

Bus 341- Spring 2013 - Midterm Exam

You have 130 minutes to complete this examination. This is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor. NO OLD EXAMS OR PRACTICE EXAMS SHOULD BE VISIBLE. FAILURE TO FOLLOW THESE DIRECTIONS MAY RESULT IN YOU RECEIVING A ZERO SCORE FOR THE EXAM

Please be sure to answer all questions on the exam. There are eighteen (18) pages and 155 questions to this exam -- 80 True False, and 75 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOUR NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate "1" in special codes for version A and "2" in special codes for version B, AND "3" for version C. Failure to provide this information on your answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for "social security number" Failure to follow these directions will result in a 10 point penalty.

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer.
Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. With a guaranty arrangement, the guarantor is secondarily liable.
- _____ 2. Proceeds from the disposition of collateral after default on the underlying debt are distributed equally among lienholders who have made demands.
- _____ 3. A security agreement can be filed to perfect a security interest.
- _____ 4. For a *creditor* to have an enforceable security interest, the *debtor* must have title to the collateral.
- _____ 5. To *refinance* is to pay off an original mortgage and obtain a new one at more favorable terms.
- _____ 6. The distinctions between a surety and a guarantor are recognized in all states.
- _____ 7. An *adjustable-rate mortgage* is a standard mortgage with an unchanging rate of interest.
- _____ 8. A limited liability partnership may exempt its partners from personal liability for any partnership obligation.
- _____ 9. A guarantor can assert the principal debtor's bankruptcy as a defense to avoid liability on the obligation.
- _____ 10. When a person contracts for improvements on real property but does not immediately pay for the improvements, the creditor can place a mechanic's lien on the property.
- _____ 11. The parties to a franchise arrangement may be two corporations.
- _____ 12. Generally, a corporation that purchases the assets of another corporation is *not* automatically responsible for the liabilities of the selling corporation.
- _____ 13. When a corporation earns profits, it must distribute them to shareholders.
- _____ 14. A lender can make a higher-priced mortgage loan based on the value of the consumer's home without verifying the consumer's ability to repay the loan.

Name: _____

ID: A

- ___ 15. A partnership agreement can include almost any terms that the partners wish.
- ___ 16. Corporate directors are rarely compensated for their work, effort, and especially the risk involved.
- ___ 17. Directors are entitled to use confidential corporate information for their personal advantage.
- ___ 18. The results of a consolidation are different from those of a merger—both companies remain.
- ___ 19. Dissolution can be brought about voluntarily by the directors and shareholders of a corporation.
- ___ 20. A debtor wishing to file for bankruptcy must complete the means test to determine whether he or she qualifies.
- ___ 21. In most states, a director cannot be removed without cause unless shareholders have reserved the right.
- ___ 22. A court will not pierce the corporate veil of a corporation that is formed merely to evade an existing legal obligation.
- ___ 23. A limited liability company can be taxed as a corporation.
- ___ 24. Directors and officers must subordinate the welfare of the corporation to their personal interests.
- ___ 25. Personal property that is most often exempt from satisfaction of judgment debts does not include livestock.
- ___ 26. *Negative amortization* occurs when the monthly payments are insufficient to cover the interest due on a loan.
- ___ 27. In a general partnership, the acts of one partner in the ordinary course of business subjects the other partners to personal liability.
- ___ 28. The owners of a limited liability company enjoy limited liability.
- ___ 29. The board of directors of each corporation involved must approve a share exchange.
- ___ 30. Perfection is usually accomplished by filing a financing statement.
- ___ 31. Most franchise agreements provide that notice of termination of a franchise is not necessary.
- ___ 32. A security interest in collateral does *not* give the secured party a security interest in the proceeds acquired from the sale of that collateral.
- ___ 33. Where or how to perfect a security interest sometimes depends on the classification of collateral.
- ___ 34. A merger involves the legal combination of two or more corporations, only one of which continues to exist.
- ___ 35. A bankruptcy court may deny a discharge based on the debtor's conduct.
- ___ 36. In a limited partnership, a general partner's dissociation from the firm may lead to dissolution.

Name: _____

ID: A

- ___ 37. A mortgage must be in writing to comply with the Statute of Frauds.
- ___ 38. A target corporation's attempted takeover of an acquiring corporation is referred to as the Pac-Man defense.
- ___ 39. If the partnership agreement does not apportion profits, profits are shared in the same proportion as a partner's investment of capital in the firm.
- ___ 40. The content of a family-fisherman bankruptcy plan is basically the same as that of a repayment plan.
- ___ 41. If a partnership's liabilities are greater than its assets, the partners bear the losses.
- ___ 42. The first step in the incorporation process is to select a state in which to operate.
- ___ 43. A limited liability company can sue or be sued, enter into contracts, and hold title to property.
- ___ 44. A sole proprietor has unlimited liability for all obligations that arise in doing business.
- ___ 45. Generally, a dissociated member of a limited liability company (LLC) has the right to have his or her interest in the LLC bought out by the other members.
- ___ 46. Property acquired by the partnership is the property of the partners individually.
- ___ 47. A *subprime mortgage* is a loan made to a borrower who does not qualify for a standard mortgage.
- ___ 48. A debtor need not be insolvent to file for bankruptcy relief.
- ___ 49. When the debtor has fully paid the debt, if the secured party perfected the security interest by filing, the debtor is entitled to a termination statement.
- ___ 50. Shareholder appraisal rights do *not* usually extend to short-form mergers.
- ___ 51. When dissolution takes place by voluntary action, the shareholders are responsible for winding up the affairs of the corporation.
- ___ 52. Winding up is the process by which corporate assets are valued before a merger or other plan of consolidation.
- ___ 53. Before filing a petition bankruptcy, debtors must receive credit counseling from an approved non-profit agency.
- ___ 54. A security interest is not enforceable *after* the creditor's rights have attached to the collateral.
- ___ 55. In the distribution of the debtor's estate, unsecured creditors take priority over secured creditors.
- ___ 56. The board of directors normally can remove a corporate officer at any time with or without cause.
- ___ 57. An S corporation is treated the same as a regular corporation for tax purposes.

Name: _____

ID: A

- ___ 58. The majority rule controls decisions on ordinary matters connected with partnership business.
- ___ 59. Some states have passed laws prohibiting the withdrawal of *general* partners from a limited partnership.
- ___ 60. A corporation is liable for the torts committed by its officers within the course and scope of their employment.
- ___ 61. If a stock certificate is lost or destroyed, ownership is not destroyed with it.
- ___ 62. A director or officer is not liable to the corporation for a bad business decision.
- ___ 63. The officers and other employees of each corporation involved must approve a merger.
- ___ 64. The alter-ego doctrine can be applied to a limited liability company.
- ___ 65. A buyer in the ordinary course of business takes the goods free from any security interest created by the seller unless the buyer knows of its existence.
- ___ 66. A franchisor may retain stringent control over the training of personnel involved the operation of a franchise.
- ___ 67. There are additional disclosure requirements for a loan that carries a high rate of interest or entails high fees for the borrower.
- ___ 68. The validity of a provision permitting the franchisor to establish and enforce certain quality standards is questionable.
- ___ 69. Most courts apply the same principles to joint ventures as they apply to corporations.
- ___ 70. In a repayment plan case, after the debtor has completed all payments, the court grants a discharge of all debts provided for by the plan.
- ___ 71. Payment of the principal obligation will not discharge the guarantor from the obligation.
- ___ 72. A partner is entitled to make secret profits or put self-interest before his or her duty to the interest of the partnership.
- ___ 73. In certain instances of fraud, a court may "pierce the corporate veil" to hold the shareholders individually liable.
- ___ 74. In a limited partnership, a *general* partner has full responsibility for the partnership and for all its debts.
- ___ 75. On a partner's dissociation, his or her duty of care to the partnership ends with respect to events that occurred before the dissociation.
- ___ 76. A partner owes to the partnership and the other partners a duty of care.
- ___ 77. State law governs the procedures that must be followed to create a mechanic's lien.

- ____ 78. In most states, a financing statement must be filed centrally in the appropriate state office.
- ____ 79. Usually, a private equity firm buys an entire corporation and may later reorganize it as a publicly held corporation.
- ____ 80. Dividends can be paid in cash.

Multiple Choice

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

- ____ 81. Nadia is a shareholder of Open Air Productions, Inc. Nadia could normally exercise appraisal rights if Open Air participated in
- a. a takeover.
 - b. a dissolution.
 - c. a share exchange.
 - d. a winding up.
- ____ 82. Elise goes through an involuntary bankruptcy proceeding. An *involuntary* bankruptcy occurs when
- a. a debtor's debts exceed the fair market value of his or her assets.
 - b. a debtor is unable to pay his or her debts as they come due.
 - c. a debtor's creditors force the debtor into bankruptcy proceedings.
 - d. creditors are forced to accept a discharge of a debtor's debts.
- ____ 83. Khali's debt to Lew is past due. Lew obtains a judgment against Khali to collect the debt, but Khali refuses to pay. Lew asks the court to order Khali's employer to pay a portion of Khali's paycheck to Lew. This is a request for
- a. an order of garnishment.
 - b. an order that would violate most state laws.
 - c. a mechanic's lien.
 - d. a writ of attachment.
- ____ 84. China Bank is a foreign entity—a firm owned and operated by investors in a foreign country. With respect to a limited liability company in the United States, China Bank can
- a. act as a creditor, but cannot otherwise invest or participate.
 - b. not become a member or otherwise participate in its operations.
 - c. not become a member, but can participate in its operations.
 - d. become a member.
- ____ 85. Finn and Glenda want to form and do business as Hobby Crafts Corporation. A corporation is a legal entity created and recognized by
- a. a central federal administrative agency.
 - b. a city or county clerk's office.
 - c. state law.
 - d. an artificial legal person.

- _____ 86. Genetic Innovations, LP, is a limited partnership. The partners sign an agreement purporting to state how the firm's profits and losses are to be divided. The profits and losses of the firm will be divided
- a. in proportion to each partner's participation in the firm's management, despite the agreement.
 - b. equally, despite the agreement.
 - c. in proportion to capital contributions, despite the agreement.
 - d. according to the agreement.

Fact Pattern 28-3B

Dillon and Evan are brothers. They agree to act as guarantors on a loan made by their sister, Fiona. Fiona defaults on the payments and Dillon refuses to pay. Evan pays the debt.

- _____ 87. Refer to Fact Pattern 28-3B. Evan can recover from Dillon under
- a. the right of proportionate liability.
 - b. the right of reimbursement.
 - c. the right of contribution.
 - d. no right, because the parties are brothers.
- _____ 88. Refer to Fact Pattern 28-3B. Evan can recover from Fiona under
- a. the right of subrogation.
 - b. no one, because the parties are brother and sister.
 - c. the right of reimbursement.
 - d. the right of proportionate liability.
- _____ 89. Naomi and Ogden are shareholders of MediCare Residences, Inc. As shareholders, they must approve
- a. negotiating a contract between management and labor.
 - b. deciding to pursue new business opportunities.
 - c. terminating a managerial employee.
 - d. conducting a merger.
- _____ 90. Laurel borrows \$150,000 from Marketplace Mortgage Loans to buy a home. The financing documents require Laurel to maintain the property, obtain homeowners' insurance, and pay all property taxes and other assessments through the lender. With respect to these terms, a court is most likely to
- a. rescind them.
 - b. refuse to enforce them.
 - c. rewrite them.
 - d. enforce them.
- _____ 91. Trina and Uri do business as Value Gems. In acting on the firm's behalf in a deal with World Diamond Exchange, Trina recklessly exceeds what Value Gems can afford to pay, causing damage to the firm. Trina is
- a. not liable.
 - b. liable for breach of the duty of economic sense.
 - c. liable for breach of the duty of care.
 - d. liable for breach of the duty of loyalty.
- _____ 92. Mall Stores Corporation owns 95 percent of the shares of Niche Shoppes Corporation. Through a certain transaction, Mall Stores combines with Niche Shoppes, but only Mall Stores continues to exist. This is
- a. a consolidation.
 - b. a short-form merger.
 - c. a termination.
 - d. a share exchange.

- _____ 93. Reliable Bank's financing statement in collateral owned by Sunsource Energy Corporation will expire in less than a year. With the filing of subsequent continuation statements, the effectiveness of the bank's statement can be continued
- for no longer than five years.
 - indefinitely.
 - up to five years and six months.
 - for no more than six months.
- _____ 94. Hollister and Gladys do business as partners in Frothy Confections. For federal income tax purposes, Frothy Confections would be treated as
- a natural person.
 - a pass-through entity.
 - a tax-paying entity.
 - a partnership by estoppel.
- _____ 95. Gage buys from Fishing Guide Corporation the exclusive right to sell Fishing Guide rods and reels in a certain area. Their franchise agreement requires Gage to pay certain administrative expenses. Their agreement may also require Gage to pay a percentage of the franchisor's
- advertising costs.
 - retirement income.
 - personal expenses.
 - none of the choices.
- _____ 96. Gravel & Sand, Inc., buys a backhoe on credit from Heavy Equipment Corporation, but does not make a payment on the loan for several months. Heavy repossesses the backhoe by towing it from a public street. Green sues Heavy for breach of the peace. Gravel & Sand will probably
- prevail, because Gravel & Sand did not default on the loan.
 - not prevail, because the repossession was not a breach of the peace.
 - not prevail, because Heavy did not use judicial process.
 - prevail, because the repossession was a breach of the peace.
- _____ 97. Sophie and Tiny incorporate their beverage-container business as U-Twist Products, Inc. The first board of directors may be appointed by the firm's
- incorporators.
 - shareholders.
 - officers.
 - board of directors.
- _____ 98. Upton borrows \$150,000 from Valley Credit Union to buy a home, which secures the loan. Three years into the term, Upton stops making payments on it. Valley Credit repossesses and auctions off the property to Wesley. The sale proceeds are not enough to cover the unpaid amount of the loan. In most states, Valley Credit can ask a court for
- a short sale.
 - a deficiency judgment.
 - nothing.
 - a reverse mortgage.

Fact Pattern 39-1B

Bertram, Claudia, and Dynah form Eat Local, Inc., a closely held corporation, and agree to restrict the transfer of its stock to anyone else. The agreement provides that if one of the shareholders dies, his or her shares of stock in Eat Local will be divided to maintain the proportionate control of the survivors.

- ____ 99. Refer to Fact Pattern 39-1B. Later, Bertram dies. With respect to the stock transfer restriction agreement, Bertram's death most likely
- invalidates the entire agreement.
 - voids the division provision only.
 - violates the entire agreement.
 - triggers the division provision.
- ____ 100. Agnes borrows \$110,000 from Bay Harbor Bank to buy a home under a mortgage with an acceleration clause. After eighteen payments, Agnes stops making payments on the mortgage. Bay Harbor
- must foreclose on small amounts over time as each payment comes due.
 - can foreclose once on the entire amount of the loan.
 - may seek only the amount of the missed payments, not the entire loan.
 - must notify Agnes to accelerate the steps to cure the default.
- ____ 101. Chocolate Sundry LLC's members and managers are Devlin, Effie, and Flavia. After Devlin's relationship to the firm ends, Effie and Flavia agree to discontinue the business. This is
- optional.
 - required.
 - illegal.
 - wrongful.
- ____ 102. The payment of Dylan's debt to Ezra is guaranteed by Dylan's personal property. This is governed by
- the U.S. Chamber of Commerce.
 - the Federal Trade Commission.
 - the Uniform Commercial Code.
 - the U.S. Constitution's commerce clause.

Fact Pattern 28-1B

Chocolate! Chocolate! Corporation is a new company that needs to borrow money to meet its payroll. Dayna, president and owner of Chocolate! Chocolate!, asks Evermore Credit Union to loan the funds to Chocolate! Chocolate!

- ____ 103. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment only if Chocolate! Chocolate! defaults, Dayna will be
- a guarantor.
 - a lienor.
 - a garnishee.
 - a surety.
- ____ 104. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment whether or not Chocolate! Chocolate! defaults, Dayna will be
- a guarantor.
 - a lienor.
 - a garnishee.
 - a surety.

- ____ 105. Roni, a debtor, wants to confirm the amount of her outstanding secured debt with Swifty Loan Corporation. Roni can ask Swifty to confirm her view of the debt, without charge, every
- month.
 - six months.
 - year.
 - five years.
- ____ 106. Brick's debt to Conry is past due. Conry brings a legal action against Brick to collect the debt. To ensure that a judgment in Conry's favor will be collectible, Conry asks the court to order the seizure of Brick's property. Exempt from such an order in most states is
- equipment that Brick uses in a business up to a specified amount.
 - none of Brick's personal property.
 - as much of Brick's personal property as Brick opts to exempt.
 - all of Brick's personal property.
- ____ 107. Tracy borrows \$30,000 from Secure State Bank. The lender accepts Tracy's equity in her home as collateral, which can be seized if the loan is not repaid on time. With respect to any proceeding that occurs if Tracy fails to make the payments, this loan is subordinated. This means that it
- takes a lower priority.
 - takes a higher priority.
 - fluctuates with the market value of the property.
 - has the same priority as the primary mortgage.
- ____ 108. Eli agrees to pay a debt to Financial Credit, Inc., which is otherwise dischargeable in bankruptcy. This is
- a reaffirmation.
 - a cram-down.
 - a revocation.
 - a workout.
- ____ 109. Dahlia borrows \$125,000 from Clearview Credit Union to buy a home. The interest rate and other terms that are required to be disclosed under federal law must be
- expressed in lenders' language.
 - set out in a formula unique to each loan.
 - stated in "legalese."
 - based on uniform formulas of calculation.
- ____ 110. Inez and Jason are the shareholders and directors of Kleen Kustodial Corporation. Lily and Moe are Kleen's officers. As with other corporations, the responsibility for the overall management of Kleen rests with
- the shareholders.
 - the board of directors.
 - the officers.
 - the owners.
- ____ 111. Fibreboard Construction, Inc., and Gated Community Corporation form a joint venture. A joint venture is usually formed for
- a stated duration of not more than one year.
 - a perpetual existence.
 - a single activity or transaction.
 - an implied duration of not more than six months.

