

Competency-Based
Competitive Events
Written Exam

Test Number 976
Booklet Number _____

Business Law and Ethics

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have _____ minutes to complete all questions.

This comprehensive exam was developed by the MarkED Resource Center. Items have been randomly selected from the MarkED Resource Center's Test-Item Bank and represent a variety of instructional areas. Competencies for this exam are at the prerequisite, career-sustaining, marketing specialist, marketing supervisor, and manager levels. A descriptive test key, including question sources and answer rationale, has been provided the state DECA advisor.

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1. Before a business and a customer can enter into a valid contract, the offer to do something in return for payment must be
 - A. implied.
 - B. in writing.
 - C. accepted.
 - D. expressed.
2. Many of the regulations that control how the ownership of goods is transferred from one business to another are intended to prevent
 - A. trade restraints.
 - B. economic competition.
 - C. property liability.
 - D. shipping damages.
3. Business laws regulate the production, consumption, and _____ of goods and services.
 - A. contraction
 - B. expansion
 - C. resolution
 - D. distribution
4. Companies that conduct business throughout the world follow certain international laws, which are rules that come from
 - A. a single organization.
 - B. many sources.
 - C. select nations.
 - D. powerful economies.
5. Federal statutes are primary sources of law that are enacted by
 - A. the U.S. Supreme Court.
 - B. state legislatures.
 - C. administrative agencies.
 - D. the U.S. Congress.
6. Which of the following parties represents the plaintiff in a criminal trial:
 - A. Grand jury
 - B. Public defender
 - C. Principal
 - D. Prosecutor
7. The U.S. government charges the president of a large company with insider trading. Which court system would mostly likely hear the case first:
 - A. Federal district
 - B. State supreme
 - C. State appellate
 - D. Federal probate
8. Which of the following remedies is the most likely consequence for a business that fails to file its quarterly tax return on time:
 - A. Parole
 - B. Acquittal
 - C. Imprisonment
 - D. Fine
9. What is a primary difference between the punishment of a criminal case and the punishment of a tort case?
 - A. Tort punishments often place the guilty party on probation for certain offenses while criminal punishments do not.
 - B. Criminal punishments often involve prison sentences while tort punishments do not.
 - C. Tort punishments involve paying government fines while criminal punishments do not.
 - D. Criminal punishments most often require that the guilty party pay compensation to the injured party while tort punishments do not.
10. According to tort law, an individual who violates his/her duty to care is acting in a _____ manner.
 - A. systematic
 - B. negligent
 - C. cautious
 - D. sensible
11. To recover damages from a business charged with the tort of negligence, the plaintiff must prove all of the following except
 - A. cause of injury.
 - B. breach of duty.
 - C. cost of duty.
 - D. existence of injury.

12. Are a company's directors always liable for the employees' torts?
- A. No, because directors must purchase a minimal amount of malpractice insurance.
 - B. Yes, directors initially assume the employees' liability until a police investigation is complete.
 - C. No, directors who show reasonable duty of care are not always liable, and are protected by the business judgment rule.
 - D. Yes, the Commerce Liability Provision states that directors are held accountable and liable for employees' torts.
13. A bilateral contract is legally valid if the agreement is made between two competent parties who promise to
- A. perform certain activities or fulfill obligations.
 - B. resolve their differences through mediation.
 - C. accept responsibility for all of the other party's actions.
 - D. retain an agent to act on their behalf.
14. One way a court enforces a contract is by requiring a party to perform an activity that was promised in the agreement. In this situation, the court is issuing a(n) _____ remedy.
- A. equitable
 - B. uncontested
 - C. redemptive
 - D. unconditional
15. Which of the following is an unlawful program within an affirmative-action plan:
- A. Quotas
 - B. Title VII
 - C. Government contracting
 - D. Unions
16. Which of the following statements is true regarding an employee's right to privacy in the workplace:
- A. Many workers feel that genetic testing by employers infringes upon their privacy rights.
 - B. Employers face governmental penalties for imposing employee drug testing.
 - C. Government laws mandate that workers cannot access their personnel records.
 - D. An employer does not have a right to collect personal information about its employees.
17. Whistleblower laws encourage workers to report their employers'
- A. hiring practices.
 - B. financial activities.
 - C. illegal actions.
 - D. business policies.
18. Which of the following online activities is the most difficult to prosecute under traditional law:
- A. Trespassing
 - B. Gambling
 - C. Shoplifting
 - D. Picketing
19. Collecting and selling web-site visitors' personal information is a legal issue associated with
- A. patent protection.
 - B. business-ownership options.
 - C. privacy rights.
 - D. computer viruses.
20. What information is mostly likely to appear on a court's web site?
- A. Opinions, jurors' telephone numbers, and court contact data
 - B. Rules, forms, and decisions
 - C. Jurors' telephone numbers, forms, and opinions
 - D. Verdicts, rules, and testimony
21. A primary reason that a free-enterprise government imposes antitrust laws on businesses is to
- A. restrain interstate commerce.
 - B. protect the competitive environment.
 - C. increase stock values.
 - D. control tax rates.

