

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

- 1) An implied agreement means an agreement which is:
- A) indicated from the conduct of the parties.
  - B) written in a contract between the parties.
  - C) stated in words by the parties.
  - D) all of the above.

Answer: A

- 2) In the case of *Clarke v Dunraven* the court found that by entering the regatta and agreeing to abide by the rules:
- A) there was no agreement until the owner of the yacht signed the club regatta's contractual agreement.
  - B) the conduct of the owner of the yacht had implied the existence of a contract.
  - C) there was no offer and acceptance of an express contract.
  - D) the conduct of the owner of the yacht did NOT imply there was a contract.

Answer: B

- 3) Which of the following is NOT one of the rules relating to the making of an offer?
- A) All the terms of the offer must be brought to the attention of the offeree.
  - B) A request for information is not an offer.
  - C) Every offer must be communicated to the offeree by the offeror.
  - D) Every offer must be to either one person, a particular class of persons, or to the world at large.

Answer: C

- 4) The Court held in *Carlill v Carbolic Smoke Ball Company* that:
- A) the advertisement was an offer to the whole world but the offeree had not communicated acceptance.
  - B) the advertisement was an offer to the whole world and was accepted by the offeree when the product was bought and used.
  - C) the offeror was liable to the offeree for deceptive and misleading conduct.
  - D) the advertisement was NOT an offer to the whole world. It was really a puff.

Answer: B

- 5) Under common law, a packet of cereal displayed with a price tag on a shop shelf is classified as:
- A) consideration.
  - B) an acceptance.
  - C) an offer.
  - D) an invitation to treat.

Answer: D

- 6) At an auction the offer occurs:
- A) with the fall of the hammer by the auctioneer.
  - B) when a bid is made.
  - C) when the auctioneer accepts the highest bid.
  - D) when the auction is advertised.

Answer: B

- 7) Ms Armstrong wanted to buy some furniture that was advertised for sale by auction. She had to drive for several hours to reach the auction. When she arrived she was told the furniture she wanted had been withdrawn from sale. Which of the following statements is true, under common law?
- A) She has no legal rights. The advertisement was merely an invitation to treat.
  - B) The advertised furniture must be offered to her at a reasonable price.
  - C) She has no right to buy the furniture. However, she is entitled to damages for her travel costs and disappointment.
  - D) The furniture must be auctioned within a reasonable time and she must be compensated for her travel costs, if she chooses to attend it.

Answer: A

- 8) Gough sent a phone text message to Malcolm asking: 'Will you sell me your 2010 Alfa Romeo? Text back lowest cash price'. Malcolm replied: 'Lowest cash price is \$45 000'. Gough texted back: 'I accept your offer'. Under common law, an agreement:
- A) was made when Gough texted back his 'acceptance'.
  - B) was not made because Gough did not make an offer. He merely requested information.
  - C) cannot be made until all the terms are written down.
  - D) was made. A request for information is deemed to be a genuine offer.

Answer: B

- 9) Which of the following statements about an option is not true?
- A) An option agreement must be written and can only be valid for up to 12 months.
  - B) An option can be described as 'a contract before a contract'.
  - C) An owner of property who enters an option agreement to sell it is legally bound by the agreement.
  - D) An owner of property who enters an option agreement usually agrees to sell it at an agreed price in an agreed period of time.

Answer: B

- 10) An offer has been made and accepted but some of the terms of the contract were not communicated to the offeree. Which of the following statements is most accurate?
- A) A binding contract has not been created. The offeror has confused an offer with an invitation to treat.
  - B) A binding contract has not been created. There has been no 'true meeting of minds'.
  - C) A binding contract has been created. The offeree is at fault for not discovering all the terms.
  - D) A binding contract has been created. The offeree does not need to know all the terms at the time of acceptance.

