



Pearson

Gibson, Business Law 11th Edition

Chapter 3: Creation of the Contract

LO 3.1 Recognise the sources of contract law, and distinguish between contract and agreement.

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

1. Which of the following is the traditional definition for a contract?
 - A. A legal promise.
 - B. A legally enforceable intention.
 - C. A legally binding agreement.
 - D. A legal intention.

Difficulty: Moderate

Topic: What is the difference between a contract and an agreement

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.1 Recognise the sources of contract law, and distinguish between contract and agreement.

Answer: A

True/False: Identify whether the statement is True or False.

2. Not all agreements become contracts; however, all contracts are legally enforceable.
 - A. True
 - B. False

Difficulty: Basic

Topic: What are the sources of contract law

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.1 Recognise the sources of contract law, and distinguish between contract and agreement.

Answer: A

- 3. To determine the validity of a contract, the intention of the parties must be considered.**
A. True
B. False

Difficulty: Basic

Topic: What is a contract

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.2 Define a contract and outline the essential elements in the formation of a contract

Answer: A

LO 3.2 Define a contract and outline the essential elements in the formation of a contract

Essay: Write your answer in the space provided or on a separate sheet of paper.

- 4. Describe the conditions that must be met in order for a contract to be deemed valid.**

Difficulty: Basic

Topic: How do you know what has been created is enforceable

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.2 Define a contract and outline the essential elements in the formation of a contract

Answer: The validity of contracts are subject to the consideration of the following four conditions:

- **The legal capacity of each party, whether they are old enough and of mental capacity to enter into a contractual relationship,**
- **The consent of both parties and whether they had genuine intentions to enter into the agreement,**
- **The legal purpose of the contract, and**
- **The appropriate contract format and whether all statutory requirements have been followed.**

LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

5. Which of the following statements is the best description of a 'voidable' contract?
- A. The contract remains valid and binding unless and until it is rescinded by the injured party.
 - B. There are no legal rights or obligations from the outset, and the contract cannot be enforced by either party.
 - C. While the contract is valid on its face, no legal action can be brought on it.
 - D. The purpose of the contract contravenes a statute or the common law.

Difficulty: Basic

Topic: How are contracts classified

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: A

6. Which of the following statements is the best description of a 'void' contract?
- A. The contract remains valid and binding unless and until it is repudiated by the injured party.
 - B. There are no legal rights or obligations from the outset, and the contract cannot be enforced by either party.
 - C. While the contract is valid on its face, no legal action can be brought on it.
 - D. The purpose of the contract contravenes a statute or the common law.

Difficulty: Basic

Topic: How are contracts classified

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: B

7. Which of the following contracts is *not* required to be wholly in writing?

- A. A cheque.
- B. A promissory note.
- C. A contract of guarantee.
- D. A hire purchase agreement.

Difficulty: Moderate

Topic: What is the importance to business of the distinction between formal and simple contracts

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: C

8. A 'formal contract' is best described by which of these statements?

- A. A contract that does not require a special form but must have consideration present.
- B. A contract created by conduct or the actions of parties.
- C. A contract created by written or oral words.
- D. A contract that requires a special form or method of creation.

Difficulty: Basic

Topic: What is the importance to business of the distinction between formal and simple contract.

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: D

True/False: Identify whether the statement is True or False.

9. A bilateral contract is one where the offeree has an obligation to perform a 'promise for an act'.

- A. True
- B. False

Difficulty: Basic

Topic: How are contracts classified

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: A

10. Catching a taxi is an example of an implied contract.

A. True

B. False

Difficulty: Basic

Topic: How are contracts classified

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.3 Classify the various types of contracts and explain the difference between formal and simple contracts

Answer: A

LO 3.4 Identify and explain the requirements for a legally binding agreement

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

11. It is essential to determine whether an agreement exists because:

A. A contract cannot exist if the parties are not in agreement.

B. Agreement by electronic methods are not accepted.

- C. Both parties do not have to unilaterally agree to the terms and conditions.
- D. The conduct of one party during the negotiation process can lead to an agreement.

Difficulty: Complex

Topic: What constitutes a contractual agreement

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.4 Identify and explain the requirements for a legally binding agreement

Answer: A

12. What was the reasoning behind the court's decision in *Azzi v Volvo Car Australia Pty Ltd* [2007] NSWSC 319?

- A. That agreement had been inferred from the act and conduct of the two parties.
- B. That the time and place of the initial negotiations served as legal intention.
- C. That the representation letters served as legal intention to enter into an agreement.
- D. That the representation letters lacked a true intention and offer.

