

Lesson 5

■ Achievement Exam

Select the single best answer for each question or statement, then go online to community.ashworthcollege.edu and enter your answers.

1. Which of the following best describes an entrepreneur?
 - _____ a. a person who forms and operates a business
 - _____ b. a person who invests in an existing business
 - _____ c. a person who lends capital to a new business
 - _____ d. a person who derives a profit from a new or existing business

2. Which of the following is true of a business operating under sole proprietorship?
 - _____ a. It is not considered a separate legal entity.
 - _____ b. It cannot be sold when the owner decides to do so.
 - _____ c. It requires governmental approval when being transferred.
 - _____ d. It has access to unrestricted capital by means of investments.

3. An association of two or more people to carry on as co-owners of a business for profit is known as a(n) _____.
 - _____ a. limited partnership
 - _____ b. sole proprietorship
 - _____ c. corporation
 - _____ d. general partnership

4. The _____ requires general partners to adhere to the provisions of the partnership agreement and the decisions of the partnership.
- _____ a. duty to inform
 - _____ b. duty of loyalty
 - _____ c. duty of care
 - _____ d. duty of obedience
5. A(n) _____ is a partnership created for a fixed duration.
- _____ a. partnership for a term
 - _____ b. partnership at will
 - _____ c. ordinary partnership
 - _____ d. limited partnership
6. _____ is a situation in which a partner withdraws from a partnership without having the right to do so at that time.
- _____ a. Winding up
 - _____ b. Indemnification
 - _____ c. Wrongful dissolution
 - _____ d. Proliferation

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7. A limited partnership has two types of partners, _____.
- _____ a. general partners and sole proprietors
 - _____ b. general partners and limited partners
 - _____ c. ordinary partners and liable partners
 - _____ d. special partners and sole proprietors
8. Which of the following is true of general and limited partners in a limited partnership?
- _____ a. Limited partners are exempt from annual capital investment and need only participate in management functions.
 - _____ b. General partners are not personally liable for partnership debts.
 - _____ c. General partners are required to invest capital and refrain from managerial activities.
 - _____ d. Limited partners are not personally liable for partnership debts beyond their capital contributions.
9. Which of the following governs a limited partnership, its internal affairs, and the liability of its limited partners?
- _____ a. the federal government
 - _____ b. all states in which the business operates
 - _____ c. the articles of limited partnership
 - _____ d. the law of the state in which it is organized

10. _____ is said to have occurred if a certificate of limited partnership was not properly filed.
- _____ a. Defective formation
 - _____ b. Illegitimate partnership
 - _____ c. Void partnership
 - _____ d. Voidable association
11. Which of the following is true of a limited partnership agreement?
- _____ a. It provides that all transactions must be approved by all partners.
 - _____ b. It does not contain information about dissolution of the partnership as it is an agreement of formation.
 - _____ c. It provides that general and limited partners have equal voting rights.
 - _____ d. It sets forth the terms and conditions regarding the termination of the partnership.
12. Which of the following is a cause for the dissolution of a partnership?
- _____ a. written consent of the general partners
 - _____ b. withdrawal of a general partner
 - _____ c. withdrawal of all limited partners
 - _____ d. acquisition of business by another partnership

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13. Owners of a corporation who elect the board of directors and vote on fundamental changes in the corporation are known as _____.
- _____ a. spectators
 - _____ b. shareholders
 - _____ c. electors
 - _____ d. associates
14. _____ are corporations that have many shareholders and whose securities are often traded on national stock exchanges.
- _____ a. Closely held corporations
 - _____ b. Non-profit corporations
 - _____ c. Publicly held corporations
 - _____ d. Shore-up corporations
15. Which of the following is true for a corporation's incorporation into a state?
- _____ a. Domestic corporations can incorporate into only one state.
 - _____ b. Domestic corporations can incorporate into all states that they conduct business in.
 - _____ c. Alien corporations can only incorporate into one state.
 - _____ d. Foreign corporations can incorporate into more than one state.

16. A(n) _____ is a clause that can be included in the articles of incorporation that permit a corporation to engage in any activity permitted by law.
- _____ a. general purpose clause
 - _____ b. limited purpose clause
 - _____ c. dissolution clause
 - _____ d. *ultra vires* clause
17. A(n) _____ is a debt security with a maturity of five years or less.
- _____ a. bond
 - _____ b. debenture
 - _____ c. indenture
 - _____ d. note
18. Which of the following has a fixed maturity date?
- _____ a. bonds
 - _____ b. common stocks
 - _____ c. cumulative preferred stocks
 - _____ d. participating preferred stocks

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19. According to priority, which of the following claimants are the last to be paid after assets have been liquidated within a corporation?

