

# **BADM 412 - BUSINESS LAW REVIEW QUESTIONS**

**FALL, 2003**

1. Farmer Tom grows vegetables and sells most of them to grocery stores in his area. If one of the stores breaks a contract with him and fails to pay for a shipment, what body of law will be used to determine the outcome of the case?

- a. state common law
- b. federal common law
- c. the Uniform Commercial Code
- d. both A and B

2. Which of the following people have the right to enter into contracts?

- a. children
- b. convicted felons
- c. both A and B
- d. none of the above

3. Jerry wants to sell his car to Bill. He says to Bill, "I'll sell you my car for \$2,000." In this scenario, \_\_\_\_\_ is the \_\_\_\_\_.

- a. Jerry; offeror
- b. Jerry; offeree
- c. Bill; offeree
- d. both A and C

4. Al makes a contract in which he will sell his car to Bill for \$5,000. Al has delivered the car, and Bill has paid the \$5,000. What type of contract is it at this moment?

- a. executed
- b. executory
- c. void
- d. none of the above

5. Alpha sells microchips for Beta to use in the manufacture of computers. The industry average

cost of similar chips is \$220. The preprinted terms of the contract between Alpha and Beta say the cost will be \$200 per unit, but this figure has been crossed out and replaced with handwriting that says "\$250/unit". How much will Beta have to pay for each chip?

- a. \$200
- b. \$220
- c. \$250
- d. none of the above

6. Alex is insured by State Farm. He is in a car wreck with Bill, and Alex is at fault. His State Farm policy is written ambiguously, and there is a question as to whether it covers the particular type of accident Alex was involved in. Who will have to pay for the repairs to Bill's car?

- a. Alex
- b. Bill
- c. State Farm
- d. both A and C

7. Don calls Mel on the phone and says, "Let's play golf next Friday." Mel replies, "That would be great. Count me in." Which of the following have passed between Don and Mel?

- a. offer
- b. acceptance
- c. agreement
- d. none of the above

8. Which of the following are offers?

- a. a man saying, "I plan to sell my car for \$10,000 next month."
- b. a woman saying, "Would you sell me your car?"
- c. an advertisement saying, "New Chevy Trucks, \$12,000"
- d. none of the above

9. Ted says to Albert, as they sit alone in a restaurant, "I will sell my boat to Don for \$4,000." To whom has Ted made an offer?

- a. Albert
- b. Don
- c. both Albert and Don
- d. neither Albert and Don

10. Mel offers to sell his car to Sal for \$2,000. Sal says, "No, I don't want to buy it. Oh, what the heck. I'll take it." What has happened?

- a. Sal has accepted Mel's offer.
- b. Sal has rejected Mel's offer .
- c. Sal has made a new offer.
- d. both B and C

11. Mel offers to sell his car to Sal for \$2,000. Sal says, "Would you take \$1,500?" Mel says, "No." Sal then says, "Well, I'll take it for \$2,000." What has happened?

- a. Sal has accepted Mel's offer.
- b. Sal has rejected Mel's offer.
- c. Sal has made a new offer.
- d. both B and C

12. Steve writes a novel, and sends it to Penny Publishing. Penny offers Steve \$5,000 for a six-month option on the work, and Steve accepts the money. Nine months later, Penny has still not agreed to publish, and Biggie publishing offers Steve \$50,000 for the novel. Steve wants to accept. Can he legally do so?

- a. yes, because the offer of \$50,000 is greater than the Penny's offer
- b. yes, because nine months have passed
- c. no, because Penny paid him for the option to publish his book
- d. no, because a person may not accept two offers for the same item

13. On June 1, Fred makes an offer to Barney. Barney says he will think about it and leaves. On June 2, Fred mails a letter to Barney that says, "I revoke my offer." On June 3, Barney mails Fred a letter that says, "I accept your offer." On June 4, Fred receives Barney's letter, and Barney receives Fred's letter. What has happened?

- a. The offer was revoked on June 2.
- b. The offer was accepted on June 3.
- c. The offer was accepted on June 4.
- d. The offer was revoked on June 4.

