

CLEP® Introductory Business Law: At a Glance

Description of the Examination

The Introductory Business Law examination covers material that is usually taught in an introductory one-semester college course in the subject. The examination places not only major emphasis on understanding the functions of contracts in American business law, but it also includes questions on the history and sources of American law, legal systems and procedures, agency and employment, sales, and other topics.

The examination contains approximately 100 questions to be answered in 90 minutes. Some of these are pretest questions that will not be scored.

Knowledge and Skills Required

Questions on the test require candidates to demonstrate one or more of the following abilities in the approximate proportions indicated.

- Knowledge of the basic facts and terms (about 30–35 percent of the examination)
- Understanding of concepts and principles (about 30–35 percent of the examination)
- Ability to apply knowledge to specific case problems (about 30 percent of the examination)

The subject matter of the Introductory Business Law examination is drawn from the following topics. The percentages next to the main topics indicate the approximate percentage of exam questions on that topic.

5–10% History and Sources of American Law/ Constitutional Law

5–10% American Legal Systems and Procedures

25–35% Contracts

Meanings of terms

Formation of contracts

Capacity

Consideration

Joint obligations

Contracts for the benefit of third parties

Assignment/delegation

Statute of frauds

Scopes and meanings of contracts

Breach of contract and remedies

Bar to remedies for breach of contract

Discharge of contracts

Illegal contracts

Other

25–30% Legal Environment

Ethics

Social responsibility of corporations

Government regulation/administrative agencies

Environmental law

Securities and antitrust law

Employment law

Creditors' rights

Product liability

Consumer protection

International business law

10–15% Torts

5–10% Miscellaneous

Agency, partnerships and corporations

Sales

Study Resources

Most textbooks used in college-level business law courses cover the topics in the outline given earlier, but the approaches to certain topics and the emphases given to them may differ. To prepare for the Introductory Business Law exam, it is advisable to study one or more college textbooks, which can be found for sale online or in most college bookstores. When selecting a textbook, check the table of contents against the Knowledge and Skills Required for this test.

A recent survey conducted by CLEP® found that the following textbooks (first author listed only) are among those used by college faculty who teach the equivalent course. You might find one or more of these online or at your local college bookstore. HINT: Look at the table of contents first to make sure it covers the topics required for this exam.

CLEP® Introductory Business Law: At a Glance

August, <i>American Business Law</i> (Pearson)
Beatty and Samuelson, <i>Introduction to Business Law</i> (West)
Brown, <i>Business Law with UCC Applications</i> (McGraw-Hill)
Cheeseman, <i>Business Law</i> (Prentice Hall)
Clarkson, <i>West's Business Law</i> (South-Western)
Emerson, <i>Business Law</i> (Barron's)
Goldman and Sigismond, <i>Business Law: Principles and Practices</i> (Houghton-Mifflin)
Jennings, <i>Business: Its Legal, Ethical and Global Environment</i> (West)
Kubasek, <i>Dynamic Business Law</i> (McGraw-Hill)
Liuzzo and Bonnice, <i>Essentials of Business Law</i> (Richard D. Irwin)
Mallor, <i>Business Law</i> (McGraw-Hill)
Mann and Roberts, <i>Essentials of Business Law and the Legal Environment</i> (West)
Mann, <i>Smith and Roberson's Business Law</i> (West)
Miller, <i>Business Law Today: The Essentials</i> (West)
Miller, <i>Business Law: Text and Exercises</i> (West)
Twomey and Jennings, <i>Business Law: Principles for Today's Commercial Environment</i> (South-Western)
Twomey, <i>Anderson's Business Law and the Legal Environment</i> (West)

Visit www.collegeboard.com/clepprep for additional business law resources. You can also find suggestions for exam preparation in Chapter IV of the *CLEP Official Study Guide*. In addition, many college faculty post their course materials on their schools' websites.

