

## BUSINESS LAW

1. Any agreement reached by the representative in an agency relationship binds which one of the following?
  - a. the employee and the third party
  - b. the agent and the third party
  - c. the principal and the third party
  - d. the agent and the principal

**Competency:** Agency and Employment Laws

**Task:** Explain agency relationships and list the ways agency relationships may be created.

2. Which type of business organization offers perpetual life as well as limited liability?
  - a. general partnership
  - b. sole proprietorship
  - c. unlimited partnership
  - d. corporation

**Competency:** Business Organization

**Task:** Distinguish between a limited partnership and general partnership.

3. An e-contract is:
  - a. any contract formed electronically such as over the Internet
  - b. an electronic contract between a retailer and a consumer
  - c. an electronic contract for retailers only
  - d. any contract between a retailer and a consumer

**Competency:** Computer law

**Task:** Discuss existing laws, jurisdiction considerations, and disputes regarding e-commerce

4. When payment for goods takes place at a later date, the transfer of title takes place when:
  - a. delivery is made
  - b. the final payment is made
  - c. the buyer selects and agrees to buy the goods in the seller's store
  - d. the goods are accepted by the buyer

**Competency:** Contracts and Sales

**Task:** Distinguish between payment, delivery, and transfer of title of goods.

5. Erin holds legal title to Fred's property under circumstances that although nothing is expressed, indicate this is apparently only for Fred's benefit. This is:
- an inter vivos trust
  - a testamentary trust
  - a resulting trust
  - a charitable trust

**Competency:** Domestic and Personal Law

**Task:** explain protections provided by estate planning (power of attorney, will, trusts, living will, right to die, etc.).

6. Which one of the following would probably **not** be considered strict liability?
- selling defective car seats
  - storing several 100-gallon tanks of propane gas in your garage
  - raising tulips
  - raising tigers

**Competency:** Consumer Protection, Product/Personal Liability

**Task:** Explain the concept of strict, absolute, and vicarious liability.

7. A legitimate defense to wrongful interference is:
- unjustified interference
  - bona-fide competition
  - predatory behavior
  - malice

**Competency:** Legal System

**Task:** Explain the difference between crimes and torts.

8. Ed signs a promissory note payable to the order of Friendly Credit Company. The note states that it is payable "with interest" but does **not** specify an interest rate. This note is:
- negotiable
  - nonnegotiable because it does not specify a particular rate of interest
  - nonnegotiable because it states only that it is payable "with interest"
  - nonnegotiable because it is payable to Friendly Credit Company

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, Bankruptcy

**Task:** Explain the essential elements of negotiable instruments, the different types of negotiable instruments, and specify their respective advantages/disadvantages.

9. In which of the following situations can either an HDC or HHDC collect on commercial paper?
- theft
  - failure of consideration
  - fraud in the inducement
  - fraud in the execution of the paper

**Competency:** Negotiable Instruments, Insurance, Secured Transactions, Bankruptcy

**Task:** Distinguish between primary parties and secondary parties.

10. While on vacation, Rick asks if he can place his vehicle in your garage for safekeeping until he returns. Which of the following is untrue in this situation?
- a. Before transferring possession Rick should examine the vehicle for defects.
  - b. A gratuitous bailment exists for the sole benefit of the bailee.
  - c. You may not drive Rick's car unless driving is necessary to preserve or maintain it.
  - d. A gratuitous bailment exists for the sole benefit of the bailor.

**Competency:** Property Laws

**Task:** Explain how a bailment is created and describe the standard of care different bailees are required to exercise over bailed property.

## Business Law Answer Key

- 1) C
- 2) D
- 3) A
- 4) C
- 5) C
- 6) C
- 7) B
- 8) A
- 9) D
- 10) B

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