Difficulty: Complex

Topic: Is there agreement between the parties

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.4 Identify and explain the requirements for a legally binding agreement

Answer: A

True/False: Identify whether the statement is True or False.

13. If an agreement is made between two parties of unequal bargaining power, the courts will only enforce the agreement if the weaker party willingly chose not to deal with another person.

- A. True
- B. False

Difficulty: Complex

Topic: Step 1: Is there agreement between the parties

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.4 Identify and explain the requirements for a legally binding agreement

Answer: B

Essay: Write your answer in the space provided or on a separate sheet of paper.

14. Do you agree that the traditional approach of offer and acceptance is not always beneficial when deciding on agreement? Give reasons for your answer.

Difficulty: Moderate

Topic: Is there agreement between the parties

Standard/Graduate Attribute AACSB: Reflective thinking

Learning Outcome: LO 3.4 Identify and explain the requirements for a legally binding agreement

Answer: *This question seeks personal opinion.*

LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

15. A valid offer *does not* require which of the following?

- A. The offer must be kept open if supported by consideration.**
- B. The offer must be more than a request for information.**
- C. The offer must be made to a specific offeree.**
- D. All terms must be brought to the notice of the offeree and followed exactly.**

Difficulty: Moderate

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: C

16. Which of the following situations is likely to be seen as an offer rather than as a mere invitation to treat?

- A. A poster advertising Business Law at a reduced price.**
- B. An email containing the question ‘Can I buy your copy of Business Law for \$50?’**
- C. A copy of Business Law in the window of a book shop with a price tag attached to it.**
- D. A catalogue containing a description of Business Law and the statement ‘Special offer!’.**

Difficulty: Moderate

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: B

17. The decision in the case of *Pharmaceutical Society of Great Britain v Boots Cash Chemist (Southern) Limited* [1953] 1 QB 401 means that when a customer shops at a supermarket, the offer is accepted and the contract is formed:

- A. As soon as the customer enters the supermarket.**
- B. At the checkout, when the customer accepts the supermarket’s offer to sell the goods.**
- C. When the customer accepts the goods on offer on the shelves by placing them in their basket.**
- D. At the checkout, when the supermarket accepts the customer’s offer to buy the goods.**

Difficulty: Moderate

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: D

18. When goods are sold by tender, the offer is accepted and the contract is formed:

- A. According to the terms on which the invitation to tender is made.**
- B. As soon as the announcement is made by the seller.**
- C. When the tenderer accepts the seller's offer by submitting a tender.**
- D. When the seller accepts the tenderer's offer by accepting the tender.**

Difficulty: Complex

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: A

19. An acceptance made subject to any variation is treated as a:

- A. Refutation.**
- B. Consideration.**
- C. Counter-offer.**
- D. An invitation to treat.**

Difficulty: Moderate

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: C

True/False: Identify whether the statement is True or False.

20. A promise to 'keep an offer open' for a specified period is not enforceable unless it is made in writing.

- A. True**
- B. False**

Difficulty: Moderate

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: B

21. An offer must be communicated, either in writing or verbally, to be accepted as valid.

- A. True**
- B. False**

Difficulty: Basic

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: A

22. As a general rule, the offeror is usually the person to whom the offer is made.

- A. True**
- B. False**

Difficulty: Basic

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: B

Essay: Write your answer in the space provided or on a separate sheet of paper.

23. Identify the ways in which an offer may be terminated.

Difficulty: Basic

Topic: Can an offer be terminated

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: An offer can be terminated by:

- **Revocation (cancellation or withdrawal) – takes effect as soon as the offeror is made aware.**
- **Rejection/counter-offer – the refusal of an offer by the offeree.**
- **Lapse of time – the offeror subjects the offer to a specific time period or if no time period is specified, the offer remains open for a reasonable time.**

- **Death** – the death of either party can terminate the offer; however, in some cases, the estate can still be bound to the offer.
- **Failure of a condition** – occurs when an offer is made subject to certain conditions. If the conditions are not met, then the offer is terminated.

24. Explain what the term “subject to contract” means.

Difficulty: Complex

Topic: What are the rules relating to an offer

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.5 Identify and explain the rules that apply for an offer to be effective and how that offer may be terminated

Answer: This term in its simplest meaning implies that an agreement is being negotiated but that not all the terms and conditions have been agreed to. These terms indicate that the parties do not want to be bound to the agreement. However, courts may still consider the exchange of correspondence and information relating to an agreement when deciding on legal obligations.