- ☐ a. creditors
- ☐ b. common stockholders
- ☐ c. preferred shareholders
- ☐ d. bond holders

20. An LLC is a(n) _____.

- ☐ a. unincorporated business entity
- ☐ b. incorporated business entity
- ☐ c. cooperative entity
- ☐ d. proprietorship

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1. Administrative laws are also referred to as _____.
 - _____ a. ordinances
 - _____ b. regulatory statutes
 - _____ c. default judgments
 - _____ d. statements of policy

2. General government regulation consists of laws that regulate _____.
 - _____ a. the legislative branch of the federal government
 - _____ b. government-aided organizations
 - _____ c. the executive branch of the federal government
 - _____ d. businesses and industries

3. Federal administrative agencies are created by _____.
 - _____ a. the U.S. President
 - _____ b. the U.S. Congress
 - _____ c. general public elections
 - _____ d. the U.S. judiciary

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4. The Federal Trade Commission, which enforces federal antitrust and consumer protection laws, is an example of a(n) _____.
- _____ a. independent federal administrative agency
 - _____ b. government-aided organization
 - _____ c. law enforcement agency
 - _____ d. cabinet-level federal department
5. _____ establishes the protocol that must be followed by an administrative agency while enforcing substantive laws.
- _____ a. Formal ruling
 - _____ b. Substantive administrative law
 - _____ c. Procedural administrative law
 - _____ d. Informal ruling
6. Which of the following powers allows administrative agencies to issue substantive rules?
- _____ a. rule making
 - _____ b. executive power
 - _____ c. judicial authority
 - _____ d. licensing

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7. A(n) _____ refers to a regulation issued by an administrative agency that defines existing statutory language.
- _____ a. interpretive rule
 - _____ b. operational code
 - _____ c. substantive rule
 - _____ d. statement of policy
8. _____ requires the respondent to be given proper and timely notice of the allegations or charges against him or her as well as an opportunity to present evidence on the matter.
- _____ a. Interpretive rule
 - _____ b. Substantive due process
 - _____ c. Procedural due process
 - _____ d. Code of operation
9. _____ laws are federal and state statutes and regulations that promote product safety and prohibit abusive, unfair, or deceptive business practices.
- _____ a. *Profit-à-prendre*
 - _____ b. Canon
 - _____ c. Consumer protection
 - _____ d. *Caveat emptor*

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10. The Food, Drug, and Cosmetic Act is a federal statute that _____.
- _____ a. covers all food products including poultry and processed meat
 - _____ b. grants approval for food additives, drugs, cosmetics, and medicinal devices
 - _____ c. implements the Federal Meat Inspection Act enacted in 1906
 - _____ d. protects the public by providing greater medical coverage of food-related illnesses
11. The _____ is a federal statute passed in 1990 that requires food manufacturers and processors to provide nutrition information on many foods and prohibits them from making scientifically unsubstantiated health claims.
- _____ a. Food, Drug, and Cosmetic Act
 - _____ b. Health Care and Education Reconciliation Act
 - _____ c. Nutrition Labeling and Education Act
 - _____ d. Patient Protection and Affordable Care Act
12. If a food product is released with a controversial new preservative, which of the following provisions of the NLEA would help consumers identify the banned preservative prior to consumption?
- _____ a. condemnation of unfit food products
 - _____ b. disclosure of information on food labels
 - _____ c. inspection of storage facilities
 - _____ d. initiating legal proceedings against violators

13. What is the importance of the Biosafety Protocol prescribed by the UN?
- _____ a. It dictates the terms and conditions for the production of genetically modified food.
 - _____ b. It prevents people from differentiating between normal and organic food.
 - _____ c. It notifies people of the presence of genetically modified food in the market.
 - _____ d. It assures people of the quality of food by providing details of its testing process.
14. The new line of fairness-enhancing products marketed by Radiance has allegedly been developed after using large-scale animal testing procedures. Insiders revealed that the high levels of lead present in cosmetics have proven to be fatal for many of the animals used in the laboratories. Radiance is likely to be inspected for suspected criminal violations of the _____.
- _____ a. Food, Drug, and Cosmetic Act
 - _____ b. Consumer Product Safety Act
 - _____ c. Health Care Reform Act
 - _____ d. Federal Trade Commission Act

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15. The Consumer Product Safety Commission is _____.
- _____ a. a communion of two state-funded regulatory bodies working together to ensure consumer safety
 - _____ b. a federal body created to ensure the safety of a few consumer products like motor vehicles, boats, aircraft, and firearms
 - _____ c. an independent federal administrative agency that regulates potentially dangerous consumer products
 - _____ d. a federal agency working to ensure product safety standards for food, poultry, medicines, and medical devices
16. The _____ is a federal administrative agency created by Congress to coordinate the implementation and enforcement of federal environmental protection laws.
- _____ a. Ministry of Environmental Protection
 - _____ b. Environmental Investigation Agency
 - _____ c. Environmental Protection Agency
 - _____ d. Global Environment Facility
17. Which of the following would be considered a stationary source of air pollution?
- _____ a. aircrafts
 - _____ b. oil rigs
 - _____ c. cargo ships
 - _____ d. automobiles

18. A geographical area that does not meet established air quality standards is designated as a(n) _____.
- _____ a. limited pollution area
 - _____ b. nonattainment area
 - _____ c. zoned ordinance area
 - _____ d. federal regulation area
19. Which of the following is a primary cause of sick building syndrome in the United States?
- _____ a. large number of outside ducts
 - _____ b. unsealed windows
 - _____ c. thinly insulated buildings
 - _____ d. hazardous construction materials
20. Which of the following is true of the EPA standards set for toxic substances?
- _____ a. They are set without regard for economic or technological feasibility.
 - _____ b. They are set based on the recommendation of business owners affected by the pollution.
 - _____ c. They require the EPA to identify all chemicals based on the NAAQS.
 - _____ d. They require a complete ban on all toxic substances.