- ____ 112. Office Company and Keen Company wish to combine all assets, stock, and personnel into a new firm to be called OK Corporation. This is
- a merger.
 - a consolidation.
 - a share exchange.
 - a takeover.
- ____ 113. Riverview Bank makes a mortgage loan of \$95,000 to Pomeroy to buy a home. Under federal law, if Riverview fails to provide certain material disclosures with respect to the loan, Pomeroy's right to rescind the loan
- is tolled for the duration of the mortgage payments.
 - is extended for up to three years.
 - expires at midnight on the day the loan is finalized.
 - is canceled immediately.
- ____ 114. Fay is a member of Garden Groves LLC. Like other members of limited liability companies, Fay's liability for Garden Groves's obligations resembles the liability of
- an owner of a sole proprietorship.
 - a partner of a partnership.
 - a participant in a joint venture.
 - a shareholder of a corporation.
- ____ 115. Erin and Dooley, a married couple, borrow \$120,000 from Capital & Credit Bank to buy a home. When Erin and Dooley divorce, they are unable to make payments on the mortgage. The market value of the home has declined to less than the balance of the loan. Capital & Credit agrees to a sale of the property for this amount. This is
- a deed in lieu of foreclosure.
 - a reverse mortgage.
 - a short sale.
 - a home equity loan.
- ____ 116. Sylvester buys a franchise from Resistance Athletic Shoes Inc. This relationship, like *all* other franchise relationships, is governed by
- the Franchise Disclosure Document, or FDD.
 - contract law.
 - the Uniform Commercial Code.
 - no law.
- ____ 117. Whit is a director of Vids Corporation. With respect to policymaking decisions necessary to the management of corporate affairs, Whit and the other Vids directors have responsibility for
- only the decisions referred to them by the shareholders.
 - only the decisions referred to them by the officers.
 - all of the decisions.
 - none of the decisions.
- ____ 118. Checkerboard Pizza, Inc. (CPI), files a petition in bankruptcy for relief through a reorganization. CPI's reorganization plan must contain
- a plan to turn over its future income to the trustee.
 - a statement of preference for one creditor over another.
 - a certificate proving attendance at a credit-counseling briefing.
 - a provision of adequate means for the plan's execution.

- _____ 119. Nano Games Corporation's creditors agree to a *workout* with the firm. This is
- a privately negotiated adjustment of creditor-debtor relations.
 - an accountant's summary of a debtor's financial situation.
 - an agreement to pay a debt dischargeable in bankruptcy.
 - a reorganization of corporate debts and debtors.
- _____ 120. Pronto Tacos LLC grants a franchise to Omar to open and operate a Pronto Tacos restaurant. Pronto will likely charge Omar
- an amount of Omar's monthly overhead savings, if any.
 - an initial fee or lump sum price for the franchise license.
 - a percentage of Omar's weekly payroll expense.
 - none of the choices.
- _____ 121. Gelato Ice, Inc., is incorporated in the state of New Jersey and is doing business in the state of New York. In New York, Gelato is properly referred to as
- a domestic corporation.
 - a foreign corporation.
 - a *de jure* corporation.
 - an alien corporation.
- _____ 122. A firm named Scientific Discovery Corporation (SDC) makes an attempt to incorporate for a purpose other than making a profit. SDC is
- a foreign corporation.
 - not a corporation.
 - a nonprofit corporation.
 - an alien corporation.
- _____ 123. Delilah files a petition in bankruptcy. The proceeding is governed by the Bankruptcy Code, which is part of
- international law.
 - federal law.
 - state law.
 - the U.S. Constitution.

Fact Pattern 29-2B

General Leasing Company (GLC) buys equipment for use as inventory, borrowing \$1 million from Helpful Finance Corporation for a security interest in the equipment. The next day, GLC borrows \$500,000 from Interstate Bank, also for a security interest in the equipment. GLC defaults on both loans.

- _____ 124. Refer to Fact Pattern 29-2B. Suppose that Helpful perfects its security interest when GLC takes possession of the equipment. In that circumstance, the party with priority to the collateral on GLC's default would be
- GLC.
 - Interstate only.
 - Helpful only.
 - Helpful and Interstate proportionately.

- ____ 125. Refer to Fact Pattern 29-2B. Suppose that two weeks after GLC takes possession of the equipment, Helpful and Interstate file financing statements, with Interstate filing first. In that circumstance, the party with priority to the equipment is
- Helpful and Interstate proportionately.
 - Helpful only.
 - GLC.
 - Interstate only.
- ____ 126. Lulu joins with other creditors to force McCoy, a debtor, into bankruptcy. One of the goals of bankruptcy law with respect to creditors is to
- provide a fair means of distributing a debtor's assets.
 - protect creditor assets from diminution in value.
 - make all debtor property available for creditors.
 - ensure that creditors will continue to lend to insolvent debtors.
- ____ 127. Hill & Dale Credit Corporation makes mortgage loans to consumers secured by their principal homes. For a Hill & Dale loan to qualify as a Higher-Priced Mortgage Loan (HPML), its annual percentage rate must exceed, by a certain amount,
- the consumer's income-to-debt ratio.
 - the average prime offer rate for a comparable transaction.
 - the projected increase in market value of the consumer's home.
 - the percentage of income that a consumer can devote to its payment.
- ____ 128. Loni delivers her Mazda to be repaired at Nile's Body Shop. Loni agrees to pay cash. Nile performs, but Loni does not pay. Nile tells Loni that he will keep the car until she pays. This is
- a violation of most states' laws.
 - an artisan's lien.
 - a judicial lien.
 - a mechanic's lien.
- ____ 129. Ida, Jerzy, and Kit are the directors of Liberty Convenience Stores, Inc. Liberty has nine officers and forty-six shareholders. Dividends are ordered by the firm's
- shareholders.
 - board of directors.
 - officers.
 - incorporators.
- ____ 130. Olaf is the creditor in a transaction with Phil. Once certain requirements are met, Olaf's rights will *attach*, which means that Olaf will have
- an indivisible ownership right to Phil's property.
 - an enforceable security interest in Phil's property.
 - a notice affixed to Phil's property.
 - the permission of a court to seize Phil's property.
- ____ 131. Quantum Financial Corporation is a secured party with a security interest in property owned by Revolving Sales Company. Perfection of this security interest may not protect Quantum against the claim of
- a trustee in bankruptcy.
 - a buyer in the ordinary course of business.
 - a subsequent lien creditor.
 - a bank.

- ____ 132. Miracle Vacuum, Inc., is a private, for-profit corporation that (1) was formed for the purpose of manufacturing and distributing a newly patented appliance, (2) is owned by five shareholders, (3) is subject to double taxation, and (4) has made no public offering of its shares. Miracle is
- a nonprofit corporation.
 - an S corporation.
 - a professional corporation.
 - a closely held corporation.
- ____ 133. Rafe is interested in buying a franchise from Sportz Warez Company. In this transaction, the Federal Trade Commission's Franchise Rule
- does not apply.
 - enables Rafe to weigh the deal's risks and benefits.
 - prohibits certain types of anticompetitive agreements.
 - enables Sportz Warez to weigh the deal's risks and benefits.
- ____ 134. Viola is a director of Water Pure Corporation. With respect to Water Pure, Viola's most important right is the right of
- certification.
 - indemnification.
 - compensation.
 - participation.
- ____ 135. Gustoso Gelato Company is a franchisor. Singh operates a Gustoso franchise. Reba is one of Singh's employees. As a franchisor, if Gustoso controls the day-to-day operations of the business to a significant degree, it may be liable for tortious acts by
- no one.
 - Gustoso and Singh, but not Reba.
 - Gustoso only.
 - Gustoso, Singh, or Reba.
- ____ 136. Niche Stores, Inc., must hold a shareholders' meeting
- annually.
 - monthly.
 - only when it is called by the board of directors.
 - biannually.

Fact Pattern 37-1B

Brad, Carlos, and Dora are general partners in Eastside Physicians, a medical clinic. Their agreement states it is a breach of the agreement for any partner to assign his or her interest to a creditor without the consent of the other partners.

- ____ 137. Refer to Fact Pattern 37-1B. Carlos's assignment of his interest in Eastside to General Credit Corporation results in
- the automatic termination of Eastside's legal existence.
 - Carlos's liability for all of Eastside's debts.
 - nothing with respect to Carlos or Eastside.
 - Carlos's wrongful dissociation and liability for any damages.

- _____ 138. Rick and Sandy are limited partners in Total Profit Enterprises, a limited partnership. To avoid personal liability for partnership obligations, they must *not*
- a. participate in the firm's management.
 - b. acquire an interest in the firm.
 - c. engage in activities independent of the firm's business.
 - d. contribute property to the firm.
- _____ 139. Rocco is a director of Spa Lids & Tubs, Inc. Under the standard of due care owed by directors of a corporation, Rocco's decisions must be
- a. unwavering and unquestionable.
 - b. arguable and defensible.
 - c. informed and reasonable.
 - d. perfect and unassailable.
- _____ 140. Zero Sum Games Corporation has forty-three shareholders. The minimum number that must be present at a meeting for a shareholders' vote is
- a. a proxy.
 - b. all of the shareholders.
 - c. a quorum.
 - d. three of the shareholders.
- _____ 141. Cluckee Chick'n Corporation provides its prospective franchisees with projected earnings figures based on actual data. Cluckee Chick'n must also disclose
- a. hypothetical examples of potential earnings.
 - b. an answer to the entrepreneur's question, "How much will I make?"
 - c. the number and percentage of franchisees that achieved the figures.
 - d. none of the choices.
- _____ 142. Fern contracts to buy a franchise from Greene Grocery Inc. The contract is silent on the issue of territorial rights. Greene allows a competing franchise to be established near Fern's store, which suffers a significant loss in profits. This is most likely a violation of
- a. the ban on certain types of anticompetitive agreements.
 - b. the implied covenant of good faith and fair dealing.
 - c. no law.
 - d. the Federal Trade Commission's Franchise Rule.
- _____ 143. Ben, who runs a livestock breeding business, owes the Circle C Ranch \$40,000. Ben agrees to pay the Circle C a percentage of his profits each month until the debt is paid. Because of this agreement, the Circle C is
- a. Ben's creditor only.
 - b. neither Ben's creditor nor his partner.
 - c. Ben's creditor and partner.
 - d. Ben's partner only.
- _____ 144. Bill and Cody agree to guarantee Wyatt's debt. Bill's maximum liability is \$60,000, and Cody's is \$40,000. Wyatt owes \$40,000 and is in default. Bill pays the creditor the entire amount. In the absence of an agreement to the contrary, Bill can recover from Cody
- a. \$20,000.
 - b. 0.
 - c. \$40,000.
 - d. \$16,000.

- _____ 145. Denise borrows \$90,000 from Clear Lake Credit Union to buy a home. Denise loses her job and fails to make payments on the mortgage, but assures Clear Lake Credit that she will soon secure a new job. The lender agrees to postpone the payments. This is
- a bridge loan.
 - a restructure.
 - a reamortization.
 - forbearance.

Fact Pattern 28-2B

Rico signs a lease on behalf of Start-Up Games, Inc., with Tower Office Suites. As part of the lease, Rico signs a document titled "GUARANTY," which states that it is "an absolute guaranty" of the lease's performance.

- _____ 146. Refer to Fact Pattern 28-2B. If Start-Up stops paying the rent, it is most likely that liability or loss for the unpaid amount will rest with
- Rico and Start-Up.
 - the other tenants on the same property.
 - Tower Office Suites.
 - no one.
- _____ 147. Bret and Courtney form Delite Day Care, Inc. Ultimate responsibility for policy decisions necessary to the management of corporate affairs rests with Delite's
- board of directors.
 - officers.
 - incorporators.
 - shareholders.
- _____ 148. Cody is a partner in Derivative Investment Service (DIS). Cody can inspect
- all of DIS's books and records.
 - DIS's books and records only as the firm's management permits.
 - DIS's books and records only for a reasonable purpose.
 - DIS's books and records relating to Cody's capital contribution only.
- _____ 149. Like the bylaws of other corporations, the bylaws of Farmland Equipment, Inc.,
- establish the operating name of the corporation.
 - establish the value and classes of corporate stock.
 - were submitted for approval to the public official in charge.
 - were adopted at its first organizational meeting.
- _____ 150. Rapid Pest Control itself out to others as being a corporation but makes no attempt to incorporate. Ponce signs a contract with Rapid Pest Control that is not performed. Ponce files a suit against the firm. The court will likely hold that Rapid Pest Control is
- an S corporation.
 - a corporation by estoppel.
 - ultra vires*.
 - an alien corporation.

Fact Pattern 41-1B

Shrimp Boat Company decides to consolidate its operations with Trawlers, Inc., to form Coastal Fishers Corporation (CFC).

- _____ 151. Refer to Fact Pattern 41-1B. Trawlers had rights in certain property. After the consolidation, CFC acquires the rights
- only if the acquisition is a specified result of the consolidation.
 - automatically.
 - only after completing certain additional statutory procedures.
 - only if Trawlers' former shareholders expressly approve.
- _____ 152. Evelyn is a beneficiary of a business trust. As a beneficiary, she is required to
- draft a written trust agreement.
 - distribute the trust's profits.
 - assume responsibility for the trust's debts.
 - none of the choices.

Fact Pattern 30-1B

In January, Jazz Dance Studio owes Kay, its musical director, \$1,800 for current wages, receives \$700 as a down payment for dance lessons from Lora, and pays a Music, Inc., a sheet music supplier, \$1,500 of \$3,000 owed. In February, the studio files a petition in bankruptcy for relief through a liquidation.

- _____ 153. Refer to Fact Pattern 30-1B. Based on the size of the studio's estate in bankruptcy, each of Jazz's creditors will get only 10 percent of their claims. Regarding the payment to Music, Inc., the trustee may
- not recover it unless Music is an insider.
 - recover it as a fraudulent transfer.
 - not recover it because Music's claim has priority.
 - recover it as a voidable preference.
- _____ 154. Cara and Dru are officers of EZ Trucking Corporation. As corporate officers, the rights of Cara and Dru are
- the same as those of the directors.
 - specified in state corporation statutes.
 - determined by their employment contracts.
 - the same as those of the shareholders.
- _____ 155. Caffeine Café, Inc., files its articles of incorporation with the appropriate government agency. Least likely to appear in the articles is the name of
- each of the corporation's shareholders.
 - each of the corporation's incorporators.
 - the corporation's initial registered agent.
 - the corporation.

Bus 341- Spring 2013 - Midterm Exam

Answer Section

TRUE/FALSE

1.	ANS: T	PTS: 1	REF: p. 550	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: +		
2.	ANS: F	PTS: 1	REF: p. 576	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
3.	ANS: T	PTS: 1	REF: p. 559	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
4.	ANS: F	PTS: 1	REF: p. 558	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: =		
5.	ANS: T	PTS: 1	REF: p. 605	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
6.	ANS: F	PTS: 1	REF: p. 550	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
7.	ANS: F	PTS: 1	REF: p. 605	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
8.	ANS: T	PTS: 1	REF: p. 730	NAT: AACSB Analytic AICPA Legal
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9.	ANS: F	PTS: 1	REF: p. 552	NAT: AACSB Analytic AICPA Legal
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10.	ANS: T	PTS: 1	REF: p. 546	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
11.	ANS: T	PTS: 1	REF: p. 706	NAT: AACSB Analytic AICPA Legal
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12.	ANS: T	PTS: 1	REF: p. 799	NAT: AACSB Analytic AICPA Legal
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13.	ANS: F	PTS: 1	REF: p. 754	NAT: AACSB Analytic AICPA Legal
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14.	ANS: F	PTS: 1	REF: p. 611	NAT: AACSB Analytic AICPA Legal
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15.	ANS: T	PTS: 1	REF: p. 721	NAT: AACSB Analytic AICPA Legal
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16.	ANS: F	PTS: 1	REF: p. 776	NAT: AACSB Analytic AICPA Legal
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17.	ANS: F	PTS: 1	REF: p. 780	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
18.	ANS: F	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
19.	ANS: T	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
20.	ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
21.	ANS: T	PTS: 1	REF: p. 775	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		

22.	ANS: F	PTS: 1	REF: p. 766	NAT: AACSB Analytic AICPA Legal
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23.	ANS: T	PTS: 1	REF: p. 739	NAT: AACSB Analytic AICPA Legal
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24.	ANS: F	PTS: 1	REF: p. 780	NAT: AACSB Analytic AICPA Legal
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25.	ANS: F	PTS: 1	REF: p. 553	NAT: AACSB Analytic AICPA Legal
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26.	ANS: T	PTS: 1	REF: p. 609	NAT: AACSB Analytic AICPA Legal
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27.	ANS: T	PTS: 1	REF: p. 726	NAT: AACSB Analytic AICPA Legal
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28.	ANS: T	PTS: 1	REF: p. 740	NAT: AACSB Analytic AICPA Legal
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29.	ANS: T	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
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30.	ANS: T	PTS: 1	REF: p. 559	NAT: AACSB Analytic AICPA Legal
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31.	ANS: F	PTS: 1	REF: p. 712	NAT: AACSB Analytic AICPA Legal
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32.	ANS: F	PTS: 1	REF: p. 564	NAT: AACSB Analytic AICPA Legal
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33.	ANS: T	PTS: 1	REF: p. 562	NAT: AACSB Analytic AICPA Legal
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34.	ANS: T	PTS: 1	REF: p. 796	NAT: AACSB Analytic AICPA Legal
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35.	ANS: T	PTS: 1	REF: p. 593	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
36.	ANS: T	PTS: 1	REF: p. 734	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
37.	ANS: T	PTS: 1	REF: p. 607	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
38.	ANS: T	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
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39.	ANS: F	PTS: 1	REF: p. 722	NAT: AACSB Analytic AICPA Legal
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40.	ANS: T	PTS: 1	REF: p. 600	NAT: AACSB Analytic AICPA Legal
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41.	ANS: T	PTS: 1	REF: p. 729	NAT: AACSB Analytic AICPA Legal
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42.	ANS: T	PTS: 1	REF: p. 760	NAT: AACSB Analytic AICPA Legal
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43.	ANS: T	PTS: 1	REF: p. 740	NAT: AACSB Analytic AICPA Legal
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44.	ANS: T	PTS: 1	REF: p. 707	NAT: AACSB Analytic AICPA Legal
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45.	ANS: T	PTS: 1	REF: p. 746	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		

