**CHAPTER 9-INTRODUCTION TO CONTRACTS**

**TRUE/FALSE**

1. One purpose of contract law is to make business matters more predictable.

2. Some of the elements of a contract are agreement, consideration, legality, and capacity.

3. A counteroffer is a rejection of the original offer.

4. Robert offers to buy a car from Jane for $400. Jane must accept this offer in order to form an enforceable contract.

5. Strawly Corp. runs an “adult bookstore” in Metro City, leasing the building from MegaCorp. Then, Metro City passes an ordinance prohibiting the sales of the types of merchandise found in “adult bookstores.” Strawly is still bound to the contract.

6. Contracts for the sale of fabric, automobiles, computers, furniture, and paper clips would all be governed by Article 2 of the Uniform Commercial Code.

7. A valid contract can legally be voided by either party.

8. Lucy and Rick sign a contract in which Lucy agrees to deliver 10 boxes of chocolates in exchange for Rick's promise to pay $5 per box. Lucy delivers the candy. Rick pays for the goods. This contract is fully executory.

9. All oral contracts are quasi-contracts until they are completely executed.

10. Mary goes into Honest Harry's Electronics and purchases a TV. Mary agrees to pay for the TV in 30 days on the store's "30 days same as cash" plan. This is an executory contract.

11. Valerie promises Teresa that she will pay Teresa $75 if Teresa will clean Valerie's house by noon on Saturday. If Teresa cleans the house by noon on Saturday and Valerie pays the $75, then this is an implied, bilateral, executory contract.

12. If the offer does not specify a type of acceptance, the offeree must accept within three day and must do so in writing.

13. When promissory estoppel is used by the courts, it is because there is NOT an enforceable contract present.

14. Under a contract, Danielle is required to paint a room with paint chosen by the homeowners, the Flynns. After Danielle paints the room according to the contract requirements, her duties under the contract are discharged.

15. Alex promises to pay $100 to anyone who finds his lost watch. Kate finds and returns the watch to Alex after hearing of the reward money. Alex and Kate have an enforceable unilateral contract.

16. In seeking to determine whether there is a meeting of the minds, the courts look to how a reasonable person would objectively view the language or actions of the parties.

17. On Monday, Harry puts an offer in the mail to Sally to sell his guitar for $50. Monday night when jamming with his buddies, he decides he will really miss his old guitar and has second thoughts about selling it. Tuesday morning he puts a revocation in the mail informing Sally he has changed his mind and the guitar is no longer for sale. The revocation is effective on Tuesday morning.

**MULTIPLE CHOICE**

1. Jerry offers to shovel the snow from Ben's driveway for $35. Ben replies "OK." This is an example of:

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| a. | an implied, unilateral contract. |
| b. | an express, unilateral contract. |
| c. | an implied, bilateral contract. |
| d. | an express, bilateral contract. |

2. The common law governs contracts for:

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| a. | services. |
| b. | real estate. |
| c. | employment. |
| d. | All of the above. |

3. When Myrtle comes home from work one evening, she finds that her yard has been mowed and trimmed. Later, a man comes to collect for the yard work done. Myrtle refuses to pay for the work since she has never seen the man before and did not hire him to do her yard work. Which of the following answers is most accurate?

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| a. | This is an implied, unilateral contract and she must pay the price requested by the man. |
| b. | This is an express, voidable contract that either party may avoid. |
| c. | The court would order Myrtle to pay the reasonable value of the yard work because of the benefit conferred on her. |
| d. | Myrtle would not have to pay for the yard work. |

4. Dick offers to sell Jane his 1955 Thunderbird convertible. Before Jane can accept the offer, lightning strikes the car and it is totally destroyed. Which of the following is true?

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| a. | Jane can still accept the offer and John must find a 1955 Thunderbird to sell. |
| b. | The offer is terminated by law. |
| c. | Dick can still revoke his offer so long as he does so before Jane accepts. |
| d. | Jane can still accept the offer. She will be entitled to the insurance proceeds. |

5. Wally owns 200 acres of land. Wally offers to sell the land to Robert for $1,500 per acre. Robert replies that he does not need 200 acres of land but would like to buy 40 acres at $1,500 per acre. Wally agrees to sell but does not identify which 40 acres. Later, Wally refuses to sell any land to Robert. What is the result?

