Final Exam Business Law I

Multiple Choice
Identify the choice that best completes the statement or answers the question.

1. Ozzy is an officer of Prudent Financial Corporation. Ozzy serves in a representative capacity for Prudent Financial's owners. With respect to binding Prudent Financial to contracts, Ozzy is
   a. an agent and has the authority.
   b. an agent but does not have the authority.
   c. not an agent and does not have the authority.
   d. not an agent but does have the authority.

2. Genetic Seed Company hires Howie to work on Genetic's shipping dock, accepting deliveries and dealing with other companies' drivers. With respect to Genetic, Howie is most likely
   a. an agent.
   b. an independent contractor.
   c. a principal.
   d. a work for hire.

Fact Pattern 31-1A
Janet and Julie work at ABC Interiors. Janet is a designer who works with clients of ABC on interior design projects. ABC closely supervises all of its designers, and dictates their work schedules. Julie works part-time in the evenings cleaning the offices.

3. Refer to Fact Pattern 31-1A. Janet is ABC's
   a. employee, agent, and independent contractor.
   b. employee and agent.
   c. employee but not agent.
   d. independent contractor.

4. Refer to Fact Pattern 31-1A. Julie is ABC's
   a. agent but not employee.
   b. employee and agent.
   c. employee or independent contractor, depending on whether ABC controls the details of her physical performance.
   d. independent contractor.

5. Delicious Coffee Company hires Elton to sell Delicious's products in a certain area. Delicious agrees to pay Elton a salary, plus commission, for a trial period. They also agree that Elton can sell using any methods and during any hours that seem appropriate. The key factor in whether Elton is Delicious's employee is
   a. the amount of Elton's salary.
   b. the control Delicious has over the details of the work.
   c. the length of the trial period.
   d. the title that designates Elton's position.
6. Sela agrees to act on Thom’s behalf, subject to Thom’s control, and Thom trusts Sela to so act. They set out the terms in a written document, which they both sign. This is
   a. an agency by agreement.
   b. an agency by estoppel.
   c. an agency by ratification.
   d. not the creation of an agency relationship.

7. Home Development Company employs Ilya to buy property for a future residential development. Ilya secretly buys some of the property and sells it to Home Development at a profit. Ilya has breached
   a. no duty.
   b. the duty of accounting.
   c. the duty of loyalty.
   d. the duty of notification.

8. Internet Services, Inc., employs Joe as an agent. During the agency, Joe acquires new skills. After the termination of the relationship, Joe uses those skills in a new job. Joe has breached
   a. no duty.
   b. the duty of loyalty.
   c. the duty of notification.
   d. the duty of performance.

**Fact Pattern 32-1A**
Ruby indicates that she is acting as an agent on behalf of an unidentified client when she enters into a contract with Saldana.

9. Refer to Fact Pattern 32-1A. The unidentified client is
   a. a disclosed principal.
   b. a non-existent principal.
   c. an undisclosed principal.
   d. a partially disclosed principal.

10. Refer to Fact Pattern 32-1A. Liability to Saldana for nonperformance of the contract may be imposed on
    a. neither Ruby nor the unidentified client.
    b. Ruby and the unidentified client.
    c. Ruby only.
    d. the unidentified client only.

11. Clive is a purchasing agent for Double D Ranch with the authority to buy cattle at a certain auction. After the cattle are bought, the agency relationship terminates
    a. automatically.
    b. following notice to all actual cattle sellers.
    c. following notice to all potential cattle sellers.
    d. following published notice in a local newspaper.
12. Frida hires Gert, a real estate broker, to act as her agent to sell her house. The house burns down before being sold. The agency agreement is likely
   a. still in force if Frida gives Gert additional consideration.
   b. still in force if Gert does not tell prospective customers.
   c. terminated by mutual consent of the parties.
   d. terminated by operation of law.

13. Myron is an employee of Nero. Either party can terminate the employment relationship at any time for any reason without liability. With respect to the employment-at-will doctrine, this is
   a. an example of the doctrine.
   b. an exception based on contract theory.
   c. an exception based on public policy.
   d. an exception based on tort theory.

14. Rich works as a forklift operator for Storage Warehouse Company. Assuming that Rich meets other requirements, the maximum number of hours that he can work per week without overtime pay is
   a. thirty-nine.
   b. forty.
   c. forty-one.
   d. unlimited.

15. Chewy works for Deep Excavation Corporation (DEC). While operating a backhoe, Chewy suffers an injury. He will be compensated under state workers' compensation laws only if
   a. he does not have health insurance.
   b. he is completely disabled.
   c. he successfully sues DEC.
   d. his injury was accidental and occurred on the job or in the course of employment.

