

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) There is a presumption under common law that:

- A) parties who are family members do not intend to create legal relations.
- B) parties who are friends or social acquaintances do not intend to create legal relations.
- C) parties who are in business and enter into a head of an agreement intend to create legal relations.
- D) parties must not enter into a contract with each other if they are family members.

Answer: B

2) The intention to create a legal relationship is presumed not to exist in:

- A) family agreements.
- B) business agreements.
- C) formal contracts.
- D) simple contracts.

Answer: A

3) Samuel promised to be Hannah's date at her high school formal. At the last minute he broke his promise and went instead with Tarice. Hannah was embarrassed and heartbroken. Which of the following statements in relation to intention is correct?

- A) She cannot sue Samuel because they only had a commercial agreement.
- B) She can sue Samuel if he is 18 years or older.
- C) She can sue Samuel because he broke a legally binding contract.
- D) She cannot sue Samuel because they only had a social agreement.

Answer: D

4) In *Balfour v Balfour* the court held that:

- A) wives are not responsible at law to support their husbands.
- B) the parties did not intend that their domestic arrangement would be legally binding.
- C) husbands are not responsible at law to support their wives.
- D) the parties intended that their domestic agreement would be legally binding.
- E) Mrs Balfour should have taken legal action in a different court.

Answer: B

5) In *Merritt v Merritt* the court held that the presumption in relation to domestic arrangements:

- A) does not apply when a married couple has separated.
- B) no longer applies in Australia.
- C) applies only if there is corroborative evidence.
- D) applies even when a married couple has separated.

Answer: A

6) George agreed to pay his son Luke \$200 for mowing the lawn at the family home every fortnight for six months. Luke did the job but George has refused to pay because Luke missed a small patch of grass on two occasions. Luke has threatened to sue George. Which of the following statements is most accurate in regards to the issue of intention to create legal relations?

- A) Luke has the right to sue. The agreement appears to be a business agreement. Therefore, the courts will presume there was an intention to create legal relations.
- B) Luke has the right to sue. Both parties gave something of value. George received the executed benefit of the mowed lawn and Luke received a promise to pay \$200.
- C) Luke has no right to sue. The agreement was made between family members. Therefore, the courts will presume there was no intention to create legal relations.
- D) Luke has no right to sue. The mowing job would have to be worth at least \$1000 before the courts would presume there was an intention to create legal relations.

Answer: C

7) In *Wakeling v Ripley* the court held that:

- A) the presumption that domestic and social agreements are not legally binding can be rebutted by sufficient evidence.
- B) commercial agreements are legally binding unless the presumption can be rebutted.
- C) domestic and social agreements can never be legally binding.
- D) commercial agreements are always legally binding.

Answer: A

8) Roger, Ben and Tom are close friends. They form a lottery syndicate and agree to contribute equal amounts of money. Roger buys the tickets on behalf of the syndicate. One of his tickets has won \$1 million. Roger has refused to share with Ben and Tom. Which of the following statements is most accurate in relation to legal intention?

- A) They do not have the right to sue Roger because they made a social agreement and therefore there was no intention to enter into legal relations.
- B) They do not have the right to sue Roger because the agreement was not in writing.
- C) They have the right to sue Roger because the parties were not in a social or domestic relationship.
- D) They have the right to sue Roger if they reasonably believe they have the right to take legal action.

Answer: D

9) Maria, an investor, and Jane, a chef, agreed to run a food catering business as partners. Since they were good friends they did not enter a written agreement. Six months after the business began the partners argued. Maria had threatened to sue Jane if she does not repay Maria's investment of \$100 000. Which of the following statements is most accurate in regards to the issue of intention to create legal relations?

- A) Maria cannot sue Jane because there is a common law presumption that legal intention exists in agreements between friends.
- B) Maria can sue Jane because there is common law presumption that legal intention exists in business agreements.
- C) Maria cannot sue Jane because partnership agreements must be in writing.
- D) Maria can sue Jane because they are in a similar legal situation to the parties in the case of *Balfour v Balfour*.

Answer: B

- 10) In *Rose & Frank Co v Crompton* the court decided that an 'honour clause' which expressed the true intention of the parties:
- A) had no effect on business agreements.
 - B) rebutted the presumption in relation to domestic and social agreements.
 - C) rebutted the presumption in relation to business agreements.
 - D) supported the presumption that the parties were legally bound by the clause.

Answer: C

- 11) Which of the following types of business agreements are likely to be presumed to be legally binding?
- A) A memorandum of understanding.
 - B) A comfort letter.
 - C) A letter of intent.
 - D) All of the above.
 - E) None of the above.

Answer: E