

BUL 1 Fall 2015 Exam 2- Due in class on Wednesday, November 18, 2015

True/False

Indicate whether the statement is true or false. Clearly write the answer on the line provided.

- ___ 1. Contract law provides stability and predictability for buyers and sellers.
- ___ 2. An offer that a statute makes illegal automatically terminates the offer.
- ___ 3. Failing to use the word *consideration* in an agreement means that no consideration has been given.
- ___ 4. Any promise made with respect to a past event is enforceable because the event is certain—it has already occurred.
- ___ 5. A promise to pay a debt for which a statute of limitations bars recovery is an unenforceable promise.
- ___ 6. An adult may avoid any contract with a minor.
- ___ 7. A minor may disaffirm a contract only after attaining the age of majority.
- ___ 8. Misrepresentation of a material fact can occur through conduct alone.
- ___ 9. A contract does *not* need to be in writing to be enforceable if it makes performance possible within any definite period of time.
- ___ 10. A delegation relieves the party making it of the obligation to perform.
- ___ 11. Both intended and incidental beneficiaries acquire legal rights in a contract.
- ___ 12. A creditor beneficiary can sue the promisor directly for breach.
- ___ 13. A life insurance contract is a third party beneficiary contract involving a donee beneficiary.
- ___ 14. The rights of a third party beneficiary under a contract vest if the third party brings a suit on the promise.
- ___ 15. If a contract condition is not satisfied, the obligations of the contracting parties are discharged.
- ___ 16. Performance that provides a party with most of the benefits of a contract, in spite of a deviation from the terms, is substantial performance.
- ___ 17. A contract is discharged when its specific subject matter is destroyed.
- ___ 18. Consequential damages are foreseeable damages that arise from a party's breach of a contract.
- ___ 19. Restitution involves one party's recapture of a benefit through which another party has been unjustly enriched.

- ___ 20. A party seeking to recover in quasi contract must show that he or she has been unjustly enriched.

Multiple Choice

Identify the choice that *best* completes the statement or answers the question. Write the letter of the answer clearly on the line provided.

- ___ 21. Sammy makes an offer to Tim to enter into a contract. Tim accepts the offer. A valid contract requires
- an offer only.
 - an acceptance only.
 - an offer and an acceptance.
 - neither an offer nor an acceptance.
- ___ 22. An agreement between Pineapple Oil Company and Frutti Refinery, Inc., requires Frutti's bank to pay Pineapple on receipt of invoices and bills of lading. This letter of credit is
- a formal contract.
 - no contract.
 - an implied contract.
 - a quasi contract.
- ___ 23. On behalf of the rock group Duo, their manager Tebo agrees to a performance in Seaside Amphitheatre on July 4. Rex, acting for Seaside, sends a written copy of the agreement to Tebo to be signed. If Tebo signs the copy, the parties will have
- an express contract.
 - an implied contract.
 - a quasi contract.
 - no contract.
- ___ 24. Following negotiations with Lisa's Leafy Greens for maintenance services for a lawn and garden, Mindy enters into an informal contract. This means that the parties' contract
- requires no special form.
 - is not enforceable.
 - is not a true contract.
 - is voidable.
- ___ 25. Jill tells Jim, who has no knowledge of literary comedy, that she will tutor him in the subject for \$50. As an offer, this is
- effective.
 - not effective, because comedy is not a serious subject.
 - not effective, because Jill's tutoring will be subjective.
 - not effective, because Ken has no knowledge of the subject.
- ___ 26. Tex says to Billy Bob, "I would like to sell you my coin collection." This is *not* an offer because it
- does not describe the subject matter specifically.
 - does not include a price term.
 - only expresses an opinion.
 - only invites Billy Bob to negotiate.

