

CLEP Business Law Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which of the following statements is NOT correct regarding liquidated damages for breach of contract?**
 - A. Liquidated damages must be agreed upon by the parties at the time of contracting.
 - B. "Penalty" is another word for liquidated damages and they are treated the same under contract law.
 - C. At the time of contracting, the exact amount of damages must be unknown but capable of reasonable estimation.
 - D. Liquidated damages clauses are included in construction contracts to act as an incentive to perform the construction work in a timely manner.
- 2. How does the assumption of risk defense apply in negligence cases?**
 - A. It absolves the defendant of all liability.
 - B. It indicates that the plaintiff engaged in their activity with awareness of potential risks.
 - C. It applies only if the plaintiff was warned about specific risks.
 - D. It negates any responsibility of the defendant to ensure safety.
- 3. What is the legal term for a defendant who pleads guilty to a statute that protects the plaintiff?**
 - A. Comparative negligence
 - B. Negligence per se
 - C. Contributory negligence
 - D. Intentional tort
- 4. Under which federal statute could an employer likely be held liable for refusing to provide a reasonable accommodation for an employee with a disability?**
 - A. Civil Rights Act of 1964, Title VII
 - B. Fair Labor Standards Act
 - C. Americans with Disabilities Act
 - D. Age Discrimination in Employment Act
- 5. Which of the following is NOT a characteristic of statutory law?**
 - A. It is created by the legislature.
 - B. It can be created by an administrative agency.
 - C. It can be federal, state, or local law.
 - D. If a statute is unclear, it must be interpreted by a court.

- 6. Which type of discrimination does the Age Discrimination in Employment Act specifically guard against?**
- A. Race
 - B. Gender
 - C. Discrimination based on age 40 and over
 - D. Religion
- 7. Which of the following would NOT be considered an illegal contract?**
- A. A gambling loan in a state where gambling is legal.
 - B. A loan contract with usurious interest.
 - C. A contract in restraint of trade.
 - D. A contract of solicitation to commit a crime.
- 8. Which rule generally prohibits the admission of out-of-court statements made by non-witnesses to prove the truth of the matter asserted?**
- A. Motion in alimony
 - B. Parole evidence rule
 - C. Hearsay rule
 - D. Admissions against interest rule
- 9. In negligence lawsuits, what is usually the primary focus of the court?**
- A. Whether the plaintiff acted with reasonable care.
 - B. Whether the defendant owed a duty of care to the plaintiff.
 - C. Whether the plaintiff had any previous injuries.
 - D. Whether the defendant's actions were intentional.
- 10. Which of the following acts provides protection against employment discrimination on the basis of gender?**
- A. Civil Rights Act of 1964
 - B. Age Discrimination in Employment Act
 - C. Americans with Disabilities Act
 - D. Equal Pay Act

Answers

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1. B
2. B
3. B
4. C
5. B
6. C
7. A
8. C
9. B
10. A

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Explanations

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1. Which of the following statements is NOT correct regarding liquidated damages for breach of contract?

- A. Liquidated damages must be agreed upon by the parties at the time of contracting.
- B. "Penalty" is another word for liquidated damages and they are treated the same under contract law.**
- C. At the time of contracting, the exact amount of damages must be unknown but capable of reasonable estimation.
- D. Liquidated damages clauses are included in construction contracts to act as an incentive to perform the construction work in a timely manner.

Liquidated damages serve a specific purpose in contract law, particularly in situations where actual damages are difficult to quantify at the time the contract is made. A critical aspect of liquidated damages is that they are intended to provide a fair estimate of damages resulting from a breach, rather than serve as a punishment. The statement that "penalty" is another word for liquidated damages and they are treated the same under contract law is not correct because the two concepts are fundamentally different. Liquidated damages must represent a reasonable forecast of a party's potential damages resulting from a breach and are enforceable as long as they meet certain legal standards. On the other hand, penalties are designed to punish the breaching party and are typically not enforceable in court. Courts often refuse to enforce penalty clauses as they are viewed as contrary to public policy, which emphasizes that the purpose of damages is to compensate for loss, not to punish the wrongdoer. The other statements accurately reflect the nature of liquidated damages. They must indeed be agreed upon at the time of contracting, be based on a reasonable estimate of damages, and are frequently included in contracts such as construction contracts to ensure timely completion and compliance.

2. How does the assumption of risk defense apply in negligence cases?

- A. It absolves the defendant of all liability.
- B. It indicates that the plaintiff engaged in their activity with awareness of potential risks.**
- C. It applies only if the plaintiff was warned about specific risks.
- D. It negates any responsibility of the defendant to ensure safety.

