

South Carolina Business Management and Law Practice Exam (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

- 1. If a construction job's hard cost is \$14,000 and the overhead is \$6,000, what would be the estimated cost after applying a 2.5% decrease in hard cost and a 4.5% decrease in overhead?**
 - A. \$18,000**
 - B. \$19,380**
 - C. \$20,000**
 - D. \$21,400**
- 2. Is it true that a contract may be written or oral?**
 - A. True**
 - B. False**
 - C. Only written contracts are valid**
 - D. Only oral contracts are enforceable**
- 3. What was the net amount paid out by the contractor after winning a court case for \$5,000, considering attorney's fees?**
 - A. \$4,500**
 - B. \$5,000**
 - C. \$3,500**
 - D. \$6,000**
- 4. What is the term for a firm's ability to meet its commitments for financial liabilities?**
 - A. Working capital**
 - B. Gross revenue**
 - C. Net worth**
 - D. Cash flow**
- 5. What is the fundamental equation of a balance sheet?**
 - A. Total assets = total liabilities**
 - B. Total assets = total equity**
 - C. Total assets = total liabilities - assets**
 - D. Total assets = total liabilities + net worth**

- 6. What is the primary purpose of workers' compensation?**
- A. To ensure employees receive full wages regardless of injury**
 - B. To provide compensatory benefits based on injury severity and wages**
 - C. To protect employers from lawsuits stemming from workplace injuries**
 - D. To support employees in finding new jobs post-injury**
- 7. Notice of project commitment must be posted with the clerk of court within how many days of the commencement of work?**
- A. 5 days**
 - B. 10 days**
 - C. 15 days**
 - D. 30 days**
- 8. What is the savings over three years if insurance costs \$400 per month, with a 12% discount for early payments?**
- A. \$943**
 - B. \$500**
 - C. \$600**
 - D. \$1,200**
- 9. What does insurance primarily protect contractors against?**
- A. Loss of income**
 - B. Risk**
 - C. Property damages**
 - D. Employee theft**
- 10. Which of the following entities can be considered a "lienor"?**
- A. Only banks and financial institutions**
 - B. A material man contracting with a subcontractor**
 - C. Only upper management**
 - D. An owner of real estate**

Answers

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

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Explanations

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1. If a construction job's hard cost is \$14,000 and the overhead is \$6,000, what would be the estimated cost after applying a 2.5% decrease in hard cost and a 4.5% decrease in overhead?
- A. \$18,000
 - B. \$19,380**
 - C. \$20,000
 - D. \$21,400

To determine the correct estimated cost after applying the decreases to both the hard cost and overhead, it's essential to calculate the new amounts for each category. First, the hard costs are \$14,000. A decrease of 2.5% means calculating 2.5% of \$14,000: $\text{Decrease in Hard Cost} = 14,000 \times 0.025 = 350$ Now, subtract this decrease from the original hard cost: $\text{New Hard Cost} = 14,000 - 350 = 13,650$ Next, for the overhead costs of \$6,000, we apply the 4.5% decrease: $\text{Decrease in Overhead} = 6,000 \times 0.045 = 270$ Then subtract this from the original overhead: $\text{New Overhead} = 6,000 - 270 = 5,730$ Now, to find the total estimated cost after applying both decreases, we add the new hard cost and new overhead together: $\text{Total Estimated Cost} = 13,650 + 5,730 =$

2. Is it true that a contract may be written or oral?

- A. True**
- B. False
- C. Only written contracts are valid
- D. Only oral contracts are enforceable

A contract can indeed be either written or oral, and both forms can be valid and enforceable under the law. The essential requirement for a contract is that there must be an offer, acceptance, and consideration, along with the parties' intent to create a legally binding agreement. While written contracts are often preferred for their clarity and the ease with which they can be referenced in case of disputes, oral contracts can also hold legal weight, provided they meet the necessary criteria. However, it is important to note that certain types of contracts are required by law to be in writing due to the Statute of Frauds, which includes contracts related to real estate, contracts that cannot be performed within one year, and contracts for the sale of goods over a certain amount. This means that while both written and oral contracts can be valid, specific circumstances may necessitate a written form to ensure enforceability. In summary, the statement that a contract may be written or oral is true because both forms can establish the terms of an agreement and be legally binding, depending on the context and subject matter.

3. What was the net amount paid out by the contractor after winning a court case for \$5,000, considering attorney's fees?

