

Fall 2010 - Exam 3

You have 70 minutes to complete this examination. The is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor.

Please be sure to answer all questions on the exam. There are TEN (10) pages and 75 questions to this exam -- 33 True False, and 42 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOU NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate "1" in special codes for version A and "2" in special codes for version B. Failure to provide this information on you answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for "social security number" Failure to follow these directions will result in a 10 point penalty.

Name: _____

ID: A

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer. Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. When a statute protects a certain class of people, a member of that class cannot enforce an illegal contract.
- _____ 2. Disaffirmance is the legal avoidance of a contractual obligation.
- _____ 3. If a minor disaffirms a contract, he or she must disaffirm the entire contract.
- _____ 4. A covenant not to compete that is part of an employment contract will generally be struck down.
- _____ 5. Normally, when a nonbreaching party has been damaged by a breach of contract, he or she has a duty to mitigate those damages.
- _____ 6. Parol evidence includes oral evidence that is outside a written contract and not incorporated into the contract expressly or by reference.
- _____ 7. A person who enters into a contract when he or she is intoxicated can void the contract if he or she did not comprehend the legal consequences.
- _____ 8. Oral evidence of otherwise clear terms in a contract can be introduced at a trial to contradict those terms.
- _____ 9. On a tenant's abandonment of leased premises, the landlord's measure of damages is the amount of the unpaid rent with no adjustments.
- _____ 10. Oral evidence of the meaning of a contract with incomplete terms can be introduced at a trial.
- _____ 11. An exculpatory clause in an employment contract is always enforceable.
- _____ 12. A guardian cannot enter into a legally binding contract on behalf of a mentally incompetent person.
- _____ 13. Oral evidence of the modification of a contract after its making can be introduced at a trial.
- _____ 14. An expert's false statement to a naive buyer about a technical detail may entitle the buyer to rescind a contract.
- _____ 15. An innocent party who has fully performed an illegal contract may sometimes enforce it against a guilty party.
- _____ 16. An integrated contract is the final embodiment of the terms of an agreement.
- _____ 17. A contract involving a *sale* is the only contract relating to an interest in land that must be in writing to be enforceable.

Name: _____

ID: A

- _____ 18. If a price quotation contains a mistake in the adding of a number of figures, the contract may not be enforceable.
- _____ 19. Justifiable reliance on a misrepresentation is an element of fraud.
- _____ 20. Liquidated damages are damages that are uncertain in amount.
- _____ 21. If the purpose of a licensing statute is to raise revenue, a contract with an unlicensed professional may be enforceable.
- _____ 22. A contract must be in writing to be enforceable if the contract makes performance within one year possible.
- _____ 23. A person who enters into a contract when he or she is intoxicated can void the contract only if the intoxication was involuntary.
- _____ 24. Damages compensate a party for harm suffered as a result of another's wrongful act.
- _____ 25. A person's actions may cause a breach of contract or a tort, but never both.
- _____ 26. Misrepresentation of a material fact cannot occur through silence.
- _____ 27. Forcing someone to enter into a contract through fear created by threats makes the contract voidable.
- _____ 28. When a party fails to deliver goods contracted for, the nonbreaching party may obtain consequential damages for a loss of profit from a planned resale.
- _____ 29. The amount of damages on a breach of contract is the difference between the value of what was promised and the value of what was delivered.
- _____ 30. The failure of one party to perform a contract entitles the other party to rescind the deal without returning whatever goods, property, or money was previously conveyed.
- _____ 31. Recovery under quasi contract may be used when one party partially performs under a contract that is unenforceable.
- _____ 32. Parents are ordinarily liable for the contracts made by their minor children, whether or not the children acted on their own.
- _____ 33. The measure of damages for breach of a construction contract depends on which party breaches and when.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 34. Vista Properties, Inc., leases an office building to World Corporation. At the time, the amount of damages on World's default is difficult to determine, so the parties reasonably estimate, and the lease provides, that if World defaults, Vista is entitled to \$50,000 as "liquidated damages." This amount is
- a. an unenforceable limitation of liability.
 - b. an unenforceable penalty.
 - c. punitive damages.
 - d. liquidated damages.
- _____ 35. For Pete to recover the benefit of his bargain from a breached real estate contract with Quest Properties, Inc., the most appropriate remedy is
- a. specific performance.
 - b. rescission.
 - c. reformation.
 - d. damages.
- _____ 36. Jack, a minor, takes out an automobile insurance policy and pays a \$1,000 premium. If Jack disaffirms the contract, he can most likely recover
- a. \$1,000.
 - b. nothing.
 - c. \$500.
 - d. \$1,500.
- _____ 37. Ira orally agrees to buy a unique collection of sports memorabilia for \$1,000 from Jane and sends her \$250 as a down payment. When Ira sends her the rest of the price, Jane refuses to ship Ira the collection. Ira should seek
- a. damages.
 - b. reformation.
 - c. rescission.
 - d. specific performance.
- _____ 38. National Expeditions needs a tent for a mountain-climbing trip and orders one for \$500 from Outdoor Supplies. National does not tell Outdoor about the trip, or that it must receive the tent by July 1 or it will lose \$10,000. Outdoor ships the tent July 15. National can recover
- a. \$500.
 - b. \$10,000.
 - c. \$10,500.
 - d. nominal damages.
- _____ 39. Outstate Properties, Inc. (OPI), agrees to sell certain acreage to Pia. OPI repudiates the deal. Pia sues OPI and recovers damages. Pia can now obtain
- a. nothing more.
 - b. an amount in quasi contract.
 - c. damages representing restitution.
 - d. specific performance of the deal.

- _____ 40. Roy contracts to sell his Double-R Ranch to Sam on May 1. On April 20, Roy tells Sam that he will not go through with the deal. Sam files a suit against Roy. Sam can recover
- nothing.
 - the cost of any ranch that would suit him.
 - the Double-R Ranch.
 - the cost of a similar, nearby ranch.

Fact Pattern 10-5

Odell and Poppy sign a contract for the sale of Odell's Pizza Parlor to Poppy. 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 Poppy will negotiate a final price.

- _____ 41. Refer to Fact Pattern 10-5. Poppy later disputes some of the provisions of the deal with Odell. If the dispute results in litigation, a court will most likely admit evidence of
- ambiguous additional terms.
 - contradictory additional terms.
 - consistent additional terms.
 - fraudulent additional terms.
- _____ 42. Cody and Debora enter into an oral contract under which Cody agrees to work on Debora's ranch for not less than ten days. This contract is enforceable by
- either party.
 - neither party.
 - Cody only.
 - Debora only.
- _____ 43. Masterwork, Inc., files a suit against National Employment Company (NEC) to recover in quasi contract. Masterwork must show in part that
- NEC is in a better financial position than Masterwork.
 - Masterwork and NEC have an enforceable contract.
 - NEC expressly promised to pay Masterwork.
 - Masterwork did not voluntarily confer a benefit on NEC.

Fact Pattern 10-3

Nano Corporation offers to sell a robotic device to Opal Assembly, Inc., but mistakenly transposes some of the digits in the price so that \$15,400 appears in the offer as \$14,500. Opal accepts the written offer.

- _____ 44. Refer to Fact Pattern 10-3. Opal's best argument in favor of enforcement of the contract is that
- a bilateral mistake does not afford relief from a contract.
 - a mistake of value does not afford relief from a contract.
 - a unilateral mistake does not afford relief from a contract.
 - the price was below the prices of comparable devices.
- _____ 45. Stellar Commodities, Inc., agrees to deliver ten tons of sheet metal to Tower Builders Corporation. The agreement states that delivery is to be within "3" days, although the parties intend "30" days. Stellar cannot convince Tower to amend the contract. Stellar should seek
- reformation.
 - specific performance.
 - rescission.
 - damages.

- _____ 46. Pablo contracts to buy a Quotient-brand computer set-up from Regal Systems for \$5,000, but Regal fails to deliver. Pablo buys the computer elsewhere for \$6,500. Pablo's measure of damages is
- \$1,500 plus incidental damages.
 - \$1,500 only.
 - \$0.
 - incidental damages only.
- _____ 47. Bob contracts to work for Central Construction Corporation (CCC) during July for \$4,500. On June 30, CCC cancels the contract. Bob declines a similar job with Design Builders, Inc., which would have paid \$4,000. Bob files a suit against CCC. As compensatory damages, Bob can recover
- \$4,000.
 - \$4,500.
 - \$500.
 - nothing.
- _____ 48. Gregor uses duress to force Honi to agree to pay him for protecting Honi's Coffee Shop against vandalism and destruction. Honi may
- do nothing once she has agreed to pay.
 - recover from the local police for a failure to protect her "direction."
 - avoid the contract or choose to carry it out.
 - recover from her insurer for a failure to direct her "protection."
- _____ 49. Ron breaches his lease with Sunny Properties and vacates the premises six months before the end of the term. In some states, the landlord would have to
- avoid reletting the premises to recover any damages from Ron.
 - relet the premises to recover any damages from Ron.
 - make reasonable efforts to relet the premises to mitigate the damages recoverable from Ron.
 - sell the premises to recover any damages from Ron.

Fact Pattern 10-1

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.