The assumption of risk defense is a key concept in negligence cases, as it addresses the plaintiff's awareness and acceptance of potential risks associated with certain activities. When this defense is invoked, it demonstrates that the plaintiff was fully informed about the inherent dangers of a particular activity and chose to proceed regardless. This acknowledgment is crucial because it establishes that the plaintiff voluntarily assumed the risks involved. For instance, if a person decides to participate in a contact sport like football, they are generally aware of the risks of injury that come with the game. By choosing to play, the individual assumes those risks and may have a harder time claiming negligence against another player or the organization overseeing the sport. This principle emphasizes personal responsibility and recognizes that individuals are not always protected from the natural consequences of their choices, especially when they engage in activities that carry known risks. The other options do not accurately capture the essence of how the assumption of risk defense functions. While it does relate to awareness of risks, it does not completely absolve the defendant of all liability, as there may be cases where a defendant's negligence may still play a role in causing harm. Additionally, it does not require that the plaintiff be warned of specific risks to apply—it can relate to risks that are common knowledge in the

3. What is the legal term for a defendant who pleads guilty to a statute that protects the plaintiff?

- A. Comparative negligence
- B. Negligence per se**
- C. Contributory negligence
- D. Intentional tort

The correct answer, negligence per se, refers to a legal doctrine that establishes a defendant's liability for violating a law or statute designed to protect a certain group of people or the public. In this context, if a defendant pleads guilty to a statute that directly protects the plaintiff, it implies that the defendant's actions have reached a level of negligence that is considered unlawful, thereby fulfilling one of the conditions necessary for the plaintiff to prove their case. By pleading guilty to a statute, the defendant effectively admits to the violation of that law, which typically serves to establish the standard of conduct expected in similar situations. This makes it easier for the plaintiff to prove their damages or injury, as the defendant's violation of the statute is considered conclusive evidence of negligence in that context. The other options encompass different concepts related to negligence and tort law but do not apply in the same way. Comparative negligence refers to a system for assessing the relative fault of the parties involved, while contributory negligence acts as a complete defense in some jurisdictions when the plaintiff is found to be at fault. An intentional tort, on the other hand, deals with actions taken with the intent to cause harm, which does not apply in a scenario involving a guilty plea to a statute designed to

4. Under which federal statute could an employer likely be held liable for refusing to provide a reasonable accommodation for an employee with a disability?

- A. Civil Rights Act of 1964, Title VII
- B. Fair Labor Standards Act
- C. Americans with Disabilities Act**
- D. Age Discrimination in Employment Act

The Americans with Disabilities Act (ADA) is the federal statute that specifically addresses the rights of individuals with disabilities in the workplace. Under the ADA, employers are required to provide reasonable accommodations to qualified employees with disabilities unless doing so would cause undue hardship to the business. This means that if an employee can perform the essential functions of their job with some modifications to the work environment, the employer is obligated to make those adjustments. In this context, "reasonable accommodation" can include changes such as altering work schedules, modifying equipment, or providing accessible workspaces, aiming to enable individuals with disabilities to perform their job duties effectively. If an employer refuses to make such accommodations without a valid justification, they may be held liable under the ADA for discriminating against that employee based on their disability. The other statutes mentioned do not specifically focus on disability accommodations in the workplace, which is why they wouldn't apply in this scenario. The Civil Rights Act of 1964 addresses discrimination based on race, color, religion, sex, or national origin; the Fair Labor Standards Act focuses mainly on labor standards such as minimum wage and overtime; and the Age Discrimination in Employment Act protects employees 40 years and older from discrimination based on age.

5. Which of the following is NOT a characteristic of statutory law?

- A. It is created by the legislature.
- B. It can be created by an administrative agency.**
- C. It can be federal, state, or local law.
- D. If a statute is unclear, it must be interpreted by a court.

The essence of statutory law lies in its creation and implementation. It is primarily established by legislative bodies at various levels of government, which include federal, state, and local legislatures. This means that statutory law originates from formally enacted statutes, which are codified and accessible to the public. While it's true that administrative agencies can wield significant power by creating regulations within the authority granted to them by legislative statutes, these regulations are not classified as statutory law per se. Instead, they fall under the broader category of administrative law, which derives from statutes but comprises rules and provisions established by governmental agencies to enforce those statutes. Therefore, the principal characteristic of statutory law—its creation specifically by the legislature—excludes administrative regulations from being defined as statutory law. Additionally, statutory law is subject to interpretation by courts, particularly when there is ambiguity in the language of the statute. This reflects the dynamic nature of law, wherein courts play a pivotal role in elucidating and applying statutory provisions to specific cases, ensuring the law is applied consistently and fairly. In summary, while legislative bodies create statutory law, administrative agencies produce regulations that guide the application of those laws, making the latter not a characteristic of statutory law itself.

