Chapter 1

Introduction to the Law

and Our Legal System

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| N.B.: TYPE indicates that a question is new, modified, or unchanged, as follows.  N A question new to this edition of the Test Bank.  + A question modified from the previous edition of the Test Bank,  = A question included in the previous edition of the Test Bank. |

TRUE/FALSE QUESTIONS

1. There is really no reason to be acquainted with business laws and gov­ernment regu­lations, except to pass this test.

ANSWER: F PAGE: 2 type: =

BUSPROG: Reflective LO: 1-1 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

2. Law consists of enforceable rules governing relationships among indi­viduals and between individuals and their society.

ANSWER: t PAGE: 2 type: =

BUSPROG: Analytic LO: 1-1 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

3. Many different laws may apply to a single business transaction.

ANSWER: T PAGE: 3 TYPE: N

BUSPROG: Analytic LO: 1-1 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Critical Thinking

4. Businesspersons are expected to make decisions that are ethically sound.

ANSWER: T PAGE: 3 type: =

BUSPROG: Analytic LO: 1-1 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

5. Being a small-business owner means that you will never have to take on the role of finance manager, marketing manager or accountant.

ANSWER: F PAGE: 4 TYPE: N

BUSPROG: Reflective LO: 1-1 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

6. Whether financial statements created by an accountant need to be verified for accuracy is not a legal question.

ANSWER: F PAGE: 4 type: =

BUSPROG: Reflective LO: 1-1 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Critical Thinking

7. There are legal questions involved when considering ways to raise capital so a business can grow.

ANSWER: T PAGE: 4 type: N

BUSPROG: Reflective LO: 1-1 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Critical Thinking

8. In order to truly understand the law, it is important to understand the origins of the law.

ANSWER: T PAGE: 4 type: N

BUSPROG: Reflective LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

9. There are legal questions involved when choosing an appropriate business organizational form.

ANSWER: T PAGE: 4 type: N

BUSPROG: Reflective LO: 1-1 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Critical Thinking

10. A small business owner is likely to face legal questions when determining ways to reduce his small business’s taxes.

ANSWER: T PAGE: 4 type: N

BUSPROG: Reflective LO: 1-1 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Critical Thinking

11. Administrative law is a source of American law that is comprised of statutes.

ANSWER: F PAGE: 5 TYPE: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

12. Statutes are laws enacted by Congress and the state legislatures and comprise one of the sources of American law.

ANSWER: T PAGE: 5 TYPE: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Legal

13. A court may depart from a precedent if the precedent is no longer valid.

ANSWER: T PAGE: 5 TYPE: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Critical Thinking

14. Stare decisis is a doctrine obligating judges to help persons who have failed to protect their own rights.

ANSWER: F PAGE: 5 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

15. Stare decisis is a doctrine obligating judges to follow the precedents established within their jurisdictions.

ANSWER: T PAGE: 5 type: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

16. Damages is a remedy at law.

ANSWER: T PAGE: 6 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

17. Damages are never paid in money.

ANSWER: F PAGE: 6 type: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

18. Equity is a branch of law, founded in justice and fair dealing, that seeks to supply a fairer and more adequate remedy than money damages.