- _____ 50. Refer to Fact Pattern 10-1. The parties' belief about the adjacency of the property is
- fraud.
 - undue influence.
 - a unilateral mistake.
 - a bilateral mistake.
- _____ 51. Nick represents himself as a contractor in Ohio, but he is not licensed in that state. A contract between Pat and Nick by which Nick agrees to build a warehouse for Pat in Ohio is
- not enforceable.
 - enforceable only if Pat knows that Nick is unlicensed.
 - enforceable only if the outcome is successful.
 - enforceable only if Pat does not object after learning of Nick's status.

- _____ 52. Fitch agrees to assume Gandy's debt to Hybrid Seed Corporation. Fitch does not get any personal benefit for the agreement. To be enforceable, the promise
- need not be in writing.
 - must be in writing.
 - must be in writing only if the debt is valued at \$500 or more.
 - must be in writing only if the debt will not be repaid within one year.
- _____ 53. Odell owns Payroll Company, a bookkeeping service losing market share to Quik Work, Inc. Odell pays Remy \$5,000 to steal a list of Quik's clients, to whom Odell will aggressively market Payroll's services. This deal is
- void.
 - voidable at the option of Odell or Remy.
 - voidable at the option of Quik Work.
 - enforceable.
- _____ 54. Reel Graphics, Inc., agrees to assume a debt of Suave Marketing Company to Town Credit Union. This promise is for Reel's benefit. To be enforceable, the promise
- must be in writing only if the debt will not be repaid within one year.
 - need not be in writing.
 - must be in writing only if the debt is valued at \$500 or more.
 - must be in writing.
- _____ 55. Desiree and Eduardo decide to wager, in violation of a state statute, on the outcome of a soccer game. They each deposit money with Felipe, who agrees to pay the winner of the bet. Before the game begins, Eduardo tells Felipe that he has changed his mind about the bet. Eduardo can recover
- the amount of his bet and the amount of Desiree's bet.
 - the amount of his bet minus Felipe's expenses.
 - nothing.
 - the amount of his bet only.
- _____ 56. Nora signs a contract to buy a car just before reaching the age of majority. After reaching the age of majority, Nora does not take possession or make payments. Most courts would hold that she had
- executed the contract.
 - ratified the contract.
 - disaffirmed the contract.
 - rescinded the contract.
- _____ 57. John agrees to sell his sports equipment store to Kay and, as part of the sale, promises not to open a similar store in the United States for twenty years. John's promise is
- unreasonable in terms of Kay's "goodwill" and "reputation."
 - unreasonable in terms of geographic area and time.
 - an unreasonable restraint of trade like all covenants not to compete.
 - valid and enforceable.
- _____ 58. A contract for a sale of land from Unique Properties, Inc., to Veritas Investments Corporation contains an erroneous legal description. The most appropriate remedy for these parties is
- reformation.
 - rescission.
 - damages.
 - specific performance.

- _____ 59. While intoxicated, Tim contracts to buy a bicycle for double its normal price. The contract is
- unenforceable under any circumstances.
 - unenforceable because it obviously favors the other party.
 - enforceable only if Tim understood its legal consequences.
 - enforceable even if Tim did not understand its legal consequences.
- _____ 60. Through fraudulent means, Roy induces Sal to sign a contract to invest with him her profits from Tasty Café. When Sal learns the truth, she may
- recover the money paid only.
 - do nothing with respect to the contract.
 - enforce the contract only.
 - enforce the contract or recover the money paid.
- _____ 61. Dudley, a minor who is under his parents' care and control, signs a contract to rent an apartment from Ewan for one year. Before the end of the term, Dudley moves out. Ewan sues for the rent for the rest of the term. Dudley can
- disaffirm the contract and avoid liability for the rent.
 - avoid liability for the rent but not disaffirm the contract.
 - disaffirm the contract but not avoid liability for the rent.
 - not disaffirm the contract nor avoid liability for the rent.

Fact Pattern 10-2

Moore Properties, Inc., offers in writing to sell to New Development Corporation (NDC) a certain half-acre of land for "\$112,000." After New Development signs the offer in acceptance and returns it, Moore discovers that the price should have been stated as "\$121,000."

- _____ 62. Refer to Fact Pattern 10-2. The effect of Moore's misstatement of the price will most likely fall on
- Moore only.
 - Moore and NDC, who must split the difference.
 - NDC only.
 - neither Moore nor NDC.
- _____ 63. For Dona's breach of their contract, Esteban seeks restitution, which is
- the canceling of a contract.
 - the loss of a bargain.
 - the performance of an act promised in a contract.
 - the recapture of a benefit conferred on a contracting party through which the party has been unjustly enriched.
- _____ 64. Mona contracts to repair a computer for New Data, Inc. (NDI). Mona knows that without the computer, NDI will lose a sale. Mona does not perform as promised. NDI files a suit against Mona. As consequential damages, NDI can recover
- the cost of a new computer.
 - the loss of profit from the lost sale.
 - the difference between Mona's price and the actual cost of repair.
 - nothing.

- _____ 65. Uri and Vicky orally agree on the sale of Uri's Nite Club to Vicky and note terms on a pair of the Club's napkins, which they both sign. A written memorandum evidencing an oral contract that would otherwise be unenforceable must contain
- every term.
 - the preliminary terms.
 - the qualitative terms.
 - the essential terms.
- _____ 66. Rite-Bilt Contractors, Inc., agrees to build a motel for Slumber Motels Corporation. The project proceeds according to plan, but before it is done, Slumber tells Rite-Bilt to quit. Rite-Bilt may recover
- profits plus the costs incurred up to the time of the breach.
 - the costs needed to complete construction.
 - the contract price.
 - the contract price less costs of materials and labor.
- _____ 67. Mia orally promises Nick that she will buy his fishing trawler for \$10,000. Before either party acts in reliance on this promise, under the doctrine of promissory estoppel, the transaction is enforceable by
- either party.
 - Nick only.
 - neither party.
 - Mia only.
- _____ 68. Century Properties, Inc., and Darby enter into a contract for a sale of land. To be enforceable, the contract must be in writing if the land is valued at
- any price.
 - the price paid in consideration of a promise of marriage.
 - the amount of a debt subject to a collateral promise.
 - only \$500 or more.
- _____ 69. Honey Bee Company (HBC) enters into an oral contract with Ivan under which he agrees to clean HBC's offices for two years. This contract is enforceable by
- either party.
 - neither party.
 - HBC only.
 - Ivan only.
- _____ 70. Loyal Engineers, Inc., needs a drill to continue its operations and orders one for \$3,000 from Mining Supplies Company. Loyal tells Mining that it must receive the drill by Tuesday or it will lose \$10,000. Mining ships the drill late. Loyal can recover
- nothing.
 - \$10,000.
 - \$3,000.
 - \$13,000.

Fact Pattern 10-4

Jeff and Kris sign a written contract for the sale of Jeff's Koffee Kiosk to Kris. The parties intend their written contract to be a final statement of the terms of their agreement, including all of its conditions.

- _____ 71. Refer to Fact Pattern 10-4. The writing that Jeff and Kris signed is
- a conditionally integrated contract.
 - a completely integrated contract.
 - an obviously integrated contract.
 - an agreeably integrated contract.
- _____ 72. Theo and Uma orally agree on the sale of Theo's Fitness Center to Uma and note the terms on a sheet of the center's letterhead stationery, which only Theo signs. This agreement is most likely enforceable against
- Uma only.
 - neither Theo nor Uma.
 - Theo only.
 - Theo and Uma.
- _____ 73. Carol pays Dick \$10,000 for Dick to design an advertising campaign for Carol's health club. The next day, Dick tells Carol that he has accepted a job in New York and cannot design the campaign. Carol files a suit against Dick. Carol can recover
- \$100,000.
 - \$1,000.
 - nothing.
 - \$10,000.
- _____ 74. 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
- rescind the contract only if Steve knew about the law before the deal.
 - rescind the contract only if Roc did not know the law before the deal.
 - not rescind the contract.
 - rescind the contract only if the law is not common knowledge.
- _____ 75. Kris contracts to work exclusively for Local Company during May for \$5,000. On April 30, Local cancels the contract. Kris finds another job during May but earns only \$3,000. Kris files a suit against Local. As compensatory damages, Kris can recover
- \$3,000.
 - \$2,000.
 - \$1,000.
 - nothing.