LO 3.6 Explain the rules for acceptance in the creation of an agreement

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

25. Which of the following is *not* a requirement of a valid acceptance to an offer?

- The acceptance must be absolute and unqualified.
- The acceptance must be expressed verbally or in writing.
- The acceptance must be strictly in accordance with the terms of the offer.
- The acceptance must be made in reliance on the offer.

Difficulty: Basic

Topic: What are the rules relating to acceptance

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.6 Explain the rules for acceptance in the creation of an agreement

Answer: B

True/False: Identify whether the statement is True or False.

26. When an offeree includes a clause inferring that silence indicates acceptance of an offer, silence will not usually be considered acceptance.

A. True

B. False

Difficulty: Moderate

Topic: Methods of acceptance

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.6 Explain the rules for acceptance in the creation of an agreement

Answer: B

27. Offers can be accepted by the party to whom the offer was made or by their authorised agents on their behalf.

A. True

B. False

Difficulty: Moderate

Topic: Methods of acceptance

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.6 Explain the rules for acceptance in the creation of an agreement

Answer: A

28. According to the postal acceptance rule, an offer is effective as soon as it is deposited in the post office.

A. True

B. False

Difficulty: Moderate

Topic: What are the rules as to contracts by post

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.7 Discuss the rules that apply to contracts by post and compare them with the rules that apply to instantaneous communications

Answer: B

LO 3.7 Discuss the rules that apply to contracts by post and compare them with the rules that apply to instantaneous communications

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

29. In order for revocation of an offer to be effective:

- A. It must be sent in writing via electronic communication.**
- B. It must be posted on the same day that the acceptance letter is received.**
- C. It must be sent in writing and delivered via courier.**
- D. It must be received by the offeree before their acceptance letter is posted.**

Difficulty: Moderate

Topic: What are the rules as to contracts by post

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.7 Discuss the rules that apply to contracts by post and compare them with the rules that apply to instantaneous communications

Answer: D

Essay: Write your answer in the space provided or on a separate sheet of paper.

30. If parties contemplate the use of the post as a method of communication, and acceptance is effective as soon as it is posted, why do you think the courts originally developed this rule? Do you think those reasons are still valid today?

Difficulty: Moderate

Topic: What are the rules as to contracts by post

Standard/Graduate Attribute AACSB: Reflective thinking

Learning Outcome: LO 3.7 Discuss the rules that apply to contracts by post and compare them with the rules that apply to instantaneous communications

Answer: *The question seeks personal opinion.*

LO 3.8 Describe the features of an e-contract and discuss how the Electronic Transactions Acts apply

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

31. In the case of *Ford & Anor v LA Forrest & Ors* [2001] QSC 261, the court ruled that the contract had been formed:

- A. When the acceptance was sent to the offeror's email address.**
- B. When the acceptance was received at the server specified by the offeror.**
- C. When the offeror read the offeree's email.**
- D. When the offeree typed the email.**

Difficulty: Complex

Topic: How does electronic offer and acceptance work

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.8 Describe the features of an e-contract and discuss how the Electronic Transactions Acts apply

Answer: B

True/False: Identify whether the statement is True or False.

32. In the case of online contracts, businesses can include a choice of jurisdiction clause in the event of future disputes.

- A. True**
- B. False**

Difficulty: Basic

Topic: How does electronic offer and acceptance work

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.8 Describe the features of an e-contract and discuss how the Electronic Transactions Acts apply

Answer: A

LO 3.9 Explain how the courts determine intention to create legal relations

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

33. The case of *Ermogenous v Greek Orthodox Community of SA Incorporated* (2001) HCA 8 is authority for the principle that:

- A. Intention to create an enforceable agreement remains an essential precondition to contractual liability in Australia.**
- B. The category of social or domestic agreements now includes religious institutions.**
- C. The existence of intention to create an enforceable agreement is a question of fact.**
- D. Intention to create an enforceable agreement is no longer an essential precondition to contractual liability in Australia.**

Difficulty: Moderate

Topic: What is intention

Standard/Graduate Attribute AACSB: Analytical thinking

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: A

34. In determining whether the parties to an agreement intended to form a contract, why do the courts no longer simply apply presumptions?

