InstantCert
ESTABLISHED IN 2002

Free Introductory Business Law CLEP Practice Test

10 questions from InstantCert's 453-card Introductory Business Law study guide

How to use this PDF

Each of these questions is a sentence with one blank and four choices. Pick the best fit, mark it, and keep going. The answer key with explanations starts after question 10, so do all 10 before you look. No timer. On the real exam you get 54 seconds per question, so if you want a challenge, give yourself 9 minutes for the set. Two of the ten, the dynamite question and the paint question, are full case scenarios, and the paint one is 117 words, so notice how long those take you. About 30% of the real exam is built that way. One caveat before you start: half of this set is Contracts, and only one question is on the Legal Environment of Business, which is 20% to 25% of the real exam.

What your score means

0 to 4 correct

The Introductory Business Law CLEP is a vocabulary test and a reasoning test at the same time, and a score in this range usually means the vocabulary is not there yet. Ten questions is a sample, not a diagnosis. Read the explanations, then take Round 2 on the page linked at the end before you decide how much work is ahead of you.

5 to 7 correct

Right in the middle. Close enough to the line to be worth studying for, and not close enough to walk in cold on an exam that nearly half of civilian test takers and more than half of military test takers do not pass. Take Round 2 and see if the number holds.

8 to 10 correct

You know contract formation, breach, and how to read a case scenario. Keep in mind that ten questions with no clock is a sample, that the real exam is 100 questions at 54 seconds each, and that this set had only one question on the Legal Environment of Business and nothing on constitutional law or negligence. Take Round 2, then read the explanation on anything you missed.

Questions

QUESTION 1 OF 10 | HISTORY AND SOURCES OF AMERICAN LAW / CONSTITUTIONAL LAW

_____ is Latin for "stand by the decision," and is the doctrine that courts are to follow the precedent decision in deciding cases.

A. Sub silentio
B. Stare Decisis
C. Sine qua non
D. Secundum formam statuti

QUESTION 2 OF 10 | CONTRACTS

When a contract includes damage clauses which specify a dollar amount due upon breach of contract, such clauses are known as _____ damage clauses.

A. adjudicated
B. negotiated
C. liquidated
D. estimated

QUESTION 3 OF 10 | AMERICAN LEGAL SYSTEMS AND PROCEDURES

In a civil trial, the judge or jury must be convinced by "_____ evidence."

A. preponderance of the
B. clear and convincing
C. proof beyond a reasonable doubt
D. probable cause

QUESTION 4 OF 10 | CONTRACTS

A seller makes an offer, the buyer responds with a counteroffer, and the seller rejects the counteroffer. If the buyer now says that he accepts the original offer, this is not actually a(n) acceptance, it is a(n) _____.

A. contract
B. offer
C. rejection
D. counteroffer

QUESTION 5 OF 10 | LEGAL ENVIRONMENT OF BUSINESS

_____ violations, are automatic violations of antitrust laws, and include actions such as price-fixing, group boycotts, production quotas, horizontal market divisions, and tying arrangements.

A. Vertical
B. Disproportionate
C. Per se
D. Quid pro quo

QUESTION 6 OF 10 | CONTRACTS

For a contract to be enforceable on the basis of valid consideration, a person's performance does not have to involve doing something, rather it can involve refraining from doing something. _____ is a promise not to do something that one could legally do.

A. Foreshadowing
B. Forbearance
C. Forbidding
D. Intention

QUESTION 7 OF 10 | CONTRACTS

_____ is the doctrine allowing recovery on a promise made without consideration when the reliance on the promise was reasonable, and the promisee relied to his or her detriment.

A. Promissory Estoppel
B. Promissory Note
C. Stop Payment
D. Restraint on Alienation

QUESTION 8 OF 10 | CONTRACTS

A variation of discharge by breach is discharge by _____ breach, where one party expresses inability or refuses to perform, or one party knows the other cannot perform.

A. minor
B. major
C. material
D. anticipatory

QUESTION 9 OF 10 | TORTS

Blast, Inc. is an excavating company. They frequently use explosives to aid in blasting operations. They hire only those who are the most expertly trained in handling explosives. One day, Harvey, who is handling explosives, is working in the field with dynamite. When he is done, he stores the dynamite in accordance with company rules. That night, for no known reason, the dynamite explodes. The property in a three block radius is destroyed. Blast, Inc. is liable under _____.