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Answer Section

TRUE/FALSE

1. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 196 OBJ: TYPE: = LOC: AICPA Legal
2. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 186 OBJ: TYPE: N LOC: AICPA Legal
3. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 186 OBJ: TYPE: = LOC: AICPA Legal
4. ANS: F PTS: 1 NAT: AACSB Reflective	REF: 191 OBJ: TYPE: = LOC: AICPA Legal
5. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 244 OBJ: TYPE: = LOC: AICPA Legal
6. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 214 OBJ: TYPE: N LOC: AICPA Legal
7. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 187 OBJ: TYPE: = LOC: AICPA Legal
8. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 214 OBJ: TYPE: N LOC: AICPA Legal
9. ANS: F PTS: 1 NAT: AACSB Reflective	REF: 244 OBJ: TYPE: = LOC: AICPA Legal
10. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
11. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 194 OBJ: TYPE: = LOC: AICPA Legal
12. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 188 OBJ: TYPE: = LOC: AICPA Legal
13. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
14. ANS: T PTS: 1 NAT: AACSB Reflective	REF: 205 OBJ: TYPE: N LOC: AICPA Legal
15. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 196 OBJ: TYPE: N LOC: AICPA Legal
16. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
17. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 209 OBJ: TYPE: N LOC: AICPA Legal
18. ANS: T PTS: 1 NAT: AACSB Reflective	REF: 204 OBJ: TYPE: N LOC: AICPA Legal
19. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 207 OBJ: TYPE: N LOC: AICPA Legal
20. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 245 OBJ: TYPE: = LOC: AICPA Legal
21. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 191 OBJ: TYPE: = LOC: AICPA Legal

22.	ANS: F	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
23.	ANS: F	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
24.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Critical Thinking	
25.	ANS: F	PTS: 1	REF: 244	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
26.	ANS: F	PTS: 1	REF: 207	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
27.	ANS: T	PTS: 1	REF: 208	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
28.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
29.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
30.	ANS: F	PTS: 1	REF: 246	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
31.	ANS: T	PTS: 1	REF: 248	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
32.	ANS: F	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
33.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	

MULTIPLE CHOICE

34.	ANS: D	PTS: 1	REF: 245	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
35.	ANS: A	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
36.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
37.	ANS: D	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
38.	ANS: D	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
39.	ANS: A	PTS: 1	REF: 250	OBJ: TYPE: +
	NAT: AACSB Reflective		LOC: AICPA Legal	
40.	ANS: C	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
41.	ANS: C	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
42.	ANS: A	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
43.	ANS: D	PTS: 1	REF: 248	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	

44.	ANS: C	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
45.	ANS: A	PTS: 1	REF: 247	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
46.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: +
	NAT: AACSB Reflective		LOC: AICPA Legal	
47.	ANS: C	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
48.	ANS: C	PTS: 1	REF: 208	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
49.	ANS: C	PTS: 1	REF: 244	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
50.	ANS: D	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
51.	ANS: A	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
52.	ANS: B	PTS: 1	REF: 210	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
53.	ANS: A	PTS: 1	REF: 195	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
54.	ANS: B	PTS: 1	REF: 211	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
55.	ANS: D	PTS: 1	REF: 189	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
56.	ANS: C	PTS: 1	REF: 186	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
57.	ANS: B	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
58.	ANS: A	PTS: 1	REF: 247	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
59.	ANS: C	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
60.	ANS: D	PTS: 1	REF: 196	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
61.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
62.	ANS: A	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
63.	ANS: D	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
64.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
65.	ANS: D	PTS: 1	REF: 213	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
66.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
67.	ANS: C	PTS: 1	REF: 211	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	

68. ANS: A	PTS: 1	REF: 209	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
69. ANS: B	PTS: 1	REF: 209	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
70. ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
71. ANS: B	PTS: 1	REF: 215	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
72. ANS: C	PTS: 1	REF: 213	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
73. ANS: D	PTS: 1	REF: 243	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
74. ANS: C	PTS: 1	REF: 207	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
75. ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	

	<u> T </u> 18.		<u> C </u> 40.	<u> A </u> 46.
	<u> T </u> 19.	<u> D </u> 34.		
<u> F </u> 1.	<u> F </u> 20.			
<u> T </u> 2.	<u> T </u> 21.			<u> C </u> 47.
<u> T </u> 3.	<u> F </u> 22.	<u> A </u> 35.		
<u> F </u> 4.	<u> F </u> 23.		<u> C </u> 41.	
<u> T </u> 5.				<u> C </u> 48.
	<u> T </u> 24.			
<u> T </u> 6.	<u> F </u> 25.	<u> A </u> 36.		
	<u> F </u> 26.		<u> A </u> 42.	
<u> T </u> 7.	<u> T </u> 27.			<u> C </u> 49.
<u> F </u> 8.	<u> T </u> 28.	<u> D </u> 37.		
<u> F </u> 9.			<u> D </u> 43.	
	<u> T </u> 29.			
<u> T </u> 10.				
<u> F </u> 11.	<u> F </u> 30.			
<u> F </u> 12.		<u> D </u> 38.		
<u> T </u> 13.	<u> T </u> 31.			<u> D </u> 50.
<u> T </u> 14.	<u> F </u> 32.		<u> C </u> 44.	
<u> T </u> 15.	<u> T </u> 33.	<u> A </u> 39.		<u> A </u> 51.
			<u> A </u> 45.	
<u> T </u> 16.				
<u> F </u> 17.				

B 52.

 C 59.

 D 65.

 B 71.

 A 53.

 D 60.

 A 66.

 C 72.

 A 61.

 B 54.

 C 67.

 D 73.

 D 55.

 A 68.

 C 74.

 A 62.

 C 56.

 B 69.

 B 75.

 D 63.

 B 57.

 B 70.

 B 64.

 A 58.

Fall 2010 - Exam 3

You have 70 minutes to complete this examination. The is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor.

Please be sure to answer all questions on the exam. There are TEN (10) pages and 75 questions to this exam -- 33 True False, and 42 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOU NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate "1" in special codes for version A and "2" in special codes for version B. Failure to provide this information on you answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for "social security number" Failure to follow these directions will result in a 10 point penalty.

Name: _____

ID: B

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer. Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. An exculpatory clause in an employment contract is always enforceable.
- _____ 2. If a minor disaffirms a contract, he or she must disaffirm the entire contract.
- _____ 3. Misrepresentation of a material fact cannot occur through silence.
- _____ 4. Normally, when a nonbreaching party has been damaged by a breach of contract, he or she has a duty to mitigate those damages.
- _____ 5. An integrated contract is the final embodiment of the terms of an agreement.
- _____ 6. Forcing someone to enter into a contract through fear created by threats makes the contract voidable.
- _____ 7. Oral evidence of the modification of a contract after its making can be introduced at a trial.
- _____ 8. A contract must be in writing to be enforceable if the contract makes performance within one year possible.
- _____ 9. A covenant not to compete that is part of an employment contract will generally be struck down.
- _____ 10. Disaffirmance is the legal avoidance of a contractual obligation.
- _____ 11. If the purpose of a licensing statute is to raise revenue, a contract with an unlicensed professional may be enforceable.
- _____ 12. A person's actions may cause a breach of contract or a tort, but never both.
- _____ 13. A person who enters into a contract when he or she is intoxicated can void the contract only if the intoxication was involuntary.
- _____ 14. A guardian cannot enter into a legally binding contract on behalf of a mentally incompetent person.
- _____ 15. Liquidated damages are damages that are uncertain in amount.
- _____ 16. Recovery under quasi contract may be used when one party partially performs under a contract that is unenforceable.
- _____ 17. Parol evidence includes oral evidence that is outside a written contract and not incorporated into the contract expressly or by reference.
- _____ 18. A contract involving a *sale* is the only contract relating to an interest in land that must be in writing to be enforceable.

Name: _____

ID: B

- ___ 19. Damages compensate a party for harm suffered as a result of another's wrongful act.
- ___ 20. Oral evidence of the meaning of a contract with incomplete terms can be introduced at a trial.
- ___ 21. When a party fails to deliver goods contracted for, the nonbreaching party may obtain consequential damages for a loss of profit from a planned resale.
- ___ 22. Parents are ordinarily liable for the contracts made by their minor children, whether or not the children acted on their own.
- ___ 23. Oral evidence of otherwise clear terms in a contract can be introduced at a trial to contradict those terms.
- ___ 24. The measure of damages for breach of a construction contract depends on which party breaches and when.
- ___ 25. If a price quotation contains a mistake in the adding of a number of figures, the contract may not be enforceable.
- ___ 26. On a tenant's abandonment of leased premises, the landlord's measure of damages is the amount of the unpaid rent with no adjustments.
- ___ 27. An expert's false statement to a naive buyer about a technical detail may entitle the buyer to rescind a contract.
- ___ 28. When a statute protects a certain class of people, a member of that class cannot enforce an illegal contract.
- ___ 29. An innocent party who has fully performed an illegal contract may sometimes enforce it against a guilty party.
- ___ 30. The failure of one party to perform a contract entitles the other party to rescind the deal without returning whatever goods, property, or money was previously conveyed.
- ___ 31. A person who enters into a contract when he or she is intoxicated can void the contract if he or she did not comprehend the legal consequences.
- ___ 32. The amount of damages on a breach of contract is the difference between the value of what was promised and the value of what was delivered.
- ___ 33. Justifiable reliance on a misrepresentation is an element of fraud.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 34. Pablo contracts to buy a Quotient-brand computer set-up from Regal Systems for \$5,000, but Regal fails to deliver. Pablo buys the computer elsewhere for \$6,500. Pablo's measure of damages is
- incidental damages only.
 - \$1,500 plus incidental damages.
 - \$0.
 - \$1,500 only.
- _____ 35. Jack, a minor, takes out an automobile insurance policy and pays a \$1,000 premium. If Jack disaffirms the contract, he can most likely recover
- \$1,000.
 - \$1,500.
 - nothing.
 - \$500.
- _____ 36. Nora signs a contract to buy a car just before reaching the age of majority. After reaching the age of majority, Nora does not take possession or make payments. Most courts would hold that she had
- disaffirmed the contract.
 - rescinded the contract.
 - ratified the contract.
 - executed the contract.
- _____ 37. Stellar Commodities, Inc., agrees to deliver ten tons of sheet metal to Tower Builders Corporation. The agreement states that delivery is to be within "3" days, although the parties intend "30" days. Stellar cannot convince Tower to amend the contract. Stellar should seek
- rescission.
 - reformation.
 - specific performance.
 - damages.
- _____ 38. For Dona's breach of their contract, Esteban seeks restitution, which is
- the loss of a bargain.
 - the canceling of a contract.
 - the recapture of a benefit conferred on a contracting party through which the party has been unjustly enriched.
 - the performance of an act promised in a contract.