22. Why might an author choose to assign rights to his/her intellectual property to an outside agency for public use?
- A. To relinquish control of material and give up copyright rights
 - B. To allow other writers to utilize material for literary criticism purposes
 - C. To acquire royalties and elevate public knowledge and awareness
 - D. To establish a reputation for sharing and achieve public recognition
23. While at work, an employee writes a corporate brochure for his/her employer. According to the scope of copyright protection, who owns the copyright of the written material?
- A. The directors
 - B. The employee
 - C. The printer
 - D. The employer
24. When an employee invents a product on behalf of his/her employer, the employer owns the patent rights to the product if the
- A. employer registers the product with the regional trade association.
 - B. employee signs an agreement that transfers ownership of the patent.
 - C. employee applies for a utility patent, which automatically gives the employer ownership rights.
 - D. employer develops a contract with the employee at the time of hire that includes a nondisclosure clause.
25. A business might want to obtain trademark protection for a name or symbol to help reduce the
- A. amount of illegal tariffs.
 - B. number of economic sanctions.
 - C. distribution of knock-off goods.
 - D. level of licensed products.
26. Which of the following is not a distinct stage of the civil litigation process:
- A. Appellate
 - B. Pleading
 - C. Pretrial
 - D. Posttrial
27. The XOR Company didn't understand some federal regulations and had to pay the government a very high fine. As a result, the company had to
- A. revise its business structure.
 - B. increase its promotion.
 - C. increase its spending.
 - D. revise its budget.
28. The legal process acknowledges that a criminal defendant has the right to
- A. avoid arrest.
 - B. determine the bail amount.
 - C. request a jury trial.
 - D. resist indictment.
29. Procedural laws are the written rules that define how substantive laws are
- A. negotiated.
 - B. positioned.
 - C. enforced.
 - D. resolved.
30. Terminating a manager's employment is an option for a company if proof exists that the manager has
- A. understood goals and objectives.
 - B. followed company rules and policies.
 - C. created a hostile work environment.
 - D. refused to engage in gender harassment.
31. The primary purpose of the mediation process is to help two disputing parties
- A. make a final decision regarding the case.
 - B. reach a mutually satisfying solution.
 - C. reverse a binding arbitration decision.
 - D. assess their legal options.
32. If a contract dispute cannot be resolved by mediation or arbitration, it is most often
- A. referred to appeals court.
 - B. settled in a civil court.
 - C. sent to the grand jury for review.
 - D. evaluated by a neutral third party.

