

## Chapter 1 Introduction to Law and the Legal Process

### True/False Questions

1. "Critical legal studies" scholars accept the premise that law is objectively fair in distributing goods among members of society.

**False; Easy**

2. The positivist school of legal thought relies on social context and the actual behavior of the principal actors who enforce the law.

**False; Easy**

3. According to natural law theory, a citizen would be morally justified in demonstrating civil disobedience of a positive law that violates natural law.

**True; Easy**

4. According to contract law, promise-breaking without a legal excuse would be unethical.

**True; Easy**

5. If a competitor lies about your product, your remedy would be in contract, not tort.

**False; Easy**

6. Substantive legal rules tell us how to act with one another, and how to act with regard to the government.

**True; Easy**

7. The Constitution prescribes that the president has the veto power to override any legislation, but the House and Senate can override a presidential veto with a two-thirds vote in each chamber.

**True; Easy**

8. Common law consists of decisions by courts that involve interpretation of statutes, regulations, and treaties.

**False; Easy**

9. "Common law" originated with decisions by judges in England.

**True; Easy**

10. A holding is the court's complete answer to an issue that is critical to deciding the case and thus gives guidance to the meaning of the case as a precedent for future cases.

**True; Easy**

11. One alternative to the common-law legal system is the civil law system based in Roman and Napoleonic law.

**True; Easy**

12. State and federal statutes that prohibit discrimination on the basis of race or gender are essentially legislative exceptions to the common-law employment-at-will rule.

**True; Easy**

13. According to the case *Harris v. Forklift Systems*, the Supreme Court, an employee need not prove severe psychological injury in order to win a Title VII sexual harassment claim.

**True; Easy**

14. When Congress delegates authority to an administrative agency, it can leave guidelines for agency action so vague that the agencies can do almost anything they want.

**False; Easy.**

15. Civil law systems are typically seen in countries that were once under British colonial rule.

**False, Easy.**

### **Multiple Choice Questions**

1. Which school of thought holds that law is “the command of a sovereign”?

- a. Positive-law school of legal thought
- b. Natural-law school of legal thought
- c. Legal realist school of thought
- d. Critical legal studies school of thought
- e. Eco-feminist school of legal thought

**a; Easy**

2. According to the legal realist school of thought,

- a. precedent was more important than moral arguments
- b. law is politics, and is thus not neutral
- c. wives, children, land, and animals are valued as economic resources
- d. the social context of law is critically important
- e. the male dominance of both nature and women shapes much of the law

**d; Easy**

3. Which of the following is a perspective that influences the Critical Legal Studies school of legal thought?

- a. Precedent is more important than moral arguments
- b. Distributive justice theory
- c. Dominator culture and patriarchy
- d. a and b
- e. b and c

**b; Moderate**

4. Dominator culture is \_\_\_\_.

- a. one in which man is charged with making all that he controls economically productive

- b. largely defined by the ideal of peaceful co-existence between humanity and nature
- c. influenced by the economist Karl Marx
- d. more important to legal realists than the formal application of precedent to current or future legal disputes

**a; Easy**

5. The historical school of law \_\_\_\_\_.

- a. believed that precedent would be more important than moral arguments
- b. stated that the social context of law was more important
- c. stressed the need for certain laws and doctrines to be altered in order to remain current
- d. emphasized the longstanding domination of men over both women and the rest of the world
- e. influenced the emergence of critical legal studies

**a; Easy**

6. The \_\_\_\_\_ would use the law to overturn the hierarchical structures of domination in the modern society.

- a. historical school of law
- b. critical legal studies school of thought
- c. legal realist school
- d. natural law school of thought

**b; Easy**

7. According to contract law \_\_\_\_\_.

- a. harming others is considered unethical
- b. private ownership of property is socially useful
- c. anarchy is caused if people are not restrained by law
- d. promise-breaking is seen as unethical
- e. compensation is provided when serious injuries or harms occur

