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CLEP Introductory Business Law Exam

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Question: 1

A customer at Giordano's grocery store spills some soda on the floor. Two hours later, Brent slips on the spill and throws out his back. Which of the following best describes Brent's legal options?

- A. He can recover damages from the person who spilled the soda.
- B. He can recover damages from the grocery store if the floors have not been checked regularly and well.
- C. He cannot recover damages from the grocery store if the floors are cleaned every day.
- D. He cannot recover damages from the grocery store if employees did not know about the spill.
- E. He has no legal recourse.

Answer: B

Explanation:

If the floors have not been checked regularly and well, Brent could recover damages from the store. The owner of a store has a duty to maintain reasonable levels of safety within the store. If this duty is not fulfilled, a visitor to the store who sustains injuries can recover damages from the store. The responsibility for maintaining the floors, then, lies with the business and not with the person who made the spill. Simply cleaning the floors every day does not guarantee sufficient safety, since with this program a spill could potentially sit on the floor all day. Also, it does not matter if the employees knew about this specific spill, since they are responsible anyway.

Question: 2

What is the name for unintentional but materially false statements made by one party, which can be used to justify rescission of a contract?

- A. actual fraud
- B. misrepresentation
- C. interference with business relations
- D. conspiracy
- E. constructive fraud

Answer: B

Explanation:

Misrepresentation is the name for unintentional but materially false statements made by one party, which can be used to justify rescission of a contract. In order to justify rescission, misrepresentations must have helped convince the other party to enter the contract. Actual fraud is willful false representation designed to convince another party to enter a contract. Constructive fraud, on the other hand, is disregard for the truth. It is essentially gross negligence that leads to misrepresentation.

Interference with business relations is deliberate meddling in or hindering of another party's economic activity. Conspiracy is unlawful collaboration between two or more parties to accomplish either an illegal goal or a legal goal through illegal means.

Question: 3

Which of the following is NOT a necessary part of a contract?

- A. legal capacity
- B. offer and acceptance
- C. legal objective
- D. consideration
- E. documentation

Answer: E

Explanation:

Documentation is not a necessary part of a contract. Although some contracts cannot be enforced without a written agreement, in most cases documentation is unnecessary. There are four required elements to a contract: offer and acceptance, consideration, legal capacity, and a legal objective. Legal capacity is the requisite soundness of mind and authority to make legal decisions. In an offer and acceptance, one side promises to provide something to the other side, and the other side agrees to receive it. The legal objective or purpose of a contract is the effect of the arrangement that is desired by both parties. Consideration is something of value that is given in exchange for the offer. In order for a contract to be valid, both sides must receive something of value.

Question: 4

Which of the following is NOT a potential result of a civil proceeding?

- A. imprisonment
- B. temporary restraining order
- C. compensatory damages
- D. acquittal
- E. declaratory relief

Answer: A

Explanation:

Imprisonment is not a potential result of a civil proceeding. A civil proceeding is initiated by a party that desires to enforce or protect private rights. A criminal proceeding, on the other hand, is initiated by the state to punish wrongdoing. A person convicted in a criminal trial may be imprisoned. A temporary restraining order forbids the defendant from taking a certain action until a trial can be held. Compensatory damages are issued when the plaintiff's rights or property have been damaged but can be restored. Acquittal is a potential result of a civil proceeding, insofar as the defendant may be found

not guilty. Declaratory relief is an official statement of the rights and responsibilities of both parties in a civil proceeding; it is not necessarily accompanied by other remedy.

Question: 5

Which body or bodies regulate the ethics of the medical profession?

- A. state medical associations
- B. state legislatures
- C. United States Surgeon General
- D. federal administrative agencies
- E. United States Congress

Answer: A

Explanation:

State medical associations regulate the ethics of the medical profession. The ethical codes for the medical and legal professions are somewhat different from those of other professions. Doctors and lawyers are governed by state professional associations, and their codes of ethics are enforceable. In most other lines of work, the code of ethics is voluntary and established by a business association. In addition, doctors and lawyers must be licensed in order to perform their duties, while participants in most other trades do not. All of the other answer choices are offices or bodies that may affect the professional lives of doctors but are not primarily responsible for regulating medical ethics.

Question: 6

According to which theory of jurisprudence are laws based on transcendent principles rather than on tradition or social custom?