Answer: B

- 11) What happens when an offeree accepts the offer by an offeror?
- A) Each party is legally bound if the other elements of the contract have been satisfied.
  - B) There is conditional agreement which is based on the parties' goodwill towards each other.
  - C) Full agreement has not been reached. The parties are not legally bound until they sign a written agreement that contains all the relevant terms they have been negotiating.
  - D) There is a valid offer in response to an invitation to treat. Agreement has not yet been reached.

Answer: A

12) In *The Crown v Clarke* what legal principle was upheld by the High Court?

- A) An offer can only be accepted if the acceptance is in response, or partly in response, to the offer.
- B) An offer can be accepted before it is known.
- C) An offer cannot be accepted unless the offeree is classified as being able to respond to the offer.
- D) An offer can be accepted even if it is not known.

Answer: A

13) If the person attempting to accept an offer does so subject to certain conditions, then the response will be considered to be:

- A) a revocation of the offer.
- B) a counter-offer.
- C) a conditional form of acceptance.
- D) acceptance of the offer.

Answer: B

14) A offered to sell a painting to B for \$1500. B replied she was only willing to pay \$700. When A refused her offer B said she would accept his original offer. A is not legally bound to enter into a contract with B because:

- A) B has not provided sufficient consideration.
- B) A's offer has lapsed because of B's counter-offer.
- C) B has not clearly communicated her acceptance.
- D) This type of contract must be written and signed.

Answer: B

15) Under common law, when contracting parties agree to use a form of instantaneous communication, agreement is not reached until:

- A) the parties agree to carry out further negotiations.
- B) a printed record of the agreement is created.
- C) the offer is received by the offeree.
- D) the acceptance is received by the offeror.

Answer: D

16) How must acceptance of an offer be expressed?

- A) By the offeree's silence.
- B) In words or implied by conduct.
- C) By 'mere mental resolve'.
- D) All of the above.

Answer: B

17) Under common law which of the following statements is correct?

- A) An offer will lapse after a reasonable time if the offer did not specify a time for acceptance.
- B) An offer cannot be made to a class of people.
- C) Silence can be taken to mean acceptance.
- D) Acceptance has to be genuine but does not need to be communicated.

Answer: A

18) Under contract law acceptance of an offer by post (letter) occurs when:

- A) the offeree receives the offer.
- B) the offeree mails the acceptance.
- C) the offeror makes the offer.
- D) the offeror receives the acceptance.

Answer: B

- 19) Julie posts a letter to Ruth offering to sell her a mountain bike worth \$1000 for \$750 if she 'accepts within a reasonable time by return mail'. Ruth posts back an acceptance the next day. Unfortunately, Julie never receives the letter. When Ruth finally contacts Julie two weeks later, Julie says that as she did not receive the letter she is not legally obliged to sell the bike for \$750. Which statement best explains Ruth's legal position?
- A) A contract was made on the day Ruth received the offer and decided she would accept it.
  - B) A contract was made five working days after the letter was posted. Under common law, letters are deemed to have been delivered in that time period.
  - C) A contract was made when Ruth posted the letter.
  - D) A contract was not made because Julie never received Ruth's letter.

Answer: C

- 20) A revocation of an offer cannot be valid unless:
- A) it is communicated to the offeree.
  - B) it is sent through the post.
  - C) it is made orally with two witnesses present.
  - D) it is made in writing.

Answer: A

- 21) Which of the following is not a rule relating to revocation (withdrawal) of an offer?
- A) When the parties communicate by mail a revocation is not valid unless it is received before the offer is accepted.
  - B) A revocation can be communicated by a reliable source. It does not have to be communicated by the offeror.
  - C) A revocation must be communicated in writing, which includes a fax or an email.
  - D) An offer may be revoked at any time before it is accepted.

Answer: C

- 22) Which of the following is not one of the rules on the lapse (termination) of an offer?
- A) If an offer is not accepted within a reasonable or specified time the offer will lapse.
  - B) If the offeree sets conditions on acceptance the offer will usually lapse.
  - C) The death of either party before acceptance will normally cause an offer to lapse.
  - D) If any conditions attached to the offer are not fulfilled the offer will usually lapse.

Answer: B