46.	ANS: F	PTS: 1	REF: p. 723	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
47.	ANS: T	PTS: 1	REF: p. 606	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
48.	ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
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49.	ANS: T	PTS: 1	REF: p. 571	NAT: AACSB Analytic AICPA Legal
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50.	ANS: F	PTS: 1	REF: p. 798	NAT: AACSB Analytic AICPA Legal
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51.	ANS: F	PTS: 1	REF: p. 806	NAT: AACSB Analytic AICPA Legal
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52.	ANS: F	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
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53.	ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: +		
54.	ANS: F	PTS: 1	REF: p. 557	NAT: AACSB Analytic AICPA Legal
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55.	ANS: F	PTS: 1	REF: p. 591	NAT: AACSB Analytic AICPA Legal
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56.	ANS: T	PTS: 1	REF: p. 778	NAT: AACSB Analytic AICPA Legal
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57.	ANS: F	PTS: 1	REF: p. 759	NAT: AACSB Analytic AICPA Legal
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58.	ANS: T	PTS: 1	REF: p. 722	NAT: AACSB Analytic AICPA Legal
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59.	ANS: T	PTS: 1	REF: p. 734	NAT: AACSB Analytic AICPA Legal
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60.	ANS: T	PTS: 1	REF: p. 754	NAT: AACSB Analytic AICPA Legal
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61.	ANS: T	PTS: 1	REF: p. 786	NAT: AACSB Analytic AICPA Legal
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62.	ANS: T	PTS: 1	REF: p. 779	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
63.	ANS: F	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
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64.	ANS: T	PTS: 1	REF: p. 742	NAT: AACSB Analytic AICPA Legal
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65.	ANS: F	PTS: 1	REF: p. 569	NAT: AACSB Analytic AICPA Legal
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66.	ANS: T	PTS: 1	REF: p. 711	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
67.	ANS: T	PTS: 1	REF: p. 609	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
68.	ANS: F	PTS: 1	REF: p. 711	NAT: AACSB Analytic AICPA Legal
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69.	ANS: F	PTS: 1	REF: p. 747	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		

70.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 597	NAT: AACSB Analytic AICPA Legal
71.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 552	NAT: AACSB Analytic AICPA Legal
72.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 725	NAT: AACSB Analytic AICPA Legal
73.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 790	NAT: AACSB Analytic AICPA Legal
74.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 731	NAT: AACSB Analytic AICPA Legal
75.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 728	NAT: AACSB Analytic AICPA Legal
76.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 723	NAT: AACSB Analytic AICPA Legal
77.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 546	NAT: AACSB Analytic AICPA Legal
78.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 561	NAT: AACSB Analytic AICPA Legal
79.	ANS: T NAT: AACSB Reflective AICPA Critical Thinking TYP: N	PTS: 1	REF: p. 771	KEY: Test Bank B
80.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 787	NAT: AACSB Analytic AICPA Legal

MULTIPLE CHOICE

81.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 798	NAT: AACSB Reflective AICPA Legal
82.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 585	NAT: AACSB Reflective AICPA Legal
83.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 548	NAT: AACSB Reflective AICPA Legal
84.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 739	NAT: AACSB Reflective AICPA Legal
85.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 753	NAT: AACSB Reflective AICPA Legal
86.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 732	NAT: AACSB Reflective AICPA Legal
87.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 553	NAT: AACSB Reflective AICPA Legal
88.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 553	NAT: AACSB Reflective AICPA Legal
89.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 783	NAT: AACSB Reflective AICPA Legal
90.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 607	NAT: AACSB Reflective AICPA Legal
91.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 723	NAT: AACSB Reflective AICPA Legal

92.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 798	NAT: AACSB Reflective AICPA Legal
93.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 564	NAT: AACSB Reflective AICPA Legal
94.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 721	NAT: AACSB Reflective AICPA Legal
95.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Reflective AICPA Legal
96.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 572	NAT: AACSB Reflective AICPA Legal
97.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 775	NAT: AACSB Reflective AICPA Legal
98.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 615	NAT: AACSB Reflective AICPA Legal
99.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 757	NAT: AACSB Reflective AICPA Legal
100.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 614	NAT: AACSB Reflective AICPA Legal
101.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 746	NAT: AACSB Reflective AICPA Legal
102.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 557	NAT: AACSB Reflective AICPA Legal
103.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
104.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
105.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 570	NAT: AACSB Reflective AICPA Legal
106.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 554	NAT: AACSB Reflective AICPA Legal
107.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 607	NAT: AACSB Reflective AICPA Legal
108.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 593	NAT: AACSB Reflective AICPA Legal
109.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 608	NAT: AACSB Reflective AICPA Legal
110.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 753	NAT: AACSB Reflective AICPA Legal
111.	ANS: C NAT: AACSB Reflective AICPA Critical Thinking TYP: =	PTS: 1	REF: p. 746	KEY: Test Bank B
112.	ANS: B KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 797	NAT: AACSB Reflective AICPA Legal
113.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 609	NAT: AACSB Reflective AICPA Legal
114.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 740	NAT: AACSB Reflective AICPA Legal

115.	ANS: C	PTS: 1	REF: p. 612	NAT: AACSB Reflective AICPA Legal
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116.	ANS: B	PTS: 1	REF: p. 709	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
117.	ANS: C	PTS: 1	REF: p. 775	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
118.	ANS: D	PTS: 1	REF: p. 595	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
119.	ANS: A	PTS: 1	REF: p. 595	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
120.	ANS: B	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
121.	ANS: B	PTS: 1	REF: p. 756	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
122.	ANS: C	PTS: 1	REF: p. 756	
	NAT: AACSB Reflective AICPA Critical Thinking			KEY: Test Bank B
	TYP: =			
123.	ANS: B	PTS: 1	REF: p. 581	NAT: AACSB Reflective AICPA Legal
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124.	ANS: C	PTS: 1	REF: p. 566	NAT: AACSB Reflective AICPA Legal
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125.	ANS: D	PTS: 1	REF: p. 566	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
126.	ANS: A	PTS: 1	REF: p. 581	NAT: AACSB Reflective AICPA Legal
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127.	ANS: B	PTS: 1	REF: p. 611	NAT: AACSB Reflective AICPA Legal
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128.	ANS: B	PTS: 1	REF: p. 547	NAT: AACSB Reflective AICPA Legal
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129.	ANS: B	PTS: 1	REF: p. 787	NAT: AACSB Reflective AICPA Legal
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130.	ANS: B	PTS: 1	REF: p. 557	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
131.	ANS: B	PTS: 1	REF: p. 569	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
132.	ANS: D	PTS: 1	REF: p. 756	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
133.	ANS: B	PTS: 1	REF: p. 709	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
134.	ANS: D	PTS: 1	REF: p. 777	NAT: AACSB Reflective AICPA Legal
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135.	ANS: D	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
136.	ANS: A	PTS: 1	REF: p. 784	NAT: AACSB Reflective AICPA Legal
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137.	ANS: D	PTS: 1	REF: p. 727	NAT: AACSB Reflective AICPA Legal
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138.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 731	NAT: AACSB Reflective AICPA Legal
139.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 779	NAT: AACSB Reflective AICPA Legal
140.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 785	NAT: AACSB Reflective AICPA Legal
141.	ANS: C NAT: AACSB Communication AICPA Legal TYP: N	PTS: 1	REF: p. 711	KEY: Test Bank B
142.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 711	NAT: AACSB Reflective AICPA Legal
143.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 720	NAT: AACSB Reflective AICPA Legal
144.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 553	NAT: AACSB Reflective AICPA Legal
145.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 612	NAT: AACSB Reflective AICPA Legal
146.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
147.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 775	NAT: AACSB Reflective AICPA Legal
148.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 723	NAT: AACSB Reflective AICPA Legal
149.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 761	NAT: AACSB Reflective AICPA Legal
150.	ANS: B KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 764	NAT: AACSB Reflective AICPA Legal
151.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 797	NAT: AACSB Reflective AICPA Legal
152.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 749	NAT: AACSB Reflective AICPA Legal
153.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 588	NAT: AACSB Reflective AICPA Legal
154.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 778	NAT: AACSB Reflective AICPA Legal
155.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 761	NAT: AACSB Reflective AICPA Legal

	<u> T </u> 15.	<u> T </u> 37.	<u> T </u> 58.	<u> T </u> 78.
	<u> F </u> 16.	<u> T </u> 38.	<u> T </u> 59.	<u> T </u> 79.
	<u> F </u> 17.	<u> F </u> 39.	<u> T </u> 60.	<u> T </u> 80.
	<u> F </u> 18.	<u> T </u> 40.	<u> T </u> 61.	
	<u> T </u> 19.	<u> T </u> 41.	<u> T </u> 62.	
	<u> T </u> 20.	<u> T </u> 42.	<u> F </u> 63.	<u> C </u> 81.
	<u> T </u> 21.	<u> T </u> 43.	<u> F </u> 64.	
	<u> F </u> 22.	<u> T </u> 44.	<u> F </u> 65.	
<u> T </u> 1.	<u> T </u> 23.	<u> T </u> 45.	<u> T </u> 66.	<u> C </u> 82.
<u> F </u> 2.	<u> F </u> 24.	<u> F </u> 46.	<u> T </u> 67.	
<u> T </u> 3.	<u> F </u> 25.	<u> T </u> 47.	<u> F </u> 68.	<u> A </u> 83.
<u> F </u> 4.	<u> T </u> 26.	<u> T </u> 48.	<u> F </u> 69.	
<u> T </u> 5.	<u> T </u> 27.	<u> T </u> 49.	<u> T </u> 70.	
<u> F </u> 6.	<u> T </u> 28.	<u> F </u> 50.	<u> F </u> 71.	<u> D </u> 84.
<u> F </u> 7.	<u> T </u> 29.	<u> F </u> 51.	<u> F </u> 72.	
<u> T </u> 8.	<u> T </u> 30.	<u> F </u> 52.	<u> T </u> 73.	
<u> F </u> 9.	<u> F </u> 31.	<u> T </u> 53.		<u> C </u> 85.
<u> T </u> 10.	<u> F </u> 32.	<u> F </u> 54.	<u> T </u> 74.	
<u> T </u> 11.	<u> T </u> 33.	<u> F </u> 55.	<u> F </u> 75.	
<u> T </u> 12.	<u> T </u> 34.	<u> T </u> 56.	<u> T </u> 76.	
<u> F </u> 13.	<u> T </u> 35.	<u> F </u> 57.	<u> T </u> 77.	
<u> F </u> 14.	<u> T </u> 36.			

D 86.

 B 93.

 B 105.

 B 112.

 D 99.

 A 106.

 B 113.

 B 94.

 C 87.

 B 100.

 A 95.

 A 107.

 D 114.

 A 88.

 A 101.

 B 96.

 A 108.

 C 115.

 D 89.

 C 102.

 D 109.

 D 90.

 A 97.

 B 116.

 B 110.

 C 91.

 B 98.

 A 103.

 C 117.

 C 111.

 B 92.

 D 104.

 D 118.

A 119.

 D 125.

 D 132.

 A 138.

 D 145.

 B 120.

 A 126.

 B 133.

 C 139.

 B 121.

 B 127.

 D 134.

 C 140.

 A 146.

 C 122.

 B 128.

 D 135.

 C 141.

 A 147.

 B 123.

 B 129.

 A 136.

 B 142.

 A 148.

 D 149.

 B 130.

 A 143.

 C 124.

 B 150.

 D 137.

 B 131.

 D 144.

B 151.

 D 152.

 D 153.

 C 154.

 A 155.

Bus 341- Spring 2013 - Midterm Exam

You have 130 minutes to complete this examination. This is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor. NO OLD EXAMS OR PRACTICE EXAMS SHOULD BE VISIBLE. FAILURE TO FOLLOW THESE DIRECTIONS MAY RESULT IN YOU RECEIVING A ZERO SCORE FOR THE EXAM

Please be sure to answer all questions on the exam. There are eighteen (18) pages and 155 questions to this exam -- 80 True False, and 75 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOUR NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate "1" in special codes for version A and "2" in special codes for version B, AND "3" for version C. Failure to provide this information on your answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for "social security number" Failure to follow these directions will result in a 10 point penalty.

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer.
Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. A sole proprietor has unlimited liability for all obligations that arise in doing business.
- _____ 2. In most states, a director cannot be removed without cause unless shareholders have reserved the right.
- _____ 3. An *adjustable-rate mortgage* is a standard mortgage with an unchanging rate of interest.
- _____ 4. There are additional disclosure requirements for a loan that carries a high rate of interest or entails high fees for the borrower.
- _____ 5. A partnership agreement can include almost any terms that the partners wish.
- _____ 6. Generally, a corporation that purchases the assets of another corporation is *not* automatically responsible for the liabilities of the selling corporation.
- _____ 7. A debtor need not be insolvent to file for bankruptcy relief.
- _____ 8. State law governs the procedures that must be followed to create a mechanic's lien.
- _____ 9. A mortgage must be in writing to comply with the Statute of Frauds.
- _____ 10. A debtor wishing to file for bankruptcy must complete the means test to determine whether he or she qualifies.
- _____ 11. The majority rule controls decisions on ordinary matters connected with partnership business.
- _____ 12. In a limited partnership, a *general* partner has full responsibility for the partnership and for all its debts.
- _____ 13. A merger involves the legal combination of two or more corporations, only one of which continues to exist.
- _____ 14. Before filing a petition bankruptcy, debtors must receive credit counseling from an approved non-profit agency.

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- ___ 15. A director or officer is not liable to the corporation for a bad business decision.
- ___ 16. A buyer in the ordinary course of business takes the goods free from any security interest created by the seller unless the buyer knows of its existence.
- ___ 17. The owners of a limited liability company enjoy limited liability.
- ___ 18. The officers and other employees of each corporation involved must approve a merger.
- ___ 19. When the debtor has fully paid the debt, if the secured party perfected the security interest by filing, the debtor is entitled to a termination statement.
- ___ 20. The first step in the incorporation process is to select a state in which to operate.
- ___ 21. If a partnership's liabilities are greater than its assets, the partners bear the losses.
- ___ 22. The parties to a franchise arrangement may be two corporations.
- ___ 23. A court will not pierce the corporate veil of a corporation that is formed merely to evade an existing legal obligation.
- ___ 24. The content of a family-fisherman bankruptcy plan is basically the same as that of a repayment plan.
- ___ 25. Corporate directors are rarely compensated for their work, effort, and especially the risk involved.
- ___ 26. A partner owes to the partnership and the other partners a duty of care.
- ___ 27. Most franchise agreements provide that notice of termination of a franchise is not necessary.
- ___ 28. In most states, a financing statement must be filed centrally in the appropriate state office.
- ___ 29. A *subprime mortgage* is a loan made to a borrower who does not qualify for a standard mortgage.
- ___ 30. The board of directors normally can remove a corporate officer at any time with or without cause.
- ___ 31. A lender can make a higher-priced mortgage loan based on the value of the consumer's home without verifying the consumer's ability to repay the loan.
- ___ 32. Usually, a private equity firm buys an entire corporation and may later reorganize it as a publicly held corporation.
- ___ 33. A security interest in collateral does *not* give the secured party a security interest in the proceeds acquired from the sale of that collateral.
- ___ 34. When a corporation earns profits, it must distribute them to shareholders.
- ___ 35. Dissolution can be brought about voluntarily by the directors and shareholders of a corporation.

Name: _____

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- ___ 36. In a limited partnership, a general partner's dissociation from the firm may lead to dissolution.
- ___ 37. With a guaranty arrangement, the guarantor is secondarily liable.
- ___ 38. Dividends can be paid in cash.
- ___ 39. A partner is entitled to make secret profits or put self-interest before his or her duty to the interest of the partnership.
- ___ 40. Directors and officers must subordinate the welfare of the corporation to their personal interests.
- ___ 41. The alter-ego doctrine can be applied to a limited liability company.
- ___ 42. In certain instances of fraud, a court may "pierce the corporate veil" to hold the shareholders individually liable.
- ___ 43. In a general partnership, the acts of one partner in the ordinary course of business subjects the other partners to personal liability.
- ___ 44. On a partner's dissociation, his or her duty of care to the partnership ends with respect to events that occurred before the dissociation.
- ___ 45. A guarantor can assert the principal debtor's bankruptcy as a defense to avoid liability on the obligation.
- ___ 46. A corporation is liable for the torts committed by its officers within the course and scope of their employment.
- ___ 47. Proceeds from the disposition of collateral after default on the underlying debt are distributed equally among lienholders who have made demands.
- ___ 48. A limited liability company can sue or be sued, enter into contracts, and hold title to property.
- ___ 49. In a repayment plan case, after the debtor has completed all payments, the court grants a discharge of all debts provided for by the plan.
- ___ 50. If a stock certificate is lost or destroyed, ownership is not destroyed with it.
- ___ 51. To *refinance* is to pay off an original mortgage and obtain a new one at more favorable terms.
- ___ 52. Winding up is the process by which corporate assets are valued before a merger or other plan of consolidation.
- ___ 53. Personal property that is most often exempt from satisfaction of judgment debts does not include livestock.
- ___ 54. In the distribution of the debtor's estate, unsecured creditors take priority over secured creditors.
- ___ 55. Some states have passed laws prohibiting the withdrawal of *general* partners from a limited partnership.

