



## FINAL EXAM

# Course # 371004 Legal Environments of Business

based on the electronic .pdf file(s):

### **Legal Environments of Business**

by: Dr. Jae K. Shim, Ph.D., 2009, 218  
pages



12 CPE Credit Hours  
Management

*This exam sheet is made available for your convenience in answering questions while offline. Please note that you will still need to enter your answers on the online exam sheet for grading. Instructions are provided at the end of this document.*

## **Chapter 1 - Introduction To Law**

1. The basic financial statements include a
  - Balance sheet, income statement, statement of changes in retained earnings.
  - Statement of financial position, income statement, and statement of changes in retained ear
  - Balance sheet, statement of financial position, income statement, and statement of changes
  - Balance sheet, income statement, statement of cash flows, and statement of retained earnin
  
2. The primary purpose of the balance sheet is to reflect
  - The fair market value of the firm's assets
  - The liquidation value of the firm's assets
  - The firm's net asset value.
  - The equation: assets = liabilities + equity.
  
3. A statement of cash flows is to be presented in general purpose external financial statements by which o
  - Publicly held business enterprises only.
  - Privately held business enterprises only.
  - All business enterprises.
  - All business enterprises and not-for-profit organizations.
  
4. A statement of cash flows is intended to help users of financial statements
  - Evaluate a firm's liquidity and solvency
  - Evaluate a firm's assets and liabilities
  - Determine a firm's operating performance
  - Determine whether insiders have sold or purchased the firm's stock.
  
5. Which one of the following financial statements includes all of the following items: net income, depreciatio activities, and financial activities?
  - Balance sheet
  - Income statement
  - Statement of cash flows.
  - Statement of shareholders' equity
  
6. A segment is reportable if any one of the following conditions exists except:

- Revenue is 10% or more of total corporate revenue
- Operating profit is 10% or more of total corporate operating profit
- Identifiable assets are 10% or more of total corporate assets
- Foreign operations provide 3% or more of total corporate sales

7. Footnote disclosures usually do not include:

- Accounting methods
- Statement of changes in stockholders' equity
- Inventory pricing
- Pension fund

8. The Section 404 of the Sarbanes-Oxley Act requires \_\_\_ additional reports on the effectiveness of internal financial reporting:

- 2
- 3
- 1
- 4

9. The primary purpose of the income statement is to reflect

- The fair value of the firm's assets at some moment in time.
- Operating performance for a specified time period.
- The status of the firm's assets in case of forced liquidation of the firm.
- The firm's potential for growth in stock values in the stock market.

10. Another name for the balance sheet is the:

- Statement of cash flows
- Statement of earnings
- Statement of financial position
- Retained earnings statement

11. Which of the following types of accounts are not found on the balance sheet?

- Revenues
- Assets
- Liabilities
- Owners' equity

12. Which of the following would be classified as a current liability?

- Accounts payable
- Land
- Capital stock
- Accounts receivable

13. Cash outflows from investing activities include:
- Repurchasing of stock
  - Payments to buy fixed assets
  - Issuing dividend payments
  - Payments on accounts payable arising from the initial purchase of goods
14. Which of the following is a primary use of cash?
- Borrowing
  - Investment by owners
  - Operating expenses
  - Sale of equipment
15. Which of the following is an example of liquidity ratios?
- Times interest earned
  - Quick ratio
  - Return on equity
  - P/E ratio
16. Factors that an investor considers in evaluating a firms stock include all except:
- Financial health
  - Industry factors
  - Number of future investors
  - Future outlook of the company
17. Which of the following is an example of leverage ratios?
- Times interest earned
  - Quick ratio
  - Payout ratio
  - Return on equity
18. If the debt ratio is 0.5 what is the debt-equity ratio?
- 0.5
  - 1
  - 1.5
  - 2
19. Given the following data: Sales = 2000; Cost of good sold = 1500; Average receivables = 100, calculate collection period:
- 24.33
  - 18.25
  - 137

