#4
Final Exam Spr. 1999

Business Law 265
Legal Environment of Business

University of Idaho
May 10, 1999

No key available

Instructions:

1. Read each question carefully.
2. Do not assume any facts not given in the question.
3. Please do not open test booklet until instructed to do so.
4. Give the best answer to each question.
5. Answer all questions. There is no credit taken away for wrong answers.
6. Use a #2 pencil.
7. Be sure to mark the answer sheet. Occasionally, a student will mark his test booklet and forget to mark the answer sheet, or mark the answer sheet wrong.
8. Begin at the left side of the I.D. number space.
9. Erasures may cause the grading machine to misgrade your paper. If you must erase, erase completely.
10. Do not mark in the margin of the answer sheet.
11. Leave no space between I.D. numbers (Wrong example: 781 1001).
12. Use only an 8 digit number.

Example:

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1. FREE QUESTION: If you have correctly entered your ID # on the scantron form, you will receive free credit for this question.

2. Adverse possession:
   a. Allows one to obtain title without paying for it.
   b. is an illegal transfer of title.
   c. allows a person a chance to retrieve their mortgage.
   d. can only be obtained with personal property

3. Alice purchases Bob's house and in so doing assumes the mortgage. Which of the following is (are) true?
   a. Alice is personally liable to pay the mortgage.
   b. Bob is personally liable to pay the mortgage.
   c. Bob is no longer liable to pay the mortgage.
   d. (a) and (b).

4. If Stan's land is condemned in order to build a subway system for the city:
   a. he must be given the fair market value of the property.
   b. he must be given equivalent property.
   c. he must be given the option of keeping the property.
   d. he must be given his price for the property.

5. A contract involving the sale of real estate calls for the delivery of the deed in return for the purchase price on a certain day. This performance is known as:
   a. foreclosure.
   b. warranty deed day.
   c. contract day.
   d. closing.

6. Bill and Carolyn own a farm as joint tenants. When Bill dies, his share will pass to:
   a. Carolyn.
   b. his heirs.
   c. his beneficiaries.
   d. His spouse, if he has one.

7. If no special words are used when real property is conveyed to two or more persons, it will create a:
   a. tenancy in the entirety.
   b. tenancy in partnership.
   c. tenancy in common.
   d. joint tenancy.

8. An estate from week to week or month to month is called a/an:
   a. fee simple absolute.
   b. estate for years.
   c. periodic tenancy.
   d. tenancy at sufferance.
9. The greatest ownership interest a person may have in real property is:
   a. fee simple absolute.
   b. tenancy by the entirety.
   c. life estate absolute.
   d. vested remainder absolute.

10. Hertz rents Bill Businessman a Chevrolet Camaro at $99 per week. What is the relationship between Hertz and Bill?
   a. A bailment for mutual benefit.
   b. A bailment for the sole benefit of the bailee.
   c. A bailment for the sole benefit of the bailor.
   d. The temporary transfer of title to Bill.

11. Ann's coffeepot is destroyed in a kitchen fire at her neighbor's house. The neighbor had borrowed it for a big party. As bailee of Ann's coffeepot:
   a. it is presumed the neighbor was at fault.
   b. the neighbor is not liable unless Ann can prove a breach.
   c. the neighbor can avoid liability by proving she exercised the utmost of care with it.
   d. Both (a) and (c) above are correct.

12. Shareholders normally have the right to do all but which one of the following?
   a. Elect the directors.
   b. Elect the officers.
   c. Approve the sale of a major division.
   d. Meet at least once a year.

13. With respect to the board of directors of a corporation, which of the following is NOT correct?
   a. They make policy decisions for the corporation.
   b. They are the shareholders' elected representatives.
   c. They must always obtain shareholder approval before deciding questions of operating policy.
   d. They have the authority to delegate power to officers and agents.

14. Gerhardt is the president of the Pacer Bicycle Company. He also serves as a director of the Flexible Tire Company. It occurs to Gerhardt that both companies could benefit from a contract in which Flexible agrees to supply Pacer with tires for its bicycles. If Gerhardt wishes to negotiate a contract between Pacer and Flexible, which of the following is correct?
   a. The contract will be void as a conflict of interest.
   b. The contract might be permitted if it is fair and reasonable to both corporations and if Gerhardt fully discloses all information relating to the transaction.
   c. The contract is a clear conflict of interest and will be voidable by either company even with disclosure.
   d. Both (a) and (c) are correct.
15. Which of the following may a general partner do without the consent or ratification of the other partners?
   a. Admit a general partner.
   b. Admit a limited partnership.
   c. Act as an agent for the partnership.
   d. Confess judgment in a claim against the partnership.

