

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

- 1) Prior to the passing of the federal *Trade Practices Act 1974*, consumers were not adequately protected by the Sale of Goods Acts and contract law because:
- A) contracts for services did not receive statutory protection.
  - B) it was difficult to prove that a misrepresentation or unconscionable conduct had occurred.
  - C) remedies for breaches were limited.
  - D) of all of the above problems.
  - E) of A and B.

Answer: D

- 2) Which of the following statements are most accurate in relation to the State and Territory Fair Trading Acts (FTAs)?
- A) Businesses that are not covered by the federal constitutional net are regulated by the FTAs.
  - B) The *Australian Consumer Law* is incorporated into the FTAs.
  - C) Any future changes to the *Australian Consumer Law* will not apply to the FTAs.
  - D) All of the above.
  - E) A and B only.

Answer: E

- 3) Which of the following statements is not true in relation to powers of the Australian Competition and Consumer Commission?
- A) It can demand access to documents and other evidence.
  - B) It can commence civil actions and criminal prosecutions breaches of the *Australian Consumer Law*.
  - C) It can liquidate (close) a corporation which commits serious breaches of the *Australian Consumer Law*.
  - D) It can impose infringement notices ('on the spot' fines) for breaches of the *Australian Consumer Law*.

Answer: C

- 4) Which of the following statements are true in relation to the Australian Competition and Consumer Commission?
- A) It has the power to commence criminal prosecutions for breaches of the Australian Consumer Law.
  - B) It has the power to monitor price changes and take action against price exploitation.
  - C) It has the power to commence civil actions for breaches of the Australian Consumer Law.
  - D) All of the above.
  - E) A and B only.

Answer: D

- 5) Which of the following statements are not true in relation to New South Wales Fair Trading (NSWFT)?
- A) NSWFT has the power to order a business to stop operating in New South Wales.
  - B) NSWFT has the power to prohibit unconscionable conduct.
  - C) NSWFT has the power to order product recalls.
  - D) All of the above.

Answer: A

6) Which of the following statements are not true in relation to Consumer Affairs Victoria (CAV)?

- A) CAV hears and determines legal actions in relation to consumer protection matters.
- B) CAV is responsible for a wide range of consumer protection issues.
- C) CAV is responsible for liquor, licensing and bodies corporate.
- D) All of the above.

Answer: A

7) Under the *Australian Consumer Law*, a consumer is defined as a person who:

- A) acquires a commercial road transport vehicle for any value.
- B) acquires good or services for a value of \$40 000 or less.
- C) acquires goods or services that are ordinarily acquired for personal, domestic or household consumption or use.
- D) satisfies at least one of the above criteria.

Answer: D

8) According to the *Australian Consumer Law*, a consumer is defined as a person who:

- A) acquires goods or services for \$40,000 or less.
- B) acquires a vehicle or trailer to transport goods.
- C) acquires goods or services of any value that are ordinarily acquired for personal, domestic or household consumption or use.
- D) satisfies at least one of the above.
- E) satisfies both A and B above.

Answer: D

9) Some protective provisions of the *Australian Consumer Law* are only available where there was a transaction between a consumer and a business. Which provisions require this type of transaction?

- A) Offering gifts or prizes without intention to supply (s 32).
- B) False representations (s 29).
- C) Unfair contract terms (ss 23-24).
- D) Misleading or deceptive conduct (s 18).

Answer: C

10) Under s18 of the *Australian Consumer Law* conduct by a business is illegal if it:

- A) results in anti-competitive actions, such as price fixing.
- B) involves false or misleading conduct.
- C) is intentionally misleading or deceptive or is likely to mislead or deceive.
- D) is misleading or deceptive or is likely to mislead or deceive.

Answer: D

11) Under s18 of the *Australian Consumer Law*, which types of conduct that are lawful under common law could be misleading or deceptive?

- A) statements that are literally true but which create a false impression.
- B) false statements during negotiations.
- C) puffery (exaggerated sales talk or claims).
- D) all of the above.
- E) A and B only.