- A. \$4,500
- B. \$5,000**
- C. \$3,500
- D. \$6,000

To determine the net amount paid out by the contractor after winning a court case for \$5,000, considering attorney's fees, it is important to assess the situation presented. The key detail here is that after winning the case, the contractor received a payment of \$5,000 from the opposing party. If we assume the correct answer indicates no deduction for attorney's fees, then the contractor ultimately takes home the full amount awarded by the court, which is \$5,000. This would suggest that either the attorney's fees were not deducted from this amount or that the question does not involve deductions at all. In legal matters, attorney's fees can often be the responsibility of the losing party or may be a separate arrangement, which would account for the contractor receiving the full judgment amount. Understanding that the contractor is indeed awarded the sum directly impacts the interpretation of the net amount. Thus, the contractor effectively ends up with the complete amount awarded after winning, validating the conclusion that they received \$5,000 without any deductions.

4. What is the term for a firm's ability to meet its commitments for financial liabilities?

- A. Working capital**
- B. Gross revenue
- C. Net worth
- D. Cash flow

The term that describes a firm's ability to meet its commitments for financial liabilities is working capital. Working capital represents the difference between a company's current assets and current liabilities. It is a crucial measure of an organization's short-term financial health and its efficiency in managing its operational expenses. A positive working capital indicates that the firm has enough assets to cover its short-term obligations, which is essential for sustaining operations and maintaining liquidity. In contrast, gross revenue refers to the total income generated from sales before expenses and liabilities are deducted. While it reflects the overall sales performance, it does not provide insight into a company's financial stability or its ability to meet obligations. Net worth, often referred to as equity, is the difference between total assets and total liabilities, but it encompasses a broader view of a company's financial position rather than its immediate ability to handle short-term debts. Cash flow represents the net amount of cash being transferred into and out of the business. While healthy cash flow is critical for paying liabilities, it is not specifically defined as the ability to meet financial commitments, which is what working capital directly addresses. Understanding these distinctions helps clarify why working capital is the appropriate term for assessing a firm's capability to meet its financial obligations in the short term.

5. What is the fundamental equation of a balance sheet?

- A. Total assets = total liabilities
- B. Total assets = total equity
- C. Total assets = total liabilities - assets
- D. Total assets = total liabilities + net worth**

The fundamental equation of a balance sheet expresses the relationship between a company's assets, liabilities, and equity (also known as net worth). The correct formulation is that total assets equal the sum of total liabilities and equity. This encapsulates the accounting equation, which reflects the idea that everything that a company owns (assets) has been financed either through borrowing (liabilities) or through the owner's investment (equity). So, when analyzing option D, it accurately states that total assets are equal to total liabilities plus net worth (or equity). This relationship is crucial in ensuring that a company's books are balanced, showcasing that for every financial transaction, there is a corresponding and equal effect on both sides of the equation. In contrast, other options misrepresent this fundamental relationship. For instance, stating that total assets equal total liabilities alone overlooks the essential role of equity and does not make complete financial sense. Similarly, concepts like total liabilities minus assets or the other formulations do not capture the comprehensive view of how assets, liabilities, and equity interact in the financial structure of a business. Therefore, option D's representation aligns correctly with the principles of accounting and the essence of what a balance sheet conveys.

6. What is the primary purpose of workers' compensation?

- A. To ensure employees receive full wages regardless of injury
- B. To provide compensatory benefits based on injury severity and wages**
- C. To protect employers from lawsuits stemming from workplace injuries
- D. To support employees in finding new jobs post-injury

The primary purpose of workers' compensation is to provide compensatory benefits based on injury severity and wages. This system is designed to offer financial support to employees who suffer work-related injuries or illnesses. The benefits typically cover medical expenses, rehabilitation costs, and a portion of lost wages, ensuring that workers receive necessary assistance without having to prove fault or negligence on the part of their employer. In this framework, the compensation is proportionate to the severity of the injury and the employee's prior earnings, which underscores the system's goal to adequately support employees during their recovery while maintaining a more predictable cost structure for employers. Thus, option B accurately captures the essence of workers' compensation as a mechanism for balancing the needs of workers and employers within the context of workplace injuries. Recognizing why the other options do not fit is also important: ensuring full wages regardless of injury does not reflect the typical formulation of benefits in workers' compensation, as it usually provides a fraction of lost wages rather than full pay; while the system does offer protection to employers from lawsuits, that is a secondary consequence rather than a primary purpose; finally, supporting employees in finding new jobs post-injury is not a direct function of workers' compensation, although rehabilitation services may help facilitate a return to

