1. Solid Appliances, Inc., is a private, for profit corporation that was (1) formed for the purpose of manufacturing and distributing a newly patented kitchen appliance, (2) is owned by five shareholders, (3) is subject to double taxation, and (4) has made no public offering of its shares. Solid Appliances is

a. an S corporation  
   b. a close corporation  
   c. a professional corporation  
   d. None of the above.

2. Dave and Eve are partners in a general partnership that sells sports equipment. Eve manages the business while Dave devotes very little time to the firm’s operations. Unless the partnership agreement states otherwise, Eve is

a. entitled to a majority vote on all partnership matters.  
   b. entitled to an equal share of profit.  
   c. entitled to an equal share of profit but bears loss only up to her capital contribution.  
   d. None of the above.

3. Tony is a partner in United Amusement, a new partnership. A United debt comes due. Tony is

a. not liable for the debt.  
   b. only liable for the debt up to the amount of his capital contribution.  
   c. personally liable only to the extent the other partners do not pay.  
   d. personally liable to the full extent of the debt.

4. Rick and Sandy are limited partners in Total Enterprises, a limited partnership. To avoid personal liability for partnership obligations, they must not

a. contribute property to the firm for their partnership interests.  
   b. participate in the firm’s management.  
   c. exercise any voting rights they have as limited partners.  
   d. exercise any rights they have as limited partners to examine the partnership’s books and records.

5. Micro Chips, Inc., is incorporated in the state of New Jersey and is doing business in the state of New York. In New York, it is properly referred to as

a. a domestic corporation  
   b. a foreign corporation  
   c. an alien corporation  
   d. a national corporation
6. Ron, a director of Super Corporation, Inc. does not attend board meetings for three years because he finds them boring. During that time, Tina, Super’s president, makes improper loans that cost the company $100,000. Ron is most likely
   a. liable for negligence, or breach of the duty of care.
   b. liable for breaching the duty of loyalty.
   c. not liable because missing the board meetings was an honest mistake.
   d. not liable because missing the board meetings was only poor judgment.

7. Charley is an agent for Augie. He sees property that he believes Augie would like and enters into a contract to purchase it for $100,000. Under the terms of his arrangement with Augie, Charley is not authorized to sign contracts for more than $50,000. The property is owned by Dan and Charley tells Dan he is acting on Augie’s behalf. Which statement is true?
   a. Charley is not liable since he disclosed that he was acting for Augie.
   b. Charley is liable only if he breached his duty of care.
   c. If Augie ratifies the contract, Charley will not be liable on the agreement.
   d. Even if Augie ratifies the contract, Charley is still liable and Dan can sue either Augie or Charley to enforce the deal.

8. Which statement is true under the UCC?
   a. New consideration is required to modify a UCC contract.
   b. A contract for the sale of stock in a company is governed by the UCC.
   c. If a contract for the sale of goods fails to meet the mirror image rule, no agreement exists and the court will not grant any remedy.
   d. Consequential damages are losses unique to a specific buyer and if foreseeable can be recovered where a seller breaches a contract.