Fact Pattern 10-2

Moore Properties, Inc., offers in writing to sell to New Development Corporation (NDC) a certain half-acre of land for "\$112,000." After New Development signs the offer in acceptance and returns it, Moore discovers that the price should have been stated as "\$121,000."

- _____ 39. Refer to Fact Pattern 10-2. The effect of Moore's misstatement of the price will most likely fall on
- neither Moore nor NDC.
 - Moore only.
 - Moore and NDC, who must split the difference.
 - NDC only.

- _____ 40. Bob contracts to work for Central Construction Corporation (CCC) during July for \$4,500. On June 30, CCC cancels the contract. Bob declines a similar job with Design Builders, Inc., which would have paid \$4,000. Bob files a suit against CCC. As compensatory damages, Bob can recover
- a. \$4,000.
 - b. nothing.
 - c. \$4,500.
 - d. \$500.
- _____ 41. Odell owns Payroll Company, a bookkeeping service losing market share to Quik Work, Inc. Odell pays Remy \$5,000 to steal a list of Quik's clients, to whom Odell will aggressively market Payroll's services. This deal is
- a. voidable at the option of Odell or Remy.
 - b. voidable at the option of Quik Work.
 - c. void.
 - d. enforceable.
- _____ 42. Nick represents himself as a contractor in Ohio, but he is not licensed in that state. A contract between Pat and Nick by which Nick agrees to build a warehouse for Pat in Ohio is
- a. enforceable only if Pat does not object after learning of Nick's status.
 - b. not enforceable.
 - c. enforceable only if the outcome is successful.
 - d. enforceable only if Pat knows that Nick is unlicensed.

Fact Pattern 10-5

Odell and Poppy sign a contract for the sale of Odell's Pizza Parlor to Poppy. 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 Poppy will negotiate a final price.

- _____ 43. Refer to Fact Pattern 10-5. Poppy later disputes some of the provisions of the deal with Odell. If the dispute results in litigation, a court will most likely admit evidence of
- a. ambiguous additional terms.
 - b. contradictory additional terms.
 - c. fraudulent additional terms.
 - d. consistent additional terms.
- _____ 44. While intoxicated, Tim contracts to buy a bicycle for double its normal price. The contract is
- a. enforceable even if Tim did not understand its legal consequences.
 - b. enforceable only if Tim understood its legal consequences.
 - c. unenforceable because it obviously favors the other party.
 - d. unenforceable under any circumstances.
- _____ 45. Masterwork, Inc., files a suit against National Employment Company (NEC) to recover in quasi contract. Masterwork must show in part that
- a. NEC is in a better financial position than Masterwork.
 - b. Masterwork and NEC have an enforceable contract.
 - c. Masterwork did not voluntarily confer a benefit on NEC.
 - d. NEC expressly promised to pay Masterwork.

- _____ 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 Steve knew about the law before the deal.
 - rescind the contract only if the law is not common knowledge.
 - rescind the contract only if Roc did not know the law before the deal.
- _____ 47. Theo and Uma orally agree on the sale of Theo's Fitness Center to Uma and note the terms on a sheet of the center's letterhead stationery, which only Theo signs. This agreement is most likely enforceable against
- Uma only.
 - neither Theo nor Uma.
 - Theo only.
 - Theo and Uma.
- _____ 48. Fitch agrees to assume Gandy's debt to Hybrid Seed Corporation. Fitch does not get any personal benefit for the agreement. To be enforceable, the promise
- must be in writing only if the debt will not be repaid within one year.
 - must be in writing only if the debt is valued at \$500 or more.
 - need not be in writing.
 - must be in writing.
- _____ 49. National Expeditions needs a tent for a mountain-climbing trip and orders one for \$500 from Outdoor Supplies. National does not tell Outdoor about the trip, or that it must receive the tent by July 1 or it will lose \$10,000. Outdoor ships the tent July 15. National can recover
- \$10,500.
 - \$10,000.
 - nominal damages.
 - \$500.
- _____ 50. Honey Bee Company (HBC) enters into an oral contract with Ivan under which he agrees to clean HBC's offices for two years. This contract is enforceable by
- neither party.
 - either party.
 - Ivan only.
 - HBC only.
- _____ 51. Dudley, a minor who is under his parents' care and control, signs a contract to rent an apartment from Ewan for one year. Before the end of the term, Dudley moves out. Ewan sues for the rent for the rest of the term. Dudley can
- disaffirm the contract but not avoid liability for the rent.
 - disaffirm the contract and avoid liability for the rent.
 - not disaffirm the contract nor avoid liability for the rent.
 - avoid liability for the rent but not disaffirm the contract.
- _____ 52. Desiree and Eduardo decide to wager, in violation of a state statute, on the outcome of a soccer game. They each deposit money with Felipe, who agrees to pay the winner of the bet. Before the game begins, Eduardo tells Felipe that he has changed his mind about the bet. Eduardo can recover
- the amount of his bet and the amount of Desiree's bet.
 - the amount of his bet minus Felipe's expenses.
 - nothing.
 - the amount of his bet only.

- _____ 53. Gregor uses duress to force Honi to agree to pay him for protecting Honi's Coffee Shop against vandalism and destruction. Honi may
- a. do nothing once she has agreed to pay.
 - b. recover from her insurer for a failure to direct her "protection."
 - c. avoid the contract or choose to carry it out.
 - d. recover from the local police for a failure to protect her "direction."

Fact Pattern 10-4

Jeff and Kris sign a written contract for the sale of Jeff's Koffee Kiosk to Kris. The parties intend their written contract to be a final statement of the terms of their agreement, including all of its conditions.

- _____ 54. Refer to Fact Pattern 10-4. The writing that Jeff and Kris signed is
- a. a conditionally integrated contract.
 - b. an obviously integrated contract.
 - c. a completely integrated contract.
 - d. an agreeably integrated contract.
- _____ 55. Roy contracts to sell his Double-R Ranch to Sam on May 1. On April 20, Roy tells Sam that he will not go through with the deal. Sam files a suit against Roy. Sam can recover
- a. the cost of any ranch that would suit him.
 - b. the cost of a similar, nearby ranch.
 - c. the Double-R Ranch.
 - d. nothing.
- _____ 56. Reel Graphics, Inc., agrees to assume a debt of Suave Marketing Company to Town Credit Union. This promise is for Reel's benefit. To be enforceable, the promise
- a. must be in writing.
 - b. must be in writing only if the debt will not be repaid within one year.
 - c. must be in writing only if the debt is valued at \$500 or more.
 - d. need not be in writing.

Fact Pattern 10-3

Nano Corporation offers to sell a robotic device to Opal Assembly, Inc., but mistakenly transposes some of the digits in the price so that \$15,400 appears in the offer as \$14,500. Opal accepts the written offer.

- _____ 57. Refer to Fact Pattern 10-3. Opal's best argument in favor of enforcement of the contract is that
- a. a unilateral mistake does not afford relief from a contract.
 - b. a mistake of value does not afford relief from a contract.
 - c. the price was below the prices of comparable devices.
 - d. a bilateral mistake does not afford relief from a contract.
- _____ 58. Rite-Bilt Contractors, Inc., agrees to build a motel for Slumber Motels Corporation. The project proceeds according to plan, but before it is done, Slumber tells Rite-Bilt to quit. Rite-Bilt may recover
- a. the contract price.
 - b. the costs needed to complete construction.
 - c. the contract price less costs of materials and labor.
 - d. profits plus the costs incurred up to the time of the breach.

- _____ 59. Kris contracts to work exclusively for Local Company during May for \$5,000. On April 30, Local cancels the contract. Kris finds another job during May but earns only \$3,000. Kris files a suit against Local. As compensatory damages, Kris can recover
- nothing.
 - \$1,000.
 - \$2,000.
 - \$3,000.
- _____ 60. For Pete to recover the benefit of his bargain from a breached real estate contract with Quest Properties, Inc., the most appropriate remedy is
- rescission.
 - reformation.
 - specific performance.
 - damages.
- _____ 61. Loyal Engineers, Inc., needs a drill to continue its operations and orders one for \$3,000 from Mining Supplies Company. Loyal tells Mining that it must receive the drill by Tuesday or it will lose \$10,000. Mining ships the drill late. Loyal can recover
- \$10,000.
 - \$13,000.
 - \$3,000.
 - nothing.
- _____ 62. John agrees to sell his sports equipment store to Kay and, as part of the sale, promises not to open a similar store in the United States for twenty years. John's promise is
- unreasonable in terms of geographic area and time.
 - an unreasonable restraint of trade like all covenants not to compete.
 - unreasonable in terms of Kay's "goodwill" and "reputation."
 - valid and enforceable.
- _____ 63. Vista Properties, Inc., leases an office building to World Corporation. At the time, the amount of damages on World's default is difficult to determine, so the parties reasonably estimate, and the lease provides, that if World defaults, Vista is entitled to \$50,000 as "liquidated damages." This amount is
- punitive damages.
 - liquidated damages.
 - an unenforceable limitation of liability.
 - an unenforceable penalty.
- _____ 64. Ron breaches his lease with Sunny Properties and vacates the premises six months before the end of the term. In some states, the landlord would have to
- make reasonable efforts to relet the premises to mitigate the damages recoverable from Ron.
 - relet the premises to recover any damages from Ron.
 - avoid reletting the premises to recover any damages from Ron.
 - sell the premises to recover any damages from Ron.

