

BUL2241 - Business Law Exam 1

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The sections are in order from 1 to 4. There is a PDF table of contents to facilitate navigation between sections

Section 1: True/False

1. The function of the courts is to interpret and apply the law.
 - **True**
2. One of the disadvantages of a sole proprietorship is that the owner is liable for the losses of the business.
 - **True**
3. Criminal law focuses on duties that exist between persons.
 - **False**
4. A business incorporated in one state has an automatic right to do business in any other state.
 - **False**
5. Congress can charge an administrative agency with carrying out the terms of particular laws.
 - **True**
6. A limited liability company limits the personal liability of its members.
 - **True**
7. The choice of a corporate name is subject to state approval.
 - **True**
8. A state law that conflicts with the U.S. Constitution will be deemed unconstitutional.
 - **True**
9. The members of a limited liability company are fully liable for its obligations.
 - **False**
10. A foreign corporation is a corporation formed in another country.
 - **False**
11. In ethical terms, a cost-benefit analysis is an assessment of the negative and positive effects of alternative actions on groups or individuals.
 - **True**
12. A corporation is an artificial being.
 - **True**
13. A default judgment is a judgment entered against the party who brought the claim before the court.
 - **False**
14. If a party refuses to cooperate with a discovery request, there is nothing that a court can do to compel compliance.

- **False**
15. U.S. district courts have original jurisdiction in federal matters.
- **True**

Section 2: Multiple Choice

16. Kit loses her suit against Lou in a Minnesota state trial court. Kit appeals to the state court of appeals
1. and loses again. Kit would appeal next to a U.S. district court.
 2. **the Minnesota Supreme Court.**
 3. the United States Supreme Court.
 4. the U.S. Court of Appeals for the Eighth Circuit.
17. Ruby Red Corporation is incorporated in South Carolina. In that state, Ruby Red is
1. **a domestic corporation.**
 2. a foreign corporation.
 3. an alien corporation.
 4. a non-entity.
18. Eye Appliance Company and Fast Courier, Inc., wish to combine all of their assets, stock, and personnel into a new firm to be called Glasses2Go Corporation. This is
1. **a consolidation.**
 2. a merger.
 3. an exchange of assets.
 4. a takeover.
19. Jay is a member of Klondike Coffee, LLC, a limited liability company. Jay is liable for Klondike's debts
1. in proportion to the total number of members.
 2. **to the extent of his investment in the firm.**
 3. to the extent that the other members do not pay the debts.
 4. to the full extent.
20. Indiana Supreme Court rules against Jennifer in a case against Kut Rate Stores, Inc. Jennifer wants to appeal her case to the United States Supreme Court. She must ask the Court to issue a writ of
1. appeal.
 2. **certiorari.**
 3. jurisdiction.
 4. summons.
21. The River City Council, the Santa Clara County Board, the Texas state legislature, and the U.S. Congress enact laws. These laws constitute
1. administrative law.
 2. case law.
 3. *stare decisis*.
 4. **statutory law.**

22. Gina files a suit against Hannah. The document that informs Hannah that she is required to respond is
1. the answer.
 2. the complaint.
 3. the reply.
 4. **the summons.**
23. Jason files a suit against Maybelline. If Maybelline fails to respond, Jason
1. must appeal the case to a different court.
 2. must refile the suit in the same court.
 3. **will be awarded the remedy sought.**
 4. will have a default judgment entered against him.
24. Chet is a partner in Diligent Accounting Service. Chet can inspect
1. **all of Diligent's books and records.**
 2. Diligent's books and records only as the firm's management permits.
 3. Diligent's books and records only for a reasonable purpose.
 4. Diligent's books and records relating only to Chet's capital contribution.
25. To prepare for a trial between Large Lots Development Corporation (LDC) and MiniMansion Construction Company (MCC), MCC's attorney places LDC's president under oath. A court reporter makes a record of the attorney's questions and the officer's answers. This is
1. a cross-examination.
 2. **a deposition.**
 3. a direct examination.
 4. an interrogatory.

Section 3: Essay Question

1. Explain why establishing an LLC as a business entity would be a good choice....how it can be setup....and what advantages it brings to the LLC members

A limited liability company, LLC, is a step up, so to speak from a sole proprietorship. There are two main advantages that go hand in hand. The first is that more than one person can own an LLC and the second is that the LLC protects the owners from the legal troubles of the other owners. An LLC is also not subject to so-called "double taxation." Because of these features, an LLC would be a good choice when creating a small business with friends. (Source: My brain from my Entrepreneurship class). In order to establish an LLC, you must choose a name, appoint a registered agent, file articles of incorporation, write an operating agreement, get an employer identification number, and file your annual reports (<https://www.nolo.com/legal-encyclopedia/florida-form-llc-31897.html>).

2. Here is a standard case citation: Miller v. Spencer, 401 U.S. 397 (1992). Please identify the following factors regarding the citation:
- Who is the plaintiff? Who is the defendant?

- Plaintiff: Miller
- Defendant: Spencer
- When was the case heard?
 - 1992
- In what court jurisdiction was it heard?
 - US Supreme Court
- What Supreme Court summary volume houses the case information?
 - Volume 401
- What information is displayed by the notation 397?
 - The first page of the case

3. What is the difference between a “foreign” business entity and a “domestic” business entity?

At the state level, a domestic business entity is one that is organized under the laws of the state it does business in and a foreign business entity is one that does business in a state it is not incorporated in. This also applies at the national level where the word "state" could simply be replaced with the word "country." (Source: Slideshow 30)

4. What Constitutional “clause” gives the federal government the power to regulate commerce among the states, and....how do you view the way in which the federal government uses this authority?

The "Commerce Clause" is what gives the federal government the power to "regulate Commerce with foreign Nations, and among the several States, and with the Indian tribes." (Art. 1 § 8). The US Supreme court has ruled that this clause gives the federal government the exclusive power to regulate and that states only have a dormant power to regulate interstate commerce (Slideshow 4).

I don't have any problems with the way the federal government uses this power. I think that the commerce clause is necessary as it sets in stone certain levels of commerce so that it is not a free-for-all. Given that I have only ever heard of the commerce clause before in school, I don't have any problems with how the power is used.

5. What do you feel is the most pressing issue in the USA that impacts businesses negatively? Explain how that issue could be addressed to create a better business environment.

As I said in a discussion post, I think the biggest issue facing businesses in the USA and the world is the drive for year over year profit gains. I understand the need to "grow" business to match inflation, but these businesses are growing well beyond the 2-3% that is inflation. In order to meet these shareholder demands, companies are employing a variety of methods including paying employees as little as possible, shrinking product sizes while keeping prices the same, decreasing the quality of their products, and so much more.

This is a very difficult issue to address as it is engrained in business culture. I'm not sure that it can ever really be fixed and I know that I don't know enough about business, economics, or sociology to even begin to formulate a plan to correct it. I might start by privatizing more companies so that profits and year-over-year growth information is not readily available.

Thus, the company will look good in the papers because of its product quality and reputation.

Section 4: Matching - Extra Credit

Agency	Area of Law
EPA	Environmental issues
CPSC	Consumer safety
USPS	Mail delivery
BLM	Federal lands
ATF	Tobacco taxes
OSHA	Worker safety
FTC	Fair trade practices
FHA	Fair housing rules
NASA	Space programs
NLRB	Labor law