14. Apply the mailbox rule to this situation: An offer is made June 1. On June 2, a rejection is mailed. On June 3, the offeree changes his mind and mails an acceptance. On June 4, the acceptance arrives, and on June 6, the rejection arrives. What has happened?

- a. The offer was rejected on June 2.
- b. The offer was accepted on June 3.
- c. The offer was accepted on June 4.
- d. The offer was rejected on June 6.

15. Which of the following is the most certain method of accepting an offer?

- a. mail
- b. fax
- c. Phone
- d. e-mail

16. Bert says to Ernie, "In consideration of you being such a swell guy, I'm going to give you \$100." Is there consideration sufficient to enforce this promise?

- a. yes, because he has promised to commit an act
- b. yes, because he has promised to forbear
- c. yes, because Bert specifically used the word "consideration"
- d. no

17. Annette and Ned live in Texas where the drinking age is 21. Annette is concerned that Ned, who is 19, will get into trouble if he drinks while he is still a young man. She offers to pay him \$1,000 if he will promise not to drink until he is 21. Ned agrees, and abstains from drinking until his 21st birthday, when he downs 11 "tequila fanny-bangers" at a local bar. After he sobers up, can he force his aunt to pay him the \$1000?

- a. yes, because he committed a legal act that is valid consideration
- b. yes, because his forbearance constitutes valid consideration
- c. no, because he violated the spirit of the agreement by getting drunk on his 21st birthday
- d. no, because he gave no legal consideration

18. Frank has a long-term contract to wash trucks for the City of Seattle. After a year, soap prices increase, making Frank's prices increase by 5%. He informs the City that he will stop washing trucks unless they agree to pay him an extra 5%. The City agrees. Is this modification valid?

- a. yes, because there was no coercion
- b. yes, because the price increase was unforeseen
- c. no, because a contract can never be modified without new consideration
- d. no, because Frank had a preexisting duty to wash the cars

19. Which of the following is an illusory promise?

- a. a promise to buy "as many as desired"
- b. a promise to buy "as many as needed"
- c. a promise to buy "30 units"
- d. a promise to buy "units for one year, cancelable on 30 days notice"

20. Which of the following must be present for a court to apply the doctrine of promissory estoppel?

- a. a clear and definite promise
- b. reliance by the plaintiff
- c. reliance of a substantial and definite character
- d. all of the above

21. Alex owes Ben \$1,000, and has owed this debt for 10 years. The statute of limitation for debt collection in Ben's state is five years. How much of this debt can Ben recover in court?

- a. \$1,000
- b. \$500
- c. \$0
- d. none of the above

22. Skippy, a minor, forms a voidable contract. What does this mean, in terms of what will happen to the agreement?

- a. No contractual obligations will arise; it is as if nothing ever happened.
- b. Skippy must honor the contract.
- c. Skippy may honor the contract if he wishes, or may avoid his obligations if he wishes.
- d. none of the above

23. Ann is 17, and rents an apartment for two months for \$500 total. The reasonable value of the apartment for that time is only \$400, but Ann rents it anyway because it is near the store where she works. After signing the contract and paying the \$500, Ann decides to disaffirm the contract. How much of her \$500 is she entitled to?

- a. \$0
- b. \$250
- c. \$100
- d. \$500

24. Julie's parents are wealthy, and Julie's allowance is \$100 per week. She buys a \$200 sweater at Foley's. She is 14, and later tries to disaffirm the contract. Who will ultimately be responsible for the reasonable cost of the sweater?

- a. Julie
- b. Julie's parents
- c. Foley's
- d. none of the above

25. Annie voluntarily drinks 14 shots of tequila at a bar. She has no idea what is happening. At some point during the night, she signs a contract with Tom to buy Tom's car. What is the status of this contract?

- a. valid
- b. void
- c. voidable
- d. unenforceable

26. Which of the following is a court likely to consider in determining whether or not a person was "intoxicated"?

- a. the person's opinion of how drunk they were
- b. a third party's opinion of how drunk a person appeared
- c. both A and B
- d. none of the above

27. Bill signs a contract to buy Al's 1977 Camaro for \$5,000. Which of the following mistakes could lead to the contract being invalidated?