- _____ 65. Century Properties, Inc., and Darby enter into a contract for a sale of land. To be enforceable, the contract must be in writing if the land is valued at
- a. the price paid in consideration of a promise of marriage.
 - b. any price.
 - c. the amount of a debt subject to a collateral promise.
 - d. only \$500 or more.
- _____ 66. Carol pays Dick \$10,000 for Dick to design an advertising campaign for Carol's health club. The next day, Dick tells Carol that he has accepted a job in New York and cannot design the campaign. Carol files a suit against Dick. Carol can recover
- a. \$100,000.
 - b. \$1,000.
 - c. nothing.
 - d. \$10,000.
- _____ 67. Cody and Debora enter into an oral contract under which Cody agrees to work on Debora's ranch for not less than ten days. This contract is enforceable by
- a. Debora only.
 - b. Cody only.
 - c. either party.
 - d. neither party.
- _____ 68. Mia orally promises Nick that she will buy his fishing trawler for \$10,000. Before either party acts in reliance on this promise, under the doctrine of promissory estoppel, the transaction is enforceable by
- a. Mia only.
 - b. Nick only.
 - c. neither party.
 - d. either party.
- _____ 69. Mona contracts to repair a computer for New Data, Inc. (NDI). Mona knows that without the computer, NDI will lose a sale. Mona does not perform as promised. NDI files a suit against Mona. As consequential damages, NDI can recover
- a. the difference between Mona's price and the actual cost of repair.
 - b. the cost of a new computer.
 - c. the loss of profit from the lost sale.
 - d. nothing.
- _____ 70. Uri and Vicky orally agree on the sale of Uri's Nite Club to Vicky and note terms on a pair of the Club's napkins, which they both sign. A written memorandum evidencing an oral contract that would otherwise be unenforceable must contain
- a. the qualitative terms.
 - b. the preliminary terms.
 - c. the essential terms.
 - d. every term.
- _____ 71. Outstate Properties, Inc. (OPI), agrees to sell certain acreage to Pia. OPI repudiates the deal. Pia sues OPI and recovers damages. Pia can now obtain
- a. an amount in quasi contract.
 - b. damages representing restitution.
 - c. specific performance of the deal.
 - d. nothing more.

Fact Pattern 10-1

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.

- _____ 72. Refer to Fact Pattern 10-1. The parties' belief about the adjacency of the property is
- a. a bilateral mistake.
 - b. fraud.
 - c. undue influence.
 - d. a unilateral mistake.
- _____ 73. Ira orally agrees to buy a unique collection of sports memorabilia for \$1,000 from Jane and sends her \$250 as a down payment. When Ira sends her the rest of the price, Jane refuses to ship Ira the collection. Ira should seek
- a. damages.
 - b. reformation.
 - c. specific performance.
 - d. rescission.
- _____ 74. A contract for a sale of land from Unique Properties, Inc., to Veritas Investments Corporation contains an erroneous legal description. The most appropriate remedy for these parties is
- a. damages.
 - b. specific performance.
 - c. reformation.
 - d. rescission.
- _____ 75. Through fraudulent means, Roy induces Sal to sign a contract to invest with him her profits from Tasty Café. When Sal learns the truth, she may
- a. enforce the contract or recover the money paid.
 - b. enforce the contract only.
 - c. do nothing with respect to the contract.
 - d. recover the money paid only.

Fall 2010 - Exam 3

Answer Section

TRUE/FALSE

1. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 194 OBJ: TYPE: = LOC: AICPA Legal
2. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 186 OBJ: TYPE: = LOC: AICPA Legal
3. ANS: F PTS: 1 NAT: AACSB Reflective	REF: 207 OBJ: TYPE: N LOC: AICPA Legal
4. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 244 OBJ: TYPE: = LOC: AICPA Legal
5. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
6. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 208 OBJ: TYPE: N LOC: AICPA Legal
7. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
8. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 209 OBJ: TYPE: N LOC: AICPA Legal
9. ANS: F PTS: 1 NAT: AACSB Reflective	REF: 191 OBJ: TYPE: = LOC: AICPA Legal
10. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 186 OBJ: TYPE: N LOC: AICPA Legal
11. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 191 OBJ: TYPE: = LOC: AICPA Legal
12. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 244 OBJ: TYPE: = LOC: AICPA Legal
13. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 187 OBJ: TYPE: = LOC: AICPA Legal
14. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 188 OBJ: TYPE: = LOC: AICPA Legal
15. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 245 OBJ: TYPE: = LOC: AICPA Legal
16. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 248 OBJ: TYPE: = LOC: AICPA Legal
17. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 214 OBJ: TYPE: N LOC: AICPA Legal
18. ANS: F PTS: 1 NAT: AACSB Analytic	REF: 209 OBJ: TYPE: N LOC: AICPA Legal
19. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 243 OBJ: TYPE: N LOC: AICPA Critical Thinking
20. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 215 OBJ: TYPE: N LOC: AICPA Legal
21. ANS: T PTS: 1 NAT: AACSB Analytic	REF: 243 OBJ: TYPE: = LOC: AICPA Legal

22.	ANS: F	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
23.	ANS: F	PTS: 1	REF: 214	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
24.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
25.	ANS: T	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
26.	ANS: F	PTS: 1	REF: 244	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
27.	ANS: T	PTS: 1	REF: 205	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
28.	ANS: F	PTS: 1	REF: 196	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
29.	ANS: T	PTS: 1	REF: 196	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
30.	ANS: F	PTS: 1	REF: 246	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
31.	ANS: T	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
32.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
33.	ANS: T	PTS: 1	REF: 207	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	

MULTIPLE CHOICE

34.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: +
	NAT: AACSB Reflective		LOC: AICPA Legal	
35.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
36.	ANS: A	PTS: 1	REF: 186	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
37.	ANS: B	PTS: 1	REF: 247	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
38.	ANS: C	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
39.	ANS: B	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
40.	ANS: D	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
41.	ANS: C	PTS: 1	REF: 195	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
42.	ANS: B	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
43.	ANS: D	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	

44.	ANS: B	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
45.	ANS: C	PTS: 1	REF: 248	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
46.	ANS: A	PTS: 1	REF: 207	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
47.	ANS: C	PTS: 1	REF: 213	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
48.	ANS: D	PTS: 1	REF: 210	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
49.	ANS: C	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
50.	ANS: A	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
51.	ANS: B	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
52.	ANS: D	PTS: 1	REF: 189	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
53.	ANS: C	PTS: 1	REF: 208	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
54.	ANS: C	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
55.	ANS: C	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
56.	ANS: D	PTS: 1	REF: 211	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
57.	ANS: A	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
58.	ANS: D	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
59.	ANS: C	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
60.	ANS: C	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
61.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
62.	ANS: A	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
63.	ANS: B	PTS: 1	REF: 245	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
64.	ANS: A	PTS: 1	REF: 244	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
65.	ANS: B	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
66.	ANS: D	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
67.	ANS: C	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	

68. ANS: C	PTS: 1	REF: 211	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
69. ANS: C	PTS: 1	REF: 243	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
70. ANS: C	PTS: 1	REF: 213	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
71. ANS: D	PTS: 1	REF: 250	OBJ: TYPE: +
NAT: AACSB Reflective		LOC: AICPA Legal	
72. ANS: A	PTS: 1	REF: 204	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
73. ANS: C	PTS: 1	REF: 246	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
74. ANS: C	PTS: 1	REF: 247	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
75. ANS: A	PTS: 1	REF: 196	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	

	<u> T </u> 19.		<u> D </u> 40.	<u> A </u> 46.
	<u> T </u> 20.			
	<u> T </u> 21.	<u> B </u> 34.		
<u> F </u> 1.				
<u> T </u> 2.	<u> F </u> 22.		<u> C </u> 41.	<u> C </u> 47.
<u> F </u> 3.	<u> F </u> 23.	<u> A </u> 35.		
<u> T </u> 4.	<u> T </u> 24.			
	<u> T </u> 25.			<u> D </u> 48.
<u> T </u> 5.			<u> B </u> 42.	
<u> T </u> 6.	<u> F </u> 26.	<u> A </u> 36.		
<u> T </u> 7.				
<u> F </u> 8.	<u> T </u> 27.			<u> C </u> 49.
<u> F </u> 9.	<u> F </u> 28.	<u> B </u> 37.		
<u> T </u> 10.	<u> T </u> 29.			
<u> T </u> 11.			<u> D </u> 43.	<u> A </u> 50.
	<u> F </u> 30.			
<u> F </u> 12.		<u> C </u> 38.		
<u> F </u> 13.	<u> T </u> 31.			
	<u> T </u> 32.		<u> B </u> 44.	<u> B </u> 51.
<u> F </u> 14.				
<u> F </u> 15.	<u> T </u> 33.			
<u> T </u> 16.			<u> C </u> 45.	
<u> T </u> 17.		<u> B </u> 39.		<u> D </u> 52.
<u> F </u> 18.				