ANSWER: T PAGE: 6 type: +

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

19. Common law is the same as statutory law.

ANSWER: F PAGE: 7 type: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

20. State laws are supreme law of the United States.

ANSWER: F PAGE: 7 type: +

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

21. The federal government and the states have the same constitution.

ANSWER: F PAGE: 7 type: N

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

22. A state law that conflicts with the U.S. Constitution will be deemed unconstitutional.

ANSWER: T PAGE: 7 type: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

23. State constitutions are supreme within their respective borders.

ANSWER: T PAGE: 7 type: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

24. Statutory law includes state statutes and ordinances passed by cities and counties.

ANSWER: T PAGE: 7 TYPE: +

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

25. Uniform laws apply in all states, including those in which the laws have not been adopted.

ANSWER: F PAGE: 7 type: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

26. The American Law Institute was the only organization involved in developing the Uniform Commercial Code.

ANSWER: f PAGE: 8 type: +

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Legal

27. Congress can charge an administrative agency with carrying out the terms of particular laws.

ANSWER: t PAGE: 8 type: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

28. No state has adopted the Uniform Commercial Code in its entirety.

ANSWER: F PAGE: 8 type: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

29. Every state has adopted some or all of the Uniform Commercial Code.

ANSWER: T PAGE: 8 TYPE: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

30. Administrative law consists of the rules, orders, and decisions of administrative agencies. .

ANSWER: T PAGE: 8 type: +

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

31. Administrative law includes only state regulations.

ANSWER: F PAGE: 8 type: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Critical Thinking

32. Criminal law focuses on duties that exist between persons.

ANSWER: F PAGE: 8 TYPE: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Critical Thinking

33. Criminal acts are prohibited only by federal government statutes.

ANSWER: F PAGE: 8 type: N

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

34. Government authorities cannot enforce na­tional law.

ANSWER: F PAGE: 9 type: =

BUSPROG: Analytic LO: 1-4 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

35. International law is the law of a foreign nation and varies from country to country.

ANSWER: F PAGE: 9 type: =

BUSPROG: Diversity LO: 1-4 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

multiple choice questions

1. Which of the following is not a definition of law?

a. A pledge that citizens of a state will do justice to one another.

b. The agreement of reason and nature, the distinction between the just and the unjust.

c. A rule of civil conduct prescribed by the supreme power in a state…

d. The social bond that exists between persons of similar interests.

ANSWER: D PAGE: 2 type: N

BUSPROG: Analytic LO: 1-1 Bloom’s: Knowledge

DIF: Moderate AICPA: BB-Legal

2. Cato and Dolly are involved in a lawsuit. The best definition of a lawsuit is

a. a criminal prosecution, not a civil proceeding.

b. a failure to perform a legal obligation.

c. a judicial proceeding for the resolution of a dispute.

d. an enactment of law by a legislative body.

ANSWER: C PAGE: 3 type: =

BUSPROG: Analytic LO: 1-1 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

3. Congress enacts a statute, the Federal Deposit Insurance Corporation (an administrative agency) issues rules, the Southeast Financial Institutions Association (a private organizations) issues instructions, South Valley Bank posts a memo with orders for its employees, and Tina tells her co-worker about a recent news story. Sources of law include

a. the instructions issued by private associations.

b. the orders posted by employers.

c. the rules issued by federal administrative agencies.

d. the stories released by news agencies.

ANSWER: C PAGE: 4 type: =

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

4. Under Ohio’s state constitution, the Ohio Environmental Protection Agency issues a new rule, the Polk County Commission approves a new property tax measure, and the professors and students at Ohio Law School publish the results of their most recent legal research. Sources of law include

a. the measures approved by local governing bodies.

b. the results of legal scholars’ research.

c. the rules issued by state administrative agencies.

d. the measures approved by local governing bodies and the rules issued by state administrative agencies.

ANSWER: D PAGE: 4 type: +

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

5. Much of American law is based on

a. the English legal system

b. the Spanish legal system

c. the civil law of the Greeks

d. Ancient Chinese law

ANSWER: A PAGE: 4 type: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

6. Karen is a judge hearing the case of Local Dispatch Co. v. National Transport Corp. Applying the relevant rule of law to the facts of the case requires Karen to find previ­ously decided cases that, in relation to the case under con­sidera­tion, are

a. as different as possible.

b. as similar as possible.

c. at odds.

d. exactly identical.

ANSWER: B PAGE: 5 type: =

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Critical Thinking

7. As a judge, Bonnie applies common law rules. These rules develop from

a. administrative regulations.

b. court decisions.

c. federal and state statutes.

d. proposed uniform laws.

