

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

1) Consideration may be defined as:

- A) an act or forbearance of one party which is paid for with money.
- B) the price you pay for a promise.
- C) a gratuitous promise to do something for another party.
- D) an act or forbearance for a party who is not a close relative.

Answer: B

2) Executory consideration is also known as:

- A) present consideration.
- B) future consideration.
- C) past consideration.
- D) all of the above.

Answer: B

3) In which of the following contracts is consideration not required?

- A) Emerald promises to pay Gold \$10 000 next week if he will transfer his car to her today.
- B) Emerald enters into a deed which states that Gold will transfer ownership of his car to Emerald.
- C) Emerald gives Gold \$1.00 for his car, and Gold immediately transfers it to her.
- D) Emerald promises Gold that she and her professional band will sing at his birthday in three months if he transfers his car to her next week.

Answer: B

4) Which of the following is not an example of consideration?

- A) John gives Jane \$1000 for her 21st birthday.
- B) John promises to pay Jane \$0.10 if she promises to give her car to him.
- C) John promises to pay Jane \$1000.00 if she gives her car to him.
- D) John gives Jane a small radio today in return for Jane giving her car to him on her 21st birthday.

Answer: A

5) Helen's Burmese cat, Fluffy, became stuck in a tree. Mike, who was passing by, climbed up and rescued Fluffy. Helen thanked him and found out Mike had nowhere to live. She said he could live in one of her units for \$25 per week (the rental value was \$350 per week) for one year. Mike agreed and even paid her \$1.00 in advance. He then jumped for joy and accidentally crushed Fluffy. Helen has refused to go ahead with the rental arrangement. Mike has sued Helen for breach of contract. Under common law, Mike's payment of \$1 would probably be classified as consideration that was:

- A) not adequate, which means there is no contract.
- B) a gratuitous promise, which means there is a contract.
- C) sufficient, which means there is a contract.
- D) too vague, which means there is no contract.

Answer: C

6) Which of the following statements is not correct?

- A) Consideration must have a legally recognised value.
- B) Consideration must be possible to perform.
- C) Consideration must be lawful.
- D) Consideration can be vague if it involves the performance of an existing moral obligation.

Answer: A

7) Manuela's grandfather promised to loan her \$3000 to help her to finish year 12. She promised to repay him six months after she commenced paid work. Although Manuela has been working for two years she has never attempted to repay her grandfather. If he sues Manuela, which statement indicates the most likely legal result? Ignore the issue of legal intention.

- A) Manuela's grandfather would not succeed because a moral obligation does not provide good consideration.
- B) Manuela's grandfather would not succeed because Manuela's consideration is past consideration.
- C) Manuela's grandfather would succeed and Manuela would have to repay the money because the consideration is not vague.
- D) Manuela's grandfather would succeed because Manuela's consideration is future consideration.

Answer: A

8) Which of the following cases supports the common law rule that consideration is not required to have a legally recognised value?

- A) *Roscorla v Thomas*.
- B) *Foakes v Beer*.
- C) *Coulls v Bagot's Executor and Trustee Co Ltd*.
- D) *Chappell & Co v Nestle Co Ltd*.

Answer: D

9) Yesterday you volunteered to spend two hours re-organising the computer files of a student in your class. After you did the job she offered to pay you \$50. You accepted. Now, she has refused to pay you. Which of the following statements best describes your legal rights?

- A) You have the legal right to undo all the work you did for her.
- B) You do not have contractual rights because you did not have a business relationship.
- C) You have the right to enforce the contractual arrangement you had with her.
- D) You do not have any contractual rights because the promise was made after you did the work.

Answer: D

10) Bill sold a lawnmower to Brodie for \$350. About one minute after Brodie had paid the purchase price he asked Bill - 'Does it have any safety problems?'. 'No, mate. It's totally safe,' promised Bill. When Brodie tried to use the lawnmower, a blade came loose and badly cut his leg. If Bill had known there was defect with the blade, which of the following statements summarises Brodie's contractual rights under common law?