- _____ 27. Business Properties, Inc. (BPI), offers to sell a warehouse to Corporate Investments. Corporate says that it will pay BPI \$100 to hold the offer open for three business days. This
- creates an illegal contract by adding a clause to BPI's offer.
 - makes the offer irrevocable for three days if BPI accepts.
 - negates BPI's offer by changing the price term.
 - voids BPI's offer by extending the time term.
- _____ 28. Sunshine Cell Phone Company offers to buy a laser printer, with a case of paper and an extra cartridge, from Office Products, Inc. (OPI), for \$200. Paul, OPI's representative, says, "Okay, but no paper and no extra cartridge." Paul has
- accepted the offer.
 - made a counteroffer without rejecting the offer.
 - rejected the offer and made a counteroffer.
 - rejected the offer without making a counteroffer.
- _____ 29. Eve tells Adam that she will pay him \$50 if he unloads her truck. Adam's acceptance is complete
- as soon as Adam says he will unload the truck.
 - once Adam starts to unload the truck.
 - only after Adam unloads the truck.
 - when Adam hears Eve's offer.
- _____ 30. Rocko promises to perform, for a price, shoe repair services in affiliation with Togs 'n Things, a clothing store. To support a contract, the consideration exchanged by the parties must be
- adequately considerate.
 - equally valuable.
 - legally sufficient.
 - wisely priced.
- _____ 31. Show This Cinemas promises to pay Bert \$1,000 to repair and clean its marquee. The act of doing this work is
- not consideration because its performance is a preexisting duty.
 - not consideration because its exchange is not a bargain.
 - consideration.
 - not consideration because its value is legally insufficient.
- _____ 32. Tarzon questions whether there is consideration for his contract with Jane to exchange his accounting services for her payment of a certain amount. To constitute consideration, there must be
- a payment of money.
 - a performance of services.
 - a bargained-for exchange.
 - detrimental reliance.
- _____ 33. Sonic Board Corporation files a suit against Custom Fabricators Company, claiming that the consideration for their contract is inadequate. The court will most likely *not* examine the adequacy of the consideration if
- there is a large disparity in the amount of consideration exchanged.
 - Sonic asserts that there is inadequate consideration.
 - something of value passed between the parties.
 - the consideration is worth less than \$100.

Fact Pattern 12-1B

Sal contracts with Tasty Pizza Company to deliver its products. Both parties change their minds, however, and inform each other that they would like to cancel the contract.

- _____ 34. Refer to Fact Pattern 12-1B. The next day, Sal changes her mind and again offers to deliver Tasty's products. Tasty is willing to deal, but for a new price. Sal and Tasty
- may agree to a new contract, but it cannot include a new price.
 - may agree to a new contract that includes the new price.
 - must perform their original contract.
 - must perform the part of their original contract that is executory.
- _____ 35. Metal Fabrication Corporation promises to give stock options to Sigourney for processes she has already designed for the firm. This promise is
- enforceable because it is a new contract.
 - enforceable because it is an illusory promise.
 - enforceable because it is supported by past consideration.
 - unenforceable.
- _____ 36. Stan Lee contracts to hire Sheldon for one year to tend the orchids in his commercial greenhouse but reserves the right to cancel the employment on one month's notice at any time after Sheldon begins work. This promise is
- enforceable.
 - illusory.
 - unliquidated.
 - unforeseen.
- _____ 37. Mickey and Minnie disagree as to the exact amount one owes the other. They form a new agreement that, on fulfillment, will discharge the prior obligation. This is
- a covenant not to sue.
 - an accord and satisfaction.
 - a release.
 - promissory estoppel.
- _____ 38. Sharrod is a minor. As a minor, Sharrod has the capacity to enter into
- an invalid contract.
 - an unavoidable contract.
 - a valid contract.
 - no contract.
- _____ 39. Peter Pan, a minor, takes out an automobile insurance policy and pays a \$1,000 premium. If Peter Pan disaffirms the contract, he can most likely recover
- \$500.
 - \$1,000.
 - \$1,500.
 - nothing.

- _____ 40. Nilsy, a minor, signs a contract to pay Serenity Spa a monthly fee for twenty-four months to use its facilities. Six months later, after reaching the age of majority, Nilsy continues to use the club. This act is
- disaffirmance.
 - emancipation.
 - ratification.
 - unconscionable.
- _____ 41. A court adjudicates Freddie mentally incompetent and appoints Josie to be his guardian. Later, without Josie's knowledge, Freddie signs a contract to sell his farm to George for its real market value. The contract is
- enforceable if Freddie comprehended the consequences.
 - enforceable if Freddie knew the market value of the farm.
 - enforceable if Freddie was the record owner of the farm.
 - void.
- _____ 42. Yoko signs a covenant not to compete as part of a sale of her ongoing medical equipment business to Happey Valley Medico, Inc., in exchange for a bonus payment. The covenant is most likely enforceable by
- both parties.
 - Yoko, but not Happey Valley.
 - Happey Valley, but not Yoko.
 - no one.
- _____ 43. A deal between Lou and Mike requires a transfer of stolen body building equipment for counterfeit currency that Mike will attempt to spend at Now! Discount Mart. This contract is
- enforceable.
 - void.
 - voidable at the option of Lou or Mike.
 - voidable at the option of Now!