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| a. | Robert wins; this is an enforceable contract with complete and definite terms. |
| b. | Robert wins; the UCC will decide which 40 acres are to be sold. |
| c. | Wally wins; the original offer was not intended to be an offer but merely an invitation to negotiate. |
| d. | Wally wins; this agreement is too indefinite since it does not identify which 40 acres are to be sold. |

6. Mike made the following offer to Mick: "I will pay you $500 if you agree to paint my house." Mick replied that he would. At this point, the contract is an:

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| a. | executed, bilateral, express contract. |
| b. | executory, bilateral, implied-in-law contract. |
| c. | executory, unilateral, express contract. |
| d. | executory, bilateral, express contract. |

7. What is not required to establish promissory estoppel?

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| a. | A promise made by the defendant. |
| b. | A promise made by the plaintiff in response to the defendant's promise. |
| c. | Reliance on the defendant's promise. |
| d. | Enforcing the promise is the only way to avoid injustice. |

8. On January 8, Quastrar, Inc. sent Hylavian Company a letter offering to sell $10,000 in restaurant supplies. On January 18, Hylavian mailed a letter to Quastrar accepting the offer. Quastrar received the acceptance letter on January 20. On January 17, Quastrar sent a letter revoking the offer. Hylavian received this letter on January 21. A contract between Quastrar and Hylavian:

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| a. | was not formed because the revocation was effective before the acceptance was sent. |
| b. | was not formed because the revocation was effective before the acceptance was received. |
| c. | was formed on January 18. |
| d. | was formed on January 20. |

9. Shelly offers to sell Jane goods both parties know are stolen. Jane accepts the offer, and agrees to pay for the goods. Later, Jane refuses to accept or pay for the goods. If Shelly sues Jane for breach of contract, what is the probable result?

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| a. | The law would enforce this valid, enforceable contract. |
| b. | Jane would win as this is a voidable contract. |
| c. | Shelly would win as this is a unilateral contract. |
| d. | The law would not enforce Jane's promise, as it does not have a lawful purpose. |

10. Larry goes to his barber who has cut his hair for the past several years. The barber proceeds to cut his hair as they talk about the most recent snow storm to hit the area. This is an example of a:

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| a. | unilateral, implied contract. |
| b. | bilateral, implied contract. |
| c. | unilateral, express contract. |
| d. | bilateral, express contract. |

11. Robert, a minor, buys a stereo from Jane for $200. State law allows a minor to disaffirm contracts within a reasonable time after turning 18. Robert disaffirms the contract the day after turning 18 and returns the stereo.

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| a. | This contract was a valid contract, Robert cannot disaffirm. |
| b. | This contract was a voidable contract, Robert can disaffirm. |
| c. | This contract was a void contract. |
| d. | This contract was unenforceable because it needed to be in writing to be enforceable. |

12. Patty is a poor college student struggling to work and keep up with her studies. Fred, her uncle, promises to pay Patty support of $200 per month for the next six months. Although Fred didn't ask her to, she quits her current job in order to devote full time to her studies for the next six months. Fred makes one payment and then stops with no explanation. If Patty sues, what is the likely result?

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| a. | Fred would win, as he did not ask Patty to quit her job. |
| b. | Patty would win, as a contract was formed when Fred promised to pay her the support. |
| c. | Fred would win, as family members cannot sue each other for breach of an oral promise. |
| d. | Patty may win under the doctrine of promissory estoppel. |

13. Travel Lines offered to sell 10 round-trip tickets to Elaine. Travel Lines stated that the acceptance must be in writing by USPS next-day service. Which of the following acceptances will create a contract between Travel Lines and Elaine?

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| a. | Elaine calls Travel Lines and states that she will buy the tickets. |
| b. | Elaine sends a fax to Travel Lines stating she will buy the tickets. |
| c. | Elaine sends a letter by USPS next-day service to Travel Lines stating that she will buy the tickets. |
| d. | All of the above responses will create a contract between Travel Lines and Elaine since they constitute reasonable means of communication. |

14. The basic distinction between a bilateral contract and a unilateral contract is that:

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| a. | only one promise is involved in a bilateral contract. |
| b. | only one promise is involved in a unilateral contract. |
| c. | the Statute of Frauds applies to one and not the other. |
| d. | one is enforceable, the other is not. |

15. The courts will find an implied contract when:

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| a. | justice demands it. |
| b. | conduct of the parties indicates they intended an agreement. |
| c. | there is promissory estoppel. |
| d. | there is undue influence. |

16. Courts may award damages called “quantum meruit”:

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| a. | which means “as much as he deserved.” |
| b. | which is money the court believes the plaintiff morally ought to have. |
| c. | even though there was no valid contract entitling the plaintiff to it. |
| d. | All of the above. |

17. On January 16, Deb offers to sell her waterbed to Colleen for $600. Colleen accepts and agrees to pay Deb $600 on January 27. Which of the following is correct?

