

1. Which of the following best describes the effect of a breach of contract?
 - a. Nonmaterial breaches that are uncorrected for a reasonable time discharge the other party.
 - b. Any breach discharges the other party.
 - c. No breaches automatically discharge the other party.
 - d. If the breach is material and uncorrected, the other party is discharged.
 - e. Nonmaterial breaches do not enable action for damages.
2. Who is allowed to enter into a hot cargo contract?
 - a. unions and employers
 - b. employers and nonunionized employees
 - c. neither unions nor employers
 - d. unions, but not employers
 - e. unions, employers, and nonunionized employees
3. What does it mean to say that the American legal system is adversarial?
 - a. American citizens have the right to representation in court.
 - b. The court system should appoint attorneys to represent both sides of a case.
 - c. Truth and justice are best determined by an independent researcher.
 - d. The best way to administer justice is to hear the full arguments of interested parties on both sides.
 - e. People with a personal interest in a case make terrible advocates.
4. Which type of warranty assures the buyer that the goods will be up to his or her standard?
 - a. express warranty
 - b. warranty of title
 - c. implied warranty of merchantability
 - d. lifetime warranty
 - e. implied warranty of fitness for a particular purpose
5. Which of the following facts would void the contracts of a person?
 - a. The person suffers extreme hardship.
 - b. The person is under guardianship of a court.
 - c. The person has not been declared incompetent by a court but lacks the capacity to understand.
 - d. The person is intoxicated.
 - e. The person is a minor.
6. In which of the following scenarios would Tina be liable for the tort of negligence?
 - a. Tina suffers a heart attack while driving and slams into another car.
 - b. Tina dunks a basketball and, because of a structural defect, the backboard crashes down and injures her teammate.
 - c. Tina takes cold medication that warns of drowsiness as a possible side effect. She subsequently falls asleep while driving and injures another driver.
 - d. Tina breaks into her high school and alters her grades.
 - e. Tina tries to hit her professor with a rock, but misses and hits another student instead.
7. Which of the following is required for consideration to be valid in a contract?

- a. Consideration must be stated in the contract.
 - b. Consideration must have a monetary value.
 - c. Consideration must be accompanied by an option.
 - d. Consideration must be performed simultaneously by both parties.
 - e. Consideration must be based on a legal obligation rather than a moral obligation.
8. Which sales are regulated by Article 2 of the Uniform Commercial Code?
- a. copyright sales
 - b. real property sales
 - c. sales of services
 - d. trademark sales
 - e. sales of tangible personal property
9. Which power enables courts to evaluate laws and declare them unconstitutional?
- a. stare decisis
 - b. equal protection
 - c. rational basis test
 - d. judicial review
 - e. intermediate scrutiny
10. Which economist asserted that corporations should obey laws and social customs, but otherwise should concentrate all of their resources on making a profit?
- a. Adolph Berle
 - b. Milton Friedman
 - c. John Maynard Keynes
 - d. Adam Smith
 - e. B. Carroll

Answers

1. The correct answer is D. If the breach of a contract is material and uncorrected, the other party is discharged. In other words, the other party does not have to perform its share of the contract. Also, the party that is charged with the material breach may be subject to fines or other remedies. A nonmaterial breach, on the other hand, may not obviate the need for the non-breaching party to perform. However, a nonmaterial breach can be the basis of an action for damages. Material breaches automatically discharge the other party.
2. The correct answer is C. Neither unions nor employers are allowed to enter into a hot cargo contract. In a hot cargo contract, an employer and a union agree that the employer will not handle the goods of a certain other employer that is in conflict with the union. These contracts are a way for the union to gain leverage over an antagonistic employer. Hot cargo contracts are considered secondary boycotts, and as such are illegal under the Taft-Hartley and Landrum-Griffin Acts.
3. The correct answer is D. To say that the American legal system is adversarial means that it believes justice is best served when interested parties on both sides of a disputed issue are

given a chance to make full arguments. One of the reasons this system is successful is that it guarantees high motivation on both sides of a case. In other words, since both the plaintiff and the defendant want to prevail, they will in most circumstances present their best possible case and thereby elucidate the pertinent issues. Answer choice A is a true statement, but does not relate to the question. Answer choice B is incorrect, because the court system appoints attorneys only when one party is unable to obtain one themselves. Answer choices C and E are false statements.

