

BUSINESS LAW

This exam tests general knowledge of business law as it applies to contracts and the legal system. Topics covered include: the effect of law on business transactions, contract law, sales contracts, commercial paper, agency law, and property. (3 s.h.) LAW-201-TE

This is a two-hour examination in which you must answer 100 multiple-choice questions (worth 1 point each). A passing score is 55 out of 100 points.

Here are the topics covered and their approximate importance on the test:

- I. INTRODUCTION TO LAW (5%)
- II. AMERICAN LEGAL SYSTEM (15%)
 - A. Legal system and court jurisdiction
 - B. Constitutional regulation of business
 - C. Dispute resolution
 - D. Torts
 - E. Crimes and business
- III. CONTRACTS (30%)
 - A. Contract law and theory
 - B. Contractual agreement
 - C. Consideration
 - D. Contractual capacity; reality of consent
 - E. Legality of subject matter; proper form of contracts
 - F. Contract interpretation; rights of third persons
 - G. Contractual discharge and remedies
- IV. SALES AND LEASES (15%)
 - A. Sales contract formation
 - B. Title; risk of loss
 - C. Performance; remedies
 - D. Warranties; product liability
- V. NEGOTIABLES (20%)
 - A. UCC Articles 3 and 7
 - B. Negotiability
 - C. Holders in due course; holders by due negotiation
 - D. Liability; discharge
 - E. Bank-customer relations; EFT
- VI. AGENCY (10%)
 - A. Creation and termination
 - B. Liability for contracts
 - C. Liability for torts and crimes
- VIII. PROPERTY PROTECTION (5%)
 - A. Real property; joint ownership
 - B. Personal property; bailments

A textbook to help you prepare:

Davidson, Daniel, Knowles, Brenda, and Lynn Forsythe. *Business Law: Principles and Cases in the Legal Environment*. Current edition. South-Western.

SAMPLE QUESTIONS

These questions are similar to ones you will find on the TECEP exam.

1. Which of the following are sources of the law in the American legal system?
 - a. Constitutions—arbitration—civil law—case law
 - b. Treaties—arbitration—law merchant—case law
 - c. Statutes—ordinances—administrative regulations
 - d. Constitutions—mediation—civil law—equity

2. The law of negligence is based on the
 - a. concept of fault
 - b. policy decision regarding who should bear the loss
 - c. obviousness of the hazard
 - d. doctrine of *respondeat superior*

3. What is the role of a grand jury in the law of criminal procedure?
 - a. Issuing an arraignment when it believes that the accused has committed a crime
 - b. Issuing an indictment when it believes that the accused has committed a crime
 - c. Issuing an information when it believes that the accused has committed a crime
 - d. Determining guilt or innocence in criminal cases

4. One June 1, Southern Co. agreed to sell 100 yards of XL wire to Northern Inc. Delivery was scheduled for June 20, the delivery location was Star Manufacturing, and payment was scheduled 30 days after delivery. This contract is
 - a. unilateral
 - b. restitutionary
 - c. informal
 - d. bilateral

5. Connie offers her house for sale to Bill. Five days after the offer, a flood destroys Connie's house. The destruction of the house automatically causes Connie's offer to
 - a. extend
 - b. terminate
 - c. transform into an option whereby Bill can accept or not
 - d. transform into a firm offer

6. A suretyship contract is
 - a. involved with liquidated debts
 - b. governed exclusively by the UCC
 - c. rarely enforceable
 - d. generally a co-signer agreement

7. Why is fraud a more advantageous remedy for the plaintiff to pursue than misrepresentation?
 - a. Fraud is generally easier to prove.
 - b. Only fraud can be the basis for rescission.
 - c. Punitive damages may be awarded when fraud is proven.
 - d. Misrepresentation offers no possibility of punitive damages.

8. Jack agrees to lease his home to Jane for nine months, with the lease to begin six months from the signing of the contract. Under the statute of frauds,
 - a. the lease is required to be in writing
 - b. the lease is not required to be in writing
 - c. the parol evidence rule renders the contract voidable
 - d. a contract is not formed, as there is no current agreement

9. Julian hires Evan to paint his portrait. Evan begins the portrait but becomes upset with Julian and refuses to finish it. If Julian sues Evan to require him to finish the portrait, it will be a suit for
 - a. an injunction
 - b. reformation
 - c. specific performance
 - d. restitution

10. A buyer and seller enter into a sales contract. Later, the buyer has second thoughts about the contract and decides to refuse to cooperate with the seller. What can the seller do?
 - a. The seller can treat the contract as breached by the buyer.
 - b. The seller can sue the buyer for the tort of failure to cooperate.
 - c. The seller can seek an injunction, because failure to cooperate is an obstruction.
 - d. The seller can only try to persuade the buyer to cooperate.

11. A seller shipped goods to a buyer by common carrier, using a shipment contract. When the carrier arrived at the buyer's location, the buyer refused to accept the goods unless the driver unloaded them inside the buyer's warehouse. The driver refused and the goods were subsequently damaged. Who bears the risk of loss?
 - a. The seller, for failing to make a proper delivery contract
 - b. The buyer, since this was a shipment contract and the seller had completed the performance obligations
 - c. The seller, since the buyer did not accept the goods that the seller shipped
 - d. It depends on whether the buyer's request was reasonable. If it was, the seller bears the risk of loss, otherwise it falls on the buyer.