16. David, a partner in the National Express Mail delivery partnership, negligently drove his delivery truck onto the curb during a rush hour package delivery. Marlene was injured. Against whom can Marlene collect?
   a. Only David.
   b. Only the other partners.
   c. National Express Mail Partnership.
   d. Any partner.

17. Arthur, Betty and Clara each inherit an undivided one-third of an apartment complex. Instead of selling it, they decide to continue to operate it for the next few years as a sideline to their other occupations just to see if they can earn some extra money. What are they?
   a. A partnership.
   b. Co-owners only.
   c. A corporation.
   d. Tenants in common.

18. Which of the following is the most convincing evidence of a partnership arrangement?
   a. Two or more persons are joint tenants.
   b. Two or more persons have a written agreement regarding a fundraiser for charity.
   c. Two or more persons carry on a business for profit, but they have no formal agreement.
   d. Two persons have a joint savings account in which they deposit money and share the interest.

19. The doctrine of _________ is the basis for an employer's liability for an unauthorized tort committed by his employee in the course of his employment.
   a. indemnification
   b. respondeat superior
   c. apparent authority
   d. direct liability

20. An agent acts for a/an _________ principal when she appears to be acting on her own behalf, and the third person with whom she is dealing has no knowledge that she is an agent.
a. partially disclosed  
b. undisclosed  
c. unauthorized  
d. disclosed  

21. Authority that is not found in the express words of the principal, but that is inferred from the words is known as _________.
   a. apparent authority  
b. indirect authority  
c. implied authority  
d. delegated authority  

22. A/an _________ is a person in a position of trust and confidence who has a duty of utmost loyalty and good faith.
   a. fiduciary  
b. servant  
c. independent contractor  
d. principal  

23. Which of the following is not an express warranty?
   a. Restating facts or market figures about a product.  
b. The opinion of an expert in a certain field regarding a product in that field.  
c. A statement of the product specifications.  
d. The seller's opinion of the value of goods.  

24. Strict liability can be avoided where:
   a. the seller uses due care and diligence in preparing the goods.  
b. the seller manufactures products of this type on a regular basis.  
c. the seller gives notice of the defect to the buyer.  
d. the product was not in the same condition when the consumer bought it as it was when the manufacturer sold it.  

25. Cal sprayed pesticide on his crops in a very careful manner on a windless day. Nevertheless, some of the pesticide spray fell on his neighbor's side of the fence and contaminated the cornmeal for the chickens. The chickens died and the neighbor sues. What is the likely result?
   a. Cal is not liable because he was not negligent in his spraying operation.  
b. Cal is not liable because the neighbor assumed the risk of damage to the feed by placing it so close to the fence.  
c. Cal is liable because spraying pesticides is an abnormally dangerous activity.  
d. Cal is not liable for the damage because of contributory negligence.  

26. The rule which permits the jury to presume negligent conduct from the mere occurrence of certain events is:
a. proximate cause.
b. res ipsa loquitur.
c. causation in fact.
d. comparative negligence.

27. Harold Homeowner doesn't like having neighborhood teenagers walk across his yard at night. He rigs an animal trap on the path the teenagers usually use to cross his land. One night, Tim and his friends are walking across the yard when Tim gets caught in the trap. He is taken to the hospital for his injuries.

a. Tim is a trespasser on Harold's property and therefore Harold has the right strongly discourage anyone from trespassing.
b. Harold has no duty toward Tim.
c. Harold is not free to inflict intentional injury on a trespasser.
d. All of the above.

28. Violation of a statute, designed to protect underage, unlicensed drivers, as well as innocent third parties, from the consequence of juvenile car theft and "joy riding," by prohibiting car owners from leaving the keys in their car if the car is untended, is likely to be characterized as:

a. Negligence per se.
b. Intentional tort.
c. contributory negligence.
d. assumption of risk.