- A) Brodie should not be awarded damages. He provided no consideration for Bill's promise.
- B) Brodie should be awarded damages. He was misled by a promise that induced him to continue with a contract.
- C) Brodie should not be awarded damages. The contract was not 'signed, sealed and delivered.'
- D) Brodie should be awarded damages. He gave careful consideration to Bill's promise.

Answer: A

11) Consideration can be:

- A) present or past but not future.
- B) past, present or future.
- C) past or future but not present.
- D) present or future but not past.

Answer: D

12) The case of *Roscorla v Thomas* involved the sale of a horse and a promise about its qualities. The case is a precedent for the rule that:

- A) performance of an existing contractual duty does not provide sufficient consideration.
- B) past consideration cannot provide good consideration.
- C) *nag cum fangus mal nilliho*.
- D) consideration cannot be vague.

Answer: B

- 13) You signed a one-year contract to work on a special accounting team for a major retailer. Most of the team are young and inexperienced. Three months after the contract began your team leader resigned. The retailer was worried that you and your colleagues would become lazy and inefficient while a new leader was being found. It offered each of you a bonus payment of \$50 per week to be punctual and hard working until the new leader started work. You all agreed. It took one month to find a new leader. The retailer is refusing to pay you the promised \$200. Under common law, what legal rights, if any, do you have?
- A) None — because the promise was not put into writing.
  - B) None — because you did not provide valuable consideration. You were only doing what you had already contracted to do.
  - C) You are entitled to damages because you provided valuable consideration. It does not matter if the consideration did not have a clear market value.
  - D) You are entitled to rescind the contract and claim damages because the retailers acted illegally by implying you were not hard working or punctual employees.

Answer: B

- 14) The rule in *Foakes v Beer* states that:
- A) consideration must be possible to perform.
  - B) consideration must have a legally recognised value.
  - C) performance of an existing contractual duty does not provide valuable consideration.
  - D) part payment of a debt cannot satisfy the debt.

Answer: D

- 15) Part payment of a debt may provide sufficient consideration under certain circumstances. Which of the following will not provide sufficient consideration?
- A) Payment of a lesser amount by a third party.
  - B) Payment of a lesser amount at a different place or with different currency.
  - C) A promise to refrain from (not do) taking legal action.
  - D) The payment of a lesser sum prior to the due date.
  - E) The payment of a lesser sum on the due date.

Answer: E

- 16) A creditor has agreed to accept an offer of a lesser sum as full payment for a debt. This payment will legally discharge the debt if it is made:
- A) by the debtor — not by a third party.
  - B) at the place the original debt had to be repaid.
  - C) before the agreed date the original debt had to be repaid.
  - D) on the agreed date the original debt had to be repaid.

Answer: C

- 17) The doctrine of promissory estoppel (PE) may prevent a party who made a promise as part of an agreement from:
- A) providing consideration for that promise if loss resulted.
  - B) breaking the promise if it was relied upon and loss resulted.
  - C) commencing an action for unconscionable conduct in a state or federal court.
  - D) commencing legal action if the promise was implied or part performed.

Answer: B

18) Which of the following statements is/are accurate in relation to promissory estoppel (PE)?

- A) PE may stop a party from breaking a promise that was not supported by consideration.
- B) A party that relies on PE must prove that the other party's conduct is unconscionable and the innocent party believed in the other party's promise and will suffer a significant loss.
- C) PE can be used as a 'shield', which means that a plaintiff can rely on PE to defend a legal action.
- D) All of the above.
- E) A and B only.

Answer: E

19) The legal effect of promissory estoppel is:

- A) a promise may be broken if the estimated loss can be stopped from causing significant harm.
- B) a promise may be legally enforceable although the party making it received no consideration for that promise.
- C) a person who has promised to marry a person cannot be stopped by that person's parents.
- D) a promise cannot be legally enforceable because the party making it received no consideration for that promise.

Answer: B

20) In *Waltons v Maher* the High Court held that:

- A) a party who kept silent in negotiations and caused the other party to assume there was a legal agreement may be stopped from denying the agreement.
- B) promissory estoppel may be used to commence a legal action as well as to defend one.
- C) promissory estoppel could be used even where there is no pre-existing legal relationship.
- D) all of the above.

Answer: D