33. When does jury selection occur during the civil litigation process?
- A. Before depositions and interrogatories are filed
 - B. During pretrial conference
 - C. After a verdict is rendered
 - D. During voir dire
34. Which of the following factors could determine legal ownership of goods in the distribution process:
- A. Availability of the product
 - B. Involvement of agents
 - C. Country in which the product is produced
 - D. Physical characteristics of the product
35. Which of the following is an unethical distribution practice that involves forcing a business to carry another business's products:
- A. Deception
 - B. Outsourcing
 - C. Bundling
 - D. Coercion
36. When businesses need to formalize the information provided to employees, customers, or other businesses, they often use _____ communication.
- A. written
 - B. lateral
 - C. upward
 - D. verbal
37. When writing persuasive messages, it is important to use language that is
- A. graphic.
 - B. motivating.
 - C. technical.
 - D. flexible.
38. Charts, graphs, and other supporting materials usually are contained in what part of a complex report?
- A. Summary
 - B. Appendix
 - C. Conclusion
 - D. Bibliography
39. Before writing a proposal to solve a business problem, it is important to
- A. contact a research firm.
 - B. read the mission statement.
 - C. narrow the topic.
 - D. prepare a summary.
40. When participating in staff meetings with employees, the role of the department manager is to
- A. dominate the discussion.
 - B. record the minutes.
 - C. be the leader.
 - D. expand the agenda.
41. Which of the following should managers do in order to assure that a staff meeting is successful:
- A. Let only a few people contribute
 - B. Encourage everyone to participate
 - C. Allow someone to monopolize the meeting
 - D. Keep the discussion from resolving issues
42. What should employees try to avoid so that they can give customers their full attention?
- A. Aggravations
 - B. Impressions
 - C. Emotions
 - D. Distractions
43. In order to interpret business policies to customers, salespeople must
- A. help to set the business's policies.
 - B. get permission from management.
 - C. feel good about the policies.
 - D. understand the business's policies.
44. What type of customer questions everything that an employee tells her/him?
- A. Slow/Methodical
 - B. Domineering/Superior
 - C. Disagreeable
 - D. Suspicious
45. The owner of Fast Copy Service purchased a new copy machine for the business. This copier is faster and produces beautiful color copies. What type of good is the copier?
- A. Convenience
 - B. Shopping
 - C. Specialty
 - D. Industrial

46. Nashville has experienced several weeks of extremely hot and humid weather. The market for air conditioners in Nashville is likely to be a _____ market.
- A. monopolistic
 - B. seller's
 - C. buyer's
 - D. regulated
47. To be socially responsible to their employees, many businesses offer their employees
- A. promotions.
 - B. training.
 - C. financing.
 - D. pay raises.
48. Which of the following represents a natural risk for the owner of a delivery service:
- A. Rising prices
 - B. Accident
 - C. Snowstorm
 - D. Government intervention
49. Providing unemployment compensation and aid to dependent children are ways that government intervenes in the economy to
- A. manage yearly spending.
 - B. protect private property.
 - C. set safety standards.
 - D. improve public welfare.
50. Workers often increase their productivity in order to
- A. obtain more benefits.
 - B. take longer vacations.
 - C. pay higher taxes.
 - D. earn higher wages.
51. One reason why it is important for businesses to understand the impact of the law of diminishing returns is to avoid
- A. paying high interest rates.
 - B. misinterpreting economic trends.
 - C. hiring too many workers.
 - D. importing a lot of products.
52. Which of the following is a category of worker that is not included in the unemployment rate, although this category indicates that there is a problem in the economy:
- A. Semiskilled
 - B. Professional
 - C. Terminated
 - D. Underemployed
53. Which of the following often has a significant impact on the level of spending in an economy:
- A. Bank deposits
 - B. Interest rates
 - C. Stock options
 - D. Trade barriers
54. Businesses that operate production facilities in foreign countries are regulated by the _____ of those countries.
- A. trade barriers
 - B. laws and attitudes
 - C. balance of trade
 - D. inspection standards
55. Asking a satisfied customer to pass on favorable information to your manager is an example of _____ behavior.
- A. questionable
 - B. ethical
 - C. unfair
 - D. aggressive
56. Brian wants to convince the other members of his work group that they should try his method of keeping records. Which of the following characteristics will be most helpful to Brian in this effort:
- A. Passiveness
 - B. Initiative
 - C. Credibility
 - D. Aggressiveness
57. Pedro wants to negotiate with his supervisor to gain more responsibilities at work. Before approaching his supervisor, Pedro needs to determine the supervisor's position and
- A. interests.
 - B. skills.
 - C. standards.
 - D. procedures.