16. Petro Oil Company wants to test its workers for acquired immune deficiency syndrome (AIDS). Petro may
   a. discharge employees who have AIDS.
   b. discriminate against job applicants who have AIDS.
   c. test its employees for AIDS.
   d. none of the choices.

17. Lee is seventy years old and Mira is gay. Based on this information, members of protected classes include
   a. Lee and Mira.
   b. Lee only.
   c. Mira only.
   d. neither Lee nor Mira.

18. Olly applies for a job with Petro Company. Petro does not hire Olly because of his ethnicity, or national origin. This is
   a. desperate-measure discrimination.
   b. disparate-impact discrimination.
   c. disparate-treatment discrimination.
   d. not discrimination.
19. Lloyd and Milly are employees of NuTech Corporation. They have the same job. Under the Equal Pay Act, NuTech can legitimately pay Lloyd more than Milly on the basis of
   a. Lloyd's greater production only.
   b. Lloyd's greater production or seniority.
   c. Lloyd's greater seniority only.
   d. neither Lloyd's greater production nor his greater seniority.

20. Fix-It Repair Shop does not take any action to prevent sexual harassment of its employees. Fix-It Repair may be liable for such harassment by
   a. a customer only.
   b. a customer or an employee.
   c. an employee only.
   d. not a customer or an employee.

21. Kyla is a salesperson for Liberty Financial Corporation. Micky is also a Liberty salesperson. Neil is Kyla and Micky's supervisor. Owen is a Liberty customer. Liberty may be liable for sexual harassment to Kyla by
   a. Micky only.
   b. Micky, Neil, or Owen.
   c. Micky or Neil only.
   d. Neil only.

22. Cora, a female, and Dom, a male, are employees of Equipment Leasing Corporation. Cora regularly e-mails sexually explicit images to Dom via Equipment Leasing's computer network. Dom finds this offensive. This is
   a. hostile-environment harassment.
   b. not harassment or any form of discrimination.
   c. quid pro quo harassment.
   d. reverse discrimination.

23. United Company replaces Vera, a forty-five-year-old employee, with Wendy. Vera files a suit against United under the Age Discrimination in Employment Act. To establish a prima facie case, Vera must show, among other things, that she is
   a. deserving of higher pay than Wendy.
   b. generally more dependable than Wendy.
   c. older than Wendy.
   d. qualified for the position.

Fact Pattern 34-2A
Beth, who has a disability, is an employee of Corporate Office Company (COC). After the installation of new doors on COC's building, Beth finds it nearly impossible to get in and out. For repeatedly failing to be on time, COC replaces Beth with Dian, who does not have a disability.

24. Refer to Fact Pattern 34-2A. To succeed with a claim against COC under the Americans with Disabilities Act, Beth will have to show that
   a. Beth consistently met the essential requirements of her job.
   b. COC refused to make reasonable accommodation for Beth.
   c. Dian is unqualified for Beth's position.
   d. the doors were installed as an act of intentional discrimination.
25. Refer to Fact Pattern 34-2A. To successfully defend against Beth’s claim, COC will have to show that
   a. Beth consistently failed to meet the essential requirements of her job.
   b. COC cannot make changes to the doors without undue hardship.
   c. Dian is qualified for Beth’s position.
   d. the doors were not installed as an act of intentional discrimination.

26. Sophisticates, a women’s clothing store, employs female attendants to assist customers in the dressing rooms. Tod, a forty-one-year-old male, applies for an attendant’s job, but is not hired. In Tod’s suit against Sophisticates for employment discrimination under Title VII, the store has
   a. an after-acquired evidence defense.
   b. a bona fide occupational qualification defense.
   c. a business necessity defense.
   d. a seniority systems defense.

Essay

27. Arnold is the chief executive officer of Beta Corporation. Arnold’s responsibilities include decisions on product development, marketing, and other significant business directions. Arnold is subject to the approval and oversight of Beta’s board of directors. Carol is a Beta manager whose duties include the firm’s day-to-day hiring, firing, purchasing, and selling. Dave is a Beta salesperson, whose daily activities are controlled by Carol. Erin writes technical manuals for Beta products according to Arnold’s instructions and subject to Beta’s control, but has no dealings with Beta customers or suppliers. Fred edits the manuals on a contract-per-manual basis and is not otherwise subject to Beta’s control. Who is a principal? Who is/are an agent(s)? Who is/are an employee(s)? Who is/are an independent contractor(s)?