ANSWER: B PAGE: 5 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

8. The best definition of a precedent is

a. a law developed from custom.

b. a judicial proceeding for the determination of a dispute between parites in which rights are enforced or protected.

c. a proceeding by one person against another in court.

d. a court decision that furnishes an example or authority for deciding subsequent cases involving identical or similar facts.

ANSWER: D PAGE: 5 type: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

9. Miley and Otis are involved in a case. The best definition of a case is

a. a criminal prosecution, not a civil proceeding.

b. a failure to perform a legal obligation.

c. a judicial proceeding for the resolution of a dispute.

d. a type of regulation applied to a business.

ANSWER: C PAGE: 5 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

10. A court may rule contrary to a precedent if

a. the court decides that the precedent is incorrect.

b. the court decides that the precedent is inapplicable.

c. the judge does not like the precedent.

d. (a) and (b)

ANSWER: D PAGE: 5 TYPE: N

BUSPROG: Reflective LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

11. In Financial Investment Co. v. Goodhands Insurance, Inc., there is no precedent on which the court can base a decision. The court will not consider

a. social customs.

b. public policy.

c. social values.

d. the court will consider public policy or social customs and values.

ANSWER: D PAGE: 5 TYPE: +

BUSPROG: Reflective LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Critical Thinking

12. In Benny v. City Car Dealership, a state supreme court held that a minor could cancel a con­tract for the sale of a car. Now a trial court in the same state is decid­ing Daphne v. Even Steven Auto Deals, Inc.,, a case with similar facts. Under the doctrine of stare decisis, the trial court is likely to

a. allow the minor to cancel the contract.

b. disregard the Benny case.

c. order the minor to cancel the contract.

d. require the minor to fulfill the contract.

ANSWER: a PAGE: 5 TYPE: =

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

13. Judge Julia decides that the precedent for the case she is hearing is no longer correct due to technological changes. She overturns the precedent when she decides the case. It is likely that her case will

a. go unnoticed by the public.

b. be thrown out of court.

c. receive a great deal of publicity.

d. be ignored by the media.

ANSWER: C PAGE: 5 TYPE: N

BUSPROG: Reflective LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Critical Thinking

14. Beth and Celia are involved in an action. The best definition of an action is

a. a criminal prosecution, not a civil proceeding.

b. a failure to perform a legal obligation.

c. a judicial proceeding for the resolution of a dispute.

d. a way to raise capital so that a business can grow.

ANSWER: C PAGE: 5 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Moderate AICPA: BB-Legal

15. The best definition of a remedy is

a. a relief given to innocent parties to enforce a right or to prevent or compensate for a wrong.

b. medication paid for by the government.

c. a right guaranteed by the Bill of Rights.

d. a situation or state of facts that gives a person a right to initiate a judicial proceeding.

ANSWER: a PAGE: 6 TYPE: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

16. Eliza is a state court judge. Flora appears in a case in Eliza’s court, claim­ing that Glover breached a contract. Which of the following actions may Eliza take?

a. award damages..

b. imprison Glover for 10 years.

c. cancel the contract..

d. award damages or cancel the contract.

ANSWER: D PAGE: 6 type: +

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

17. Starlight Café has a cause of action, which is best defined as

a. a criminal prosecution, not a civil proceeding.

b. a failure to perform a legal obligation.

c. a judicial proceeding for the resolution of a dispute.

d. a situation giving a person a right to initiate a judicial proceeding.

ANSWER: D PAGE: 6 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

18. Maggie and Nate enter into a contract for the sale of car, but Nate later refuses to deliver the goods. Maggie asks a court to order Nate to perform as promised. Ordering a party to perform what was promised is

a. an equitable remedy.

b. an unenforceable demand.

c. a remedy at law.

d. a type of harm.

ANSWER: A PAGE: 6 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

19. Leona enters into a contract with Munchie Bakery to cater a sales conference. When the conference is postponed indefinitely, Leona asks a court to cancel the contract and return the parties to the positions that they held before its formation. This request involves

a. an equitable remedy.

b. an unenforceable demand.

c. a remedy at law.

d. a type of harm.