- A. Because parties frequently lie about their intention.**
- B. Because it is rare for both parties to have the same intention.**
- C. Because parties rarely express their intention.**
- D. Because that is the law.**

Difficulty: Complex

Topic: What is intention

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: C

35. Which of the following is *not* one of the possibilities identified by the High Court in *Masters v Cameron* (1954) HCA 72?

- A. That the parties had reached final agreement.
- B. That the parties had reached agreement but just wanted the deposit to be paid.
- C. That the parties had reached agreement but wanted it to be recorded.
- D. That the parties had postponed agreement until a formal contract was signed.

Difficulty: Complex

Topic: Step 2: Is there intention to contract

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: B

36. In which of the following cases did the court decide that alleged promises by the defendant to his mistress were not intended to create legal relations?

- A. *Ashton v Pratt* (No 2) [2015] NSWCA 12.
- B. *Cohen v Cohen* [1929] HCA 15.
- C. *Darmanin v Cowan* [2010] NSWSC 1118.
- D. *Shortall v White* [2007] NSWCA 372.

Difficulty: Moderate

Topic: What is the legal position with non-commercial agreements (agreements lacking serious intention)

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: A

37. Parties to a commercial agreement who do not wish the agreement to be legally binding by the courts:

- A. Can use the words 'binding in honour only'.
- B. Can use the words 'no contract'.
- C. Can use the words 'subject to contract'.

D. Can use the words 'subject to my solicitor'.

Difficulty: Complex

Topic: Step 2: Is there intention to contract?

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: A

38. When a business advertises their product, the courts generally presume that:

- A. The merchant did not intend to enter into contracts with purchasers of their product.**
- B. The merchant did not intend to immediately create legal relations with viewers of the advertisement.**
- C. The merchant intended any contract with a purchaser to be legally binding.**
- D. The merchant intended their statements to be legally binding.**

Difficulty: Moderate

Topic: Step 2: Is there intention to contract?

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: B

39. In the case of *Carlill v Carbolic Smoke Ball Co.* [1893] 1 QB 256, the court decided that the advertisement:

- A. Was only an invitation to treat.**
- B. Contained clear evidence of an intention to create legal relations.**
- C. Was presumed not to contain an intention to create legal relations.**
- D. Was nothing more than an advertising puff.**

Difficulty: Complex

Topic: Step 2: Is there intention to contract?

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: B

40. In which type of agreement is the onus on the defendant to show that legal relations were not intended?

- A. Domestic agreements.**

- B. Social agreements.
- C. Commercial agreements.
- D. Voluntary agreements.

Difficulty: Basic

Topic: Step 2: Is there intention to contract?

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: C

True/False: Identify whether the statement is True or False.

41. The courts will enforce a contract as long as the parties intended to create legal relations.

- A. True
- B. False

Difficulty: Basic

Topic: What is intention

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: A

Essay: Write your answer in the space provided or on a separate sheet of paper.

42. Explain briefly the legal presumption that courts use to determine the intention of commercial or business agreements.

Difficulty: Basic

Topic: What is intention

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: In commercial or business agreements, a rebuttal presumption approach is used. This means that the agreement will stand only in the absence of contrary supporting evidence.

43. What is the courts' rationale for presuming that agreements made between parties in a commercial context are intended to be legally binding? Is this a fair presumption?

Difficulty: Moderate

Topic: Step 2: Is there intention to contract?

Standard/Graduate Attribute AACSB: Reflective thinking

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: *The question seeks personal opinion.*

44. Do you agree that intention to create agreements between domestic partners should be based largely upon the nature of the relationship? Discuss.

Difficulty: Complex

Topic: What is the legal position with non-commercial agreements (agreements lacking serious intention)?

Standard/Graduate Attribute AACSB: Reflective thinking

Learning Outcome: LO 3.9 Explain how the courts determine intention to create legal relations

Answer: *This question seeks personal opinion.*

LO 3.10 Explain the term 'consideration' and why it is important for it to be present in a simple contract

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

45. The consideration paid by a party to a contract can be:

- A. Forbearance.**
- B. A promise.**
- C. An act.**
- D. Any of the above.**

Difficulty: Moderate

Topic: What is consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.10 Explain the term 'consideration' and why it is important for it to be present in a simple contract

Answer: D

True/False: Identify whether the statement is True or False.

46. In the context of contract law, 'consideration' is essential to the validity of a contract except one made by deed.

- A. True**
- B. False**

Difficulty: Moderate

Topic: Consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.10 Explain the term 'consideration' and why it is important for it to be present in a simple contract

Answer: A

Essay: Write your answer in the space provided or on a separate sheet of paper.

