hear the case. This
- a. is a decision on the merits with value as a precedent.
 - b. indicates agreement with the Idaho court's decision.
 - c. means nothing.
 - d. means that the Idaho court's decision is the law in Idaho.

ANSWER: D PAGE: 39 TYPE: =
NAT: AACSB Reflective AICPA Legal

- B9. Jason files a suit against Maybelline. If Maybelline fails to respond, Jason
- must appeal the case to a different court.
 - must refile the suit in the same court.
 - will be awarded the remedy sought.
 - will have a default judgment entered against him.

ANSWER: C PAGE: 42 TYPE: N
NAT: AACSB Reflective AICPA Legal

- B10. Liv wants to initiate a suit against Mortgage Mart Corporation by filing a complaint. The complaint should include
- an explanation of the proof to be offered at trial.
 - defenses to any possible counterclaim.
 - a motion for judgment on the pleadings.
 - the facts showing that the court has jurisdiction.

ANSWER: D PAGE: 42 TYPE: +
NAT: AACSB Reflective AICPA Legal

- B11. Solar Power, Inc., files a suit against Thunder Bay Utility Company and seeks to examine certain documents in Thunder's possession. A legitimate reason for this examination is that the documents contain
- evidence about the case.
 - private information about Thunder's operations.
 - public information about energy generation.
 - irrelevant data that can be eliminated from consideration.

ANSWER: A PAGE: 44 TYPE: N
NAT: AACSB Reflective AICPA Legal

- B12. During the trial phase of Fuel Corporation's suit against Gas Stations, Inc., their attorneys engage in *voir dire*. This is
- an assessment of the arguments on the issues.
 - a determination of the issues to be argued.
 - litigation of the issues and arguments.
 - the jury selection process.

ANSWER: D PAGE: 47 TYPE: =
NAT: AACSB Reflective AICPA Legal

B13. During a trial between Laramie and Mikayla over a sale of allegedly diseased livestock, Mikayla's attorney asks questions of the plaintiff's witness Nilson. This is

- a. a cross-examination.
- b. a deposition.
- c. a direct examination.
- d. an interrogatory.

ANSWER: A PAGE: 50 TYPE: N
NAT: AACSB Reflective AICPA Legal

B14. Toppers, Inc., files a suit against Sports Cap Company. Toppers's attorney calls Renalda, the first witness, and questions her. This questioning is

- a. cross-examination.
- b. direct examination.
- c. a rebuttal.
- d. a rejoinder.

ANSWER: B PAGE: 50 TYPE: +
NAT: AACSB Reflective AICPA Legal

B15. Irma files a civil suit against Jim. To succeed, Irma must prove her case

- a. beyond a reasonable doubt.
- b. by a preponderance of the evidence.
- c. by indisputable proof.
- d. within an iota of the truth.

ANSWER: B PAGE: 50 TYPE: =
NAT: AACSB Reflective AICPA Legal

B16. In Brick 'n Mortar Corporation's suit against Online Mall, Inc. (OMI), the jury returns a verdict in Brick 'n Mortar's favor. OMI files a motion asking the judge to set aside the verdict and begin new proceedings. This is a motion for

- a. a summary judgment.
- b. a directed verdict.
- c. a new trial.
- d. judgment *n.o.v.*

ANSWER: C PAGE: 51 TYPE: N
 NAT: AACSB Reflective AICPA Legal

B17. In Chickenpot Cafe's suit against Dawg Carts, Inc., the jury returns a verdict in Chickenpot's favor. Chickenpot will most likely ask the court to enter

- a. a judgment in accordance with the verdict.
- b. a judgment *n.o.v.*
- c. a summary judgment.
- d. a directed verdict.

ANSWER: A PAGE: 51 TYPE: N
 NAT: AACSB Reflective AICPA Legal

B18. In Midnight Motel's suit against Natural Mattress Company, the jury returns a verdict in Midnight's favor. Natural files a motion stating that even if the evidence is viewed in the light most favorable to Midnight, a reasonable jury should not have found in its favor. This is a motion for

- a. a summary judgment.
- b. a writ of execution.
- c. a directed verdict.
- d. judgment *n.o.v.*

ANSWER: D PAGE: 52 TYPE: +
 NAT: AACSB Reflective AICPA Legal

B19. Stefani files a suit against Thomasina. The document that informs Thomasina that she is required to answer the complaint is

- a. the motion.
- b. the complaint.
- c. the service of process.
- d. the summons.

ANSWER: D PAGE: 52 TYPE: +
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B20. In Phil's suit against Riley, the court issues a judgment in Riley's favor. If the case is appealed to an appropriate court of appeals, the appellate court will hear

- a. all of the evidence.
- b. most of the evidence.
- c. none of the evidence.
- d. select pieces of evidence.

ANSWER: C PAGE: 52 TYPE: N
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ESSAY QUESTIONS

B1. MicroWare hosts a Web site that advertises its software products, features upgrades and "patches" for its existing software products, and accepts orders for the products from consumers throughout the world. Mary, who owns and operates Business Records, Inc., a small bookkeeping and payroll business in Colorado, orders from the Web site a copy of MicroWare's Office Books software. Office Books is designed to help accountants and bookkeepers keep accurate business records. When Office Books is found to have a defect in its calculating program, MicroWare offers a patch on its Web site to fix the problem. Mary has already lost several customers because of the miscalculating defect, however, and files a suit against MicroWare in a Colorado state court. Can the court exercise jurisdiction over MicroWare? Why or why not?

ANSWER: Some courts have upheld exercises of jurisdiction on the basis of the accessibility of a Web page. Other courts have concluded that without more, a presence on the Web is not enough to support jurisdiction over a nonresident. The standard that is generally accepted for evaluating the exercise of jurisdiction based on contacts over the Internet is a “sliding scale.” On the scale, a court’s exercise of personal jurisdiction depends on the amount of business that an individual or firm transacts over the Internet. A Web site that provides upgrades and “patches,” and accepts orders from customers has a high degree of interactivity. There may be a question as to the amount of business that MicroWare transacts with residents of Colorado. If that business is substantial, MicroWare would likely be subject to the court’s jurisdiction.

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- B2. Worldwide Trucking Corporation files a suit in a state court against XL Service Company, and wins. XL appeals the court’s decision, asserting that the evidence presented at trial to support Worldwide’s claim was such that no reasonable jury could have found for the plaintiff. Therefore, argues XL, the appellate court should reverse the trial court’s decision. May an appellate court ever reverse a trial court’s findings with respect to questions of fact?

ANSWER: An appellate court will reverse a lower court’s decision on the basis of the facts only when the finding is clearly erroneous (that is, when it is contrary to the evidence presented at trial) or when there is no evidence to support the finding. Appellate courts normally defer to a judge’s decision with regard to the facts of a case, however, for a number of reasons. First, trial judges routinely sit as fact finders. As a result, they develop a particular expertise in determining what kind of evidence and testimony is reliable and what kind is not. Second, trial judges and juries have the opportunity to observe witnesses and tangible evidence first hand. The appellate court sees only a cold record of the trial court proceedings and therefore cannot make the kind of judgments about the credibility of witnesses and the persuasiveness of evidence that can be gleaned only from first-hand experience.

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AICPA Critical Thinking

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