Name: _____

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- ___ 56. Property acquired by the partnership is the property of the partners individually.
- ___ 57. Where or how to perfect a security interest sometimes depends on the classification of collateral.
- ___ 58. Directors are entitled to use confidential corporate information for their personal advantage.
- ___ 59. Shareholder appraisal rights do *not* usually extend to short-form mergers.
- ___ 60. For a *creditor* to have an enforceable security interest, the *debtor* must have title to the collateral.
- ___ 61. Perfection is usually accomplished by filing a financing statement.
- ___ 62. A security agreement can be filed to perfect a security interest.
- ___ 63. *Negative amortization* occurs when the monthly payments are insufficient to cover the interest due on a loan.
- ___ 64. If the partnership agreement does not apportion profits, profits are shared in the same proportion as a partner's investment of capital in the firm.
- ___ 65. When dissolution takes place by voluntary action, the shareholders are responsible for winding up the affairs of the corporation.
- ___ 66. The board of directors of each corporation involved must approve a share exchange.
- ___ 67. Generally, a dissociated member of a limited liability company (LLC) has the right to have his or her interest in the LLC bought out by the other members.
- ___ 68. A target corporation's attempted takeover of an acquiring corporation is referred to as the Pac-Man defense.
- ___ 69. The validity of a provision permitting the franchisor to establish and enforce certain quality standards is questionable.
- ___ 70. Most courts apply the same principles to joint ventures as they apply to corporations.
- ___ 71. A security interest is not enforceable *after* the creditor's rights have attached to the collateral.
- ___ 72. An S corporation is treated the same as a regular corporation for tax purposes.
- ___ 73. When a person contracts for improvements on real property but does not immediately pay for the improvements, the creditor can place a mechanic's lien on the property.
- ___ 74. A franchisor may retain stringent control over the training of personnel involved the operation of a franchise.
- ___ 75. Payment of the principal obligation will not discharge the guarantor from the obligation.
- ___ 76. The distinctions between a surety and a guarantor are recognized in all states.

- _____ 77. A limited liability partnership may exempt its partners from personal liability for any partnership obligation.
- _____ 78. A limited liability company can be taxed as a corporation.
- _____ 79. A bankruptcy court may deny a discharge based on the debtor's conduct.
- _____ 80. The results of a consolidation are different from those of a merger—both companies remain.

Multiple Choice

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

- _____ 81. Hill & Dale Credit Corporation makes mortgage loans to consumers secured by their principal homes. For a Hill & Dale loan to qualify as a Higher-Priced Mortgage Loan (HPML), its annual percentage rate must exceed, by a certain amount,
- a. the consumer's income-to-debt ratio.
 - b. the projected increase in market value of the consumer's home.
 - c. the average prime offer rate for a comparable transaction.
 - d. the percentage of income that a consumer can devote to its payment.
- _____ 82. Gravel & Sand, Inc., buys a backhoe on credit from Heavy Equipment Corporation, but does not make a payment on the loan for several months. Heavy repossesses the backhoe by towing it from a public street. Green sues Heavy for breach of the peace. Gravel & Sand will probably
- a. prevail, because the repossession was a breach of the peace.
 - b. prevail, because Gravel & Sand did not default on the loan.
 - c. not prevail, because the repossession was not a breach of the peace.
 - d. not prevail, because Heavy did not use judicial process.
- _____ 83. Olaf is the creditor in a transaction with Phil. Once certain requirements are met, Olaf's rights will *attach*, which means that Olaf will have
- a. the permission of a court to seize Phil's property.
 - b. an enforceable security interest in Phil's property.
 - c. a notice affixed to Phil's property.
 - d. an indivisible ownership right to Phil's property.
- _____ 84. Fay is a member of Garden Groves LLC. Like other members of limited liability companies, Fay's liability for Garden Groves's obligations resembles the liability of
- a. a partner of a partnership.
 - b. an owner of a sole proprietorship.
 - c. a shareholder of a corporation.
 - d. a participant in a joint venture.
- _____ 85. Cody is a partner in Derivative Investment Service (DIS). Cody can inspect
- a. DIS's books and records only for a reasonable purpose.
 - b. all of DIS's books and records.
 - c. DIS's books and records relating to Cody's capital contribution only.
 - d. DIS's books and records only as the firm's management permits.

- _____ 86. Cluckee Chick'n Corporation provides its prospective franchisees with projected earnings figures based on actual data. Cluckee Chick'n must also disclose
- an answer to the entrepreneur's question, "How much will I make?"
 - hypothetical examples of potential earnings.
 - the number and percentage of franchisees that achieved the figures.
 - none of the choices.
- _____ 87. Trina and Uri do business as Value Gems. In acting on the firm's behalf in a deal with World Diamond Exchange, Trina recklessly exceeds what Value Gems can afford to pay, causing damage to the firm. Trina is
- liable for breach of the duty of loyalty.
 - liable for breach of the duty of economic sense.
 - not liable.
 - liable for breach of the duty of care.
- _____ 88. Office Company and Keen Company wish to combine all assets, stock, and personnel into a new firm to be called OK Corporation. This is
- a takeover.
 - a merger.
 - a share exchange.
 - a consolidation.
- _____ 89. Checkerboard Pizza, Inc. (CPI), files a petition in bankruptcy for relief through a reorganization. CPI's reorganization plan must contain
- a provision of adequate means for the plan's execution.
 - a plan to turn over its future income to the trustee.
 - a statement of preference for one creditor over another.
 - a certificate proving attendance at a credit-counseling briefing.
- _____ 90. Evelyn is a beneficiary of a business trust. As a beneficiary, she is required to
- distribute the trust's profits.
 - draft a written trust agreement.
 - assume responsibility for the trust's debts.
 - none of the choices.
- _____ 91. Ben, who runs a livestock breeding business, owes the Circle C Ranch \$40,000. Ben agrees to pay the Circle C a percentage of his profits each month until the debt is paid. Because of this agreement, the Circle C is
- Ben's creditor and partner.
 - Ben's partner only.
 - Ben's creditor only.
 - neither Ben's creditor nor his partner.

Fact Pattern 28-1B

Chocolate! Chocolate! Corporation is a new company that needs to borrow money to meet its payroll. Dayna, president and owner of Chocolate! Chocolate!, asks Evermore Credit Union to loan the funds to Chocolate! Chocolate!

- _____ 92. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment only if Chocolate! Chocolate! defaults, Dayna will be
- a surety.
 - a lienor.
 - a guarantor.
 - a garnishee.
- _____ 93. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment whether or not Chocolate! Chocolate! defaults, Dayna will be
- a garnishee.
 - a lienor.
 - a guarantor.
 - a surety.
- _____ 94. Niche Stores, Inc., must hold a shareholders' meeting
- only when it is called by the board of directors.
 - annually.
 - biannually.
 - monthly.
- _____ 95. Sylvester buys a franchise from Resistance Athletic Shoes Inc. This relationship, like *all* other franchise relationships, is governed by
- contract law.
 - the Franchise Disclosure Document, or FDD.
 - the Uniform Commercial Code.
 - no law.
- _____ 96. Tracy borrows \$30,000 from Secure State Bank. The lender accepts Tracy's equity in her home as collateral, which can be seized if the loan is not repaid on time. With respect to any proceeding that occurs if Tracy fails to make the payments, this loan is subordinated. This means that it
- has the same priority as the primary mortgage.
 - takes a lower priority.
 - takes a higher priority.
 - fluctuates with the market value of the property.
- _____ 97. Quantum Financial Corporation is a secured party with a security interest in property owned by Revolving Sales Company. Perfection of this security interest may not protect Quantum against the claim of
- a trustee in bankruptcy.
 - a buyer in the ordinary course of business.
 - a bank.
 - a subsequent lien creditor.

- _____ 98. Nadia is a shareholder of Open Air Productions, Inc. Nadia could normally exercise appraisal rights if Open Air participated in
- a takeover.
 - a dissolution.
 - a share exchange.
 - a winding up.

Fact Pattern 28-3B

Dillon and Evan are brothers. They agree to act as guarantors on a loan made by their sister, Fiona. Fiona defaults on the payments and Dillon refuses to pay. Evan pays the debt.

- _____ 99. Refer to Fact Pattern 28-3B. Evan can recover from Dillon under
- the right of proportionate liability.
 - no right, because the parties are brothers.
 - the right of contribution.
 - the right of reimbursement.
- _____ 100. Refer to Fact Pattern 28-3B. Evan can recover from Fiona under
- the right of proportionate liability.
 - no one, because the parties are brother and sister.
 - the right of reimbursement.
 - the right of subrogation.
- _____ 101. Roni, a debtor, wants to confirm the amount of her outstanding secured debt with Swifty Loan Corporation. Roni can ask Swifty to confirm her view of the debt, without charge, every
- six months.
 - five years.
 - year.
 - month.
- _____ 102. Elise goes through an involuntary bankruptcy proceeding. An *involuntary* bankruptcy occurs when
- creditors are forced to accept a discharge of a debtor's debts.
 - a debtor is unable to pay his or her debts as they come due.
 - a debtor's debts exceed the fair market value of his or her assets.
 - a debtor's creditors force the debtor into bankruptcy proceedings.
- _____ 103. Whit is a director of Vids Corporation. With respect to policymaking decisions necessary to the management of corporate affairs, Whit and the other Vids directors have responsibility for
- all of the decisions.
 - only the decisions referred to them by the officers.
 - only the decisions referred to them by the shareholders.
 - none of the decisions.
- _____ 104. The payment of Dylan's debt to Ezra is guaranteed by Dylan's personal property. This is governed by
- the Uniform Commercial Code.
 - the U.S. Chamber of Commerce.
 - the U.S. Constitution's commerce clause.
 - the Federal Trade Commission.

- ____ 105. Inez and Jason are the shareholders and directors of Kleen Kustodial Corporation. Lily and Moe are Kleen's officers. As with other corporations, the responsibility for the overall management of Kleen rests with
- the board of directors.
 - the owners.
 - the officers.
 - the shareholders.
- ____ 106. Mall Stores Corporation owns 95 percent of the shares of Niche Shoppes Corporation. Through a certain transaction, Mall Stores combines with Niche Shoppes, but only Mall Stores continues to exist. This is
- a short-form merger.
 - a consolidation.
 - a termination.
 - a share exchange.
- ____ 107. Hollister and Gladys do business as partners in Frothy Confections. For federal income tax purposes, Frothy Confections would be treated as
- a tax-paying entity.
 - a partnership by estoppel.
 - a pass-through entity.
 - a natural person.
- ____ 108. Ida, Jerzy, and Kit are the directors of Liberty Convenience Stores, Inc. Liberty has nine officers and forty-six shareholders. Dividends are ordered by the firm's
- board of directors.
 - incorporators.
 - shareholders.
 - officers.
- ____ 109. Bret and Courtney form Delite Day Care, Inc. Ultimate responsibility for policy decisions necessary to the management of corporate affairs rests with Delite's
- incorporators.
 - officers.
 - shareholders.
 - board of directors.
- ____ 110. Viola is a director of Water Pure Corporation. With respect to Water Pure, Viola's most important right is the right of
- certification.
 - indemnification.
 - participation.
 - compensation.
- ____ 111. Brick's debt to Conry is past due. Conry brings a legal action against Brick to collect the debt. To ensure that a judgment in Conry's favor will be collectible, Conry asks the court to order the seizure of Brick's property. Exempt from such an order in most states is
- equipment that Brick uses in a business up to a specified amount.
 - none of Brick's personal property.
 - as much of Brick's personal property as Brick opts to exempt.
 - all of Brick's personal property.

- _____ 112. Gustoso Gelato Company is a franchisor. Singh operates a Gustoso franchise. Reba is one of Singh's employees. As a franchisor, if Gustoso controls the day-to-day operations of the business to a significant degree, it may be liable for tortious acts by
- Gustoso and Singh, but not Reba.
 - Gustoso, Singh, or Reba.
 - Gustoso only.
 - no one.
- _____ 113. Nano Games Corporation's creditors agree to a *workout* with the firm. This is
- an accountant's summary of a debtor's financial situation.
 - a reorganization of corporate debts and debtors.
 - a privately negotiated adjustment of creditor-debtor relations.
 - an agreement to pay a debt dischargeable in bankruptcy.
- _____ 114. Laurel borrows \$150,000 from Marketplace Mortgage Loans to buy a home. The financing documents require Laurel to maintain the property, obtain homeowners' insurance, and pay all property taxes and other assessments through the lender. With respect to these terms, a court is most likely to
- rescind them.
 - enforce them.
 - rewrite them.
 - refuse to enforce them.
- _____ 115. Khali's debt to Lew is past due. Lew obtains a judgment against Khali to collect the debt, but Khali refuses to pay. Lew asks the court to order Khali's employer to pay a portion of Khali's paycheck to Lew. This is a request for
- a mechanic's lien.
 - a writ of attachment.
 - an order that would violate most state laws.
 - an order of garnishment.

Fact Pattern 29-2B

General Leasing Company (GLC) buys equipment for use as inventory, borrowing \$1 million from Helpful Finance Corporation for a security interest in the equipment. The next day, GLC borrows \$500,000 from Interstate Bank, also for a security interest in the equipment. GLC defaults on both loans.

- _____ 116. Refer to Fact Pattern 29-2B. Suppose that Helpful perfects its security interest when GLC takes possession of the equipment. In that circumstance, the party with priority to the collateral on GLC's default would be
- Interstate only.
 - Helpful and Interstate proportionately.
 - GLC.
 - Helpful only.
- _____ 117. Refer to Fact Pattern 29-2B. Suppose that two weeks after GLC takes possession of the equipment, Helpful and Interstate file financing statements, with Interstate filing first. In that circumstance, the party with priority to the equipment is
- GLC.
 - Interstate only.
 - Helpful and Interstate proportionately.
 - Helpful only.

- ____ 118. Like the bylaws of other corporations, the bylaws of Farmland Equipment, Inc.,
- were submitted for approval to the public official in charge.
 - were adopted at its first organizational meeting.
 - establish the value and classes of corporate stock.
 - establish the operating name of the corporation.
- ____ 119. Zero Sum Games Corporation has forty-three shareholders. The minimum number that must be present at a meeting for a shareholders' vote is
- a proxy.
 - all of the shareholders.
 - three of the shareholders.
 - a quorum.
- ____ 120. A firm named Scientific Discovery Corporation (SDC) makes an attempt to incorporate for a purpose other than making a profit. SDC is
- an alien corporation.
 - a nonprofit corporation.
 - not a corporation.
 - a foreign corporation.

Fact Pattern 37-1B

Brad, Carlos, and Dora are general partners in Eastside Physicians, a medical clinic. Their agreement states it is a breach of the agreement for any partner to assign his or her interest to a creditor without the consent of the other partners.

- ____ 121. Refer to Fact Pattern 37-1B. Carlos's assignment of his interest in Eastside to General Credit Corporation results in
- Carlos's liability for all of Eastside's debts.
 - Carlos's wrongful dissociation and liability for any damages.
 - the automatic termination of Eastside's legal existence.
 - nothing with respect to Carlos or Eastside.
- ____ 122. Agnes borrows \$110,000 from Bay Harbor Bank to buy a home under a mortgage with an acceleration clause. After eighteen payments, Agnes stops making payments on the mortgage. Bay Harbor
- must notify Agnes to accelerate the steps to cure the default.
 - can foreclose once on the entire amount of the loan.
 - must foreclose on small amounts over time as each payment comes due.
 - may seek only the amount of the missed payments, not the entire loan.
- ____ 123. Genetic Innovations, LP, is a limited partnership. The partners sign an agreement purporting to state how the firm's profits and losses are to be divided. The profits and losses of the firm will be divided
- in proportion to capital contributions, despite the agreement.
 - in proportion to each partner's participation in the firm's management, despite the agreement.
 - equally, despite the agreement.
 - according to the agreement.

- ____ 124. Pronto Tacos LLC grants a franchise to Omar to open and operate a Pronto Tacos restaurant. Pronto will likely charge Omar
- an amount of Omar's monthly overhead savings, if any.
 - a percentage of Omar's weekly payroll expense.
 - an initial fee or lump sum price for the franchise license.
 - none of the choices.

Fact Pattern 28-2B

Rico signs a lease on behalf of Start-Up Games, Inc., with Tower Office Suites. As part of the lease, Rico signs a document titled "GUARANTY," which states that it is "an absolute guaranty" of the lease's performance.

- ____ 125. Refer to Fact Pattern 28-2B. If Start-Up stops paying the rent, it is most likely that liability or loss for the unpaid amount will rest with
- no one.
 - Tower Office Suites.
 - the other tenants on the same property.
 - Rico and Start-Up.
- ____ 126. Erin and Dooley, a married couple, borrow \$120,000 from Capital & Credit Bank to buy a home. When Erin and Dooley divorce, they are unable to make payments on the mortgage. The market value of the home has declined to less than the balance of the loan. Capital & Credit agrees to a sale of the property for this amount. This is
- a short sale.
 - a home equity loan.
 - a reverse mortgage.
 - a deed in lieu of foreclosure.
- ____ 127. Bill and Cody agree to guarantee Wyatt's debt. Bill's maximum liability is \$60,000, and Cody's is \$40,000. Wyatt owes \$40,000 and is in default. Bill pays the creditor the entire amount. In the absence of an agreement to the contrary, Bill can recover from Cody
- \$16,000.
 - 0.
 - \$40,000.
 - \$20,000.
- ____ 128. Naomi and Ogden are shareholders of MediCare Residences, Inc. As shareholders, they must approve
- terminating a managerial employee.
 - negotiating a contract between management and labor.
 - conducting a merger.
 - deciding to pursue new business opportunities.
- ____ 129. Miracle Vacuum, Inc., is a private, for-profit corporation that (1) was formed for the purpose of manufacturing and distributing a newly patented appliance, (2) is owned by five shareholders, (3) is subject to double taxation, and (4) has made no public offering of its shares. Miracle is
- a professional corporation.
 - a closely held corporation.
 - an S corporation.
 - a nonprofit corporation.