4. The correct answer is C. An implied warranty of merchantability assures the buyer that the goods will be up to his or her standard. This warranty guarantees that the product will be what it is expected to be. An express warranty describes the criteria for acceptability for the goods. The express warranty also often contains a protocol for returning unacceptable goods. A warranty of title assures the buyer that the seller has the right to sell the goods in question. A lifetime warranty assures the buyer that he or she will have an acceptable version of the product so long as the product is on the market. If the buyer's copy of the product is damaged or destroyed, the lifetime warranty guarantees repair or replacement. An implied warranty of fitness for a particular purpose assures the buyer not only that the product will be sound, but also that it will be appropriate for the special purposes of the buyer. This warranty is distinct from the implied warranty of merchantability because it requires the product to have particular characteristics besides being of acceptable quality.
5. The correct answer is B. The contracts of a person will be void if he or she is under the guardianship of a court. A person is under the guardianship of a court when he or she has been adjudicated as an incompetent. When this happens, all of the person's legal capacity is evacuated, and all of the contracts he or she has entered into are rendered void. Extreme hardship is not a reason to void contracts; both parties should be aware of the risks before entering into a legal agreement. A person who lacks the capacity to understand will not have his or her contracts voided until he or she is declared incompetent by the court. Answer choices D and E are scenarios in which a person's contracts may be voidable, but in which the impetus for this action must come from the purpose. In other words, contracts are not automatically void because a person was intoxicated or a minor. The person must petition the court for this action.
6. The correct answer is C. If Tina took cold medication that came with a warning about drowsiness and subsequently fell asleep while driving, she could be held liable for negligence for an accident resulting in injury to another person. Negligence is the absence of reasonable and prudent amounts of care in a given situation. If the packaging indicates that the drug causes drowsiness, then Tina should know better than to drive. Tina would not be liable in tort for an accident that is a result of a heart attack, so long as that heart attack was not reasonably foreseeable. In the case of the basketball hoop, Tina would have no way of knowing about the structural defect and therefore could not be charged with negligence. Tina would be charged with breaking and entering for the high school incident. Finally, Tina would be liable for battery for hitting another student with a rock, even if she was intending to hit someone else.

7. The correct answer is E. In order to be valid in a contract, consideration has to be a legal obligation rather than a moral obligation. In other words, consideration must constitute something that one party *has* to do rather than something that it *ought* to do. It is not necessary for consideration to be stated explicitly in the contract; it may be implied. Likewise, it is not necessary for the consideration to have a monetary value, so long as it is of some legal benefit to the promisee and some legal detriment to the promisor. Consideration need not be accompanied by an option, though it sometimes is. Finally, many times consideration is conditional, which would make it impossible for it to be performed simultaneously by both parties.
8. The correct answer is E. Sales of tangible personal property are regulated by Article 2 of the Uniform Commercial Code. In other words, this part of the UCC regulates the sale of things that have a physical existence, like chairs, apples, or widgets. It does not regulate the sale of services, copyrights, trademarks, or other intangibles. Real property is held distinct from personal property, and is therefore not governed by Article 2 of the Uniform Commercial Code.
9. The correct answer is D. Judicial review is the power of the courts to evaluate laws and declare them unconstitutional. Stare decisis is the principle whereby decisions made in earlier cases are applied to cases with similar fact patterns. Equal protection is the guarantee in the Fourteenth Amendment to the Constitution that all people will be treated equally by the law. The rational basis test is the judicial process for determining whether legislation is arbitrary or has a clear and reasonable purpose. This process is part of judicial review, but is used only when a plaintiff argues that a certain statute is irrational. The judicial policy of intermediate scrutiny is part of the equal protection clause. It asserts that legislation and government action related to sex and illegitimacy (as for instance in inheritance issues) must be substantially tied to a governmental issue. Basically, intermediate scrutiny is meant to keep the government out of private lives unless intervention is necessary.
10. The correct answer is B. Milton Friedman asserted that corporations should obey laws and social customs, but otherwise should concentrate all of their resources on making a profit. Adolph Berle asserted that corporations are primarily beholden to their shareholders rather than the general public. Friedman slightly refined this approach by emphasizing that corporations should focus on promoting the interests of shareholders only within the bounds of the law and social customs. John Maynard Keynes asserted that corporations should be put to work for the government and the people, and that they should seek to improve the lives of all people. Adam Smith advanced a more general theory, that society is best served when all people follow their own interests. His philosophy is similar to that of Berle. Finally, A.B. Carroll goes beyond Friedman to assert that corporations must not only obey the laws and social customs, but also abide by all the ethical rules of a society. Carroll held corporations to a higher standard of conduct than did Friedman.