**d; Easy**

8. Tort law deals with \_\_\_\_\_.

- a. the rights and duties of those who can legally own land
- b. what kinds of promises courts should enforce
- c. how ownership can be legally confirmed and protected
- d. cases that involve dispute over illegally owned property
- e. cases that involve some kind of harm between plaintiff and defendant when no contract exists

**e; Easy**

9. Which of the following is true of civil cases?

- a. Plaintiff brings the case and defendant must answer
- b. Their purpose is to maintain order in society.
- c. Their purpose is to deter serious wrongdoing
- d. Proof must be beyond reasonable doubt
- e. Remedies include fines, jail, and forfeitures

**a; Easy**

10. Which of the following is true of criminal cases?
- a. Guilty defendants are usually given some form of punishment.
  - b. Proof depends upon preponderance of evidence.
  - c. Defendant must answer or lose by default.
  - d. a and b
  - e. b and c
- a; Moderate**
11. If there is no state statute, the court will have to make up a rule, known as:
- a. stare decisis
  - b. a case of first impression
  - c. supremacy
  - d. judicial review
- b; Easy**
12. Which of the following is true about statutes?
- a. They are more important than treaties or conventions.
  - b. Under most treaties, the President of the United States may end the treaty whenever s/he chooses.
  - c. Statutes generally take precedence over case law.
  - d. A and b
  - e. B and c
- c; Easy**
13. Which of the following is true about administrative agencies?
- a. The Constitution expressly provides for administrative agencies.
  - b. Agency regulations do not have the same force of law as a statute.
  - c. The U.S. Supreme Court has upheld the delegation of power to create federal agencies.
  - d. Administrative agencies only exist at the federal level.
- c; Moderate**
14. A code-law system \_\_\_\_.
- a. is used to resolve particular cases, usually by judges and a jury
  - b. recognizes the use of precedents in judicial cases
  - c. is one where all the legal rules are in one comprehensive legislative enactment
  - d. a and b
  - e. a and c
- c; Moderate**
15. In the *Harris v. Forklift Systems* case, the Supreme Court \_\_\_\_.
- a. ruled that whether an environment is hostile or abusive can be determined solely by the rule of 72
  - b. ruled that an employee had to prove severe psychological injury in order to win a Title VII sexual harassment claim
  - c. ruled that Title VII comes into play only if the harassing conduct has led to a serious nervous breakdown

- d. raised the bar and made hostile-working environment claims under Title VII more difficult to win
  - e. reversed the judgment of the Court of Appeals that a plaintiff had to show severe psychological injury to prevail in a hostile work environment claim under Title VII.
- e; Moderate**

### Short Answer Questions

1. What are the functions of law?  
In a nation, the law can serve to:

- Keep the peace.
- Maintain the status quo.
- Preserve individual rights.
- Protect minorities against majorities.
- Promote social justice.
- Provide for orderly social change.

**Moderate**

2. Explain the main sources of law in the United States.  
The main sources of law in the United States are:

- **Constitutions—both state and federal:** **Constitutions** are the foundation for a state or nation's other laws, providing the country's legislative, executive, and judicial framework.
- **Statutes and agency regulations:** Statutes are legislative directives, having the form of general rules that are to be followed in the nation-state or its subdivisions. Statutes are controlling over judicial decisions or common law but are inferior to (and controlled by) constitutional law. Both the federal government and the states have created administrative agencies. An agency only has the power that the legislature gives it. Within the scope of that power, an agency will often create regulations, which have the same force and effect as statutes.
- **Judicial decisions:** Common law consists of decisions by courts (judicial decisions) that do not involve interpretation of statutes, regulations, treaties, or the Constitution. Courts make such interpretations, but many cases are decided where there is no statutory or other codified law or regulation to be interpreted. United States law comes primarily from the tradition of English common law.