ANSWER: A PAGE: 6 type: =

BUSPROG: Analytic LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

20. Diana is a state court judge. In her court, as in most state courts, she may grant in a particular case

a. a legal remedy only.

b. an equitable remedy or a legal remedy but not both.

c. equitable and legal remedies.

d. neither an equitable nor a legal remedy.

ANSWER: C PAGE: 6 type: =

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

21. Which of the following is not an example of an equitable remedy?

a. Sally has a contract with Loud Sound Systems to provide the sound system at a party. When the party is postponed indefinitely, she asks the court to cancel the contract and return the parties to the position held before its formation.

b. Bill contracts to sell John a car, but then fails to deliver it. John asks a court to force Bill to deliver the car to him.

c. Jane enters into a contract with Jill to provide 100 roses for a dinner party. Jane then fails to deliver the roses. Jill asks the court to force Jane to deliver 300 roses.

d. All of the above are examples of equitable remedies.

ANSWER: C PAGE: 6 TYPE: N

BUSPROG: Analytic LO: 1-2 Bloom’s: Application

DIF: Challenging AICPA: BB-Legal

22. Owen is a federal judge whose judicial decisions are part of case law, which does not include interpretations of

a. administrative regulations..

b. constitutional provisions..

c. statutes..

d. the media.

ANSWER: D PAGE: 6 TYPE: +

BUSPROG: Reflective LO: 1-2 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

23. If a provision in the California state constitution conflicts with a provision in the U.S. Constitution

a. neither provision applies.

b. the provisions are balanced to reach a compromise.

c. the state constitution takes precedence.

d. the U.S. Constitution takes precedence.

ANSWER: D PAGE: 7 TYPE: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

24. The Tenth Amendment of the U.S. Constitution

a. defines the powers and limitations of the federal government.

b. gives state law precedence over federal law.

c. gives the federal government the power to tax state governments.

d. gives all citizens the right to bear arms.

ANSWER: A PAGE: 7 TYPE: N

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

25. The Pennsylvania legislature enacts a state law that violates the U.S. Constitution. This law can be enforced by

a. no one.

b. the federal government only.

c. the state of Pennsylvania only.

d. the United States Supreme Court only.

ANSWER: A PAGE: 7 type: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Legal

26. Smithy Saddlery is a saddle shop subject to the laws of New York. In New York, the highest-ranking (superior) law is

a. a case decided by the New York Supreme Court.

b. a rule created by a New York state administrative agency.

c. a provision in the New York constitution.

d. a statute enacted by the New York legislature.

ANSWER: C PAGE: 7 TYPE: +

BUSPROG: Reflective LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

27. The Uniform Commercial Code has been adopted, at least in part, in

a. all states.

b. forty-five states.

c. thirty-five states.

d. no state.

ANSWER: A PAGE: 8 type: =

BUSPROG: Reflective LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

28. Which of the following organizations would be a source of administrative law?

a. The Georgia state legislature, a government assembly that enacts statues.

b. The Federal Trade Commission (FTC), a government agency that issues rules, orders, and decisions.

c. The Jackson County Board, a local governing body that enacts ordinances.

d. The Peach City Council, a local governing body that enacts ordinances.

ANSWER: B PAGE: 8 type: +

BUSPROG: Reflective LO: 1-3 Bloom’s: Application

DIF: Moderate AICPA: BB-Legal

29. The National Conference of Commissioners on Uniform State Laws was formed because

a. conflicting state statutes frequently made trade and commerce between states very difficult.

b. the Eleventh Amendment of the U.S. Constitution required it.

c. Congress wanted to create a uniform set of laws for interstate commerce.

d. President Grover Cleveland ordered it.