47. The effect of the rules of consideration is that the law can only be used to enforce bargains, but it cannot be used to enforce promised gifts. Is this distinction between gifts and bargains a fair one?

Difficulty: Complex

Topic: Step 3 Is consideration present

Standard/Graduate Attribute AACSB: Reflective thinking

Learning Outcome: LO 3.10 Explain the term 'consideration' and why it is important for it to be present in a simple contract.

LO 3.11 Identify and explain the rules relating to consideration

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

48. Valid consideration is *not* established by which of the following?

- A. The consideration must be definite.**
- B. The consideration must be gratuitous.**
- C. The consideration must be possible.**
- D. The consideration must be present or future but not past.**

Difficulty: Moderate

Topic: What are the essential rules for consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.11 Identify and explain the rules relating to consideration

Answer: B

49. Which example best explains executory consideration?

- A. A pays B \$10.00 today, in return for B giving A a book today.**
- B. A promises to pay B \$10.00 tomorrow in return for B giving A a book tomorrow.**

- C. A promises to pay B \$10.00 tomorrow in return for B giving A a book yesterday.
- D. All of the above.

Difficulty: Moderate

Topic: What are the essential rules for consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.11 Identify and explain the rules relating to consideration

Answer: B

50. To establish consideration, the price must be:

- A. Valuable, adequate and sufficient.
- B. Valuable and either adequate or sufficient.
- C. Valuable and adequate, but need not be sufficient.
- D. Valuable and sufficient, but need not be adequate.

Difficulty: Moderate

Topic: What are the essential rules for consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.11 Identify and explain the rules relating to consideration

Answer: D

51. The case of *Foakes v Beer* (1884) 9 App Cas 605 is authority for the principle that payment of a lesser amount than that already owed:

- A. Discharges the debt if accepted by the payee.
- B. Is an act detrimental to the payer and therefore good consideration.
- C. Is not sufficient consideration for the payee's promise to discharge the debt.
- D. Can be revoked at any time by the payer.

Difficulty: Complex

Topic: What are the essential rules for consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.11 Identify and explain the rules relating to consideration

Answer: C

Essay: Write your answer in the space provided or on a separate sheet of paper.

52. Compare the different types of consideration used in contract law.

Difficulty: Basic

Topic: What are the essential rules for consideration

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.11 Identify and explain the rules relating to consideration

Answer: Distinguishing between the types of consideration used in contract law:

- Present (executed) consideration — is an act done in return for a promise, for example, in a 'reward' situation;
- Future (executory) consideration — is where parties exchange promises, each promise being consideration for the other; and
- Part consideration — is where a promise is given after an act has been performed.

LO 3.12 Define and explain the equitable remedy of promissory estoppel in contract law

Multiple choice: Choose the one alternative that best completes the statement or answers the question.

53. The doctrine of promissory estoppel:

- A. Can be used to enforce an estoppel about future conduct.
- B. Can be used to either commence or defend a civil action.
- C. Can be used to enforce an assumed contract.
- D. All of the above.

Difficulty: Moderate

Topic: What is promissory estoppel

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.12 Define and explain the equitable remedy of promissory estoppel in contract law

Answer: D

54. Which of the following is *not* an element of promissory estoppel?

- A. The defendant is responsible for creating the assumption.

- B. An assumption in the mind of the plaintiff.
- C. The defendant's statements were vague and ambiguous.
- D. The plaintiff relied upon the assumption to his detriment.

Difficulty: Basic

Topic: What is promissory estoppel

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.12 Define and explain the equitable remedy of promissory estoppel in contract law.

Answer: C

55. What is significant about the case of *Waltons Stores (Interstate) Ltd v Maher* (1998) HCA 7?

- A. A promissory estoppel was applied where there was no pre-existing contract.
- B. A promissory estoppel was used to commence an action.
- C. A promissory estoppel was applied in Australia.
- D. All of the above.

Difficulty: Moderate

Topic: What is promissory estoppel

Standard/Graduate Attribute AACSB: Application of knowledge

Learning Outcome: LO 3.12 Define and explain the equitable remedy of promissory estoppel in contract law.

Answer: D

True/False: Identify whether the statement is True or False.

56. Estoppel can only be used as a defence.

- A. True
- B. False

Difficulty: Basic

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Answer: B