- _____ 130. Rocco is a director of Spa Lids & Tubs, Inc. Under the standard of due care owed by directors of a corporation, Rocco's decisions must be
- informed and reasonable.
 - arguable and defensible.
 - unwavering and unquestionable.
 - perfect and unassailable.
- _____ 131. Fibreboard Construction, Inc., and Gated Community Corporation form a joint venture. A joint venture is usually formed for
- an implied duration of not more than six months.
 - a perpetual existence.
 - a single activity or transaction.
 - a stated duration of not more than one year.
- _____ 132. Eli agrees to pay a debt to Financial Credit, Inc., which is otherwise dischargeable in bankruptcy. This is
- a cram-down.
 - a revocation.
 - a workout.
 - a reaffirmation.
- _____ 133. Lulu joins with other creditors to force McCoy, a debtor, into bankruptcy. One of the goals of bankruptcy law with respect to creditors is to
- protect creditor assets from diminution in value.
 - make all debtor property available for creditors.
 - ensure that creditors will continue to lend to insolvent debtors.
 - provide a fair means of distributing a debtor's assets.
- _____ 134. Delilah files a petition in bankruptcy. The proceeding is governed by the Bankruptcy Code, which is part of
- federal law.
 - the U.S. Constitution.
 - international law.
 - state law.
- _____ 135. Rafe is interested in buying a franchise from Sportz Warez Company. In this transaction, the Federal Trade Commission's Franchise Rule
- enables Sportz Warez to weigh the deal's risks and benefits.
 - does not apply.
 - enables Rafe to weigh the deal's risks and benefits.
 - prohibits certain types of anticompetitive agreements.
- _____ 136. Gage buys from Fishing Guide Corporation the exclusive right to sell Fishing Guide rods and reels in a certain area. Their franchise agreement requires Gage to pay certain administrative expenses. Their agreement may also require Gage to pay a percentage of the franchisor's
- personal expenses.
 - retirement income.
 - advertising costs.
 - none of the choices.

- _____ 137. Chocolate Sundry LLC's members and managers are Devlin, Effie, and Flavia. After Devlin's relationship to the firm ends, Effie and Flavia agree to discontinue the business. This is
- wrongful.
 - required.
 - optional.
 - illegal.
- _____ 138. China Bank is a foreign entity—a firm owned and operated by investors in a foreign country. With respect to a limited liability company in the United States, China Bank can
- not become a member or otherwise participate in its operations.
 - not become a member, but can participate in its operations.
 - become a member.
 - act as a creditor, but cannot otherwise invest or participate.
- _____ 139. Riverview Bank makes a mortgage loan of \$95,000 to Pomeroy to buy a home. Under federal law, if Riverview fails to provide certain material disclosures with respect to the loan, Pomeroy's right to rescind the loan
- is tolled for the duration of the mortgage payments.
 - is extended for up to three years.
 - is canceled immediately.
 - expires at midnight on the day the loan is finalized.
- _____ 140. Cara and Dru are officers of EZ Trucking Corporation. As corporate officers, the rights of Cara and Dru are
- the same as those of the directors.
 - specified in state corporation statutes.
 - the same as those of the shareholders.
 - determined by their employment contracts.
- _____ 141. Rapid Pest Control itself out to others as being a corporation but makes no attempt to incorporate. Ponce signs a contract with Rapid Pest Control that is not performed. Ponce files a suit against the firm. The court will likely hold that Rapid Pest Control is
- an alien corporation.
 - a corporation by estoppel.
 - ultra vires*.
 - an S corporation.

Fact Pattern 30-1B

In January, Jazz Dance Studio owes Kay, its musical director, \$1,800 for current wages, receives \$700 as a down payment for dance lessons from Lora, and pays a Music, Inc., a sheet music supplier, \$1,500 of \$3,000 owed. In February, the studio files a petition in bankruptcy for relief through a liquidation.

- _____ 142. Refer to Fact Pattern 30-1B. Based on the size of the studio's estate in bankruptcy, each of Jazz's creditors will get only 10 percent of their claims. Regarding the payment to Music, Inc., the trustee may
- recover it as a fraudulent transfer.
 - recover it as a voidable preference.
 - not recover it unless Music is an insider.
 - not recover it because Music's claim has priority.

- _____ 143. Denise borrows \$90,000 from Clear Lake Credit Union to buy a home. Denise loses her job and fails to make payments on the mortgage, but assures Clear Lake Credit that she will soon secure a new job. The lender agrees to postpone the payments. This is
- a bridge loan.
 - a reamortization.
 - a restructure.
 - forbearance.
- _____ 144. Upton borrows \$150,000 from Valley Credit Union to buy a home, which secures the loan. Three years into the term, Upton stops making payments on it. Valley Credit repossesses and auctions off the property to Wesley. The sale proceeds are not enough to cover the unpaid amount of the loan. In most states, Valley Credit can ask a court for
- nothing.
 - a reverse mortgage.
 - a short sale.
 - a deficiency judgment.
- _____ 145. Caffeine Café, Inc., files its articles of incorporation with the appropriate government agency. Least likely to appear in the articles is the name of
- the corporation.
 - the corporation's initial registered agent.
 - each of the corporation's incorporators.
 - each of the corporation's shareholders.
- _____ 146. Reliable Bank's financing statement in collateral owned by Sunsource Energy Corporation will expire in less than a year. With the filing of subsequent continuation statements, the effectiveness of the bank's statement can be continued
- for no longer than five years.
 - for no more than six months.
 - indefinitely.
 - up to five years and six months.
- _____ 147. Sophie and Tiny incorporate their beverage-container business as U-Twist Products, Inc. The first board of directors may be appointed by the firm's
- shareholders.
 - board of directors.
 - officers.
 - incorporators.
- _____ 148. Loni delivers her Mazda to be repaired at Nile's Body Shop. Loni agrees to pay cash. Nile performs, but Loni does not pay. Nile tells Loni that he will keep the car until she pays. This is
- an artisan's lien.
 - a mechanic's lien.
 - a judicial lien.
 - a violation of most states' laws.

- ____ 149. Gelato Ice, Inc., is incorporated in the state of New Jersey and is doing business in the state of New York. In New York, Gelato is properly referred to as
- a. a foreign corporation.
 - b. an alien corporation.
 - c. a *de jure* corporation.
 - d. a domestic corporation.

Fact Pattern 41-1B

Shrimp Boat Company decides to consolidate its operations with Trawlers, Inc., to form Coastal Fishers Corporation (CFC).

- ____ 150. Refer to Fact Pattern 41-1B. Trawlers had rights in certain property. After the consolidation, CFC acquires the rights
- a. only if the acquisition is a specified result of the consolidation.
 - b. only if Trawlers' former shareholders expressly approve.
 - c. only after completing certain additional statutory procedures.
 - d. automatically.
- ____ 151. Finn and Glenda want to form and do business as Hobby Crafts Corporation. A corporation is a legal entity created and recognized by
- a. an artificial legal person.
 - b. a central federal administrative agency.
 - c. a city or county clerk's office.
 - d. state law.
- ____ 152. Fern contracts to buy a franchise from Greene Grocery Inc. The contract is silent on the issue of territorial rights. Greene allows a competing franchise to be established near Fern's store, which suffers a significant loss in profits. This is most likely a violation of
- a. the ban on certain types of anticompetitive agreements.
 - b. no law.
 - c. the Federal Trade Commission's Franchise Rule.
 - d. the implied covenant of good faith and fair dealing.
- ____ 153. Rick and Sandy are limited partners in Total Profit Enterprises, a limited partnership. To avoid personal liability for partnership obligations, they must *not*
- a. engage in activities independent of the firm's business.
 - b. participate in the firm's management.
 - c. contribute property to the firm.
 - d. acquire an interest in the firm.

Fact Pattern 39-1B

Bertram, Claudia, and Dynah form Eat Local, Inc., a closely held corporation, and agree to restrict the transfer of its stock to anyone else. The agreement provides that if one of the shareholders dies, his or her shares of stock in Eat Local will be divided to maintain the proportionate control of the survivors.

- _____ 154. Refer to Fact Pattern 39-1B. Later, Bertram dies. With respect to the stock transfer restriction agreement, Bertram's death most likely
- a. violates the entire agreement.
 - b. triggers the division provision.
 - c. invalidates the entire agreement.
 - d. voids the division provision only.
- _____ 155. Dahlia borrows \$125,000 from Clearview Credit Union to buy a home. The interest rate and other terms that are required to be disclosed under federal law must be
- a. expressed in lenders' language.
 - b. set out in a formula unique to each loan.
 - c. stated in "legalese."
 - d. based on uniform formulas of calculation.

Bus 341- Spring 2013 - Midterm Exam

Answer Section

TRUE/FALSE

1. ANS: T	PTS: 1	REF: p. 707	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
2. ANS: T	PTS: 1	REF: p. 775	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
3. ANS: F	PTS: 1	REF: p. 605	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
4. ANS: T	PTS: 1	REF: p. 609	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
5. ANS: T	PTS: 1	REF: p. 721	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
6. ANS: T	PTS: 1	REF: p. 799	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
7. ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: +		
8. ANS: T	PTS: 1	REF: p. 546	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: +		
9. ANS: T	PTS: 1	REF: p. 607	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
10. ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
11. ANS: T	PTS: 1	REF: p. 722	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
12. ANS: T	PTS: 1	REF: p. 731	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
13. ANS: T	PTS: 1	REF: p. 796	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: +		
14. ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: +		
15. ANS: T	PTS: 1	REF: p. 779	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
16. ANS: F	PTS: 1	REF: p. 569	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
17. ANS: T	PTS: 1	REF: p. 740	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
18. ANS: F	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
19. ANS: T	PTS: 1	REF: p. 571	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
20. ANS: T	PTS: 1	REF: p. 760	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
21. ANS: T	PTS: 1	REF: p. 729	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		

22.	ANS: T	PTS: 1	REF: p. 706	NAT: AACSB Analytic AICPA Legal
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23.	ANS: F	PTS: 1	REF: p. 766	NAT: AACSB Analytic AICPA Legal
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24.	ANS: T	PTS: 1	REF: p. 600	NAT: AACSB Analytic AICPA Legal
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25.	ANS: F	PTS: 1	REF: p. 776	NAT: AACSB Analytic AICPA Legal
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26.	ANS: T	PTS: 1	REF: p. 723	NAT: AACSB Analytic AICPA Legal
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27.	ANS: F	PTS: 1	REF: p. 712	NAT: AACSB Analytic AICPA Legal
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28.	ANS: T	PTS: 1	REF: p. 561	NAT: AACSB Analytic AICPA Legal
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29.	ANS: T	PTS: 1	REF: p. 606	NAT: AACSB Analytic AICPA Legal
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30.	ANS: T	PTS: 1	REF: p. 778	NAT: AACSB Analytic AICPA Legal
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31.	ANS: F	PTS: 1	REF: p. 611	NAT: AACSB Analytic AICPA Legal
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32.	ANS: T	PTS: 1	REF: p. 771	
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33.	ANS: F	PTS: 1	REF: p. 564	NAT: AACSB Analytic AICPA Legal
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34.	ANS: F	PTS: 1	REF: p. 754	NAT: AACSB Analytic AICPA Legal
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35.	ANS: T	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
36.	ANS: T	PTS: 1	REF: p. 734	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: N		
37.	ANS: T	PTS: 1	REF: p. 550	NAT: AACSB Analytic AICPA Legal
	KEY: Test Bank B	TYP: +		
38.	ANS: T	PTS: 1	REF: p. 787	NAT: AACSB Analytic AICPA Legal
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39.	ANS: F	PTS: 1	REF: p. 725	NAT: AACSB Analytic AICPA Legal
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40.	ANS: F	PTS: 1	REF: p. 780	NAT: AACSB Analytic AICPA Legal
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41.	ANS: T	PTS: 1	REF: p. 742	NAT: AACSB Analytic AICPA Legal
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42.	ANS: T	PTS: 1	REF: p. 790	NAT: AACSB Analytic AICPA Legal
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43.	ANS: T	PTS: 1	REF: p. 726	NAT: AACSB Analytic AICPA Legal
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45.	ANS: F	PTS: 1	REF: p. 552	NAT: AACSB Analytic AICPA Legal
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46.	ANS: T	PTS: 1	REF: p. 754	NAT: AACSB Analytic AICPA Legal
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47.	ANS: F	PTS: 1	REF: p. 576	NAT: AACSB Analytic AICPA Legal
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48.	ANS: T	PTS: 1	REF: p. 740	NAT: AACSB Analytic AICPA Legal
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49.	ANS: T	PTS: 1	REF: p. 597	NAT: AACSB Analytic AICPA Legal
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51.	ANS: T	PTS: 1	REF: p. 605	NAT: AACSB Analytic AICPA Legal
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52.	ANS: F	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
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53.	ANS: F	PTS: 1	REF: p. 553	NAT: AACSB Analytic AICPA Legal
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54.	ANS: F	PTS: 1	REF: p. 591	NAT: AACSB Analytic AICPA Legal
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59.	ANS: F	PTS: 1	REF: p. 798	NAT: AACSB Analytic AICPA Legal
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60.	ANS: F	PTS: 1	REF: p. 558	NAT: AACSB Analytic AICPA Legal
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66.	ANS: T	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
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67.	ANS: T	PTS: 1	REF: p. 746	NAT: AACSB Analytic AICPA Legal
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68.	ANS: T	PTS: 1	REF: p. 802	NAT: AACSB Analytic AICPA Legal
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69.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Analytic AICPA Legal
70.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 747	NAT: AACSB Analytic AICPA Legal
71.	ANS: F KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 557	NAT: AACSB Analytic AICPA Legal
72.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 759	NAT: AACSB Analytic AICPA Legal
73.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 546	NAT: AACSB Reflective AICPA Legal
74.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Analytic AICPA Legal
75.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 552	NAT: AACSB Analytic AICPA Legal
76.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 550	NAT: AACSB Analytic AICPA Legal
77.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 730	NAT: AACSB Analytic AICPA Legal
78.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 739	NAT: AACSB Analytic AICPA Legal
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80.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 797	NAT: AACSB Analytic AICPA Legal

MULTIPLE CHOICE

81.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 611	NAT: AACSB Reflective AICPA Legal
82.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 572	NAT: AACSB Reflective AICPA Legal
83.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 557	NAT: AACSB Reflective AICPA Legal
84.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 740	NAT: AACSB Reflective AICPA Legal
85.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 723	NAT: AACSB Reflective AICPA Legal
86.	ANS: C NAT: AACSB Communication AICPA Legal TYP: N	PTS: 1	REF: p. 711	KEY: Test Bank B
87.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 723	NAT: AACSB Reflective AICPA Legal
88.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 797	NAT: AACSB Reflective AICPA Legal
89.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 595	NAT: AACSB Reflective AICPA Legal
90.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 749	NAT: AACSB Reflective AICPA Legal

91.	ANS: C	PTS: 1	REF: p. 720	NAT: AACSB Reflective AICPA Legal
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92.	ANS: C	PTS: 1	REF: p. 550	NAT: AACSB Reflective AICPA Legal
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93.	ANS: D	PTS: 1	REF: p. 550	NAT: AACSB Reflective AICPA Legal
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94.	ANS: B	PTS: 1	REF: p. 784	NAT: AACSB Reflective AICPA Legal
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95.	ANS: A	PTS: 1	REF: p. 709	NAT: AACSB Reflective AICPA Legal
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96.	ANS: B	PTS: 1	REF: p. 607	NAT: AACSB Reflective AICPA Legal
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97.	ANS: B	PTS: 1	REF: p. 569	NAT: AACSB Reflective AICPA Legal
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98.	ANS: C	PTS: 1	REF: p. 798	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
99.	ANS: C	PTS: 1	REF: p. 553	NAT: AACSB Reflective AICPA Legal
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100.	ANS: D	PTS: 1	REF: p. 553	NAT: AACSB Reflective AICPA Legal
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102.	ANS: D	PTS: 1	REF: p. 585	NAT: AACSB Reflective AICPA Legal
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106.	ANS: A	PTS: 1	REF: p. 798	NAT: AACSB Reflective AICPA Legal
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109.	ANS: D	PTS: 1	REF: p. 775	NAT: AACSB Reflective AICPA Legal
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110.	ANS: C	PTS: 1	REF: p. 777	NAT: AACSB Reflective AICPA Legal
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111.	ANS: A	PTS: 1	REF: p. 554	NAT: AACSB Reflective AICPA Legal
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112.	ANS: B	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
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114.	ANS: B	PTS: 1	REF: p. 607	NAT: AACSB Reflective AICPA Legal
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115.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 548	NAT: AACSB Reflective AICPA Legal
116.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 566	NAT: AACSB Reflective AICPA Legal
117.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 566	NAT: AACSB Reflective AICPA Legal
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121.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 727	NAT: AACSB Reflective AICPA Legal
122.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 614	NAT: AACSB Reflective AICPA Legal
123.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 732	NAT: AACSB Reflective AICPA Legal
124.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Reflective AICPA Legal
125.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
126.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 612	NAT: AACSB Reflective AICPA Legal
127.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 553	NAT: AACSB Reflective AICPA Legal
128.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 783	NAT: AACSB Reflective AICPA Legal
129.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 756	NAT: AACSB Reflective AICPA Legal
130.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 779	NAT: AACSB Reflective AICPA Legal
131.	ANS: C NAT: AACSB Reflective AICPA Critical Thinking TYP: =	PTS: 1	REF: p. 746	KEY: Test Bank B
132.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 593	NAT: AACSB Reflective AICPA Legal
133.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 581	NAT: AACSB Reflective AICPA Legal
134.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 581	NAT: AACSB Reflective AICPA Legal
135.	ANS: C KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 709	NAT: AACSB Reflective AICPA Legal
136.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Reflective AICPA Legal
137.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 746	NAT: AACSB Reflective AICPA Legal