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| a. | Until January 16, the contract was executory. |
| b. | On January 16, the contract was executed. |
| c. | This contract is a unilateral contract. |
| d. | There is no contract until January 27. |

18. An express contract:

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| a. | must be in writing. |
| b. | may be inferred by the conduct of the parties involved. |
| c. | has both parties setting forth their intentions. |
| d. | is not valid in many states. |

19. Which of the following represents a unilateral offer?

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| a. | "I will pay you $50 if you mow my lawn." |
| b. | "I will pay you $50 if you promise to trim that tree." |
| c. | "I will pay you $50 for your CD player." |
| d. | "I will pay you $50 for your backpack." |

20. Walter enters a dentist office and points to a damaged tooth. The dentist, Matt, treats the tooth. If Walter refused to pay and Matt sued:

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| a. | Walter would win as there was no contract. |
| b. | Walter would win because of the UCC. |
| c. | Matt would win; this is an implied contract. |
| d. | Matt would win in *quantum meruit*. |

21. Jennifer has offered to sell her laptop computer for $750 to Jack. She tells Jack that the computer is only six months old but, in fact, it is three years old, and Jennifer wants to unload the lemon. Jack agrees to buy the computer based on Jennifer's representations. This contract is:

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| a. | a void agreement because of the fraud involved. |
| b. | a voidable contract, one that Jack can void. |
| c. | a voidable contract, one that Jennifer can void. |
| d. | a void contract because of the UCC. |

22. Which of the following types of property would be goods under the Uniform Commercial Code?

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| a. | A promissory note. |
| b. | A stock. |
| c. | A patent. |
| d. | A computer. |

23. John enters into a contract to paint Chad's house. When Chad decides on a color, John will buy the paint and paint the house for the price of $2,500. This contract is governed by:

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| a. | the common law of contracts governs because this is a mixed contract (one for services and goods). |
| b. | the common law of contracts governs because the predominant factor of the contract is for the sale of services and not goods. |
| c. | the Uniform Commercial Code governs because a sale of goods is involved. |
| d. | both the common law and the Uniform Commercial Code will govern this contract. |

24. Which of the following is true?

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| a. | After making a counteroffer a party may accept the original offer. |
| b. | A rejection terminates the offer and ends the power to accept the offer |
| c. | If the offer specifies no time limit, the offeree has 2 day to accept. |
| d. | all of the above |

25. Contracts that do not arise from mutual agreement but are created by courts to avoid unjust enrichment are:

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| a. | express contracts. |
| b. | implied contracts. |
| c. | quasi-contracts. |
| d. | unilateral contracts. |

**ESSAY**

1. List and briefly describe the basic elements of a contract.

2. Discuss the requirements of promissory estoppel.

3. ACME, Inc. is a software producer that entered into a verbal agreement with XYZ Corporation wherein XYZ agreed to buy ACME's newly developed software. The agreement also provided that ACME would supply training personnel, as well as technical personnel, to work with XYZ employees in installing and learning the software. What law governs this agreement?

4. Preferred Contractors was a general contractor and owner of a condominium complex which was under construction. Barrett, a subcontractor, had been hired by Henderson Plumbing, another subcontractor, to help it complete the plumbing work on the project. When Henderson began using shoddy installation procedures and subsequently fell behind the scheduled completion time for the project, Preferred Contractors urged Barrett to correct Henderson's mistakes and to finish the job. Barrett refused to continue until he knew who would pay him, since he feared Henderson's financial position was shaky. Nonetheless, Preferred Contractors’ job superintendent told Barrett to go ahead even if Barrett and Preferred Contractors had no contract because "he would use his influence to try to help Barrett get his money." Barrett finished the work and sent a $7,500 bill to Henderson, which was never paid. When Barrett later sent the bill to Preferred Contractors, these facts emerged: Preferred Contractors told him that due to Barrett's failure to notify Preferred Contractors promptly of Henderson's non-payment, Preferred Contractors had already paid Henderson in full and therefore would not pay twice for the work. Discuss the best possible theory of recovery Barrett may argue.

5. Rameriz and Cox enter a contract obligating Cox to supply Rameriz with 2,000 bushels of corn by the end of September. Weather conditions are poor and Cox is unable to grow that much corn himself, but could obtain enough to make up the required difference at a financial loss. Discuss the general purpose of contracts and the result of seeking enforcement of this contract both in a court exercising judicial restraint and in a court practicing judicial activism.