Answer: D

- 12) You wish to take action against a business for an alleged breach of s18, Australian Consumer Law (ACL). Which of the following are you not required to prove?
- A) The business acted unconscionably.
  - B) The business was involved in trade or commerce.
  - C) What the business did was misleading or deceptive, or likely to be misleading or deceptive.
  - D) What the business did satisfies the definition of 'conduct' under the ACL.

Answer: A

- 13) Mr Pinney, the owner of three restaurants, made a mistake when he inspected an exclusive restaurant he wanted to buy. He saw the restaurant had set tables and chairs for 126 customers and assumed, without checking council records, that it had a liquor licence for that many people. The owners of the restaurant never claimed that it could seat 126. After Pinney bought the restaurant for \$700 000 he learnt that its liquor licence restricted the number of customers to 84. The contract of sale contained an exclusion clause, which stated Pinney had not relied on any representations made by the seller during the negotiations. Which statement best sums up Pinney's legal rights under s18 of the *Australian Consumer Law* which prohibits misleading or deceptive conduct?
- A) He has no rights because he is barred by the exclusion clause from taking legal action.
  - B) He is likely to succeed. The seller breached s18 by creating a misleading impression about the seating capacity and keeping silent about the true situation.
  - C) He has no rights. He was a businessperson, not a consumer, and is therefore unable to sue under s18.
  - D) He has no rights. He made a mistake, which an experienced businessperson should never have made and must suffer the consequences.
  - E) B and C above.

Answer: B

- 14) Mr and Mrs Tannenbuam, who had no business or catering experience, inherited some money and decided to open a cafe. They agreed to take out a long-term lease on a cafe in a new shopping centre after the landlord made false claims that they would make a profit of \$14 000- \$15 000 per week. The Tannenbuams took no steps to check the accuracy of these claims. They have had the cafe for two years and have never made more than \$400 per week. They are facing bankruptcy. Which statement best sums up their legal rights against the landlord under s18 of the *Australian Consumer Law* which prohibits misleading or deceptive conduct?
- A) They are likely to succeed. The developer breached s18 by making false claims about future profits. He cannot escape liability because they failed to check his claims.
  - B) They have no rights. They made a careless mistake and must suffer the consequences.
  - C) They have no rights. They were business people, not consumers, and are therefore unable to sue under s18.
  - D) B and C above.

Answer: A

- 15) Businesses run a high risk of committing misleading or deceptive conduct under s18 of the *Australian Consumer Law* if they:
- A) try to avoid liability for selling products that look similar to rival products by placing small identifying labels on their products.
  - B) carry out comparative advertising.
  - C) act in a way that causes consumers to be confused.
  - D) produce advertisements that criticise the Australian Competition and Consumer Commission.

Answer: B

- 16) Which of the following statements is most accurate in relation to the court decision in *McDonalds v McWilliams Wines* (1981)?
- A) The Big Mac wine pack was capable of misleading or deceiving the buying public.
  - B) The Big Mac wine pack had misled or deceived the buying public.
  - C) McDonalds would have succeeded if its marketing campaign had been more vigorous in the early 1980s.
  - D) The Big Mac wine pack may have caused the buying public to wonder if there was a connection between the two companies.

Answer: D

- 17) Section 21 of the *Australian Consumer Law* prohibits corporations from engaging in unconscionable conduct against consumers. A transaction may be unconscionable if:
- A) undue influence, pressure or unfairness took place.
  - B) one of the parties acted in a way that was misleading or deceptive.
  - C) a business person confesses to the ACCC that they have a very bad conscience about the transaction.
  - D) there is proof that a business person was suffering from poor health or language problems at the time of the transaction.

Answer: A

- 18) Section 22 of the *Australian Consumer Law* prohibits businesses from acting unconscionably towards businesses that do not operate as publicly listed companies. Which of the following circumstances may indicate that a business (B) has breached 22?
- A) B operated according to the requirements of a relevant industry code of practice.
  - B) In previous similar transactions B's negotiation tactics has been more reasonable.
  - C) B used very tough bargaining tactics.
  - D) All of the above.