58. Why do many businesses develop programs and activities to help reduce employee stress?
- A. To eliminate conflict
 - B. To encourage creativity
 - C. To maintain productivity
 - D. To exhibit empathy
59. Giving a group of employees the authority to work together to find a solution to a particular problem is an example of
- A. office restructuring.
 - B. creative thinking.
 - C. project staffing.
 - D. team building.
60. Recognition is most effective if it
- A. matches the person's cultural background.
 - B. is something the giver would like to receive.
 - C. informs others of the accomplishment.
 - D. is something everyone can use, such as money or a gift certificate.
61. Why do businesses extend credit to customers?
- A. To take advantage of the convenience
 - B. To purchase stock as needed
 - C. To save money
 - D. To be competitive
62. What is an important step to take when selecting a financial-services provider?
- A. Plan an investment.
 - B. Make an appointment.
 - C. Organize records.
 - D. Verify credentials.
63. If a business uses the accrual method of accounting, calculate the amount its records would show in sales for one month based on the following information: credit sales of \$25,000, cash sales of \$42,500, cash-on-hand of \$3,850, and wages of \$6,250.
- A. \$73,750
 - B. \$52,600
 - C. \$71,350
 - D. \$67,500
64. Which of the following is the formula for preparing a monthly cash flow statement:
- A. Opening Cash Balance + Cash Receipts - Cash Disbursements
 - B. Cash Receipts - Cash Disbursements - Opening Cash Balance
 - C. Opening Cash Balance + Cash Receipts + Cash Disbursements
 - D. Cash Receipts + Cash Disbursements - Opening Cash Balance
65. Is sales tax included on an invoice when it is prepared for a business that is purchasing the goods to resell to consumers?
- A. No, the consumer pays the sales tax.
 - B. Yes, the business pays the sales tax.
 - C. No, the manufacturer pays the sales tax.
 - D. Yes, the business claims the sales tax as a tax deduction.
66. To make sure that their budgets are effective, what should businesses do with budget information?
- A. Send it to all stockholders.
 - B. Provide it to all top managers.
 - C. Post it on bulletin boards.
 - D. Communicate it to all employees.
67. When businesses divide the change in total revenue by the marginal product, they are calculating the
- A. earned income.
 - B. break-even point.
 - C. marginal revenue.
 - D. cash-flow level.
68. The type of budget that estimates cash income and cash payments is the _____ budget.
- A. capital
 - B. cash
 - C. merchandising
 - D. income statement

69. How much sales tax would a business report to the state government that it had collected if its taxable sales were \$54,962 and the state sales tax rate is 6%?
- A. \$3,297.72
B. \$1,648.86
C. \$3,281.15
D. \$1,640.76
70. ABC Company has 1,000 major clients that each require a monthly sales call. If the average sales representative can make 1,000 calls per year, how many sales representatives does ABC need to ensure service to all of its major clients?
- A. 18
B. 10
C. 15
D. 12
71. How do many businesses use the information they obtain during exit interviews?
- A. To increase pay
B. To identify competitors
C. To reduce turnover
D. To eliminate change
72. Training provided by a trade or management association to train or to motivate employees is available through
- A. on-the-job training.
B. internships.
C. workshops or seminars.
D. job rotation.
73. Most often, informal recognition or praise by managers renews an employee's _____ in the workplace.
- A. flexibility
B. distraction
C. motivation
D. apathy
74. What might occur if a business listens to employee complaints but fails to take action?
- A. Increase in turnover
B. Decrease in slowdowns
C. Increase in morale
D. Decrease in pilferage
75. What approach to managing people is intended to discourage further violations of company rules after infractions have already occurred?
- A. Corrective
B. Termination-at-will
C. Preventive
D. Open-door management
76. What do businesses need to do to behave ethically when collecting marketing information from customers?
- A. Sell customer information only to reliable organizations
B. Gather data from only a few customers in one area
C. Avoid telling customers who is sponsoring the research project
D. Make sure customers know how the information will be used
77. Inventory-control activities are most directly related to which of the following marketing functions:
- A. Promotion
B. Distribution
C. Pricing
D. Selling
78. Vanessa is putting procedures into practice so that her business records will not be lost in an office fire. She is practicing which tip of good record keeping?
- A. Prevent errors
B. Pick a style
C. Use a system
D. Avoid hazards
79. What might businesses lose if their employees are injured on the job and are unable to work?
- A. Sales
B. Benefits
C. Assets
D. Goods