**Moderate**

## Chapter 2 Introduction to Business Ethics

### True/False Questions

1. Ethics is the study of what is right and wrong from an individual's subjective moral viewpoint.  
**False; Easy**
2. Whenever we use the word "good," we always mean "morally" or "ethically" good.  
**False; Easy**
3. What is legal is not necessarily ethical, and what is ethical is not necessarily legal.  
**True; Easy**
4. In the Sears Auto Centers case, the loss of goodwill was real, even though that loss could not be calculated precisely.  
**True; Easy**
5. According to utilitarianism, positive results, rather than rules, are the true measure of morality.  
**True; Easy**
6. Under utilitarianism, we can be assured we are acting ethically whenever our act provides the greatest utility to us, even if it does not provide the greatest utility to society as a whole.  
**False; Easy**
7. According to Immanuel Kant, we should be able to universalize any particular law or action to determine whether it is ethical.  
**True; Easy**
8. If you have a right of free expression, the government has a duty to respect that right but can put unreasonable limits on it.  
**False; Easy**
9. According to Michael Josephson, there are six core values that almost everyone agrees are important to them.  
**True; Easy**
10. The agency problem in corporate governance is about how to get managers' interests well aligned with the shareholders' interests.  
**True; Easy**
11. A manager's fiduciary duty refers to resisting hostile takeover bids.  
**False; Easy**
12. Stakeholders can be economically dependent without having ownership.  
**True; Easy**
13. According to most observations about corporations, ethics, and corporate culture, the best ethics codes tend to be compliance driven.

**False; Easy**

14. “Conscious capitalism” attempts to integrate the viewpoints of stakeholder theory and shareholder primacy.

**True; Easy**

### Multiple Choice Questions

1. According to utilitarianism, \_\_\_\_\_.
  - a. results, not rules, are emphasized
  - b. ethical action arises from doing one’s duty
  - c. duties are defined by rational thought
  - d. emphasis is on what is the fair way to distribute goods among a group of people
  - e. people give up certain rights to government in exchange for security

**a; Easy**
  
2. According to deontology, \_\_\_\_\_.
  - a. rules are emphasized instead of results
  - b. emphasis is on what is the fair way to distribute goods among a group of people
  - c. people give up certain rights to government in exchange of security
  - d. social contracts can be changed by the participants in a community

**b; Easy**
  
3. Which of the following is true for the relationship between rights and duties in positive law?
  - a. If you have a right of free expression, the government has a duty to respect that right by providing remedies that support that right.
  - b. Rights and duties exist *a priori*, using natural law.
  - c. Your rights, in legal terms, are only as good as your family’s willingness to enforce the family’s honor.
  - d. Your first amendment rights are superior to any other rights; the only duties for positive law are to defend those rights as vigorously as possible.
  - e. If someone punches you in the nose, your Constitutional right of privacy has been violated.

**a; Moderate**
  
4. Which of the following is true according to Aristotle and Virtue theory?
  - a. Aristotle believed that because all human activity was aimed at some goal, but that the goal of profit maximization was the only one that really mattered.
  - b. Aristotle rejected wealth, pleasure, and fame as the distinguishing feature of humans as opposed to other species.
  - c. To Aristotle, happiness means living according to the active pursuit of pleasure.
  - d. Happiness cannot be associated with reason.

**b; Easy**
  
5. What is the “agency problem” often discussed in corporate governance?
  - a. How to get the managers’ interests well aligned with the shareholders’ interests.
  - b. How to get owners to replace nonperforming or underperforming officers and directors.
  - c. How a corporation should “manage earnings” through accounting in order to maximize profits for its stockholders.
  - d. How to get corporations to engage in open and free competition without deception and fraud.

e. How to get a corporation to act responsibly toward non-shareholder interests.

**a; Moderate**

6. The manager's fiduciary duty refers to \_\_\_\_\_.

- a. the duty of managers to maximize returns to employees
- b. the legally prescribed duties which make their employment possible
- c. the moral duty managers have to act as responsible agents to the owners
- d. managers' duty to resist hostile takeover bids
- e. managers' ability to successfully manage by the numbers

**c; Easy**

7. What is an example of a social contract?

- a. an agreement between two people to go out on "a date."
- b. the rules of a sorority
- c. the Constitution of the United States
- d. a and b
- e. b and c

**e; Moderate**

8. Which of the following is true with regard to stakeholders?

- a. The financial value of the organization has no impact on the wealth of shareholders.
- b. Some stakeholders can be economically dependent, even without an ownership interest.
- c. Governments in the U.S. and Europe almost always have a direct economic link to corporations.
- d. Local communities cannot be regarded as stakeholders for lack of a direct economic interest in the success of the firm.
- e. Those stakeholders with no ownership rights in the organization have no particular interest in whether the organization works in a socially responsible manner.

