



Competency Based Competitive Events Written Exam Sample

Business Law and Ethics



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1. One of the main functions of the legal procedure is to

- A. resolve disputes.
- B. enact legislation.
- C. establish laws.
- D. regulate business.

2. When the court orders a wrongdoer to pay a victim for his/her medical expenses and lost wages, the court is awarding _____ damages.

- A. consequential
- B. punitive
- C. aggregate
- D. compensatory

3. A valid contract must have an offer and an acceptance of an offer, which is the contractual requirement of

- A. agreement.
- B. consideration.
- C. capacity.
- D. legality.

4. Which of the following can be legally used to provide an electronic signature under specific circumstances:

- A. Cyber certificate
- B. Electronic license
- C. Smart card
- D. E-note

5. When a prosecuting attorney questions a defendant's witness during a trial, it is often called a

- A. motion to strike.
- B. legal appeal.
- C. judicial precedent.
- D. cross-examination.

6. Many businesses try to resolve legal issues through a mediator before going through the court system because

- A. arbitration does not usually work.
- B. litigation is usually more expensive.
- C. mediators tend to make biased decisions.
- D. contract disputes always require mediator input.

7. Although implementing slotting fees can help a business offset risks and cover stocking costs, it can become an ethical issue if it

- A. reduces competition.
- B. encourages economic growth.
- C. eliminates tax incentives.
- D. supports competing agreements.

8. An effective team-building technique involves allowing team members to

- A. work independently.
- B. make individual decisions.
- C. share responsibility.
- D. set personal goals.

9. What do many businesses identify and strive to improve in order to attract customers and be competitive?

- A. Commission plans
- B. Service standards
- C. Personal characteristics
- D. Operating quotas

10. The three local widget distributors agreeing to charge the same amount for the new, improved model is an example of

- A. unethical pricing.
- B. price skimming.
- C. price fixing.
- D. predatory pricing.

1. A

Resolve disputes. The legal procedure is the process of reviewing disputes or claims and resolving them in a fair manner. Businesses are often involved in disputes with other entities, such as suppliers or competitors. If a business believes it has been wronged by another, the business follows the appropriate legal procedure to resolve the issue. Enacting legislation, establishing laws, and regulating business are not the main functions of the legal procedure.

SOURCE: BL:070

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 32-40].

Mason, OH: Thomson/South-Western.

2. D

Compensatory. Compensatory damages are payments that the court orders a wrongdoer to pay to a victim. Examples of compensatory damages are medical expenses, lost wages, loss of property, etc. Punitive damages are financial awards that go above and beyond compensatory damages and serve as a way of punishing the wrongdoer. Consequential damages are financial payments that the court orders a wrongdoer to pay to a victim, which is not awarded as an immediate result of the wrongdoing, but as an indirect consequence of the wrongdoer's actions. Aggregate is a fictitious term to describe types of damages.

SOURCE: BL:018

SOURCE: Blackburn, J., & Klayman, E. (2005). *The legal environment of business* (7th ed.)

[pp. 203-204]. Boston: Pearson Custom Publishing

3. A

Agreement. A contract is an agreement between two parties (e.g., individuals, groups, businesses, stating that one party is to do something in return for something provided by the other party. A valid contract must meet several criteria—agreement, consideration, contractual capacity, and legality. The contract must show that an agreement was made, which means that one party extended an offer and the other party accepted the offer. Consideration refers to the value associated with the negotiated-for promises made by both parties. Capacity is the competence of a party to enter into a contract. Finally, the purpose of the contract must not break any existing laws.

SOURCE: BL:024

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [pp. 151-152]. Mason, OH: Thomson/South-Western.

4. C

Smart card. A smart card looks like a credit or debit card and has special codes embedded within it. Smart-card holders can insert their cards into computers to transfer data from one place to another. The data stored on a smart card might include a cardholder's electronic signature, which is accepted as a legal signature in many jurisdictions. E-note, electronic license, and cyber certificate are fictitious terms.

SOURCE: BL:032

SOURCE: Berman, B., & Evans, J.R. (1998). *Retail management: A strategic approach* (7th ed.)