138.	ANS: C	PTS: 1	REF: p. 739	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
139.	ANS: B	PTS: 1	REF: p. 609	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
140.	ANS: D	PTS: 1	REF: p. 778	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
141.	ANS: B	PTS: 1	REF: p. 764	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
142.	ANS: B	PTS: 1	REF: p. 588	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
143.	ANS: D	PTS: 1	REF: p. 612	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
144.	ANS: D	PTS: 1	REF: p. 615	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
145.	ANS: D	PTS: 1	REF: p. 761	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
146.	ANS: C	PTS: 1	REF: p. 564	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
147.	ANS: D	PTS: 1	REF: p. 775	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
148.	ANS: A	PTS: 1	REF: p. 547	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
149.	ANS: A	PTS: 1	REF: p. 756	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
150.	ANS: D	PTS: 1	REF: p. 797	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
151.	ANS: D	PTS: 1	REF: p. 753	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
152.	ANS: D	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
153.	ANS: B	PTS: 1	REF: p. 731	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
154.	ANS: B	PTS: 1	REF: p. 757	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
155.	ANS: D	PTS: 1	REF: p. 608	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		

	<u> T </u> 15.	<u> T </u> 36.	<u> F </u> 56.	<u> T </u> 77.
	<u> F </u> 16.	<u> T </u> 37.	<u> T </u> 57.	<u> T </u> 78.
	<u> T </u> 17.	<u> T </u> 38.	<u> F </u> 58.	<u> T </u> 79.
	<u> F </u> 18.	<u> F </u> 39.	<u> F </u> 59.	<u> F </u> 80.
	<u> T </u> 19.	<u> F </u> 40.	<u> F </u> 60.	
		<u> T </u> 41.	<u> T </u> 61.	
	<u> T </u> 20.	<u> T </u> 42.	<u> T </u> 62.	<u> C </u> 81.
	<u> T </u> 21.		<u> T </u> 63.	
<u> T </u> 1.	<u> T </u> 22.	<u> T </u> 43.	<u> F </u> 64.	
<u> T </u> 2.	<u> F </u> 23.			
<u> F </u> 3.		<u> F </u> 44.	<u> F </u> 65.	<u> C </u> 82.
<u> T </u> 4.	<u> T </u> 24.			
	<u> F </u> 25.	<u> F </u> 45.	<u> T </u> 66.	
<u> T </u> 5.	<u> T </u> 26.	<u> T </u> 46.	<u> T </u> 67.	
<u> T </u> 6.	<u> F </u> 27.	<u> F </u> 47.	<u> T </u> 68.	<u> B </u> 83.
	<u> T </u> 28.	<u> T </u> 48.	<u> F </u> 69.	
<u> T </u> 7.	<u> T </u> 29.	<u> T </u> 49.		
<u> T </u> 8.	<u> T </u> 30.		<u> F </u> 70.	<u> C </u> 84.
<u> T </u> 9.	<u> F </u> 31.	<u> T </u> 50.	<u> F </u> 71.	
<u> T </u> 10.		<u> T </u> 51.	<u> F </u> 72.	
	<u> T </u> 32.	<u> F </u> 52.	<u> T </u> 73.	
<u> T </u> 11.				<u> B </u> 85.
<u> T </u> 12.	<u> F </u> 33.	<u> F </u> 53.	<u> T </u> 74.	
<u> T </u> 13.		<u> F </u> 54.	<u> F </u> 75.	
<u> T </u> 14.	<u> F </u> 34.	<u> T </u> 55.	<u> F </u> 76.	
	<u> T </u> 35.			

C 86.

 C 98.

 A 105.

 B 112.

 C 92.

 D 87.

 A 106.

 C 113.

 D 93.

 C 99.

 D 88.

 C 107.

 B 114.

 D 100.

 B 94.

 A 89.

 A 108.

 D 115.

 A 101.

 A 95.

 D 90.

 D 109.

 D 102.

 B 96.

 C 91.

 C 110.

 D 116.

 A 103.

 B 97.

 A 111.

 B 117.

 A 104.

<u> B </u> 118.	<u> C </u> 124.	<u> A </u> 130.	<u> C </u> 137.	<u> D </u> 143.
<u> D </u> 119.		<u> C </u> 131.	<u> C </u> 138.	<u> D </u> 144.
<u> B </u> 120.	<u> D </u> 125.	<u> D </u> 132.	<u> B </u> 139.	
				<u> D </u> 145.
	<u> A </u> 126.	<u> D </u> 133.	<u> D </u> 140.	
<u> B </u> 121.		<u> A </u> 134.		<u> C </u> 146.
	<u> A </u> 127.	<u> B </u> 141.		
<u> B </u> 122.		<u> C </u> 135.		<u> D </u> 147.
	<u> C </u> 128.			
<u> D </u> 123.		<u> C </u> 136.		<u> A </u> 148.
	<u> B </u> 129.	<u> B </u> 142.		

A 149.

 B 154.

 D 150.

 D 155.

 D 151.

 D 152.

 B 153.

Bus 341- Spring 2013 - Midterm Exam

You have 130 minutes to complete this examination. This is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor. NO OLD EXAMS OR PRACTICE EXAMS SHOULD BE VISIBLE. FAILURE TO FOLLOW THESE DIRECTIONS MAY RESULT IN YOU RECEIVING A ZERO SCORE FOR THE EXAM

Please be sure to answer all questions on the exam. There are eighteen (18) pages and 155 questions to this exam -- 80 True False, and 75 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOUR NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate “1” in special codes for version A and “2” in special codes for version B, AND “3” for version C. Failure to provide this information on your answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for “social security number” Failure to follow these directions will result in a 10 point penalty.

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer.
Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. There are additional disclosure requirements for a loan that carries a high rate of interest or entails high fees for the borrower.
- _____ 2. Property acquired by the partnership is the property of the partners individually.
- _____ 3. The majority rule controls decisions on ordinary matters connected with partnership business.
- _____ 4. Generally, a dissociated member of a limited liability company (LLC) has the right to have his or her interest in the LLC bought out by the other members.
- _____ 5. A sole proprietor has unlimited liability for all obligations that arise in doing business.
- _____ 6. If a partnership's liabilities are greater than its assets, the partners bear the losses.
- _____ 7. Payment of the principal obligation will not discharge the guarantor from the obligation.
- _____ 8. A buyer in the ordinary course of business takes the goods free from any security interest created by the seller unless the buyer knows of its existence.
- _____ 9. A guarantor can assert the principal debtor's bankruptcy as a defense to avoid liability on the obligation.
- _____ 10. A corporation is liable for the torts committed by its officers within the course and scope of their employment.
- _____ 11. In a general partnership, the acts of one partner in the ordinary course of business subjects the other partners to personal liability.
- _____ 12. Some states have passed laws prohibiting the withdrawal of *general* partners from a limited partnership.
- _____ 13. Where or how to perfect a security interest sometimes depends on the classification of collateral.
- _____ 14. A security interest is not enforceable *after* the creditor's rights have attached to the collateral.

Name: _____

ID: C

- ___ 15. For a *creditor* to have an enforceable security interest, the *debtor* must have title to the collateral.
- ___ 16. In most states, a financing statement must be filed centrally in the appropriate state office.
- ___ 17. The alter-ego doctrine can be applied to a limited liability company.
- ___ 18. A debtor need not be insolvent to file for bankruptcy relief.
- ___ 19. The distinctions between a surety and a guarantor are recognized in all states.
- ___ 20. Generally, a corporation that purchases the assets of another corporation is *not* automatically responsible for the liabilities of the selling corporation.
- ___ 21. The owners of a limited liability company enjoy limited liability.
- ___ 22. A lender can make a higher-priced mortgage loan based on the value of the consumer's home without verifying the consumer's ability to repay the loan.
- ___ 23. A limited liability company can sue or be sued, enter into contracts, and hold title to property.
- ___ 24. Most courts apply the same principles to joint ventures as they apply to corporations.
- ___ 25. Perfection is usually accomplished by filing a financing statement.
- ___ 26. Corporate directors are rarely compensated for their work, effort, and especially the risk involved.
- ___ 27. Directors and officers must subordinate the welfare of the corporation to their personal interests.
- ___ 28. The parties to a franchise arrangement may be two corporations.
- ___ 29. A franchisor may retain stringent control over the training of personnel involved the operation of a franchise.
- ___ 30. In certain instances of fraud, a court may "pierce the corporate veil" to hold the shareholders individually liable.
- ___ 31. A court will not pierce the corporate veil of a corporation that is formed merely to evade an existing legal obligation.
- ___ 32. An *adjustable-rate mortgage* is a standard mortgage with an unchanging rate of interest.
- ___ 33. Winding up is the process by which corporate assets are valued before a merger or other plan of consolidation.
- ___ 34. On a partner's dissociation, his or her duty of care to the partnership ends with respect to events that occurred before the dissociation.
- ___ 35. The board of directors normally can remove a corporate officer at any time with or without cause.

- ___ 36. In the distribution of the debtor's estate, unsecured creditors take priority over secured creditors.
- ___ 37. The results of a consolidation are different from those of a merger—both companies remain.
- ___ 38. *Negative amortization* occurs when the monthly payments are insufficient to cover the interest due on a loan.
- ___ 39. A security interest in collateral does *not* give the secured party a security interest in the proceeds acquired from the sale of that collateral.
- ___ 40. If a stock certificate is lost or destroyed, ownership is not destroyed with it.
- ___ 41. A director or officer is not liable to the corporation for a bad business decision.
- ___ 42. Dissolution can be brought about voluntarily by the directors and shareholders of a corporation.
- ___ 43. In most states, a director cannot be removed without cause unless shareholders have reserved the right.
- ___ 44. A *subprime mortgage* is a loan made to a borrower who does not qualify for a standard mortgage.
- ___ 45. In a repayment plan case, after the debtor has completed all payments, the court grants a discharge of all debts provided for by the plan.
- ___ 46. If the partnership agreement does not apportion profits, profits are shared in the same proportion as a partner's investment of capital in the firm.
- ___ 47. The board of directors of each corporation involved must approve a share exchange.
- ___ 48. The first step in the incorporation process is to select a state in which to operate.
- ___ 49. The content of a family-fisherman bankruptcy plan is basically the same as that of a repayment plan.
- ___ 50. A debtor wishing to file for bankruptcy must complete the means test to determine whether he or she qualifies.
- ___ 51. When the debtor has fully paid the debt, if the secured party perfected the security interest by filing, the debtor is entitled to a termination statement.
- ___ 52. When a person contracts for improvements on real property but does not immediately pay for the improvements, the creditor can place a mechanic's lien on the property.
- ___ 53. With a guaranty arrangement, the guarantor is secondarily liable.
- ___ 54. A limited liability partnership may exempt its partners from personal liability for any partnership obligation.
- ___ 55. In a limited partnership, a general partner's dissociation from the firm may lead to dissolution.

- ___ 56. Usually, a private equity firm buys an entire corporation and may later reorganize it as a publicly held corporation.
- ___ 57. Most franchise agreements provide that notice of termination of a franchise is not necessary.
- ___ 58. A security agreement can be filed to perfect a security interest.
- ___ 59. Shareholder appraisal rights do *not* usually extend to short-form mergers.
- ___ 60. When a corporation earns profits, it must distribute them to shareholders.
- ___ 61. A mortgage must be in writing to comply with the Statute of Frauds.
- ___ 62. A target corporation's attempted takeover of an acquiring corporation is referred to as the Pac-Man defense.
- ___ 63. When dissolution takes place by voluntary action, the shareholders are responsible for winding up the affairs of the corporation.
- ___ 64. To *refinance* is to pay off an original mortgage and obtain a new one at more favorable terms.
- ___ 65. State law governs the procedures that must be followed to create a mechanic's lien.
- ___ 66. The validity of a provision permitting the franchisor to establish and enforce certain quality standards is questionable.
- ___ 67. A limited liability company can be taxed as a corporation.
- ___ 68. Personal property that is most often exempt from satisfaction of judgment debts does not include livestock.
- ___ 69. A bankruptcy court may deny a discharge based on the debtor's conduct.
- ___ 70. Proceeds from the disposition of collateral after default on the underlying debt are distributed equally among lienholders who have made demands.
- ___ 71. An S corporation is treated the same as a regular corporation for tax purposes.
- ___ 72. Directors are entitled to use confidential corporate information for their personal advantage.
- ___ 73. A partner owes to the partnership and the other partners a duty of care.
- ___ 74. In a limited partnership, a *general* partner has full responsibility for the partnership and for all its debts.
- ___ 75. The officers and other employees of each corporation involved must approve a merger.
- ___ 76. Dividends can be paid in cash.

- _____ 77. A partner is entitled to make secret profits or put self-interest before his or her duty to the interest of the partnership.
- _____ 78. A merger involves the legal combination of two or more corporations, only one of which continues to exist.
- _____ 79. A partnership agreement can include almost any terms that the partners wish.
- _____ 80. Before filing a petition bankruptcy, debtors must receive credit counseling from an approved non-profit agency.

Multiple Choice

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

- _____ 81. Trina and Uri do business as Value Gems. In acting on the firm's behalf in a deal with World Diamond Exchange, Trina recklessly exceeds what Value Gems can afford to pay, causing damage to the firm. Trina is
- liable for breach of the duty of care.
 - not liable.
 - liable for breach of the duty of loyalty.
 - liable for breach of the duty of economic sense.
- _____ 82. Gravel & Sand, Inc., buys a backhoe on credit from Heavy Equipment Corporation, but does not make a payment on the loan for several months. Heavy repossesses the backhoe by towing it from a public street. Green sues Heavy for breach of the peace. Gravel & Sand will probably
- not prevail, because the repossession was not a breach of the peace.
 - prevail, because Gravel & Sand did not default on the loan.
 - prevail, because the repossession was a breach of the peace.
 - not prevail, because Heavy did not use judicial process.
- _____ 83. Loni delivers her Mazda to be repaired at Nile's Body Shop. Loni agrees to pay cash. Nile performs, but Loni does not pay. Nile tells Loni that he will keep the car until she pays. This is
- a judicial lien.
 - a mechanic's lien.
 - a violation of most states' laws.
 - an artisan's lien.
- _____ 84. Tracy borrows \$30,000 from Secure State Bank. The lender accepts Tracy's equity in her home as collateral, which can be seized if the loan is not repaid on time. With respect to any proceeding that occurs if Tracy fails to make the payments, this loan is subordinated. This means that it
- has the same priority as the primary mortgage.
 - takes a lower priority.
 - fluctuates with the market value of the property.
 - takes a higher priority.

Fact Pattern 28-1B

Chocolate! Chocolate! Corporation is a new company that needs to borrow money to meet its payroll. Dayna, president and owner of Chocolate! Chocolate!, asks Evermore Credit Union to loan the funds to Chocolate! Chocolate!

- _____ 85. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment only if Chocolate! Chocolate! defaults, Dayna will be
- a garnishee.
 - a lienor.
 - a surety.
 - a guarantor.
- _____ 86. Refer to Fact Pattern 28-1B. If Evermore insists that Dayna sign the loan application, making her personally liable for payment whether or not Chocolate! Chocolate! defaults, Dayna will be
- a guarantor.
 - a surety.
 - a lienor.
 - a garnishee.
- _____ 87. Upton borrows \$150,000 from Valley Credit Union to buy a home, which secures the loan. Three years into the term, Upton stops making payments on it. Valley Credit repossesses and auctions off the property to Wesley. The sale proceeds are not enough to cover the unpaid amount of the loan. In most states, Valley Credit can ask a court for
- a reverse mortgage.
 - nothing.
 - a deficiency judgment.
 - a short sale.
- _____ 88. Office Company and Keen Company wish to combine all assets, stock, and personnel into a new firm to be called OK Corporation. This is
- a consolidation.
 - a merger.
 - a share exchange.
 - a takeover.
- _____ 89. Olaf is the creditor in a transaction with Phil. Once certain requirements are met, Olaf's rights will *attach*, which means that Olaf will have
- an enforceable security interest in Phil's property.
 - a notice affixed to Phil's property.
 - the permission of a court to seize Phil's property.
 - an indivisible ownership right to Phil's property.
- _____ 90. Quantum Financial Corporation is a secured party with a security interest in property owned by Revolving Sales Company. Perfection of this security interest may not protect Quantum against the claim of
- a buyer in the ordinary course of business.
 - a trustee in bankruptcy.
 - a subsequent lien creditor.
 - a bank.

Fact Pattern 28-2B

Rico signs a lease on behalf of Start-Up Games, Inc., with Tower Office Suites. As part of the lease, Rico signs a document titled "GUARANTY," which states that it is "an absolute guaranty" of the lease's performance.

- _____ 91. Refer to Fact Pattern 28-2B. If Start-Up stops paying the rent, it is most likely that liability or loss for the unpaid amount will rest with
- no one.
 - Rico and Start-Up.
 - Tower Office Suites.
 - the other tenants on the same property.
- _____ 92. Lulu joins with other creditors to force McCoy, a debtor, into bankruptcy. One of the goals of bankruptcy law with respect to creditors is to
- ensure that creditors will continue to lend to insolvent debtors.
 - protect creditor assets from diminution in value.
 - make all debtor property available for creditors.
 - provide a fair means of distributing a debtor's assets.
- _____ 93. Agnes borrows \$110,000 from Bay Harbor Bank to buy a home under a mortgage with an acceleration clause. After eighteen payments, Agnes stops making payments on the mortgage. Bay Harbor
- can foreclose once on the entire amount of the loan.
 - may seek only the amount of the missed payments, not the entire loan.
 - must notify Agnes to accelerate the steps to cure the default.
 - must foreclose on small amounts over time as each payment comes due.
- _____ 94. Evelyn is a beneficiary of a business trust. As a beneficiary, she is required to
- distribute the trust's profits.
 - draft a written trust agreement.
 - assume responsibility for the trust's debts.
 - none of the choices.
- _____ 95. Checkerboard Pizza, Inc. (CPI), files a petition in bankruptcy for relief through a reorganization. CPI's reorganization plan must contain
- a certificate proving attendance at a credit-counseling briefing.
 - a statement of preference for one creditor over another.
 - a provision of adequate means for the plan's execution.
 - a plan to turn over its future income to the trustee.
- _____ 96. Rapid Pest Control itself out to others as being a corporation but makes no attempt to incorporate. Ponce signs a contract with Rapid Pest Control that is not performed. Ponce files a suit against the firm. The court will likely hold that Rapid Pest Control is
- an alien corporation.
 - a corporation by estoppel.
 - ultra vires*.
 - an S corporation.