- A. federalism
- B. natural law
- C. critical legalism
- D. legal positivism
- E. legal realism

Answer: B

Explanation:

The natural law theory of jurisprudence asserts that laws are based on transcendent principles rather than on tradition or social custom. In other words, proponents of natural law believe that there is an inherently correct system of justice, which can be obtained through the exercise of reason. Federalism is the division of power between a central national government and strong state and local governments. Critical legalism considers the law as a set of rules with the underlying intent of maintaining the power of the upper class. Legal positivists deny any link between morality and law. Instead, they assert that law is the result of social relationships. The school of jurisprudence known as legal realism asserts that the law is what the law does; that is, law has no abstract meaning other than how it is used in society.

Question: 7

Dean borrows Sally's computer without asking. While he has it in his possession, he drops it, causing minor damage to the keyboard. Which tort would include Dean's liability to Sally in this scenario?

- A. conversion for the full value of the property
- B. conversion for the actual damages
- C. trespass to personal property for actual damages
- D. transferred intent
- E. trespass to personal property for the full value of the property

Answer: C

Explanation:

In this scenario, Dean would be liable to Sally under the tort of trespass to personal property for actual damages. Trespass to personal property is unjustifiable damage to someone else's personal property. The recovered damages are typically commensurate to the injury or loss of the property. Conversion, on the other hand, is behavior that prevents the plaintiff from using his or her personal property. Conversion typically indicates a more serious infraction than trespass. Theft, unlawful detainment, and destruction of property are all acts of conversion. Since the damage to the keyboard was only minor, Dean would be susceptible only to a tort of trespass. Transferred intent is the tort principle in which a person who intends to injure someone else but instead injures a third person will be charged as if he or she intended to injure the third person.

Question: 8

Which of the following is required for there to be consideration for a contract?

- A. genuineness of assent
- B. a promise of cash payments
- C. a bargained-for disadvantage to the promisor(ee) or an advantage to the promisee(or)
- D. substantially equal economic benefits to both parties
- E. manifestation of mutual assent

Answer: C

Explanation:

In order for there to be consideration for a contract, there must be a bargained-for disadvantage to the promisor(ee) or an advantage to the promisee(or). Of course, many contracts include consideration for both parties. For instance, in a contract for the sale of widgets, both the seller and the buyer act as both promisor and promisee. Answer choices A and E are both required for a valid contract, but are not specifically related to consideration. Consideration may take a number of different forms, and is not limited to cash payments. Also, the equality of the consideration in a contract is not relevant. Unless the consideration arrangement in a contract is incredibly exploitative, it will be upheld by the courts.

Question: 9

Which of the following duties does a corporation owe to its workers?

- A. positive work environment
- B. high wages
- C. smoking breaks
- D. a competitive wage
- E. A corporation owes no duties to its workers.

Answer: D

Explanation:

A corporation owes its workers a competitive wage. Specifically, a corporation is ethically bound to pay its employees whatever the market will bear. In the United States, a corporation is not expected to sacrifice profits in order to maintain salaries. Answer choices A, B, and C are things that a corporation may provide, but are not considered duties. A corporation will strive to create a positive working environment, but it is not required to do so. Also, a corporation would like to provide high wages, but may not be able to do so without endangering profits. Most corporations allow smoking breaks, but they are not required to do so. Finally, answer choice E is incorrect insofar as a corporation has a duty to provide its employees with a competitive wage.

Question: 10

What is the name of the post-judgment remedy that allows a sheriff to seize and sell the nonexempt property of a debtor?

- A. writ of execution
- B. writ of certiorari
- C. garnishment
- D. sequestration
- E. attachment

Answer: A

Explanation:

Writ of execution is the post-judgment remedy that allows a sheriff to seize and sell the nonexempt property of a debtor. If the debtor can satisfy the debt in time, he or she may prevent the sale of the property. Typically, the debtor's home and important personal possessions are exempt from a writ of execution. Garnishment is the process whereby money of the debtor that is held by some other party, as for instance the debtor's employer, is applied to his or her debts. Sequestration is the practice of keeping witnesses or jurors isolated during a trial so that they cannot be influenced unduly. Attachment is taking personal property in order to satisfy a debt ordered by the court.

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