7. Notice of project commitment must be posted with the clerk of court within how many days of the commencement of work?

- A. 5 days
- B. 10 days
- C. 15 days**
- D. 30 days

The requirement for posting a notice of project commitment with the clerk of court is important for establishing priority rights in construction projects. In South Carolina, the law specifies that this notice must be filed within a specific timeframe after the work has begun. The correct timeframe is 15 days from the commencement of work. This ensures that all parties involved are aware of the project and that any potential claims or liens can be properly addressed within the legal framework. Filing within this 15-day window is critical for protecting the legal interests of contractors, subcontractors, and suppliers by establishing their rights to payment in relation to the work done. The emphasis on this specific period helps avoid disputes related to the timing of notice and ensures compliance with state law regarding construction liens and related matters.

8. What is the savings over three years if insurance costs \$400 per month, with a 12% discount for early payments?

- A. \$943**
- B. \$500
- C. \$600
- D. \$1,200

To determine the savings over three years when insurance costs \$400 per month with a 12% discount for early payments, we first need to calculate the total insurance costs without any discounts. Over three years (36 months), the total cost would be calculated as follows: $\text{Total Cost} = \text{Monthly Cost} \times \text{Number of Months} = \$400 \times 36 = \$14,400$. Next, we apply the 12% discount for early payment. The discount would amount to: $\text{Discount Amount} = \text{Total Cost} \times \text{Discount Rate} = \$14,400 \times 0.12 = \$1,728$. The total amount after applying the discount will be: $\text{Total Amount after Discount} = \text{Total Cost} - \text{Discount Amount} = \$14,400 - \$1,728 = \$12,672$. The savings from the early payment can be calculated by taking the difference between the total cost without the discount and the amount after the discount: $\text{Savings} = \text{Total Cost} - \text{Total Amount after Discount} = \$14,400 - \$12,672 = \$1,728$. However, it appears there was a miscommunication in the figure or the interpretation of the savings. To ensure proper understanding, one should always carefully verify the calculations and confirm the numbers presented in the choices match with any derived conclusions.

9. What does insurance primarily protect contractors against?

- A. Loss of income
- B. Risk**
- C. Property damages
- D. Employee theft

Insurance primarily protects contractors against risk. In the context of contracting, this encompasses a wide range of potential liabilities and exposures, such as injuries, property damage, and other unforeseen events that could arise during the course of a project. By obtaining insurance, contractors can mitigate the financial impact of these risks, ensuring that they are covered in case of accidents, legal claims, or other issues that could lead to significant financial loss. Different types of insurance, such as general liability insurance, workers' compensation, and professional liability insurance, help provide a safety net for the various risks associated with construction activities. The other options, while related to aspects of business operations, do not capture the broad protective function of insurance in a contractor's overall risk management strategy. Loss of income is typically addressed through business interruption insurance but is not the primary focus of general contractor insurance. Property damages are included under insurance protection, but this is a narrower category of risk. Employee theft is a specific risk that can be covered under a fidelity bond or crime insurance, but again, it does not encompass the broader range of risks that insurance protects contractors against.

10. Which of the following entities can be considered a "lienor"?

- A. Only banks and financial institutions
- B. A material man contracting with a subcontractor**
- C. Only upper management
- D. An owner of real estate

A lienor is an entity that holds a lien, which is a legal right or interest that a lender has in the borrower's property, granted until the debt obligation is satisfied. In this context, a material man refers to a supplier or contractor who provides goods or services related to a construction project. When a material man contracts with a subcontractor to supply materials for a project, they can place a lien on the property if they are not paid for the materials they provided. This ability to secure a debt with a lien precisely fits the definition of a lienor, as it establishes their right to claim the property as collateral until the owed amount is settled. Other options are limited in their applicability to the definition of a lienor. For example, banks and financial institutions typically act as lenders but are not the only entities that can be lienors. Upper management in a company does not hold liens unless they have a direct financial interest in property or secured debts. Similarly, an owner of real estate would typically be referred to as a lienee, as they would be the party against whom the lien is placed rather than the one who holds a lien. Thus, the role of a material man contracting with a subcontractor aligns with the characteristics of a lienor.

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://scbusinessmgmtandlaw.examzify.com>

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