28. Explain in detail the difference between express, implied and apparent authority. Use examples to help show your knowledge of the topic.

29. Carla, a waitress at Diners Coffee Shop, notices that the kitchen staff is not wearing protective gloves while preparing food, a violation of state law. Carla reports this to Esau, her manager, but no steps are taken. Carla then tells Free Press, a local newspaper. Free Press runs a story on the violations. Business at Diners drops 65 percent. Can Diners fire Carla for these actions?

30. Explain in detail the Family Medical Leave Act and in what situations it applies. Also, what criteria is used to determine if your business is bound by this act? (2 part question)

31. With a couple of new ideas regarding software design, Carol and Ray start a partnership that, with business success, becomes Pacific Applications Company. The company grows to include a staff of twenty-one employees. Over time, Pacific develops a new computer operating system. The firm signs licensing contracts with several computer manufacturers, but needs to double the number of its employees to fulfill those contracts. Is Pacific subject to federal antidiscrimination laws? If so, what should it consider in hiring new employees?

32. Beth, managing editor of the City News, has a lenient policy concerning employee tardiness. She would prefer that employees be to work by 9 a.m., but does not usually enforce this policy. One week, Don, who had spent the previous month in an alcohol-abuse rehabilitation program, was late three days in a row. Given his appearance, it was obvious that he had been drinking. Can Beth suspend him without pay for two weeks?
## Final Exam Business Law I
### Answer Section

### MULTIPLE CHOICE

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ESSAY

27. ANS:

Beta is a principal. Arnold, Carol, Dave, and Erin are Beta agents and employees. Fred is an independent contractor. In an agency relationship, an agent agrees to act for or on behalf of a principal. An agent is subject to the control of the principal. An employee is subject to the control of employer. An independent contractor is not subject to an employer's control. A corporation is a "person" who has contractual capacity but who can act only through its agents. Beta, as a corporation, is acting through its agents. Arnold, Carol, Dave, and Erin act on behalf of Beta, from which they obtain their authority. This authority differs: Arnold, Carol, and Dave can bind Beta in certain ways in their dealings with third parties, but Erin does not have the authority to legally bind Beta. Because Arnold, Carol, Dave, and Erin are subject to the control of Beta, through their superiors, they are employees. Because Fred is not subject to Beta's control with respect to the physical conduct in the performance of his contracts, Fred is an independent contractor.

PTS: 1 REF: 638-642 OBJ: TYPE: =
NAT: AACSB Reflective | AICPA Decision Modeling

28. ANS:

dfdf

PTS: 1

29. ANS:

Generally, no. Most states and the federal government protect employees such as Carla who "blow the whistle" on the wrongdoing of their employers through whistleblowing statutes. In some instances, these statutes encourage whistleblowing by offering a monetary reward if the employee's charges lead to a successful government lawsuit.

PTS: 1 REF: 674-676 OBJ: TYPE: =
NAT: AACSB Reflective | AICPA Decision Modeling

30. ANS:

df

PTS: 1
31. ANS:

Pacific is subject to Title VII of the Civil Rights Act of 1964 and the Americans with Disabilities Act of 1990, each of which applies to employers affecting interstate commerce and having fifteen or more employees. Pacific is also subject to the Age Discrimination in Employment Act of 1967, which applies to employers with twenty or more employees. Under these laws, in hiring new employees, Pacific cannot discriminate against any applicant on the basis of race, religion, national origin, gender, age, or disability. A class of persons defined by one or more of these criteria is a protected class. Generally, Pacific's work force should reflect the diversity of the community in which Pacific is located. Pacific may exclude members of protected classes who are qualified applicants only if it has a reason that is genuinely related to an important job interest and only if no reasonable accommodation is possible. For most positions, such a claim would be hard to substantiate.

PTS: 1 REF: 696-698 | 705-709 | 710-711 OBJ: TYPE: =
NAT: AACSB Reflective | AICPA Decision Modeling

32. ANS:

Probably not. Under the American with Disabilities Act (ADA), employers cannot legally discriminate against employees who are alcoholics. Alcoholism is considered a disability. If Don can prove that because of his alcoholism, he was disciplined more harshly than his colleagues would have been under similar circumstances (arriving late without providing an excuse), as would appear to be the case when a lateness policy is not usually enforced, the ADA would protect him from the effects of that discipline.

PTS: 1 REF: 712 OBJ: TYPE: =
NAT: AACSB Reflective | AICPA Decision Modeling