[p. 160]. Upper Saddle River, NJ: Prentice Hall.

5. D

Cross-examination. Cross-examination is the step during the trial process in which the opposing party's attorney questions a witness. For example, a prosecuting attorney may question the defendant's witness about certain statements the witness makes while testifying under oath. Also, the defense attorney has the right to question the prosecution's witnesses. An appeal is a request to have a higher court (e.g., appellate court) review a lower court's ruling. Precedent refers to a court decision that serves as a model for future legal cases that are similar in nature. Motion to strike is a request made to the judge to remove

testimony or statements from consideration. This action is usually made when a witness violates rules of evidence.

SOURCE: BL:039

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business law* (6th ed.) [p. 46]. Mason,

OH: Thomson/South-Western.

6. B

Litigation is usually more expensive. Litigation is the legal process used to resolve a disagreement through the court system. Due to attorney's fees and other factors, litigation can be very expensive. Many individuals and businesses are opting to resolve their disputes by using less expensive alternative methods, such as mediation.

Mediation involves using a neutral third party to make suggestions and to help the disputing parties reach an agreement. Arbitration, which is a more formal process than mediation, is another alternative to litigation and is often effective in resolving disputes. Courts do not always require mediator input to resolve contract disputes.

SOURCE: BL:045

SOURCE: Miller, R.L., & Jentz, G.A. (2005). *Fundamentals of business*

law (6th ed.) [p. 49]. Mason, OH: Thomson/South-Western.

7. A

Reduces competition. Some businesses charge their vendors slotting fees to acquire retail shelf space. The purpose of a slotting fee is to cover expenses (e.g., labor, pricing) associated with carrying the product. Because slotting fees can be very expensive, small vendors with limited financial resources often cannot afford to pay slotting fees, which can limit or reduce competition. Activities that inhibit competition and support monopolies are unethical and in many situations, illegal. Slotting fees do not encourage economic growth, eliminate tax incentives, or support competing agreements.

SOURCE: CM:006

SOURCE: Boone, L.E., & Kurtz, D.L. (2004). *Contemporary marketing* (11th ed.) [p. 446]. Mason, OH: Thomson/South-Western.

8. C

Share responsibility. Team building is the use of cooperative efforts among employees and management to accomplish company goals and objectives. When team members share responsibility for the effort, they are more likely to work harder to achieve the goal because they are personally involved. Shared responsibility leads to a joint commitment to work together because each member shares in the ownership of the team and its accomplishments. Allowing team members to make individual decisions, work independently, and set personal goals are not effective team-building techniques.

SOURCE: EI:044

SOURCE: Farese, L.S., Kimbrell, G., & Woloszyk, C.A. (2006). *Marketing essentials* (pp. 226-229). New York: Glencoe/McGraw-Hill.

9. B

Service standards. Service standards are specifications for the quality of service that a business intends to provide. Many businesses identify standards for service and continually work to improve them in order to attract customers and be competitive. By having high service standards, businesses are often able to set themselves apart from competitors. Businesses do not identify and strive to improve commission plans, personal characteristics, and operating quotas in order to attract customers and be competitive. However, favorable commission plans might attract quality employees.

SOURCE: MK:017

SOURCE: Futrell, C.M. (2001). *Sales management: Teamwork, leadership, and technology* (6th ed.) [pp. 64-65]. Mason, OH: South-Western.

10. C

Price fixing. This is an illegal business agreement in which businesses agree on prices of their goods or services, resulting in little choice for the consumer. If all the local widget distributors agree to charge the same amount for the new model, they are involved in price fixing. Price skimming is a pricing strategy that involves setting prices higher than those of the competition. Distributors agreeing to charge the same amount for a product is an example of unethical pricing that is also illegal. Predatory pricing involves setting very low prices on products in an attempt to drive out the competition.

SOURCE: PI:015

SOURCE: Burrow, J.L. (2006). *Marketing: Instructor's wraparound edition* (2nd ed.) [pp. 46-47]. Mason, OH: Thomson/South-Western.