**b; Moderate**

9. According to the stakeholder theory, \_\_\_\_\_.

- a. when it complies with its legal duties, the corporation can ignore any other social obligations
- b. a corporation's social responsibilities are limited to staying within the boundaries of the law
- c. corporate directors should only pay attention only to the bottom line
- d. a socially responsible corporation is likely to consider the impact of its decision on the shareholders only
- e. all the stakeholders to a corporate decision deserve some kind of moral consideration

**e; Easy**

10. According to the Sears Auto Center case, which of the following is true?

- a. People at Sears resisted conflicts of interest by refusing to order work that was not necessary for the good of the customer.
- b. The customers were generally treated as ends rather than as a means to individual and corporate profit.
- c. The key people were motivated by all the goals for the organization rather than maximizing their own profits.
- d. Taking advantage of customers was possible for some time because individual consumers lacked the relevant information.



- e. Managers at Sears Auto Centers generally chose long-term gains over short-term losses.  
**d; Easy**
11. Which of the following is true, according to conscious capitalism?
- Companies should operate with a holistic or systems view.
  - Companies that practice conscious capitalism concentrate on giving superior results only to shareholders.
  - People in an organization tend to closely watch what the top managers do and say.
  - The best managers will often act more in his or her own self-interest than for the corporate interest.
  - The best ethics codes are legalistic or compliance driven.
- a; Easy**
12. \_\_\_\_\_ helps companies embrace the idea that profit and prosperity must go hand in hand with social justice and environmental stewardship.
- Social contract
  - Stakeholder theory
  - Conscious capitalism
  - Virtue ethics
  - Deontology
- c; Easy**
13. Hobbes and Locke are generally regarded as the preeminent \_\_\_\_\_ theorists.
- stakeholder theory
  - shareholder primacy
  - social contract
  - conscious capital
  - virtue ethics
- c; Easy**
15. Which of the following are “core values,” according to Josephson?
- friendliness
  - generosity
  - temperance
  - fortitude
  - trustworthiness
- e; Easy**
16. Which of the following is a minimum standard that Tom Donaldson said a multinational company should observe?
- A trial by jury
  - Freedom of movement
  - A college education
  - The right to not be searched
  - The right to bear arms
- b; Easy**
17. In *Kirkpatrick v. Environmental Tectonics*, the defendants argued that the civil action was barred by the \_\_\_\_\_ doctrine, which requires nation-states to respect the acts of another government.
- act of state

- b. commercial transaction
  - c. utilitarianism
  - d. social contract
  - e. stakeholder
- a; Easy**

**Short Answer Questions**

1. What are the frequent mistakes that people make in applying utilitarianism?

The mistakes that people make while applying utilitarianism are:

- Failing to come up with lots of options that seem reasonable and then choosing the one that has the greatest benefit for the greatest number.
- Assuming that the greatest good for you or the company is in fact the greatest good for all.
- Underestimating the costs of a certain decision to you or your company.
- Underestimating the cost or harm of a certain decision to someone else or some other group of people.
- Favoring short-term benefits, even though the long-term costs are greater.
- Assuming that all values can be reduced to money.

**Moderate**

2. What are the core values identified by Josephson?

Trustworthiness  
 Respect  
 Responsibility  
 Fairness  
 Caring  
 Citizenship

**Easy**

3. The 14 virtues named by Aristotle seemed old-fashioned from a modern perspective. The issues that emerged were:

- How do we know what a virtue is these days?
- How useful is a list of agreed-upon virtues anyway?
- What do virtues have to do with companies, particularly large ones where various groups and individuals may have little or no contact with other parts of the organization? Also, can corporations “have” virtues, as it is not the same as an individual?

**Moderate**