29. On December 2, the Houston Oilers were playing the Pittsburgh Steelers. On a particular play, the Pittsburgh defensive end who was rather frustrated because Manning, the quarterback, had completed passes for 450 yards, grabbed Manning by the faceguard, jerked Manning's helmet off and hit Manning over the head with it. Manning filed suit against the Pittsburgh defensive end. The Pittsburgh defensive end contends that he has a valid defense to this tort in that Manning consented to participate in the game. Which of the following most accurately represents the status of that defense?

a. This is a valid defense.
b. The defense is not valid because football is a rough game.
c. The defense is not valid because football involves tackling and bodily contact and the most that could be derived from this would be a 15-yard penalty.
d. The consent is not valid because of the intentional actions of the Pittsburgh end.

30. Garrett ordered 100 pieces of 2 x 6 lumber from his supplier and paid $125 upon delivery. Later when he unpacked the lumber, he discovered that the supplier had delivered 2 x 4 lumber. After being notified, the supplier picked up the lumber, apologized, and gave Garrett his money back. The response the supplier made to rectify the breach is:

a. an injunction.
b. mitigation.
c. restitution.
d. liquidation of damages.

31. Lynne agrees to buy Harriette's farm for $100,000 and puts $20,000 down. Then Lynne learns she is allergic to hay and abandons the contract. If Harriette can sell the farm for $90,000 a month later, she may:

a. keep Lynne's $20,000.
b. keep $10,000 of Lynne's down payment.
c. not keep any of the down payment money.
d. sue for specific performance.

32. Which of the following would NOT require a writing under the Statute of Frauds?

a. Where the buyer pays $10,000 and takes possession of the land.
b. Where a renter agrees to rent a building for a 5 year period.
c. Where a contractor enters into an agreement to buy an easement across adjoining land to run cables.
d. Where a landscaper agrees to landscape the lot surrounding an office building.

33. The test under the one-year provision of the Statute of Frauds is based on the likelihood that the contract will be completed within one year.

a. true
b. false

34. Abco Corporation is building a new office tower. Arco Plumbing Supplies refuses to provide plumbing materials on credit to the plumbing subcontractor. Abco promises Arco that it will pay for the materials if the subcontractor does not. Abco's promise is unenforceable unless evidenced by a writing.

a. True
b. false

35. In a real estate sale the "earnest money agreement" is the contract which

a. gives the buyer the option to buy the property
b. gives the buyer the right to buy the property
c. gives the seller liquidated damages in the event of the buyer's breach
d. gives the seller the absolute right to demand the purchase price from the buyer in the event of the buyer's breach.

36. The broker's right to compensation for the work she does is described in the contract known as the

a. listing contract
b. earnest money agreement
c. employer/employee contract
d. closing contract

37. Jose was a landlord who rented an apartment to Maria. She signed a
the apartment to Don. Don did not pay any rent, and caused $1000 damage
to the apartment, then he disappeared. Jose wants to hold Maria liable,
but she claims she has no legal responsibility because the sublease
agreement with Don contained a clause that read "Don agrees to assume
all legal liability with regard to this lease and Maria will not be
liable for any and all costs or liabilities in the future". Nevertheless, Jose sues Maria.

a. Maria will win because the sublease contract released her from
liability
b. Maria will win because once she turned over the apartment to Don,
she was no longer liable
c. Maria will lose because she remained liable on the lease
d. Two of the above are correct.

38. The method of real estate finance that places the buyer at GREATEST
RISK in the event of a default is the
a. land contract
b. mortgage
c. deed of trust
d. joint tenancy

39. Sam owned a car service station in Moscow, Idaho. He sold the station
to Paul. The station included several hydraulic lifts that were used to
raise cars so that mechanics could work under them. When Sam left he
removed the lifts. Removing the lifts caused no damage, and was done by
simply removing nuts and bolts, leaving the base of the mechanism
undamaged. When Paul took occupancy of the structure, he was very upset
because he had assumed that those valuable lifts were part of the real
estate that he had bought. He demanded that Sam return the lifts, but
Sam refused. Paul sued Sam to recover the lifts.

a. Sam will win if the lifts are considered "fixtures"
b. Sam will lose if the lifts are considered "fixtures"
c. It is irrelevant whether the lifts are considered fixtures or
not.
d. Since the lifts were there when Paul examined the property before
he bought it, Sam must return the lifts, because Paul relied on
getting the lifts when he agreed to buy the property

40. With a mutual benefit bailment, the bailee owes what duty of care to
protect the bailed goods?

a. duty of ordinary care
b. duty of greater than ordinary care
c. duty of less than ordinary care
d. absolute duty to protect the goods; bailee is an "insurer" of
the bailed goods.