6. Which type of discrimination does the Age Discrimination in Employment Act specifically guard against?

- A. Race
- B. Gender
- C. Discrimination based on age 40 and over**
- D. Religion

The Age Discrimination in Employment Act (ADEA) specifically guards against discrimination based on age for individuals who are aged 40 and over. This federal law was enacted to promote the employment of older individuals and to prohibit arbitrary age discrimination in employment. It applies to employers with 20 or more employees and covers various employment practices, including hiring, promotions, wages, and termination. The focus on individuals 40 and older reflects the intent to protect a demographic that may face significant challenges in the job market due to ageism, ensuring they do not face disadvantageous treatment in employment opportunities simply due to their age. The other options represent different forms of discrimination that are addressed by other laws, but they are not within the specific scope of the ADEA.

7. Which of the following would NOT be considered an illegal contract?

A. A gambling loan in a state where gambling is legal.

B. A loan contract with usurious interest.

C. A contract in restraint of trade.

D. A contract of solicitation to commit a crime.

The answer identifying a gambling loan in a state where gambling is legal is correct, as it reflects the principle that legality is determined by the laws of the jurisdiction in which the contract is made. In this case, since gambling is permitted under state law, a loan made for gambling purposes does not violate any legal stipulations, making it a legal contract. In contrast, a loan contract with usurious interest would be illegal due to state laws prohibiting excessive interest rates. Similarly, a contract that restrains trade could violate antitrust laws, which are designed to encourage competition and prohibit monopolistic practices. Lastly, a contract that solicits someone to commit a crime is inherently illegal as it involves agreements to engage in unlawful activities, which the law does not recognize or enforce. These distinctions highlight why option A stands out as legal due to its compliance with state regulations regarding gambling.

8. Which rule generally prohibits the admission of out-of-court statements made by non-witnesses to prove the truth of the matter asserted?

A. Motion in alimony

B. Parole evidence rule

C. Hearsay rule

D. Admissions against interest rule

The hearsay rule is a fundamental principle in law that restricts the use of statements made outside of court for the purpose of proving the truth of the matter asserted in those statements. This rule aims to ensure that evidence presented in court is reliable and based on firsthand testimony, allowing for the opportunity to cross-examine witnesses. By prohibiting hearsay, the legal system seeks to minimize the risk of false or misleading information influencing the outcome of a case. In legal proceedings, hearsay is typically defined as an out-of-court statement offered to prove the truth of the content of that statement. This rule is rooted in concerns about the reliability of evidence, as out-of-court statements cannot be subjected to rigorous examination and may lack verifiability. For instance, a statement made by a person who is not present in court cannot be challenged through cross-examination, which is essential in determining credibility and accuracy. This contrasts with other legal principles mentioned, such as the parole evidence rule, which pertains to the admissibility of extrinsic evidence in assessing the terms of a written contract, or the admissions against interest rule, which allows hearsay statements that are self-incriminating to be considered. The motion in alimony isn't relevant in this context, as

9. In negligence lawsuits, what is usually the primary focus of the court?

- A. Whether the plaintiff acted with reasonable care.
- B. Whether the defendant owed a duty of care to the plaintiff.**
- C. Whether the plaintiff had any previous injuries.
- D. Whether the defendant's actions were intentional.

In negligence lawsuits, the primary focus of the court is typically on whether the defendant owed a duty of care to the plaintiff. This legal obligation is foundational in determining whether negligence occurred. Duty of care refers to the responsibility that an individual or entity has to avoid causing harm to others. If the court finds that the defendant had a duty to act (or refrain from acting) in a certain way that would protect the plaintiff from foreseeable harm, this establishes a critical element in the case. Once duty is established, the court will then look at whether that duty was breached, and if the breach directly caused harm to the plaintiff. Therefore, the focus on the existence of a duty of care highlights the principle that individuals and organizations should act in a manner that does not harm others, which is central to negligence law. Other factors, such as the actions of the plaintiff or whether the defendant's actions were intentional, are secondary considerations that come into play after establishing the duty of care.

10. Which of the following acts provides protection against employment discrimination on the basis of gender?

- A. Civil Rights Act of 1964**
- B. Age Discrimination in Employment Act
- C. Americans with Disabilities Act
- D. Equal Pay Act

The Civil Rights Act of 1964 is a landmark piece of legislation that was designed to address and prohibit discrimination on several bases, including race, color, religion, national origin, and sex (gender). This act established the Equal Employment Opportunity Commission (EEOC) and made it illegal for employers to discriminate against employees or job applicants based on their gender, among other characteristics. This protection against gender discrimination encompasses various employment aspects, including hiring, firing, promotions, compensation, and other terms and conditions of employment. By addressing gender discrimination explicitly, the Civil Rights Act plays a critical role in promoting equality and fairness in the workplace. While the other options focus on different aspects of discrimination – the Age Discrimination in Employment Act specifically addresses discrimination based on age, the Americans with Disabilities Act focuses on those with disabilities, and the Equal Pay Act deals with wage disparities based on sex – it is the Civil Rights Act of 1964 that broadly encompasses protections against employment discrimination specifically due to gender.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://clepbusinesslaw.examzify.com>

We wish you the very best on your exam journey. You've got this!

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