Sample Test Questions

The following sample questions do not appear on an actual CLEP examination. They are intended to give potential test-takers an indication of the format and difficulty level of the examination and to provide content for practice and review. For more sample questions and info about the test, see the *CLEP Official Study Guide*.

1. Ed lives in Maine, a state that has a so-called merchant protection statute (or shopkeeper's privilege). One day Ed goes to the grocery store to shoplift some steaks for dinner. The owner of the grocery store catches Ed red-handed in the act of shoplifting. He and an employee gently restrain Ed in the back room, feeding him gourmet food and wine until the local sheriff finally shows up three days later. If Ed sues the grocer for the tort of false imprisonment, he will win if he can prove that

- (A) he did not intend to steal the steaks
- (B) the gourmet food that he was fed was poorly prepared
- (C) the grocer had no authority from the sheriff to hold him
- (D) the grocer detained him for a reasonable time after reasonably suspecting him of shoplifting
- (E) the grocer detained him for an unreasonable time after reasonably suspecting him of shoplifting

2. Which of the following is true about the doctrine of commercial speech?

- (A) It is specifically guaranteed to corporations in the United States Constitution.
- (B) It holds that commercial speech is entitled to the same protection as political speech.
- (C) It states that commercial speech is entitled to limited protection.
- (D) It states that commercial speech is not entitled to any protection under the law.
- (E) It states that commercial speech is entitled to the same protection as obscene speech.

3. A legal action by a defendant against a plaintiff is known as

- (A) a counterclaim
- (B) a complaint
- (C) an answer
- (D) a reply
- (E) a cross-claim

4. Two days after his daughter was born, Bill decided to take out a life insurance policy so that in the event he dies, there would be enough money to raise his daughter. This life insurance policy is an example of

- (A) a creditor beneficiary contract
- (B) a donee beneficiary contract
- (C) an incidental beneficiary contract
- (D) an assignment contract
- (E) a gift

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5. Primary responsibility for establishing a corporation's social responsibility standards is exercised by the

- (A) officers of the corporation
- (B) board of directors
- (C) stockholders
- (D) employees of the corporation
- (E) customers of the corporation

6. Jerry purchases flowers for his wife from Flowers Galore. He pays extra to have the flowers delivered to his wife's office on the day of their anniversary. If Flowers Galore fails to deliver the flowers, what rights, if any, does Jerry's wife have under the contract?

- (A) She has no right to enforce the contract because she is an incidental beneficiary.
- (B) She cannot enforce the contract because she is not in privity of contract with Flowers Galore.
- (C) She is a creditor beneficiary and can enforce the contract.
- (D) She is a donee beneficiary and can enforce the contract.
- (E) She can sue Jerry for purchasing flowers from an unreliable florist, but she has no rights against Flowers Galore.

7. Martha hires Janet to work for her as a sales representative. Martha specifically tells Janet that any sale worth over \$10,000 and any sale with a discount greater than 8 percent must have Martha's express approval. Janet signs a contract with a long-standing customer who is aware of the approval requirements that Martha imposes on her sales representatives. The contract calls for an 11 percent discount and is for the purchase of \$25,000 worth of goods. Janet did not get Martha's approval prior to signing. Which of the following is true of this contract?

- (A) Martha is obligated to honor the contract.
- (B) Martha is not obligated to honor the contract.
- (C) Janet will be liable to the customer for the contract.
- (D) The customer has the option of avoiding the contract.
- (E) Janet has done nothing improper.

Credit Recommendations

The American Council on Education has recommended that colleges grant 3 credits for a score of 50, which is equivalent to a course grade of C, on the CLEP Introductory Business Law exam. Each college, however, is responsible for setting its own policy. For candidates with satisfactory scores on the Introductory Business Law examination, colleges may grant credit toward fulfillment of a distribution requirement, or for a particular course that matches the exam in content. Check with your school to find out the score it requires for granting credit, the number of credit hours granted and the course that can be bypassed with a passing score.

Answers to Sample Questions: 1-E; 2-C; 3-A; 4-B; 5-B; 6-D; 7-B.