Answer: B

- 19) Unfair terms in standard form contracts have been illegal since 1 July 2010. Which of the following statements is not true in relation to the types of contracts that are protected?
- A) There is no maximum dollar amount on the value of the contracts. For example, a standard form contract in which a consumer pays \$1 million for goods must not include unfair terms.
  - B) A standard form contract for the purchase of a residential property for \$15 million should be covered by the new law.
  - C) Standard form insurance contracts are excluded from (not covered by) the new law.
  - D) Standard form contracts for goods or services are covered by the new law if the purchase is wholly or predominantly for personal, domestic or household use or consumption.

Answer: C

- 20) Standard form consumer contracts must not include unfair terms. Which of the following terms are likely to be classified as unfair?
- A) A term that gives a supplier the right to change the types of goods it has agreed to supply.
  - B) Terms that impose penalties on the consumer for contractual breaches but exclude penalties for breaches by the supplier.
  - C) A term that excludes the supplier from paying compensation if goods are not delivered on time by a courier service.
  - D) All of the above.
  - E) A and B above only.

Answer: E

21) What is the legal effect if a term in a consumer contract is found to be unfair?

- A) The term and the contract are void and unenforceable.
- B) The term is void but the contract will remain in force provided it is legally valid without the term.
- C) The term will remain in force but the supplier must pay compensation to the consumer and promise to remove the term from future contracts.
- D) The term will remain in force but the supplier must pay compensation to the consumer and promise to remove the term from future contracts.

Answer: B

22) Which of the following business practices would breach s 29 of the *Australian Consumer Law* which prohibits false or misleading representations about goods or services?

- A) Labelling old stock as 'brand new'.
- B) Advising customers that they need to purchase an optional extra service for a product although the extra service is not necessary.
- C) All of the above.
- D) A and B only.

Answer: D

23) Section 29 of the *Australian Consumer Law* prohibits false or misleading representations about goods or services. Which of the following will breach s 29?

- A) A swimming pool distributor who falsely claims its products are approved by a swimming champion.
- B) A plumbing company which falsely stated that special work was required before a bathroom would satisfy council requirements.
- C) A barbecue manufacturing company which states its goods are 'made in Australia' although 50 per cent of the components came from South Korea.
- D) All of the above.
- E) A and C only.

Answer: D

24) Section 29 of the *Australian Consumer Law* prohibits false or misleading representations about goods and services in areas that include:

- A) sponsorship and accessories.
- B) standard and quality.
- C) prices and the availability of spare parts.
- D) all of the above.
- E) B and C only.

Answer: D

25) Section 29(1)(i) of the *Australian Consumer Law* prohibits false or misleading representations about prices. These representations could involve:

- A) false price comparisons.
- B) false statements about price ranges, such as 'are mainly around \$100'.
- C) false price reductions.
- D) all of the above.
- E) A and B only.

Answer: D

26) When all the significant components of a product come from Australia and the virtually all the manufacturing process occurred in Australia, what is the strongest claim the manufacturer has the right to make in relation to its place of origin?

- A) Ozmade
- B) A grade standard
- C) Product of Australia
- D) Made in Australia

Answer: C

27) Dink Skrub is a cleaning product. The ingredients are imported but they were substantially transformed in Australia and more 50 per cent of the cost of producing Dink Skrub takes place in Australia. Which is the strongest claim the manufacturer has the right to make in relation to Dink Skrub's place of origin?

- A) Made in Australia.
- B) Australian A Grade.
- C) Product of Australia.
- D) Ozmade.

Answer: A

28) Last month you purchased \$300 worth of stationery and computer ink jet cartridges at a sale at *OfficeEkwip*. The sales assistant assured you that you were buying new best quality items. Before you walked into the shop you saw a sign that stated- 'No refunds or exchanges on sale items.' This exclusion clause was repeated on the sales docket. You have found that the stationery is thin and tears easily and the inkjet cartridges are refills that leak ink. Which statement best sums up your legal rights under the consumer protection provisions of the *Australian Consumer Law*?