- a. The car was actually worth \$2,500.
- b. The car was actually worth \$7,500.
- c. Bill believes he is buying Al's second car, a Mustang.
- d. none of the above

28. Mel writes a letter to Sally offering to sell his aquarium for \$180, and Sally calls and accepts the offer. Which fact(s) would be necessary to invalidate this contract?

- a. Mel meant to type \$810 in the offer, and mixed up the numbers.
- b. Sally knew that Mel must have made a mistake in making such a low offer.
- c. The market value of the aquarium is more than twice \$180.
- d. both A and B

29. What options are available to someone who has been fraudulently induced to sign a contract?

- a. avoid contractual obligations
- b. sue for damages
- c. seek the return of any value given to the other party
- d. all of the above

30. Ted is trying to sell his house, but has problems because there is a hole in the floor of his kitchen. Buyer A comes by the house. She does not ask to see the kitchen, and so never sees the hole. Buyer B asks to see the kitchen. Ted quickly moves a rug over the hole in the floor when B

is in the other room. He says nothing at all about the kitchen to B. To which buyer(s) has Ted made a fraudulent misrepresentation?

- a. A
- b. B
- c. both A and B
- d. none of the above

31. Michelle sells collectable antiques. Which of the following statements to a customer would be a misrepresentation by Michelle if coupled with the outcomes described?

- a. "This doll is worth \$300;" the doll is actually worth \$100.
- b. "This doll will double in value in one year"; the doll is worth the same amount in one year.
- c. "This doll will double in value in one year"; the doll does not double in value for five years.
- d. both A and B

32. Tom sells his radio to Bill, who is blind. Tom says, "It is a Radio Shack radio," when in fact it is a generic brand. Which of the following has occurred?

- a. a fraudulent misrepresentation
- b. fraud
- c. both A and B
- d. none of the above

33. Mel is a mechanic. He sells his car to Dave, and says the air conditioner is in working order. He believes this is true, but has not checked the A/C since the end of last summer. What type of misrepresentation may have occurred here?

- a. fraudulent
- b. negligent
- c. innocent
- d. either B or C

34. Tex, a resident of Texas, goes to Las Vegas and cashes two checks for \$5,000. He loses all of his money, and stops payment on both checks. The casino keeps one of the checks, and sells the other to a collection service in Houston. Casino gambling is illegal in Texas. If both the casino and the collection agency sue Tex, who will he have to pay?

- a. the casino
- b. the collection agency
- c. both A and B
- d. none of the above

35. Ben is an attorney who practices without a license. His client Mel owes him \$1,000 for the performance of legal services when Mel learns this fact. He refuses to pay. What is the status of their contract?

- a. valid
- b. void
- c. voidable
- d. unenforceable

36. Exxon and Barney's gas are competitors in a small town, and Exxon wants to shut Barney's down. Which of the following agreements would not violate public policy?

- a. Exxon buys Barney's and, as part of the agreement, Barney cannot open up another service station in town.
- b. Exxon pays Barney \$10,000 a year to close down, but does not buy his service station.
- c. Both A and B violate public policy.
- d. Neither A nor B violates public policy.

37. Norm hires Linda to clean his apartment once a week. He also tells her, "Oh, yeah. When you come by every week, I want you to bring me a big bag of crack." Which parts of this contract, if any, are enforceable?

- a. the cleaning portion
- b. the drug delivery portion
- c. Both are enforceable.
- d. Neither is enforceable.

38. Mother and son go bicycle shopping. Son agrees to pay for the bike himself, and mother agrees to pay if son does not. The choices list various uses to which the bicycle might be put. In which cases would a writing NOT be required?

- a. Son will be the only rider, and will ride the bike to school.
- b. Mother will be the only rider, and will use the bike for exercise.
- c. Son will be the primary rider, but Mother may borrow it from time to time.
- d. No answer is correct; every choice requires a writing.

39. Which of the following are exceptions to the parole evidence rule? That is, what types of evidence ARE admissible in court?