Fact Pattern 14-1B

Gert contracts to sell two tracts of land to Hank. Both parties believe that the two tracts are adjacent, but in fact they are not. Gert is still willing to sell the land, but under these circumstances the deal would adversely affect Hank.

- _____ 44. Refer to Fact Pattern 14-1B. The parties' belief about the adjacency of the property is
- a bilateral mistake.
 - a fraudulent misrepresentation.
 - a unilateral mistake.
 - unconscionable.
- _____ 45. Kurt persuades Leo to buy his bicycle by telling Leo that the bike rides "like the wind." Kurt's statement is
- duress.
 - fraud.
 - puffery.
 - undue influence.

- _____ 46. Roc buys a farm from Steve, who claims that it would be a prime site for a housing subdivision. Roc later learns that the law does not permit the land to be used for housing. Roc may
- not rescind the contract.
 - rescind the contract only if Roc did not know the law before the deal.
 - rescind the contract only if Steve knew about the law before the deal.
 - rescind the contract only if the law is not common knowledge.
- _____ 47. Yvon, a golf pro, convinces Zach, who has no athletic ability, that he has considerable talent and induces him to pay Yvon \$10,000 for golf lessons. When Zach realizes the truth, he files a suit against Yvon. Zach is most likely to recover on the basis of
- duress.
 - misrepresentation.
 - unconscionability.
 - none of the choices.
- _____ 48. Dale files a suit against Eve, alleging her fraud in entering into a contract with him. Proof of an injury is required
- to recover damages.
 - to rescind the contract.
 - to undo Eve's influence.
 - under no circumstances.
- _____ 49. Safron threatens physical harm—"you don't want anything to happen to you or your family"—to force Tivoli to sell his business, Umbrellas Unlimited, Inc., to Safron for a below-market price. This is
- a mistake of value.
 - duress.
 - fraud.
 - undue influence.
- _____ 50. Dotty tells a representative of Education Loan Company over the phone that she will pay Felipe's student loan if he does not. Dotty does not get any personal benefit for the promise. This promise is enforceable as a contract by
- Dotty.
 - Education Loan Company.
 - any interested third party, such as Felipe or a member of his family.
 - none of the choices.
- _____ 51. Rand offers Quade the amount of a down payment on a house if Quade marries Rand's daughter Pepper. This promise is enforceable
- only if it is in writing.
 - only if the price of the house includes the land.
 - only if Pepper agrees to marry Quade.
 - under no circumstances.

- _____ 52. Valley Commercial Space, Inc., orally contracts for a lease of its facilities to Willis for the use of his start-up driftboat company. Willis pays part of the price, takes possession, and improves the property for his boatbuilding enterprise. The contract is most likely enforceable by
- Valley and Willis.
 - Willis but not Valley.
 - any interested third party, such as a driftboat customer.
 - no one.
- _____ 53. Vidal files a suit against Spectator Sports World, Inc., to enforce a contract. The only written evidence of the contract is a memo on Spectator's letterhead signed by a company officer. The contract can be enforced if the memo includes
- a correct title, such as "Vidal-Spectator Contract."
 - the name and title of the person who signed the memo.
 - all essential terms.
 - a reference to the source of the funds for payment.

Fact Pattern 15-1B

Odell and Pete sign a contract for the sale of Odell's Pizza Parlor to Pete. The parties intend their written contract to be a final statement of most, but not all, of the terms of their agreement—Odell must first buy the building from Quin, after which Odell and Pete will negotiate a final price.

- _____ 54. Refer to Fact Pattern 15-1B. The writing that Odell and Pete signed is
- a completely integrated contract.
 - a conditionally integrated contract.
 - a partially integrated contract.
 - a supplementally integrated contract.
- _____ 55. Tanya attempts to free herself from the duties of her contract with Drew by telling Drew to find someone else to perform them. This is
- a delegation.
 - an assignment.
 - a third party beneficiary contract.
 - none of the choices.
- _____ 56. Commercial Shipping, Inc., and Dock Services Corporation enter into a contract for Dock to load Commercial's barges for which Commercial agrees to pay Dock. Dock transfers its duty to load the barges to Riverside Freight Company. Dock is
- a delegator.
 - an assignor.
 - an alien.
 - an obligee.
- _____ 57. Miley and Rico enter into a contract for the closing of a sale of Miley's recording studio. When Rico's schedule conflicts, he asks Oliver to perform his duties at the closing. This transfer of duties is
- a delegation.
 - an assignment.
 - prohibited.
 - a negotiation.