ANSWER: A PAGE: 8 type: N

BUSPROG: Reflective LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

30. Civil law is

a. a body of law in the form of rules, regulations, orders and decisions of administrative agencies

b. the branch of law dealing with the definition and enforcement of all private or public rights.

c. federal law, as opposed to state law.

d. law that provides for societal order.

ANSWER: B PAGE: 8 type: +

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

31. Rupert is a victim of Sara’s violation of a criminal law. Criminal law is con­cerned with

a. the prosecution of private individuals by other private individuals.

b. the prosecution of public officials by private individuals.

c. the relief available when a person’s rights are violated.

d. wrongs committed against the public as a whole.

ANSWER: D PAGE: 8 type: =

BUSPROG: Analytic LO: 1-3 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

32. Criminal acts are prohibited by

a. local statutes only.

b. state statues only.

c. federal statutes only.

d. local, state, or federal statutes.

ANSWER: D PAGE: 8 type: N

BUSPROG: Analytic LO: 1-3 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

33. National law is

a. law that pertains to a particular nation.

b. law that has an extraterritorial effect.

c. all law that is applied within a nation’s courts, including interna­tional law and the law of another country.

d. federal law, as opposed to state law.

ANSWER: A PAGE: 9 type: =

BUSPROG: Analytic LO: 1-4 Bloom’s: Knowledge

DIF: Easy AICPA: BB-Legal

34. A nation is a sovereign entity. This means that

a. a nation must submit to international law.

b. there is no higher authority to which a nation must submit.

c. a nation must adhere to the standards of the United Nations.

d. a nation is subject to the laws of its neighboring nations.

ANSWER: B PAGE: 9 type: N

BUSPROG: Analytic LO: 1-4 Bloom’s: Comprehension

DIF: Easy AICPA: BB-Legal

35. Japan violates an international law. Other countries may

a. impose fines on Japan.

b. imprison Japan’s leaders.

c. boycott Japan’s goods.

d. tax Japanese citizens.

ANSWER: C PAGE: 9 type: N

BUSPROG: Analytic LO: 1-4 Bloom’s: Comprehension

DIF: Moderate AICPA: BB-Legal

Essay QuestionS

1. Americans with a Better Cause (ABC), a nonprofit organization, files a suit against the U.S. Department of Justice (DOJ), claiming that a cer­tain federal statute the DOJ is empowered to enforce conflicts with the U.S. Constitution and with a state constitution. In each situation, which source of law has priority?

ANSWER: The U.S. Constitution is the supreme law of the land. A law in violation of the Constitution, no matter what its source, will be de­clared unconstitutional and will not be enforced. Thus, the federal statute does not have priority over the Constitution. The federal statute would have priority over the state constitution, however, because under the U.S. Constitution, when there is a conflict between a federal law and a state law, the state law is rendered invalid.

PAGES: 4 & 7 type: =

BUSPROG: Reflective LO: 1-2 & 1-3 Bloom’s: Application

DIF: Challenging AICPA: BB-Decision Modeling

2. In a dispute between Digital Hardware Corporation and Software Engineering Associates, Inc., the court applies the doctrine of stare decisis. What is this doctrine? What does this doctrine have to do with the American le­gal system?

ANSWER: In a common law legal system, past judicial decisions are binding in current disputes with similar facts. This feature of the com­mon law, which is the basis of the American legal system, is unique be­cause, unlike the law in other legal systems, it is judge-made law. Within the common law system, when possible, judges attempt to be con­sistent and to base their decisions on the principles suggested by earlier cases. The body of principles and doctrines that form the common law emerged over time as judges applied the principles announced in earlier cases to subsequent legal controversies. The practice of deciding cases with reference to former decisions, or precedents—the cornerstone of the American legal system—is called the doctrine of stare decisis. Under this doctrine, judges are obligated to follow the precedents established within their jurisdictions. This helps courts to be more efficient, and makes the law more stable and predictable.

PAGES: 5–6 type: =

BUSPROG: Reflective LO: 1-2 Bloom’s: Application

DIF: Challenging AICPA: BB-Decision Modeling