C 53.

 C 59.

 B 65.

 A 72.

 D 66.

 C 60.

 C 73.

 C 54.

 A 61.

 C 67.

 C 74.

 C 55.

 C 68.

 A 62.

 A 75.

 D 56.

 C 69.

 B 63.

 A 57.

 C 70.

 A 64.

 D 58.

 D 71.

Fall 2010 - Exam 3

You have 70 minutes to complete this examination. The is a CLOSED book exam. All other study materials, including back packs and purses, must be placed on the floor.

Please be sure to answer all questions on the exam. There are TEN (10) pages and 75 questions to this exam -- 33 True False, and 42 multiple choice. Count to make sure that you have all the pages and review your exam to make sure that you do not miss answering any pages or questions of the exam.

USE A FOR TRUE AND B FOR FALSE IN THE TRUE/FALSE SECTION.

PLEASE BE SURE TO TURN IN THE EXAM WITH YOU NAME ON THE FIRST PAGE OF THE EXAM YOU WERE GIVEN. IF YOU FAIL TO PUT YOUR NAME ON A COPY OF THE EXAM, YOU MAY BE GIVEN A -0- FOR THE EXAM.

ANSWERS SHOULD BE ENTERED ON THE MACHINE READABLE FORM. PLEASE BE SURE TO USE PENCIL SO THAT YOUR ANSWERS CAN BE READ BY THE GRADING MACHINE. PLEASE BE SURE TO ALSO INCLUDE YOUR STUDENT ID NUMBER ON THE ANSWER SHEET.

You should try and provide answers for all questions, as there is no penalty for a wrong answer, and it counts the same as an omitted question. A correct answer for the True/False section is worth 1 point, while a correct answer for a multiple choice question is worth 2 points. In the multiple choice section there are often two answers which may appear to potentially be correct. You must choose the response which answers the question the best.

You must use a number 2 pencil when filling out the exam. Failure to use a pencil will result in a 5 point penalty. There are two versions to this exam. You must indicate "1" in special codes for version A and "2" in special codes for version B. Failure to provide this information on you answer sheet will result in 10 point penalty. You must put your student id number in where the answer sheet provides for "social security number" Failure to follow these directions will result in a 10 point penalty.

Name: _____

ID: C

Any lack of clarity with regard to your answer choice may result in you not being awarded points for your answer. Good Luck.

True/False

Indicate whether the statement is true or false.

- _____ 1. Liquidated damages are damages that are uncertain in amount.
- _____ 2. An exculpatory clause in an employment contract is always enforceable.
- _____ 3. Oral evidence of otherwise clear terms in a contract can be introduced at a trial to contradict those terms.
- _____ 4. If the purpose of a licensing statute is to raise revenue, a contract with an unlicensed professional may be enforceable.
- _____ 5. Parents are ordinarily liable for the contracts made by their minor children, whether or not the children acted on their own.
- _____ 6. Recovery under quasi contract may be used when one party partially performs under a contract that is unenforceable.
- _____ 7. A contract must be in writing to be enforceable if the contract makes performance within one year possible.
- _____ 8. If a minor disaffirms a contract, he or she must disaffirm the entire contract.
- _____ 9. Normally, when a nonbreaching party has been damaged by a breach of contract, he or she has a duty to mitigate those damages.
- _____ 10. Justifiable reliance on a misrepresentation is an element of fraud.
- _____ 11. Oral evidence of the modification of a contract after its making can be introduced at a trial.
- _____ 12. The amount of damages on a breach of contract is the difference between the value of what was promised and the value of what was delivered.
- _____ 13. A person who enters into a contract when he or she is intoxicated can void the contract if he or she did not comprehend the legal consequences.
- _____ 14. If a price quotation contains a mistake in the adding of a number of figures, the contract may not be enforceable.
- _____ 15. On a tenant's abandonment of leased premises, the landlord's measure of damages is the amount of the unpaid rent with no adjustments.
- _____ 16. When a statute protects a certain class of people, a member of that class cannot enforce an illegal contract.
- _____ 17. Disaffirmance is the legal avoidance of a contractual obligation.

Name: _____

ID: C

- _____ 18. A contract involving a *sale* is the only contract relating to an interest in land that must be in writing to be enforceable.
- _____ 19. An expert's false statement to a naive buyer about a technical detail may entitle the buyer to rescind a contract.
- _____ 20. Parol evidence includes oral evidence that is outside a written contract and not incorporated into the contract expressly or by reference.
- _____ 21. A person's actions may cause a breach of contract or a tort, but never both.
- _____ 22. Misrepresentation of a material fact cannot occur through silence.
- _____ 23. The measure of damages for breach of a construction contract depends on which party breaches and when.
- _____ 24. Damages compensate a party for harm suffered as a result of another's wrongful act.
- _____ 25. An integrated contract is the final embodiment of the terms of an agreement.
- _____ 26. A person who enters into a contract when he or she is intoxicated can void the contract only if the intoxication was involuntary.
- _____ 27. An innocent party who has fully performed an illegal contract may sometimes enforce it against a guilty party.
- _____ 28. Forcing someone to enter into a contract through fear created by threats makes the contract voidable.
- _____ 29. A covenant not to compete that is part of an employment contract will generally be struck down.
- _____ 30. A guardian cannot enter into a legally binding contract on behalf of a mentally incompetent person.
- _____ 31. The failure of one party to perform a contract entitles the other party to rescind the deal without returning whatever goods, property, or money was previously conveyed.
- _____ 32. When a party fails to deliver goods contracted for, the nonbreaching party may obtain consequential damages for a loss of profit from a planned resale.
- _____ 33. Oral evidence of the meaning of a contract with incomplete terms can be introduced at a trial.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 34. Odell owns Payroll Company, a bookkeeping service losing market share to Quik Work, Inc. Odell pays Remy \$5,000 to steal a list of Quik's clients, to whom Odell will aggressively market Payroll's services. This deal is
- a. void.
 - b. voidable at the option of Odell or Remy.
 - c. voidable at the option of Quik Work.
 - d. enforceable.

Fact Pattern 10-4

Jeff and Kris sign a written contract for the sale of Jeff's Koffee Kiosk to Kris. The parties intend their written contract to be a final statement of the terms of their agreement, including all of its conditions.

- _____ 35. Refer to Fact Pattern 10-4. The writing that Jeff and Kris signed is
- a. a conditionally integrated contract.
 - b. an obviously integrated contract.
 - c. a completely integrated contract.
 - d. an agreeably integrated contract.
- _____ 36. Honey Bee Company (HBC) enters into an oral contract with Ivan under which he agrees to clean HBC's offices for two years. This contract is enforceable by
- a. neither party.
 - b. Ivan only.
 - c. HBC only.
 - d. either party.
- _____ 37. Century Properties, Inc., and Darby enter into a contract for a sale of land. To be enforceable, the contract must be in writing if the land is valued at
- a. only \$500 or more.
 - b. the price paid in consideration of a promise of marriage.
 - c. the amount of a debt subject to a collateral promise.
 - d. any price.

Fact Pattern 10-3

Nano Corporation offers to sell a robotic device to Opal Assembly, Inc., but mistakenly transposes some of the digits in the price so that \$15,400 appears in the offer as \$14,500. Opal accepts the written offer.

- _____ 38. Refer to Fact Pattern 10-3. Opal's best argument in favor of enforcement of the contract is that
- a. a bilateral mistake does not afford relief from a contract.
 - b. a unilateral mistake does not afford relief from a contract.
 - c. the price was below the prices of comparable devices.
 - d. a mistake of value does not afford relief from a contract.

- _____ 39. Stellar Commodities, Inc., agrees to deliver ten tons of sheet metal to Tower Builders Corporation. The agreement states that delivery is to be within "3" days, although the parties intend "30" days. Stellar cannot convince Tower to amend the contract. Stellar should seek
- damages.
 - reformation.
 - specific performance.
 - rescission.
- _____ 40. Kris contracts to work exclusively for Local Company during May for \$5,000. On April 30, Local cancels the contract. Kris finds another job during May but earns only \$3,000. Kris files a suit against Local. As compensatory damages, Kris can recover
- \$2,000.
 - \$3,000.
 - nothing.
 - \$1,000.

Fact Pattern 10-2

Moore Properties, Inc., offers in writing to sell to New Development Corporation (NDC) a certain half-acre of land for "\$112,000." After New Development signs the offer in acceptance and returns it, Moore discovers that the price should have been stated as "\$121,000."

- _____ 41. Refer to Fact Pattern 10-2. The effect of Moore's misstatement of the price will most likely fall on
- NDC only.
 - Moore and NDC, who must split the difference.
 - Moore only.
 - neither Moore nor NDC.
- _____ 42. Desiree and Eduardo decide to wager, in violation of a state statute, on the outcome of a soccer game. They each deposit money with Felipe, who agrees to pay the winner of the bet. Before the game begins, Eduardo tells Felipe that he has changed his mind about the bet. Eduardo can recover
- nothing.
 - the amount of his bet minus Felipe's expenses.
 - the amount of his bet and the amount of Desiree's bet.
 - the amount of his bet only.
- _____ 43. Nora signs a contract to buy a car just before reaching the age of majority. After reaching the age of majority, Nora does not take possession or make payments. Most courts would hold that she had
- executed the contract.
 - disaffirmed the contract.
 - ratified the contract.
 - rescinded the contract.
- _____ 44. Cody and Debora enter into an oral contract under which Cody agrees to work on Debora's ranch for not less than ten days. This contract is enforceable by
- Debora only.
 - either party.
 - Cody only.
 - neither party.