Fact Pattern 16-1B

Bayside Construction Company enters into a contract with Clio to remodel Dewey's Home Store, using products from Eagle Building Supplies. Fresh Food Café is next to Dewey's Home Store.

- _____ 58. Refer to Fact Pattern 16-1B. Dewey is
- a delegatee.
 - an assignee.
 - an incidental beneficiary.
 - an intended beneficiary.
- _____ 59. Jen is a third party beneficiary under a contract between Kyla and Leo. Kyla and Leo can modify or rescind their contract without Jen's consent
- at any time.
 - at no time.
 - after* Jen's rights have vested.
 - before* Jen's rights have vested.
- _____ 60. Juana contracts to sell Ignacio her MP3 player for \$30. This contract will be fully discharged when Juana and Ignacio
- agree to sign a bill of sale.
 - exchange the player for the \$30.
 - sign a receipt.
 - shake hands and go their separate ways.
- _____ 61. Dinah contracts to repair a rip in a ventilation duct for Ernie's Café for \$100. If Dinah does not perform, Ernie must pay
- \$100.
 - \$50.
 - \$10.
 - \$0.
- _____ 62. Tia signs a lease that states any change in the zoning law that affects the lease will cause its termination. Union City's zoning board adopts an affecting zoning classification. This adoption satisfies
- no condition.
 - the condition precedent.
 - the concurrent condition.
 - the condition subsequent.

Fact Pattern 17-2B

Bell Medical Education Service enters into a contract to employ Chris as an instructor for two years to begin May 1. One month before the term begins, Bell is underbid by a competitor and loses a major client, Delta Hospital Center. Bell now refuses to hire Chris.

- _____ 63. Refer to Fact Pattern 17-2B. Under the circumstances, with respect to damages, Chris can
- bring an action immediately.
 - bring an action only after the contract's two-year term *begins*.
 - bring an action only after the contract's two-year term *ends*.
 - do nothing.

Name: _____

ID: A

- _____ 64. On April 1, KO Contractors, Inc., contracts to build a store for Lo-Cost Housewares at a specific location in Metro City. On May 1, Metro changes its zoning law to prohibit the construction of a commercial building at that location. Lo-Cost files a suit against KO. In this situation
- KO is in breach of contract.
 - Lo-Cost is in breach of contract.
 - the contract is discharged.
 - the contract is suspended.
- _____ 65. Rachel operates a scrap metal business and contracts to provide ten tons of scrap steel at \$50 per ton to be delivered to Pure Metals, Inc., in six months. An unforeseen shortage of scrap steel suddenly develops, making it impossible for Rachel to fulfill the contract for less than \$500 per ton. Rachel's best defense against performing the contract would be that
- performance of the contract is commercially impracticable.
 - procuring the steel would force the seller into bankruptcy.
 - the law has rendered performance of the contract illegal.
 - the specific subject matter of the contract has been destroyed.
- _____ 66. GroundCover Pools, Inc., agrees to build a swimming pool for Franci, but fails to complete the job. Franci hires EquiAqua, Inc., to finish the project. Candy may recover from GroundCover
- the contract price less costs of materials and labor.
 - the contract price.
 - the costs needed to complete construction.
 - profits plus the costs incurred up to the time of the breach.
- _____ 67. Lava Excavators, Inc., needs a drill to continue its operations and orders one for \$3,000 from Mining Supplies Company. Lava tells Mining that it must receive the drill by Tuesday or it will lose \$10,000. Mining ships the drill late. Lava can recover
- \$13,000.
 - \$10,000.
 - \$3,000.
 - \$0.
- _____ 68. Kris contracts to work exclusively for Little Manufacturing Company during May for \$5,000. On April 30, Little cancels the contract. Kris finds another job during May but earns only \$3,000. Kris files a suit against Little. As compensatory damages, Kris can recover
- \$3,000.
 - \$2,000.
 - \$1,000.
 - \$0.
- _____ 69. Windstar Heli-Pads, Inc., enters into a contract to employ Valerie as an on-site project manager for two years. Windstar breaches the contract. Valerie has a duty to
- do nothing.
 - reduce the damages that Valerie might otherwise suffer.
 - breach the contract with Windstar.
 - sue Windstar to deter others from similar acts.

Name: _____

ID: A

- ____ 70. Tristan hires Stefani to perform at Tristan's Club, but she breaches the agreement to accept a higher-paying job at Rock Star Arena. Tristan files a suit against her. The court will most likely
- a. award damages to Tristan.
 - b. cancel Stefani and Rock Star's contract.
 - c. order Stefani to perform the contract.
 - d. reform Tristan and Stefani's contract.