A. strict liability
B. joint liability
C. product liability
D. vicarious liability

QUESTION 10 OF 10 | MISCELLANEOUS: AGENCY, BUSINESS ORGANIZATIONS, SALES, COMMERCIAL PAPER

Erin and Tim decided to paint their bathroom. They told the salesperson they had never painted a bathroom before, that their bathroom had poor ventilation and they wanted to make sure they used paint that would prevent mold and mildew from growing on the walls and ceiling. Relying on the salesperson's advice, they bought Premium Plus Paint. After the bathroom had been painted for approximately six months, they noticed mold and mildew on all the walls and ceiling. They went back to Premium, where a different salesperson told them they had purchased the wrong kind of paint. If Erin and Tim sue, their best claim is one based upon the theory of _____ for a particular purpose.

A. Breach of warranty
B. Warranty deed
C. Implied covenant of good faith
D. Implied warranty of fitness

Answer Key

1. B Stare Decisis

"Stare Decisis" is the doctrine that means that when a point has been settled by decision, it forms a precedent which is not afterwards to be departed from. In other words, if a decision has been made concerning a similar case in the past, the court should follow that decision.

2. C liquidated

Liquidated damage clauses are supposed to reflect actual cost of damages due to breach of contract--they may not be enforced if they are found to be unreasonable.

3. A preponderance of the

In a civil trial, the burden of proof on the plaintiff is merely to convince the decisionmaker in a trial by a preponderance of the evidence--which means that over 50% of the evidence is in the plaintiff's favor. This is different from a criminal trial, where the judge or jury must be convinced beyond a reasonable doubt.

4. B offer

It is not an acceptance, it is an offer. That is because when the buyer made a counteroffer, he rejected the original offer, and that offer is now dead--it is no longer available. By saying he will accept the original offer, he is making a new offer on the original terms--the seller can either accept this new offer or reject it. If the seller says nothing and acts on this new offer, a contract is formed at the time the seller shows acceptance by acting on it; i.e. sending the goods.

5. C Per se

Another term for automatic violations are "per se" violations. Whereas in most cases, violation of an antitrust law is tested by applying a "rule of reason" test, "per se" violations are actions that automatically qualify as antitrust violations.

6. B Forbearance

Forbearance is a promise to refrain from doing something you are allowed to do. For example, if an adult promises to give up smoking as his side of the contract, that would be considered forbearance, and would be valid consideration.

7. A Promissory Estoppel

Promissory Estoppel is a situation where a promise cannot be withdrawn because the offeree reasonably relied on the offer being held open, and will suffer some kind of detriment if it is withdrawn. The offeree must have reasonably relied--unjustified reliance on a promise does not result in promissory estoppel.

8. D anticipatory

This is known as discharge by anticipatory breach. An anticipatory breach occurs before the due date of performance arrives, and requires the breaching party to clearly state or imply that it cannot or will not perform.

9. A strict liability

Handling explosives is considered an abnormally dangerous activity for which Blast, Inc. would face strict (absolute) liability. This doctrine applies because: 1) this is a type of activity that can place the public at risk even if reasonable care is taken; and 2) the public needs to be compensated for the resulting injury. It appears that Harvey, and Blast, Inc. exercised all due care in handling and storing the dynamite. They hired only experts trained in handling dynamite. Therefore, they would not be liable for negligence, or for negligent hiring.

10. D Implied warranty of fitness

Erin and Tim relied on the salesperson. The seller failed to meet the buyer's expressed needs. If the seller knows for what purpose the good is being purchased then by selling them a product, the seller is warranting that the good is fit for the particular use.

Want 10 more? Take Round 2 online

Round 2 is 10 more questions from the same 453 cards. It covers contracts with minors, a three-way agreement that swaps out one of the parties, third-party beneficiaries, harassment at work, settling a dispute out of court, and three more case scenarios, including a forged check. Take Round 1 on the page below, enter your email on the score screen, and the Round 2 link follows.

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The full Introductory Business Law study guide

453 Introductory Business Law flashcards, each one with an explanation of why the answer is right, in a terminology section and a scenario section built to match the case problems on the exam, plus the Specific Exam Feedback forum on DegreeForum.net, where members post what was on their exam. $20/month, cancel anytime. 30-day money-back guarantee. 91% of InstantCert students who reported an Introductory Business Law score passed (479 of 526), against a civilian pass rate of 51% and a military pass rate of 42%.

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