80. Which of the following situations may represent a risk to the business:
- A. A regular customer brings a new neighbor to shop at the business.
 - B. A new customer's check is for an amount larger than the purchase total.
 - C. A new customer with a check provides a piece of photo identification.
 - D. A regular customer is impatient when the cashier takes a telephone order.
81. Which of the following should a business consider when developing a project plan to help control costs:
- A. Available publicity
 - B. Potential problems
 - C. Possible objectives
 - D. Advertising expense
82. What type of production would most likely be used to produce prescription glasses?
- A. Batch
 - B. Unit
 - C. Mass
 - D. Robotic
83. An important aspect of continuous quality improvement within an entire business organization requires management to
- A. make as few changes as possible.
 - B. solicit input from employees.
 - C. hire additional staff to oversee quality control.
 - D. obtain daily reports to monitor progress.
84. In order for a business to generate a profit, its operating costs must be _____ the gross margin.
- A. less than
 - B. greater than
 - C. equal to
 - D. identical to
85. A business negotiates a three-year lease for \$2,250 per month, which will increase 2% per month in the second year and 3% over the second-year rate in the third year. What will the business's monthly rent be in the third year?
- A. \$2,370.50
 - B. \$2,340.00
 - C. \$2,323.25
 - D. \$2,363.85
86. One way that businesses can control operating expenses is to
- A. buy in small quantities.
 - B. lease equipment.
 - C. obtain credit.
 - D. organize inventory space.
87. Which of the following is considered a "stepping stone" toward achieving a specific objective:
- A. Unlimited resources
 - B. A want
 - C. Long-term goal
 - D. Subgoal
88. The essence of time management is to
- A. eliminate the need to prioritize activities.
 - B. control events in order to accomplish priorities.
 - C. focus on spreading work over a period of time.
 - D. set a fixed schedule and follow it.
89. An individual who wants to pursue a career in the marketing segment of business might obtain an entry-level position as a(n)
- A. apprentice plant manager.
 - B. junior bookkeeper.
 - C. customer service representative.
 - D. assistant office supervisor.
90. One reason why many individuals include in their résumés information about their involvement in volunteer programs and charitable organizations is because they
- A. are socially responsible.
 - B. have no paid work experience.
 - C. do not expect a high salary.
 - D. will need a lot of training.

91. Why is it important for businesses to behave ethically when setting prices?
- A. To eliminate the need for discounts
 - B. To negotiate with suppliers
 - C. To avoid offending customers
 - D. To develop sales tactics
92. Which of the following pricing practices is illegal in some countries because it may drive a company's competitors' out of business:
- A. Markup pricing
 - B. One-price policies
 - C. Price skimming
 - D. Below-cost pricing
93. Which of the following are primary ethical factors that a business considers when changing its products' packaging:
- A. Environmental issues
 - B. Market dominance
 - C. Color and quality
 - D. Pricing objectives
94. Benefits to the business from warranties and guarantees include all of the following except
- A. a customer-oriented focus for the business.
 - B. reduced anxiety about purchases.
 - C. increased profits.
 - D. feedback from customers.
95. Which of the following is a way that businesses can include consumer protection as part of product/service management:
- A. Creative selling
 - B. Accurate labeling
 - C. Discount pricing
 - D. Precise marketing
96. The corrective action that the government might require an advertiser to take if the advertiser does not advise consumers about important facts about the services the advertiser is promoting is called affirmative
- A. disclosure.
 - B. endorsement.
 - C. testimonial.
 - D. briefing.
97. Which of the following questions does a highly ethical salesperson ask himself/herself when an "iffy" sales situation occurs:
- A. How far can I go with this?
 - B. What can I get away with?
 - C. What is the right thing to do?
 - D. How can I benefit?
98. What is most likely to happen if a salesperson exaggerates or misrepresents facts about a product to a customer?
- A. The customer files a lawsuit.
 - B. The salesperson is promoted.
 - C. The customer provides a testimonial.
 - D. The salesperson receives a referral.
99. A manager who helps an employee count the money in a cash drawer and prepare a bank deposit is demonstrating
- A. technical skills.
 - B. natural talent.
 - C. creativity.
 - D. aggressive behavior.
100. A business manager sharing with a few employees certain negative information in another employee's performance evaluation is an example of
- A. office communication.
 - B. sound judgment.
 - C. impartial feedback.
 - D. unethical behavior.