- a. evidence a contract was signed under duress
- b. evidence a party to a contract is a minor
- c. both a and b
- d. neither a nor b

40. Al, Bill, and Carl live next door to each other. Al decides to leave town for the month of March on vacation. He makes a contract with Bill, in which he will pay \$100 and Bill will mow his yard once a week while he is gone. After Al leaves, Bill mows the lawn once, then becomes more interested in the NCAA basketball tournament on TV. The shaggy lawn annoys Carl, and when Al returns he refuses to pay Bill any money. Under general contract law, who has standing to sue under this contract?

- a. Al only
- b. Bill only
- c. Al and Bill
- d. Al, Bill, and Carl

41. Amanda is Billy's landlord. She assigns the right to receive Billy's monthly rent checks to Matt without telling Billy. Assume Billy pays his next rent check to Amanda. If Matt tries to sue Billy for the March rent payment, will he win?

- a. yes, because as an obligee he has a right to a payment from Billy
- b. yes, because as the assignee he has a right to the payment from Billy
- c. no, because an obligor may always continue to pay the original obligee
- d. no, because Billy was not notified of the assignment

42. Mike, a recent law school graduate, takes the bar exam in July. He expects to get the results in the mail in September. In August, he is hired by the law firm of Dewey, Cheatum, and Howe. His contract says, "You can start immediately at \$42,000 per year, but if you fail the bar exam, you will be terminated immediately." The bar exam clause is a(n)

- a. condition precedent.
- b. condition subsequent.
- c. concurrent condition.
- d. none of the above

43. John promises to buy Tommy's car for \$6,000. This is an example of a(n)

- a. conditional promise.
- b. absolute promise.
- c. qualified promise.
- d. none of the above.

44. Professor Plum orders 500 textbooks from a publisher. They mistakenly miscount the number of books during shipping, and only 498 are sent. What has likely occurred?

- a. complete performance
- b. substantial performance

- c. a breach of contract
- d. both B and C

45. IBM signs an agreement with Best Buy that says, "...will deliver 100 computers if you promise payment upon delivery." Which of the following has happened?

- a. an express condition
- b. a concurrent condition
- c. both A and B
- d. none of the above

46. Paul is hired to build a fence for \$500. Before he starts, the man who hired him tells Paul he doesn't want the fence built after all. Paul is able to find another fence-building job, but it pays only \$400. Further, the new job is far away, and it will cost Paul \$50 in gas to travel back and forth. What is the total amount that Paul could receive in punitive damages from the man who breached the original contract?

- a. \$0
- b. \$150
- c. \$500
- d. \$550

47. A football player overextends his knee, and requires surgery. A rehabilitation specialist later seeks the player's business. He promises the player that he will, after his therapy, have a 100% perfect knee. The player hires him. A year later, the player can walk, but his leg is far from perfect. If the player sues the therapist, what will he receive in damages?

- a. his salary for one season
- b. the value of a perfect knee less the value of his knee as it really is
- c. the value of a perfect knee
- d. nothing

48. Leslie has a contract to sell her 1990 Volvo to Jennifer. At the last minute, Leslie decides she wants to keep her car and refuses to sell it. If Jennifer sues for breach of contract, what remedies will be available to her?

- a. monetary damages
- b. specific performance (a court order for leslie to sell her the car)
- c. an injunction preventing leslie from selling the car to anyone else
- d. all of the above

49. Paul is hired to build a fence for \$500. Before he starts, the man who hired him tells Paul he doesn't want the fence built after all. Paul is able to find another fence-building job, but it pays only \$400. Further, the new job is far away, and it will cost Paul \$50 in gas to travel back and

forth. This \$50 in gas is an example of

- a. incidental damages.
- b. compensatory damages.
- c. punitive damages.
- d. both A and B

50. Mr. Tallyman orders 100 8-foot bunches of bananas from Chiquita for \$2,000. They are never delivered. The market price of the bananas is \$2,000. What amount can Tallyman seek from Chiquita in compensatory damages?

- a. \$0
- b. \$200
- c. \$2,000
- d. none of the above