- _____ 97. Bret and Courtney form Delite Day Care, Inc. Ultimate responsibility for policy decisions necessary to the management of corporate affairs rests with Delite's
- incorporators.
 - shareholders.
 - board of directors.
 - officers.

Fact Pattern 29-2B

General Leasing Company (GLC) buys equipment for use as inventory, borrowing \$1 million from Helpful Finance Corporation for a security interest in the equipment. The next day, GLC borrows \$500,000 from Interstate Bank, also for a security interest in the equipment. GLC defaults on both loans.

- _____ 98. Refer to Fact Pattern 29-2B. Suppose that Helpful perfects its security interest when GLC takes possession of the equipment. In that circumstance, the party with priority to the collateral on GLC's default would be
- GLC.
 - Interstate only.
 - Helpful and Interstate proportionately.
 - Helpful only.
- _____ 99. Refer to Fact Pattern 29-2B. Suppose that two weeks after GLC takes possession of the equipment, Helpful and Interstate file financing statements, with Interstate filing first. In that circumstance, the party with priority to the equipment is
- Helpful only.
 - GLC.
 - Helpful and Interstate proportionately.
 - Interstate only.
- _____ 100. Inez and Jason are the shareholders and directors of Kleen Kustodial Corporation. Lily and Moe are Kleen's officers. As with other corporations, the responsibility for the overall management of Kleen rests with
- the shareholders.
 - the owners.
 - the board of directors.
 - the officers.
- _____ 101. Bill and Cody agree to guarantee Wyatt's debt. Bill's maximum liability is \$60,000, and Cody's is \$40,000. Wyatt owes \$40,000 and is in default. Bill pays the creditor the entire amount. In the absence of an agreement to the contrary, Bill can recover from Cody
- \$40,000.
 - \$16,000.
 - \$20,000.
 - 0.
- _____ 102. The payment of Dylan's debt to Ezra is guaranteed by Dylan's personal property. This is governed by
- the Federal Trade Commission.
 - the Uniform Commercial Code.
 - the U.S. Chamber of Commerce.
 - the U.S. Constitution's commerce clause.

- ____ 103. Gage buys from Fishing Guide Corporation the exclusive right to sell Fishing Guide rods and reels in a certain area. Their franchise agreement requires Gage to pay certain administrative expenses. Their agreement may also require Gage to pay a percentage of the franchisor's
- advertising costs.
 - personal expenses.
 - retirement income.
 - none of the choices.
- ____ 104. Gelato Ice, Inc., is incorporated in the state of New Jersey and is doing business in the state of New York. In New York, Gelato is properly referred to as
- a foreign corporation.
 - a domestic corporation.
 - an alien corporation.
 - a *de jure* corporation.
- ____ 105. Cody is a partner in Derivative Investment Service (DIS). Cody can inspect
- DIS's books and records only as the firm's management permits.
 - DIS's books and records relating to Cody's capital contribution only.
 - all of DIS's books and records.
 - DIS's books and records only for a reasonable purpose.
- ____ 106. Gustoso Gelato Company is a franchisor. Singh operates a Gustoso franchise. Reba is one of Singh's employees. As a franchisor, if Gustoso controls the day-to-day operations of the business to a significant degree, it may be liable for tortious acts by
- Gustoso, Singh, or Reba.
 - Gustoso only.
 - no one.
 - Gustoso and Singh, but not Reba.
- ____ 107. Roni, a debtor, wants to confirm the amount of her outstanding secured debt with Swifty Loan Corporation. Roni can ask Swifty to confirm her view of the debt, without charge, every
- five years.
 - year.
 - month.
 - six months.
- ____ 108. Riverview Bank makes a mortgage loan of \$95,000 to Pomeroy to buy a home. Under federal law, if Riverview fails to provide certain material disclosures with respect to the loan, Pomeroy's right to rescind the loan
- expires at midnight on the day the loan is finalized.
 - is extended for up to three years.
 - is tolled for the duration of the mortgage payments.
 - is canceled immediately.
- ____ 109. Chocolate Sundry LLC's members and managers are Devlin, Effie, and Flavia. After Devlin's relationship to the firm ends, Effie and Flavia agree to discontinue the business. This is
- required.
 - illegal.
 - wrongful.
 - optional.

- _____ 110. Whit is a director of Vids Corporation. With respect to policymaking decisions necessary to the management of corporate affairs, Whit and the other Vids directors have responsibility for
- only the decisions referred to them by the shareholders.
 - only the decisions referred to them by the officers.
 - all of the decisions.
 - none of the decisions.
- _____ 111. Dahlia borrows \$125,000 from Clearview Credit Union to buy a home. The interest rate and other terms that are required to be disclosed under federal law must be
- set out in a formula unique to each loan.
 - stated in "legalese."
 - based on uniform formulas of calculation.
 - expressed in lenders' language.
- _____ 112. Khali's debt to Lew is past due. Lew obtains a judgment against Khali to collect the debt, but Khali refuses to pay. Lew asks the court to order Khali's employer to pay a portion of Khali's paycheck to Lew. This is a request for
- a mechanic's lien.
 - a writ of attachment.
 - an order that would violate most state laws.
 - an order of garnishment.
- _____ 113. Mall Stores Corporation owns 95 percent of the shares of Niche Shoppes Corporation. Through a certain transaction, Mall Stores combines with Niche Shoppes, but only Mall Stores continues to exist. This is
- a short-form merger.
 - a consolidation.
 - a share exchange.
 - a termination.

Fact Pattern 28-3B

Dillon and Evan are brothers. They agree to act as guarantors on a loan made by their sister, Fiona. Fiona defaults on the payments and Dillon refuses to pay. Evan pays the debt.

- _____ 114. Refer to Fact Pattern 28-3B. Evan can recover from Dillon under
- the right of proportionate liability.
 - no right, because the parties are brothers.
 - the right of contribution.
 - the right of reimbursement.
- _____ 115. Refer to Fact Pattern 28-3B. Evan can recover from Fiona under
- no one, because the parties are brother and sister.
 - the right of reimbursement.
 - the right of subrogation.
 - the right of proportionate liability.

- ____ 116. Miracle Vacuum, Inc., is a private, for-profit corporation that (1) was formed for the purpose of manufacturing and distributing a newly patented appliance, (2) is owned by five shareholders, (3) is subject to double taxation, and (4) has made no public offering of its shares. Miracle is
- a closely held corporation.
 - an S corporation.
 - a nonprofit corporation.
 - a professional corporation.
- ____ 117. Denise borrows \$90,000 from Clear Lake Credit Union to buy a home. Denise loses her job and fails to make payments on the mortgage, but assures Clear Lake Credit that she will soon secure a new job. The lender agrees to postpone the payments. This is
- a restructure.
 - a bridge loan.
 - forbearance.
 - a reamortization.
- ____ 118. Rick and Sandy are limited partners in Total Profit Enterprises, a limited partnership. To avoid personal liability for partnership obligations, they must *not*
- participate in the firm's management.
 - acquire an interest in the firm.
 - contribute property to the firm.
 - engage in activities independent of the firm's business.
- ____ 119. Sophie and Tiny incorporate their beverage-container business as U-Twist Products, Inc. The first board of directors may be appointed by the firm's
- incorporators.
 - board of directors.
 - officers.
 - shareholders.
- ____ 120. Sylvester buys a franchise from Resistance Athletic Shoes Inc. This relationship, like *all* other franchise relationships, is governed by
- contract law.
 - no law.
 - the Franchise Disclosure Document, or FDD.
 - the Uniform Commercial Code.
- ____ 121. Rocco is a director of Spa Lids & Tubs, Inc. Under the standard of due care owed by directors of a corporation, Rocco's decisions must be
- unwavering and unquestionable.
 - informed and reasonable.
 - perfect and unassailable.
 - arguable and defensible.
- ____ 122. Niche Stores, Inc., must hold a shareholders' meeting
- annually.
 - biannually.
 - monthly.
 - only when it is called by the board of directors.

- ____ 123. Fern contracts to buy a franchise from Greene Grocery Inc. The contract is silent on the issue of territorial rights. Greene allows a competing franchise to be established near Fern's store, which suffers a significant loss in profits. This is most likely a violation of
- the ban on certain types of anticompetitive agreements.
 - no law.
 - the Federal Trade Commission's Franchise Rule.
 - the implied covenant of good faith and fair dealing.
- ____ 124. Fibreboard Construction, Inc., and Gated Community Corporation form a joint venture. A joint venture is usually formed for
- a single activity or transaction.
 - a stated duration of not more than one year.
 - an implied duration of not more than six months.
 - a perpetual existence.
- ____ 125. Zero Sum Games Corporation has forty-three shareholders. The minimum number that must be present at a meeting for a shareholders' vote is
- all of the shareholders.
 - a quorum.
 - a proxy.
 - three of the shareholders.

Fact Pattern 41-1B

Shrimp Boat Company decides to consolidate its operations with Trawlers, Inc., to form Coastal Fishers Corporation (CFC).

- ____ 126. Refer to Fact Pattern 41-1B. Trawlers had rights in certain property. After the consolidation, CFC acquires the rights
- only if Trawlers' former shareholders expressly approve.
 - only after completing certain additional statutory procedures.
 - only if the acquisition is a specified result of the consolidation.
 - automatically.
- ____ 127. Elise goes through an involuntary bankruptcy proceeding. An *involuntary* bankruptcy occurs when
- a debtor's debts exceed the fair market value of his or her assets.
 - a debtor is unable to pay his or her debts as they come due.
 - a debtor's creditors force the debtor into bankruptcy proceedings.
 - creditors are forced to accept a discharge of a debtor's debts.
- ____ 128. Eli agrees to pay a debt to Financial Credit, Inc., which is otherwise dischargeable in bankruptcy. This is
- a reaffirmation.
 - a workout.
 - a revocation.
 - a cram-down.
- ____ 129. Delilah files a petition in bankruptcy. The proceeding is governed by the Bankruptcy Code, which is part of
- the U.S. Constitution.
 - international law.
 - state law.
 - federal law.

- ____ 130. Hollister and Gladys do business as partners in Frothy Confections. For federal income tax purposes, Frothy Confections would be treated as
- a tax-paying entity.
 - a pass-through entity.
 - a partnership by estoppel.
 - a natural person.
- ____ 131. Brick's debt to Conry is past due. Conry brings a legal action against Brick to collect the debt. To ensure that a judgment in Conry's favor will be collectible, Conry asks the court to order the seizure of Brick's property. Exempt from such an order in most states is
- equipment that Brick uses in a business up to a specified amount.
 - none of Brick's personal property.
 - as much of Brick's personal property as Brick opts to exempt.
 - all of Brick's personal property.
- ____ 132. Caffeine Café, Inc., files its articles of incorporation with the appropriate government agency. Least likely to appear in the articles is the name of
- each of the corporation's shareholders.
 - the corporation.
 - the corporation's initial registered agent.
 - each of the corporation's incorporators.
- ____ 133. Finn and Glenda want to form and do business as Hobby Crafts Corporation. A corporation is a legal entity created and recognized by
- a city or county clerk's office.
 - an artificial legal person.
 - a central federal administrative agency.
 - state law.
- ____ 134. Genetic Innovations, LP, is a limited partnership. The partners sign an agreement purporting to state how the firm's profits and losses are to be divided. The profits and losses of the firm will be divided
- equally, despite the agreement.
 - according to the agreement.
 - in proportion to each partner's participation in the firm's management, despite the agreement.
 - in proportion to capital contributions, despite the agreement.
- ____ 135. Pronto Tacos LLC grants a franchise to Omar to open and operate a Pronto Tacos restaurant. Pronto will likely charge Omar
- an initial fee or lump sum price for the franchise license.
 - a percentage of Omar's weekly payroll expense.
 - an amount of Omar's monthly overhead savings, if any.
 - none of the choices.
- ____ 136. A firm named Scientific Discovery Corporation (SDC) makes an attempt to incorporate for a purpose other than making a profit. SDC is
- an alien corporation.
 - not a corporation.
 - a nonprofit corporation.
 - a foreign corporation.

- ____ 137. Erin and Dooley, a married couple, borrow \$120,000 from Capital & Credit Bank to buy a home. When Erin and Dooley divorce, they are unable to make payments on the mortgage. The market value of the home has declined to less than the balance of the loan. Capital & Credit agrees to a sale of the property for this amount. This is
- a reverse mortgage.
 - a deed in lieu of foreclosure.
 - a home equity loan.
 - a short sale.
- ____ 138. Nadia is a shareholder of Open Air Productions, Inc. Nadia could normally exercise appraisal rights if Open Air participated in
- a dissolution.
 - a winding up.
 - a takeover.
 - a share exchange.

Fact Pattern 30-1B

In January, Jazz Dance Studio owes Kay, its musical director, \$1,800 for current wages, receives \$700 as a down payment for dance lessons from Lora, and pays a Music, Inc., a sheet music supplier, \$1,500 of \$3,000 owed. In February, the studio files a petition in bankruptcy for relief through a liquidation.

- ____ 139. Refer to Fact Pattern 30-1B. Based on the size of the studio's estate in bankruptcy, each of Jazz's creditors will get only 10 percent of their claims. Regarding the payment to Music, Inc., the trustee may
- not recover it because Music's claim has priority.
 - not recover it unless Music is an insider.
 - recover it as a fraudulent transfer.
 - recover it as a voidable preference.
- ____ 140. Cara and Dru are officers of EZ Trucking Corporation. As corporate officers, the rights of Cara and Dru are
- determined by their employment contracts.
 - specified in state corporation statutes.
 - the same as those of the shareholders.
 - the same as those of the directors.
- ____ 141. Hill & Dale Credit Corporation makes mortgage loans to consumers secured by their principal homes. For a Hill & Dale loan to qualify as a Higher-Priced Mortgage Loan (HPML), its annual percentage rate must exceed, by a certain amount,
- the average prime offer rate for a comparable transaction.
 - the percentage of income that a consumer can devote to its payment.
 - the consumer's income-to-debt ratio.
 - the projected increase in market value of the consumer's home.
- ____ 142. Viola is a director of Water Pure Corporation. With respect to Water Pure, Viola's most important right is the right of
- certification.
 - participation.
 - indemnification.
 - compensation.

- _____ 143. Reliable Bank's financing statement in collateral owned by Sunsource Energy Corporation will expire in less than a year. With the filing of subsequent continuation statements, the effectiveness of the bank's statement can be continued
- indefinitely.
 - for no longer than five years.
 - up to five years and six months.
 - for no more than six months.

Fact Pattern 39-1B

Bertram, Claudia, and Dynah form Eat Local, Inc., a closely held corporation, and agree to restrict the transfer of its stock to anyone else. The agreement provides that if one of the shareholders dies, his or her shares of stock in Eat Local will be divided to maintain the proportionate control of the survivors.

- _____ 144. Refer to Fact Pattern 39-1B. Later, Bertram dies. With respect to the stock transfer restriction agreement, Bertram's death most likely
- voids the division provision only.
 - triggers the division provision.
 - violates the entire agreement.
 - invalidates the entire agreement.

Fact Pattern 37-1B

Brad, Carlos, and Dora are general partners in Eastside Physicians, a medical clinic. Their agreement states it is a breach of the agreement for any partner to assign his or her interest to a creditor without the consent of the other partners.

- _____ 145. Refer to Fact Pattern 37-1B. Carlos's assignment of his interest in Eastside to General Credit Corporation results in
- Carlos's liability for all of Eastside's debts.
 - nothing with respect to Carlos or Eastside.
 - the automatic termination of Eastside's legal existence.
 - Carlos's wrongful dissociation and liability for any damages.
- _____ 146. Fay is a member of Garden Groves LLC. Like other members of limited liability companies, Fay's liability for Garden Groves's obligations resembles the liability of
- an owner of a sole proprietorship.
 - a participant in a joint venture.
 - a shareholder of a corporation.
 - a partner of a partnership.
- _____ 147. Naomi and Ogden are shareholders of MediCare Residences, Inc. As shareholders, they must approve
- conducting a merger.
 - deciding to pursue new business opportunities.
 - terminating a managerial employee.
 - negotiating a contract between management and labor.
- _____ 148. Like the bylaws of other corporations, the bylaws of Farmland Equipment, Inc.,
- were adopted at its first organizational meeting.
 - establish the value and classes of corporate stock.
 - were submitted for approval to the public official in charge.
 - establish the operating name of the corporation.