1.33

20. Gross profit margin is
- Gross profits divided by net sales
  - Net sales divided by gross profit
  - Sales multiplied by gross profit
  - Average assets multiplied by gross profits
21. Market value ratios do not include:
- Opportunity values
  - Earnings per share
  - Price-earnings ratio (multiple)
  - Book value per share
22. What ratio is used to measure a firm's liquidity?
- Debt ratio
  - Asset turnover
  - Current ratio
  - Return on equity
23. What ratio is used to measure a firm's leverage?
- Debt ratio
  - Current ratio
  - Asset turnover
  - Return on equity
24. What ratio is used to measure a firm's efficiency at using its assets?
- Current ratio
  - Total asset turnover
  - Return on sales
  - Return on equity
25. What ratio is used to measure the profit earned on each dollar invested in a firm?
- Current ratio
  - Asset turnover
  - Return on sales
  - Return on total asset
26. The agent is under a duty not to
- Commingle the money or property with his own
  - Use the principals money while in his possession

- Use the principles property while in his possession
  - Failure to take due and diligent care
27. Generally, an agency relationship is terminated by operation of law in all of the following situations except
- Principal's death
  - Principal's incapacity
  - Agent's renunciation of the agency
  - Agent's failure to acquire a necessary business license
28. Which one of the following is not a characteristic of partnerships
- Easily to organize
  - Inexpensive
  - Free from special state regulations and tax
  - Exempt from profit and loss sharing
29. A partner may not sue another partner or the partnership. T F
- True
  - False
30. Corporations may not include
- For profit
  - Not for profit
  - Government bureaus
  - 's" chapter corporations
31. The corporation has a legal existence separate from that of its owners. T F
- True
  - False
32. Under the Model Act a corporation must have
- At least six directors
  - At least two directors
  - At least three directors
  - At least ten directors
33. A corporation may be held guilty of committing crimes
- True
  - False
34. Blue sky" laws seek to protect investors from
- Excessive profits and losses
  - Operating on legal holidays

Fraud and other harm

Bonded sales agents

35. \_\_\_\_\_ is not one of the factors that determine shareholder's voting rights.

State corporation statutes

Board of directors

Articles of incorporation

Firm's by laws

36. The officers of the corporation are entitled to vote all un-issued stock. T F

True

False

37. Which of the following does not acquire ownership of personal property?

Capture

Gift

Encroachment

Accession

38. A house built on a plot of land is considered a fixture. T F

True

False

39. Co-ownership of real property does not include:

Tenancy in common

Special tenancy

Joint tenancy

Tenancy by the entirety

40. Formation applies only to contracts for:

Sale of goods

Sale of services

Sale of real property

Sale of investment securities

41. Normally, buyers of stolen goods get good title to them as they buy them in good faith and give value for

True

False

42. Liability for negligence does not include:

Failure to adequately inspect goods prior to sale

Failure to provide warranty

- Misrepresentation as to character and fitness of goods
  - Failure to disclose known defects
43. Unless the parties agree otherwise, the buyer has the right to inspect the goods before accepting or pay
- True
  - False
44. The statute of limitations on the sale of goods under the U.C.C. is limited to
- Five years
  - Ten years
  - One year
  - Four years
45. To be negotiable an instrument must be all except
- In writing
  - Signed by maker or drawer
  - Payable in trade goods or service
  - Unconditional promise or order to pay a certain sum in money
46. Types of endorsements do not include
- Implied
  - In blank
  - Restrictive
  - Qualified
47. A person cannot be held liable on a negotiable instrument unless his/her
- Address appears on it
  - Signature appears on it
  - Social security number appears on it
  - Bank account number appears on it
48. Security interests in real property do not include
- Mortgages
  - Deed of trust
  - Land contract
  - Warranty
49. Bankruptcy may be
- Public or private
  - Voluntary or involuntary
  - Common or special