- _____ 45. Ron breaches his lease with Sunny Properties and vacates the premises six months before the end of the term. In some states, the landlord would have to
- sell the premises to recover any damages from Ron.
 - relet the premises to recover any damages from Ron.
 - avoid reletting the premises to recover any damages from Ron.
 - make reasonable efforts to relet the premises to mitigate the damages recoverable from Ron.
- _____ 46. Roy contracts to sell his Double-R Ranch to Sam on May 1. On April 20, Roy tells Sam that he will not go through with the deal. Sam files a suit against Roy. Sam can recover
- the Double-R Ranch.
 - the cost of a similar, nearby ranch.
 - the cost of any ranch that would suit him.
 - nothing.
- _____ 47. Nick represents himself as a contractor in Ohio, but he is not licensed in that state. A contract between Pat and Nick by which Nick agrees to build a warehouse for Pat in Ohio is
- enforceable only if the outcome is successful.
 - enforceable only if Pat does not object after learning of Nick's status.
 - not enforceable.
 - enforceable only if Pat knows that Nick is unlicensed.
- _____ 48. Bob contracts to work for Central Construction Corporation (CCC) during July for \$4,500. On June 30, CCC cancels the contract. Bob declines a similar job with Design Builders, Inc., which would have paid \$4,000. Bob files a suit against CCC. As compensatory damages, Bob can recover
- nothing.
 - \$500.
 - \$4,000.
 - \$4,500.
- _____ 49. Ira orally agrees to buy a unique collection of sports memorabilia for \$1,000 from Jane and sends her \$250 as a down payment. When Ira sends her the rest of the price, Jane refuses to ship Ira the collection. Ira should seek
- rescission.
 - specific performance.
 - damages.
 - reformation.
- _____ 50. Jack, a minor, takes out an automobile insurance policy and pays a \$1,000 premium. If Jack disaffirms the contract, he can most likely recover
- \$1,000.
 - \$500.
 - nothing.
 - \$1,500.
- _____ 51. Gregor uses duress to force Honi to agree to pay him for protecting Honi's Coffee Shop against vandalism and destruction. Honi may
- avoid the contract or choose to carry it out.
 - do nothing once she has agreed to pay.
 - recover from her insurer for a failure to direct her "protection."
 - recover from the local police for a failure to protect her "direction."

- _____ 52. Mia orally promises Nick that she will buy his fishing trawler for \$10,000. Before either party acts in reliance on this promise, under the doctrine of promissory estoppel, the transaction is enforceable by
- Nick only.
 - neither party.
 - either party.
 - Mia only.
- _____ 53. Dudley, a minor who is under his parents' care and control, signs a contract to rent an apartment from Ewan for one year. Before the end of the term, Dudley moves out. Ewan sues for the rent for the rest of the term. Dudley can
- disaffirm the contract and avoid liability for the rent.
 - disaffirm the contract but not avoid liability for the rent.
 - not disaffirm the contract nor avoid liability for the rent.
 - avoid liability for the rent but not disaffirm the contract.

Fact Pattern 10-1

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.

- _____ 54. Refer to Fact Pattern 10-1. The parties' belief about the adjacency of the property is
- a bilateral mistake.
 - undue influence.
 - a unilateral mistake.
 - fraud.
- _____ 55. National Expeditions needs a tent for a mountain-climbing trip and orders one for \$500 from Outdoor Supplies. National does not tell Outdoor about the trip, or that it must receive the tent by July 1 or it will lose \$10,000. Outdoor ships the tent July 15. National can recover
- nominal damages.
 - \$10,500.
 - \$500.
 - \$10,000.
- _____ 56. Rite-Bilt Contractors, Inc., agrees to build a motel for Slumber Motels Corporation. The project proceeds according to plan, but before it is done, Slumber tells Rite-Bilt to quit. Rite-Bilt may recover
- the contract price less costs of materials and labor.
 - profits plus the costs incurred up to the time of the breach.
 - the costs needed to complete construction.
 - the contract price.
- _____ 57. Reel Graphics, Inc., agrees to assume a debt of Suave Marketing Company to Town Credit Union. This promise is for Reel's benefit. To be enforceable, the promise
- need not be in writing.
 - must be in writing only if the debt will not be repaid within one year.
 - must be in writing.
 - must be in writing only if the debt is valued at \$500 or more.

- _____ 58. Fitch agrees to assume Gandy's debt to Hybrid Seed Corporation. Fitch does not get any personal benefit for the agreement. To be enforceable, the promise
- must be in writing only if the debt will not be repaid within one year.
 - need not be in writing.
 - must be in writing.
 - must be in writing only if the debt is valued at \$500 or more.
- _____ 59. Loyal Engineers, Inc., needs a drill to continue its operations and orders one for \$3,000 from Mining Supplies Company. Loyal tells Mining that it must receive the drill by Tuesday or it will lose \$10,000. Mining ships the drill late. Loyal can recover
- \$3,000.
 - \$10,000.
 - nothing.
 - \$13,000.
- _____ 60. 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
- rescind the contract only if Roc did not know the law before the deal.
 - not rescind the contract.
 - rescind the contract only if Steve knew about the law before the deal.
 - rescind the contract only if the law is not common knowledge.
- _____ 61. While intoxicated, Tim contracts to buy a bicycle for double its normal price. The contract is
- enforceable only if Tim understood its legal consequences.
 - unenforceable because it obviously favors the other party.
 - enforceable even if Tim did not understand its legal consequences.
 - unenforceable under any circumstances.
- _____ 62. A contract for a sale of land from Unique Properties, Inc., to Veritas Investments Corporation contains an erroneous legal description. The most appropriate remedy for these parties is
- specific performance.
 - rescission.
 - reformation.
 - damages.

Fact Pattern 10-5

Odell and Poppy sign a contract for the sale of Odell's Pizza Parlor to Poppy. 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 Poppy will negotiate a final price.

- _____ 63. Refer to Fact Pattern 10-5. Poppy later disputes some of the provisions of the deal with Odell. If the dispute results in litigation, a court will most likely admit evidence of
- fraudulent additional terms.
 - consistent additional terms.
 - contradictory additional terms.
 - ambiguous additional terms.

- _____ 64. Theo and Uma orally agree on the sale of Theo's Fitness Center to Uma and note the terms on a sheet of the center's letterhead stationery, which only Theo signs. This agreement is most likely enforceable against
- neither Theo nor Uma.
 - Uma only.
 - Theo and Uma.
 - Theo only.
- _____ 65. Outstate Properties, Inc. (OPI), agrees to sell certain acreage to Pia. OPI repudiates the deal. Pia sues OPI and recovers damages. Pia can now obtain
- nothing more.
 - specific performance of the deal.
 - damages representing restitution.
 - an amount in quasi contract.
- _____ 66. Mona contracts to repair a computer for New Data, Inc. (NDI). Mona knows that without the computer, NDI will lose a sale. Mona does not perform as promised. NDI files a suit against Mona. As consequential damages, NDI can recover
- the loss of profit from the lost sale.
 - the difference between Mona's price and the actual cost of repair.
 - the cost of a new computer.
 - nothing.
- _____ 67. Carol pays Dick \$10,000 for Dick to design an advertising campaign for Carol's health club. The next day, Dick tells Carol that he has accepted a job in New York and cannot design the campaign. Carol files a suit against Dick. Carol can recover
- nothing.
 - \$10,000.
 - \$1,000.
 - \$100,000.
- _____ 68. Masterwork, Inc., files a suit against National Employment Company (NEC) to recover in quasi contract. Masterwork must show in part that
- Masterwork did not voluntarily confer a benefit on NEC.
 - Masterwork and NEC have an enforceable contract.
 - NEC is in a better financial position than Masterwork.
 - NEC expressly promised to pay Masterwork.
- _____ 69. Through fraudulent means, Roy induces Sal to sign a contract to invest with him her profits from Tasty Café. When Sal learns the truth, she may
- enforce the contract only.
 - enforce the contract or recover the money paid.
 - do nothing with respect to the contract.
 - recover the money paid only.
- _____ 70. For Pete to recover the benefit of his bargain from a breached real estate contract with Quest Properties, Inc., the most appropriate remedy is
- rescission.
 - damages.
 - reformation.
 - specific performance.