- ____ 149. Rafe is interested in buying a franchise from Sportz Warez Company. In this transaction, the Federal Trade Commission's Franchise Rule
- prohibits certain types of anticompetitive agreements.
 - enables Rafe to weigh the deal's risks and benefits.
 - does not apply.
 - enables Sportz Warez to weigh the deal's risks and benefits.
- ____ 150. China Bank is a foreign entity—a firm owned and operated by investors in a foreign country. With respect to a limited liability company in the United States, China Bank can
- not become a member, but can participate in its operations.
 - not become a member or otherwise participate in its operations.
 - act as a creditor, but cannot otherwise invest or participate.
 - become a member.
- ____ 151. Nano Games Corporation's creditors agree to a *workout* with the firm. This is
- an accountant's summary of a debtor's financial situation.
 - a privately negotiated adjustment of creditor-debtor relations.
 - an agreement to pay a debt dischargeable in bankruptcy.
 - a reorganization of corporate debts and debtors.
- ____ 152. Ida, Jerzy, and Kit are the directors of Liberty Convenience Stores, Inc. Liberty has nine officers and forty-six shareholders. Dividends are ordered by the firm's
- officers.
 - incorporators.
 - shareholders.
 - board of directors.
- ____ 153. Cluckee Chick'n Corporation provides its prospective franchisees with projected earnings figures based on actual data. Cluckee Chick'n must also disclose
- an answer to the entrepreneur's question, "How much will I make?"
 - the number and percentage of franchisees that achieved the figures.
 - hypothetical examples of potential earnings.
 - none of the choices.
- ____ 154. Laurel borrows \$150,000 from Marketplace Mortgage Loans to buy a home. The financing documents require Laurel to maintain the property, obtain homeowners' insurance, and pay all property taxes and other assessments through the lender. With respect to these terms, a court is most likely to
- refuse to enforce them.
 - rescind them.
 - enforce them.
 - rewrite them.
- ____ 155. Ben, who runs a livestock breeding business, owes the Circle C Ranch \$40,000. Ben agrees to pay the Circle C a percentage of his profits each month until the debt is paid. Because of this agreement, the Circle C is
- Ben's creditor only.
 - Ben's creditor and partner.
 - neither Ben's creditor nor his partner.
 - Ben's partner only.

Bus 341- Spring 2013 - Midterm Exam

Answer Section

TRUE/FALSE

1. ANS: T	PTS: 1	REF: p. 609	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
2. ANS: F	PTS: 1	REF: p. 723	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
3. ANS: T	PTS: 1	REF: p. 722	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
4. ANS: T	PTS: 1	REF: p. 746	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
5. ANS: T	PTS: 1	REF: p. 707	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
6. ANS: T	PTS: 1	REF: p. 729	NAT: AACSB Analytic AICPA Legal
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7. ANS: F	PTS: 1	REF: p. 552	NAT: AACSB Analytic AICPA Legal
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8. ANS: F	PTS: 1	REF: p. 569	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
9. ANS: F	PTS: 1	REF: p. 552	NAT: AACSB Analytic AICPA Legal
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11. ANS: T	PTS: 1	REF: p. 726	NAT: AACSB Analytic AICPA Legal
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12. ANS: T	PTS: 1	REF: p. 734	NAT: AACSB Analytic AICPA Legal
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13. ANS: T	PTS: 1	REF: p. 562	NAT: AACSB Analytic AICPA Legal
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15. ANS: F	PTS: 1	REF: p. 558	NAT: AACSB Analytic AICPA Legal
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16. ANS: T	PTS: 1	REF: p. 561	NAT: AACSB Analytic AICPA Legal
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17. ANS: T	PTS: 1	REF: p. 742	NAT: AACSB Analytic AICPA Legal
KEY: Test Bank B	TYP: N		
18. ANS: T	PTS: 1	REF: p. 582	NAT: AACSB Analytic AICPA Legal
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19. ANS: F	PTS: 1	REF: p. 550	NAT: AACSB Analytic AICPA Legal
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20. ANS: T	PTS: 1	REF: p. 799	NAT: AACSB Analytic AICPA Legal
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21. ANS: T	PTS: 1	REF: p. 740	NAT: AACSB Analytic AICPA Legal
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22.	ANS: F	PTS: 1	REF: p. 611	NAT: AACSB Analytic AICPA Legal
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26.	ANS: F	PTS: 1	REF: p. 776	NAT: AACSB Analytic AICPA Legal
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27.	ANS: F	PTS: 1	REF: p. 780	NAT: AACSB Analytic AICPA Legal
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32.	ANS: F	PTS: 1	REF: p. 605	NAT: AACSB Analytic AICPA Legal
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37.	ANS: F	PTS: 1	REF: p. 797	NAT: AACSB Analytic AICPA Legal
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38.	ANS: T	PTS: 1	REF: p. 609	NAT: AACSB Analytic AICPA Legal
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44.	ANS: T	PTS: 1	REF: p. 606	NAT: AACSB Analytic AICPA Legal
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46.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 722	NAT: AACSB Analytic AICPA Legal
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51.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 571	NAT: AACSB Analytic AICPA Legal
52.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 546	NAT: AACSB Reflective AICPA Legal
53.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Analytic AICPA Legal
54.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 730	NAT: AACSB Analytic AICPA Legal
55.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 734	NAT: AACSB Analytic AICPA Legal
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62.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 802	NAT: AACSB Analytic AICPA Legal
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68.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 553	NAT: AACSB Analytic AICPA Legal

69.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 593	NAT: AACSB Analytic AICPA Legal
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72.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 780	NAT: AACSB Analytic AICPA Legal
73.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 723	NAT: AACSB Analytic AICPA Legal
74.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 731	NAT: AACSB Analytic AICPA Legal
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76.	ANS: T KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 787	NAT: AACSB Analytic AICPA Legal
77.	ANS: F KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 725	NAT: AACSB Analytic AICPA Legal
78.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 796	NAT: AACSB Analytic AICPA Legal
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80.	ANS: T KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 582	NAT: AACSB Analytic AICPA Legal

MULTIPLE CHOICE

81.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 723	NAT: AACSB Reflective AICPA Legal
82.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 572	NAT: AACSB Reflective AICPA Legal
83.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 547	NAT: AACSB Reflective AICPA Legal
84.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 607	NAT: AACSB Reflective AICPA Legal
85.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
86.	ANS: B KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 550	NAT: AACSB Reflective AICPA Legal
87.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 615	NAT: AACSB Reflective AICPA Legal
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89.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 557	NAT: AACSB Reflective AICPA Legal
90.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 569	NAT: AACSB Reflective AICPA Legal

91.	ANS: B	PTS: 1	REF: p. 550	NAT: AACSB Reflective AICPA Legal
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93.	ANS: A	PTS: 1	REF: p. 614	NAT: AACSB Reflective AICPA Legal
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94.	ANS: D	PTS: 1	REF: p. 749	NAT: AACSB Reflective AICPA Legal
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95.	ANS: C	PTS: 1	REF: p. 595	NAT: AACSB Reflective AICPA Legal
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97.	ANS: C	PTS: 1	REF: p. 775	NAT: AACSB Reflective AICPA Legal
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98.	ANS: D	PTS: 1	REF: p. 566	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
99.	ANS: D	PTS: 1	REF: p. 566	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
100.	ANS: C	PTS: 1	REF: p. 753	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
101.	ANS: B	PTS: 1	REF: p. 553	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
102.	ANS: B	PTS: 1	REF: p. 557	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
103.	ANS: A	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
104.	ANS: A	PTS: 1	REF: p. 756	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
105.	ANS: C	PTS: 1	REF: p. 723	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
106.	ANS: A	PTS: 1	REF: p. 711	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
107.	ANS: D	PTS: 1	REF: p. 570	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
108.	ANS: B	PTS: 1	REF: p. 609	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
109.	ANS: D	PTS: 1	REF: p. 746	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
110.	ANS: C	PTS: 1	REF: p. 775	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
111.	ANS: C	PTS: 1	REF: p. 608	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
112.	ANS: D	PTS: 1	REF: p. 548	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
113.	ANS: A	PTS: 1	REF: p. 798	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
114.	ANS: C	PTS: 1	REF: p. 553	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		

115.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 553	NAT: AACSB Reflective AICPA Legal
116.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 756	NAT: AACSB Reflective AICPA Legal
117.	ANS: C KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 612	NAT: AACSB Reflective AICPA Legal
118.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 731	NAT: AACSB Reflective AICPA Legal
119.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 775	NAT: AACSB Reflective AICPA Legal
120.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 709	NAT: AACSB Reflective AICPA Legal
121.	ANS: B KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 779	NAT: AACSB Reflective AICPA Legal
122.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 784	NAT: AACSB Reflective AICPA Legal
123.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 711	NAT: AACSB Reflective AICPA Legal
124.	ANS: A NAT: AACSB Reflective AICPA Critical Thinking TYP: =	PTS: 1	REF: p. 746	KEY: Test Bank B
125.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 785	NAT: AACSB Reflective AICPA Legal
126.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 797	NAT: AACSB Reflective AICPA Legal
127.	ANS: C KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 585	NAT: AACSB Reflective AICPA Legal
128.	ANS: A KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 593	NAT: AACSB Reflective AICPA Legal
129.	ANS: D KEY: Test Bank B	PTS: 1 TYP: +	REF: p. 581	NAT: AACSB Reflective AICPA Legal
130.	ANS: B KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 721	NAT: AACSB Reflective AICPA Legal
131.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 554	NAT: AACSB Reflective AICPA Legal
132.	ANS: A KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 761	NAT: AACSB Reflective AICPA Legal
133.	ANS: D KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 753	NAT: AACSB Reflective AICPA Legal
134.	ANS: B KEY: Test Bank B	PTS: 1 TYP: =	REF: p. 732	NAT: AACSB Reflective AICPA Legal
135.	ANS: A KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 711	NAT: AACSB Reflective AICPA Legal
136.	ANS: C NAT: AACSB Reflective AICPA Critical Thinking TYP: =	PTS: 1	REF: p. 756	KEY: Test Bank B
137.	ANS: D KEY: Test Bank B	PTS: 1 TYP: N	REF: p. 612	NAT: AACSB Reflective AICPA Legal

138.	ANS: D	PTS: 1	REF: p. 798	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
139.	ANS: D	PTS: 1	REF: p. 588	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
140.	ANS: A	PTS: 1	REF: p. 778	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
141.	ANS: A	PTS: 1	REF: p. 611	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
142.	ANS: B	PTS: 1	REF: p. 777	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
143.	ANS: A	PTS: 1	REF: p. 564	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
144.	ANS: B	PTS: 1	REF: p. 757	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
145.	ANS: D	PTS: 1	REF: p. 727	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
146.	ANS: C	PTS: 1	REF: p. 740	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
147.	ANS: A	PTS: 1	REF: p. 783	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
148.	ANS: A	PTS: 1	REF: p. 761	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
149.	ANS: B	PTS: 1	REF: p. 709	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
150.	ANS: D	PTS: 1	REF: p. 739	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
151.	ANS: B	PTS: 1	REF: p. 595	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: +		
152.	ANS: D	PTS: 1	REF: p. 787	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		
153.	ANS: B	PTS: 1	REF: p. 711	
	NAT: AACSB Communication AICPA Legal			KEY: Test Bank B
	TYP: N			
154.	ANS: C	PTS: 1	REF: p. 607	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: N		
155.	ANS: A	PTS: 1	REF: p. 720	NAT: AACSB Reflective AICPA Legal
	KEY: Test Bank B	TYP: =		

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|------------------|------------------|------------------|------------------|------------------|
| | <u> F </u> 15. | <u> F </u> 36. | <u> T </u> 56. | <u> F </u> 77. |
| | <u> T </u> 16. | <u> F </u> 37. | <u> F </u> 57. | <u> T </u> 78. |
| | <u> T </u> 17. | <u> T </u> 38. | <u> T </u> 58. | <u> T </u> 79. |
| | <u> T </u> 18. | <u> F </u> 39. | <u> F </u> 59. | <u> T </u> 80. |
| | <u> F </u> 19. | <u> T </u> 40. | <u> F </u> 60. | |
| | <u> T </u> 20. | <u> T </u> 41. | <u> T </u> 61. | |
| | <u> T </u> 21. | <u> T </u> 42. | <u> T </u> 62. | <u> A </u> 81. |
| <u> T </u> 1. | <u> F </u> 22. | <u> T </u> 43. | <u> F </u> 63. | |
| | <u> T </u> 23. | <u> T </u> 44. | <u> T </u> 64. | |
| <u> F </u> 2. | <u> F </u> 24. | <u> T </u> 45. | <u> T </u> 65. | <u> A </u> 82. |
| <u> T </u> 3. | <u> T </u> 25. | <u> F </u> 46. | <u> F </u> 66. | |
| <u> T </u> 4. | <u> F </u> 26. | <u> T </u> 47. | <u> T </u> 67. | |
| <u> T </u> 5. | <u> F </u> 27. | <u> T </u> 48. | <u> F </u> 68. | <u> D </u> 83. |
| <u> T </u> 6. | <u> T </u> 28. | <u> T </u> 49. | <u> T </u> 69. | |
| <u> F </u> 7. | <u> T </u> 29. | <u> T </u> 50. | <u> F </u> 70. | |
| <u> F </u> 8. | <u> T </u> 30. | <u> T </u> 51. | <u> F </u> 71. | <u> B </u> 84. |
| <u> F </u> 9. | <u> F </u> 31. | <u> T </u> 52. | <u> F </u> 72. | |
| <u> T </u> 10. | <u> F </u> 32. | <u> T </u> 53. | <u> T </u> 73. | |
| <u> T </u> 11. | <u> F </u> 33. | <u> T </u> 54. | <u> F </u> 75. | |
| <u> T </u> 12. | <u> F </u> 34. | <u> T </u> 55. | <u> T </u> 76. | |
| <u> F </u> 13. | <u> T </u> 35. | | | |
| <u> F </u> 14. | | | | |

C 97.

 A 103.

 C 110.

 D 85.

 B 91.

 A 104.

 C 111.

 B 86.

 D 92.

 D 98.

 C 105.

 D 112.

 C 87.

 A 93.

 D 99.

 A 106.

 A 113.

 A 88.

 D 94.

 C 100.

 D 107.

 C 95.

 A 89.

 B 101.

 B 108.

 C 114.

 B 96.

 A 90.

 B 102.

 D 109.

 C 115.

<u> A </u> 116.	<u> D </u> 123.	<u> B </u> 130.	<u> D </u> 137.	<u> A </u> 143.
<u> C </u> 117.	<u> A </u> 124.	<u> A </u> 131.	<u> D </u> 138.	
<u> A </u> 118.	<u> B </u> 125.	<u> A </u> 132.		<u> B </u> 144.
<u> A </u> 119.		<u> D </u> 133.	<u> D </u> 139.	
	<u> D </u> 126.			<u> D </u> 145.
<u> A </u> 120.		<u> B </u> 134.	<u> A </u> 140.	
	<u> C </u> 127.		<u> A </u> 141.	<u> C </u> 146.
<u> B </u> 121.		<u> A </u> 135.		
	<u> A </u> 128.			<u> A </u> 147.
<u> A </u> 122.		<u> C </u> 136.	<u> B </u> 142.	
	<u> D </u> 129.			<u> A </u> 148.

B 149.

 D 150.

 B 151.

 D 152.

 B 153.

 C 154.

 A 155.

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	A	B	C
TF	1	37	53
TF	2	47	70
TF	3	62	58
TF	4	60	15
TF	5	51	64
TF	6	76	19
TF	7	3	32
TF	8	77	54
TF	9	45	9
TF	10	73	52
TF	11	22	28
TF	12	6	20
TF	13	34	60
TF	14	31	22
TF	15	5	79
TF	16	25	26
TF	17	58	72
TF	18	80	37
TF	19	35	42
TF	20	10	50
TF	21	2	43
TF	22	23	31
TF	23	78	67
TF	24	40	27
TF	25	53	68
TF	26	63	38
TF	27	43	11
TF	28	17	21
TF	29	66	47
TF	30	61	25
TF	31	27	57
TF	32	33	39
TF	33	57	13
TF	34	13	78
TF	35	79	69
TF	36	36	55
TF	37	9	61
TF	38	68	62
TF	39	64	46
TF	40	24	49
TF	41	21	6
TF	42	20	48
TF	43	48	23
TF	44	1	5
TF	45	67	4
TF	46	56	2
TF	47	29	44
TF	48	7	18
TF	49	19	51
TF	50	59	59
TF	51	65	63

	A	B	C
TF	52	52	33
TF	53	14	80
TF	54	71	14
TF	55	54	36
TF	56	30	35
TF	57	72	71
TF	58	11	3
TF	59	55	12
TF	60	46	10
TF	61	50	40
TF	62	15	41
TF	63	18	75
TF	64	41	17
TF	65	16	8
TF	66	74	29
TF	67	4	1
TF	68	69	66
TF	69	70	24
TF	70	49	45
TF	71	75	7
TF	72	39	77
TF	73	42	30
TF	74	12	74
TF	75	44	34
TF	76	26	73
TF	77	8	65
TF	78	28	16
TF	79	32	56
TF	80	38	76
MC	81	98	138
MC	82	102	127
MC	83	115	112
MC	84	138	150
MC	85	151	133
MC	86	123	134
MC	87	99	114
MC	88	100	115
MC	89	128	147
MC	90	114	154
MC	91	87	81
MC	92	106	113
MC	93	146	143
MC	94	107	130
MC	95	136	103
MC	96	82	82
MC	97	147	119
MC	98	144	87
MC	99	154	144
MC	100	122	93
MC	101	137	109
MC	102	104	102

	A	B	C
MC	103	92	85
MC	104	93	86
MC	105	101	107
MC	106	111	131
MC	107	96	84
MC	108	132	128
MC	109	155	111
MC	110	105	100
MC	111	131	124
MC	112	88	88
MC	113	139	108
MC	114	84	146
MC	115	126	137
MC	116	95	120
MC	117	103	110
MC	118	89	95
MC	119	113	151
MC	120	124	135
MC	121	149	104
MC	122	120	136
MC	123	134	129
MC	124	116	98
MC	125	117	99
MC	126	133	92
MC	127	81	141
MC	128	148	83
MC	129	108	152
MC	130	83	89
MC	131	97	90
MC	132	129	116
MC	133	135	149
MC	134	110	142
MC	135	112	106
MC	136	94	122
MC	137	121	145
MC	138	153	118
MC	139	130	121
MC	140	119	125
MC	141	86	153
MC	142	152	123
MC	143	91	155
MC	144	127	101
MC	145	143	117
MC	146	125	91
MC	147	109	97
MC	148	85	105
MC	149	118	148
MC	150	141	96
MC	151	150	126
MC	152	90	94
MC	153	142	139

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	A	B	C
MC	154	140	140
MC	155	145	132