Charged or discharged

50. Law seeks to protect economic relations from unreasonable interference through federal and state statute against all except
- Deceitful practices
  - Breach of contracts
  - Damage to good will
  - Protection of ideas, trade secrets and patents
51. Antitrust laws do not include
- Sherman act
  - Robinson-patman act
  - Federal trade commission act
  - Powell-lieberman act
52. The Clayton Act specifically prohibits
- Conspiracies in restraint of trade.
  - Monopolies.
  - Asset acquisitions that reduce competition.
  - Price discrimination.
53. The F.T.C. enforces antitrust laws by
- Imposing fines on corporations up to \$1 million.
  - Sentencing individuals up to three years imprisonment.
  - Awarding triple damages.
  - Issuing cease and desist orders.
54. The Sherman Act specifically prohibits
- Mergers that reduce competition.
  - Monopolizing.
  - Asset acquisitions that reduce competition.
  - Price discrimination.
55. The purposes of employment law include all except
- To protect workers' health and safety
  - To eliminate sexual harassment
  - To foster a workplace free from both discrimination and disruptive labor/management behavior
  - To minimize affirmative action
56. FICA contributions are used to pay for a fund maintained under the Americans with Disabilities Act. T F
- True
  - False

57. The primary purpose for enacting workers' compensation statutes was to
- Eliminate all employer-employee negligence lawsuits.
  - Enable employees to recover for injuries regardless of negligence.
  - Prevent employee negligence suits against third parties.
  - Allow employees to recover additional compensation for employer negligence.
58. Workers' compensation laws provide for all of the following benefits except
- Burial expenses.
  - Full pay during disability.
  - The cost of prosthetic devices.
  - Monthly payments to surviving dependent children.
59. Which of the following statements is correct regarding the scope and provisions of the Occupational Safety and Health Act (OSHA)?
- OSHA requires employers to provide employees a workplace free from risk.
  - OSHA prohibits an employer from discharging an employee for revealing OSHA violations.
  - OSHA may inspect a workplace at any time regardless of employer objection.
  - OSHA preempts state regulation of workplace safety.
60. Under Title VII of the Civil Rights Act of 1964, a covered entity is prohibited from engaging in employment practices on the basis of race, color, religion, national origin, or sex. The practices subject to the act include
- Any term, condition, or privilege of employment.
  - Hiring and discharge by the employer but not classified advertising by an employment agency.
  - Compensation and fringe benefits but not retirement plans.
  - Job taking, classifications, and assignments but not union discrimination.

## **Chapter 2 - Crimes And Torts**

## **Chapter 3 - Contracts And Offer**

## **Chapter 4 - Consideration**

## **Chapter 5 - Performance And Remedies**

## **Chapter 6 - Agency**

## **Chapter 7 - Partnerships**

## **Chapter 8 - Incorporation**

## **Chapter 9 - Real Property**

## **Chapter 10 - Product Liability**

### Instructions for Submitting Answers Online:

- Sign In at [www.ApexCPE.com](http://www.ApexCPE.com)
- Click the "My CPE" tab at the top of the page.
- Click "My CPE Courses".
- Find the current CPE year and click "Go to My Courses".
- Find this course and click the "Go to Course" link.
- Step 2 on the Course Syllabus page is "Take the Final Exam". Click the "Begin Final Exam" link.
- Enter your answers on the online exam sheet.
- Click the "Grade Exam" button at the bottom of the page. Your exam will be graded automatically. If your score exceeds 70%, a "Create Certificate" button will display. Otherwise, you may continue to retake the exam until you pass.
- A short evaluation page will display. Please provide your feedback for the course.
- Once the evaluation is complete, click the "Submit Evaluation & Create Certificate" button at the top of the page.
- You may print your Certificate of Completion by selecting File Print from your browser. Certificates remain online for at least five years from the certificate date.

**If you have any questions, please call us at 713.234.0892  
or send an email to [support@apexcpe.com](mailto:support@apexcpe.com)**

COPYRIGHT 2009 Apex CPE - ALL RIGHTS RESERVED  
713.234.0892