- _____ 71. Pablo contracts to buy a Quotient-brand computer set-up from Regal Systems for \$5,000, but Regal fails to deliver. Pablo buys the computer elsewhere for \$6,500. Pablo's measure of damages is
- incidental damages only.
 - \$1,500 only.
 - \$0.
 - \$1,500 plus incidental damages.
- _____ 72. John agrees to sell his sports equipment store to Kay and, as part of the sale, promises not to open a similar store in the United States for twenty years. John's promise is
- an unreasonable restraint of trade like all covenants not to compete.
 - unreasonable in terms of geographic area and time.
 - unreasonable in terms of Kay's "goodwill" and "reputation."
 - valid and enforceable.
- _____ 73. Uri and Vicky orally agree on the sale of Uri's Nite Club to Vicky and note terms on a pair of the Club's napkins, which they both sign. A written memorandum evidencing an oral contract that would otherwise be unenforceable must contain
- the essential terms.
 - the preliminary terms.
 - every term.
 - the qualitative terms.
- _____ 74. For Dona's breach of their contract, Esteban seeks restitution, which is
- the loss of a bargain.
 - the performance of an act promised in a contract.
 - the canceling of a contract.
 - the recapture of a benefit conferred on a contracting party through which the party has been unjustly enriched.
- _____ 75. Vista Properties, Inc., leases an office building to World Corporation. At the time, the amount of damages on World's default is difficult to determine, so the parties reasonably estimate, and the lease provides, that if World defaults, Vista is entitled to \$50,000 as "liquidated damages." This amount is
- an unenforceable limitation of liability.
 - an unenforceable penalty.
 - punitive damages.
 - liquidated damages.

Fall 2010 - Exam 3

Answer Section

TRUE/FALSE

1. ANS: F PTS: 1	REF: 245 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
2. ANS: F PTS: 1	REF: 194 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
3. ANS: F PTS: 1	REF: 214 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
4. ANS: T PTS: 1	REF: 191 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
5. ANS: F PTS: 1	REF: 187 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
6. ANS: T PTS: 1	REF: 248 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
7. ANS: F PTS: 1	REF: 209 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
8. ANS: T PTS: 1	REF: 186 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
9. ANS: T PTS: 1	REF: 244 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
10. ANS: T PTS: 1	REF: 207 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
11. ANS: T PTS: 1	REF: 215 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
12. ANS: T PTS: 1	REF: 243 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
13. ANS: T PTS: 1	REF: 187 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
14. ANS: T PTS: 1	REF: 204 OBJ: TYPE: N
NAT: AACSB Reflective	LOC: AICPA Legal
15. ANS: F PTS: 1	REF: 244 OBJ: TYPE: =
NAT: AACSB Reflective	LOC: AICPA Legal
16. ANS: F PTS: 1	REF: 196 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal
17. ANS: T PTS: 1	REF: 186 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
18. ANS: F PTS: 1	REF: 209 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
19. ANS: T PTS: 1	REF: 205 OBJ: TYPE: N
NAT: AACSB Reflective	LOC: AICPA Legal
20. ANS: T PTS: 1	REF: 214 OBJ: TYPE: N
NAT: AACSB Analytic	LOC: AICPA Legal
21. ANS: F PTS: 1	REF: 244 OBJ: TYPE: =
NAT: AACSB Analytic	LOC: AICPA Legal

22.	ANS: F	PTS: 1	REF: 207	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
23.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
24.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Critical Thinking	
25.	ANS: T	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
26.	ANS: F	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
27.	ANS: T	PTS: 1	REF: 196	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
28.	ANS: T	PTS: 1	REF: 208	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
29.	ANS: F	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
30.	ANS: F	PTS: 1	REF: 188	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
31.	ANS: F	PTS: 1	REF: 246	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	
32.	ANS: T	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Analytic		LOC: AICPA Legal	
33.	ANS: T	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Analytic		LOC: AICPA Legal	

MULTIPLE CHOICE

34.	ANS: A	PTS: 1	REF: 195	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
35.	ANS: C	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
36.	ANS: A	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
37.	ANS: D	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
38.	ANS: B	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
39.	ANS: B	PTS: 1	REF: 247	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
40.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
41.	ANS: C	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
42.	ANS: D	PTS: 1	REF: 189	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
43.	ANS: B	PTS: 1	REF: 186	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	

44.	ANS: B	PTS: 1	REF: 209	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
45.	ANS: D	PTS: 1	REF: 244	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
46.	ANS: A	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
47.	ANS: C	PTS: 1	REF: 191	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
48.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
49.	ANS: B	PTS: 1	REF: 246	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
50.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
51.	ANS: A	PTS: 1	REF: 208	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
52.	ANS: B	PTS: 1	REF: 211	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
53.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
54.	ANS: A	PTS: 1	REF: 204	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
55.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
56.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
57.	ANS: A	PTS: 1	REF: 211	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
58.	ANS: C	PTS: 1	REF: 210	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
59.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
60.	ANS: B	PTS: 1	REF: 207	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
61.	ANS: A	PTS: 1	REF: 187	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
62.	ANS: C	PTS: 1	REF: 247	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
63.	ANS: B	PTS: 1	REF: 215	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
64.	ANS: D	PTS: 1	REF: 213	OBJ: TYPE: N
	NAT: AACSB Reflective		LOC: AICPA Legal	
65.	ANS: A	PTS: 1	REF: 250	OBJ: TYPE: +
	NAT: AACSB Reflective		LOC: AICPA Legal	
66.	ANS: A	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	
67.	ANS: B	PTS: 1	REF: 243	OBJ: TYPE: =
	NAT: AACSB Reflective		LOC: AICPA Legal	

68. ANS: A	PTS: 1	REF: 248	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
69. ANS: B	PTS: 1	REF: 196	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
70. ANS: D	PTS: 1	REF: 246	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
71. ANS: D	PTS: 1	REF: 243	OBJ: TYPE: +
NAT: AACSB Reflective		LOC: AICPA Legal	
72. ANS: B	PTS: 1	REF: 191	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
73. ANS: A	PTS: 1	REF: 213	OBJ: TYPE: N
NAT: AACSB Reflective		LOC: AICPA Legal	
74. ANS: D	PTS: 1	REF: 246	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	
75. ANS: D	PTS: 1	REF: 245	OBJ: TYPE: =
NAT: AACSB Reflective		LOC: AICPA Legal	

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|------------------|------------------|------------------|------------------|------------------|
| | <u> F </u> 18. | | <u> B </u> 39. | <u> D </u> 45. |
| | <u> T </u> 19. | <u> A </u> 34. | | |
| <u> F </u> 1. | <u> T </u> 20. | | | |
| <u> F </u> 2. | | <u> A </u> 40. | <u> A </u> 46. | |
| <u> F </u> 3. | <u> F </u> 21. | | | |
| <u> T </u> 4. | <u> F </u> 22. | | | |
| | <u> T </u> 23. | | | <u> C </u> 47. |
| <u> F </u> 5. | <u> T </u> 24. | <u> C </u> 35. | | |
| <u> T </u> 6. | <u> T </u> 25. | | | |
| | <u> F </u> 26. | <u> A </u> 36. | <u> C </u> 41. | <u> B </u> 48. |
| <u> F </u> 7. | <u> T </u> 27. | | | |
| <u> T </u> 8. | | | | |
| <u> T </u> 9. | <u> T </u> 28. | | <u> D </u> 42. | |
| <u> T </u> 10. | <u> F </u> 29. | <u> D </u> 37. | | <u> B </u> 49. |
| <u> T </u> 11. | <u> F </u> 30. | | | |
| <u> T </u> 12. | <u> F </u> 31. | | <u> B </u> 43. | |
| <u> T </u> 13. | <u> T </u> 32. | | | <u> A </u> 50. |
| <u> T </u> 14. | <u> T </u> 33. | <u> B </u> 38. | | |
| | | | <u> B </u> 44. | |
| <u> F </u> 15. | | | | <u> A </u> 51. |
| <u> F </u> 16. | | | | |
| <u> T </u> 17. | | | | |

B 52.

 C 58.

 D 64.

 D 71.

 A 53.

 B 59.

 A 65.

 B 72.

 B 60.

 A 66.

 A 73.

 A 54.

 A 61.

 B 67.

 D 74.

 A 55.

 C 62.

 A 68.

 D 75.

 B 56.

 B 69.

 A 57.

 B 63.

 D 70.

Fall 2010 - Exam 3 [Version Map]

	A	B	C
TF	1	28	16
TF	2	10	17
TF	3	2	8
TF	4	9	29
TF	5	4	9
TF	6	17	20
TF	7	31	13
TF	8	23	3
TF	9	26	15
TF	10	20	33
TF	11	1	2
TF	12	14	30
TF	13	7	11
TF	14	27	19
TF	15	29	27
TF	16	5	25
TF	17	18	18
TF	18	25	14
TF	19	33	10
TF	20	15	1
TF	21	11	4
TF	22	8	7
TF	23	13	26
TF	24	19	24
TF	25	12	21
TF	26	3	22
TF	27	6	28
TF	28	21	32
TF	29	32	12
TF	30	30	31
TF	31	16	6
TF	32	22	5
TF	33	24	23
MC	34	63	75
MC	35	60	70
MC	36	35	50
MC	37	73	49
MC	38	49	55
MC	39	71	65
MC	40	55	46
MC	41	43	63
MC	42	67	44
MC	43	45	68
MC	44	57	38
MC	45	37	39
MC	46	34	71
MC	47	40	48
MC	48	53	51
MC	49	64	45
MC	50	72	54
MC	51	42	47

	A	B	C
MC	52	48	58
MC	53	41	34
MC	54	56	57
MC	55	52	42
MC	56	36	43
MC	57	62	72
MC	58	74	62
MC	59	44	61
MC	60	75	69
MC	61	51	53
MC	62	39	41
MC	63	38	74
MC	64	69	66
MC	65	70	73
MC	66	58	56
MC	67	68	52
MC	68	65	37
MC	69	50	36
MC	70	61	59
MC	71	54	35
MC	72	47	64
MC	73	66	67
MC	74	46	60
MC	75	59	40