

INSTRUCTIONS:

- A. **Print your name here as your signature:** _____
- B. This Exam #2 is in the format of true/false/explain. This Exam #2 has 20 questions.
- C. You have from 6:00 PM until 8:40 PM to complete this exam: it won't take that long.
- D. In total this Exam #2 is worth 200 of the 1,000 course points.
- E. The student's correct **true/false answer** to each question is worth **3 course points**. That is, 60 of those 200 points are earned via the true/false answer. These shall be recorded on the blue computer graded answer sheet. Use A for true and use B for false.
- F. The **student** shall **select 4** of those 20 questions **for** providing an **explanation**. **Two** of those selected four shall have been answered **TRUE** by the student and **two** shall have been answered **FALSE**.
- G. Each **complete and correct explanation** for each question selected by the student is worth **35 course points** (i.e., maximum of 140 of the exam's 200 course points). Explanations only will be graded in whole letter grades (*i.e., A, B, C, D, and F*) An "A" quality answer earns 35 points, a "B" earns 30, a "C" earns 25, a "D" earns 20, and an "F" quality answer earns 15 of the available 35 points.
- H. It is feasible, but obviously less likely, to earn all of the explanation points while also answering the true/false part incorrectly.
- I. The student may earn all explanation points using either a little or a lot of text, a little or a lot of graphs, and/or a little or a lot of math. ***Quality of content is far more important than quantity of content.*** Correct use and appropriate use of legal and economic vocabulary earns points quickly. *It is quite difficult for silence to earn any points.*
- J. **The student shall write the student's explanation in a blue book and shall write in ink.**
- K. On the cover of the blue book the student shall: [i] print name; [ii] below the printed name, list the student's four selected questions and identify which questions were answered true and which were answer false. Please list your four questions in numerical order (e.g., 1 T; 5 F; 10 F; 20 T).
- L. Inside the blue book each explanation shall: [a] start at the top of left side page (e.g., page 1, page 3, page 5, and page 7); [b] start with the exam question number followed by the student's true/false answer. A single question's explanation shall not consume more than two blue book pages (i.e., front and back of a single sheet) for a maximum total of four blue book sheets of eight pages.
- M. **Recall** that **i.e.** means "that is" while **e.g.** means "for example".
- N. Outline your explanations on your copy of this exam and/or on the blue pages of your blue book (other than the front cover).
- O. When you turn in your exams, insert into your blue book both your blue bubble sheet and this copy of your exam.

QUESTIONS:

1. T F USA law imposes liability on those whose actions are both knowing and voluntary (*e.g., Assumption of the Risk*).
Knowing comes in two legal forms:
subjective knowledge (*i.e., scienter*) and
objective knowledge (*e.g., reason to know*). (1:3)
2. T F If
a cause is the proximate cause of damages,
then
that proximate cause also is the actual cause. (1:5)
3. T F If
the trial court makes a harmless error of procedure,
then
the appellate court will affirm the trial court. (1:6)
4. T F If
there is to be Capitalism,
then
it is necessary that there be government. (1:7)
5. T F The non-price determinants of expectations and technology both are volatile. (1:8)
6. T F If
the bankruptcy judge awards a creditor the relief of adequate protection from
the automatic stay
when
that creditor is
a perfected secured party with priority,
then
that creditor has acted ethically.
7. T F If
[i] a person takes a pre-printed document that was designed to become a check
[ii] strikes out the pre-printed words "Pay to the Order of"
[iii] strikes out the pre-printed words identifying the drawee bank
[iv] completes all of the remaining pre-printed blanks (*e.g., dates; signs; etc.*)
on the face of that pre-printed document
and
[v] delivers this document to the named payee,
then
that signer is a maker of a note.

8. T F If
Person #1 is the drawer of a draft made payable to Person #2 as the payee,
and if
Person #2 sells the instrument to Person #3 who thus becomes an HDC,
and if
Person #3 as HDC sells the instrument to Person #4 who thus becomes an HtHDC,
and if
Person #4 as HtHDC sells the instrument for value and with notice to Person #2,
then
the drawer Person #1 lacks standing to raise a personal defense against Person #2.
9. T F To kite is to float.
10. T F Since all super liens are created by statute
the holder of super lien need not take any formal action (*e.g., filing*)
either to obtain or to maintain that super lien status.
11. T F Limiting our attention to only those sureties and those guarantors that have
signature liability on a promissory note,
neither a surety nor a guarantor
ever provides payment to creditor as a volunteer;
accordingly,
all sureties and all guarantors always have the
rights of contribution, reimbursement, and/or subrogation
to recover for payments made on the promissory note to the creditor.
12. T F Automatic perfection of a security interest
is a right that only is available to those secured parties who at some time
have perfected or do perfect via filing of financing statement.
13. T F It is feasible to design a single document that can simultaneously serve both as
a security agreement and a financing statement.
14. T F USA bankruptcy law,
as does all statutory law, reflects ethics as seen by the enacting legislature.
The ethics of USA bankruptcy law are clearly reflected by the legislative choices
embedded in the creditor's rights in two very different contexts:
[i] business debtor's Chapter 11 cram down powers;
and
[ii] wage-earner debtor's voluntary Chapter 7 transformed into a Chapter 13.
15. T F The bankruptcy trustees' avoidance powers over executory contracts
ethically
ought to be exercised more frequently
in the context of fraudulent transfers
than
in the context of preferential transfers.

16. T F To act as an ethical natural person,
an individual who knowingly and voluntarily accepted status as an "agent"
and who is
legally acting within the scope of an "agent's" authority
and is
legally acting instead of and on behalf of the "principal"
can not provide the "principal" with complete performance of
that "agent's" duties to that "principal"
if
such performance precludes achievement by that natural person of
that individual's own moral principles.
In short, clearly, Kant is wrong.
17. T F The Equal Dignity Rule
requires all "principals" to sign all "agent's" authority.
18. T F The USA enforces "employment at will" far more than other jurisdictions.
In the USA
both the "agent" and the "principal"
always have the power to terminate the agency.
However,
the power is not the same thing the right.
19. T F The legitimate business interest of the individual employees
when combined with
the legitimate business interests of their union
when combined with
the legitimate business interests of their employer
clearly are sufficient to legalize that which otherwise would be
unquestionably unlawful unilateral actions by the employer.
20. T F A BFOQ is a quota.

ANSWER SHEET: Exam #1: Legal & Ethical Applications: Spring 2011

1. true.
2. true.
3. true.
4. true.
5. true.
6. FALSE.
7. FALSE.
8. FALSE.
9. true.
10. FALSE.

11. FALSE.
12. FALSE.
13. true.
14. true.
15. FALSE.
16. FALSE.
17. FALSE.
18. true.
19. true.
20. FALSE.