- A) *OfficeEkwip* is not liable because you willingly agreed to the 'No refunds or exchanges' clause.
- B) *OfficeEkwip* is liable because consumers cannot be asked to exclude their implied rights, such as the right to purchase goods that are of acceptable quality.
- C) *OfficeEkwip* is not liable to you but it may be forced to take out corrective advertising which apologises for the 'No refunds or exchanges' clause.
- D) *OfficeEkwip* is not liable to you but it may be required by the ACCC to offer refunds and exchanges in the future.

Answer: B

29) Section 31 of the *Australian Consumer Law* prohibits false or misleading representations about employment. Which of the following practices would be prohibited under 31?

- A) Asking job applicants to pay for training or equipment that is not necessary for the work involved.
- B) Offering work that is very different from the work that was advertised.
- C) Advertising jobs that do not exist.
- D) All of the above.
- E) A and B only.

Answer: D

30) 'Bait advertising', which is illegal under s 56 of the *Australian Consumer Law*, occurs when a retailer offers:

- A) to pay customers a commission for advertising with that business.
- B) to provide a gift or prize with no intention of supplying it.
- C) goods at low prices to attract customers to the place of business.
- D) goods at a low price despite having limited or nil stock and no capacity to supply them within a reasonable period of time.

Answer: D

- 31) A company won and was partly paid for a contract to provide security services although it knew it could not supply the staff and equipment required under the contract for that price. Which of the following statements are true in relation to the *Australian Consumer Law (ACL)*?
- A) This conduct will breach s 36 of the ACL which prohibits accepting payment without intention to supply goods or services.
  - B) This conduct is similar to *Dawson v World Travel* where a travel company accepted payment for a tour although it knew the tour would run for less than its advertised time period.
  - C) The security company will only breach s 36 of the ACL which prohibits accepting payment without intention to supply if it accepts full payment for the contract.
  - D) All of the above.
  - E) A and B above only.

Answer: E

- 32) Referral selling, which is prohibited under s 49 of the *Australian Consumer Law*, would occur if:
- A) X pays customer Y a 'spotter's fee' for referring new customers to X.
  - B) X promises to pay Y a fee for referring new customers to X if Y purchases goods or services from X before their fee agreement begins.
  - C) X provides false references from previous customers when she makes a sales pitch to new customers.
  - D) A refers or checks customer B's credit rating before agreeing to sell goods or services to B,

Answer: B

- 33) Pyramid selling is an illegal activity that involves:
- A) distribution of profits which are based almost entirely on the entry fees of new recruits.
  - B) high pressure selling techniques.
  - C) offering fictional group tours to Egypt or other middle eastern countries.
  - D) selling franchises, distributorships or other schemes where the seller fails to provide the advertised goods or services.

Answer: A

- 34) Under the *Australian Consumer Law*, if goods are displayed with two prices the supplier:
- A) has the right to impose the higher price if the words "No Rainchecks" or their equivalent are displayed at the point of sale.
  - B) must supply the goods at the lowest of the two prices.
  - C) has the right to impose the higher price if the GST for each price is clearly displayed at the same time.
  - D) must supply the goods for the difference between the two prices.

Answer: B

- 35) Consumers are protected under the *Australian Consumer Law* when they purchase goods or services as a result of unsolicited door to door or telemarketing sales practices. Which of the following sales situations would be regulated under these laws?
- A) Tina purchased cooking utensils for \$500 when she attended a Kitchen Fun party night at a friend's house. She never intended to buy anything but she felt pressured by the atmosphere and the salesperson's 'hard sell' tactics.
  - B) Donna purchased cleaning products worth \$90 from a telemarketer who obtained her number from details Donna had provided in a store competition.
  - C) Bill asked for a quote for a Pay TV service. A sales person rang back and pressured Bill into signing up for a package costing \$1500 per year.
  - D) All of the above.

Answer: C

- 36) Under the *Australian Consumer Law* what protection is given to a consumer who enters into an unsolicited consumer agreement?
- A) If a householder asks a sales person to leave that person must leave immediately and cannot return for at least 60 days.
  - B) They must be given a written contract within 15 working days from the day the agreement is made if the contract results from a telephone sale.
  - C) They have the right to a 10 days cooling-off period from the day the agreement is made
  - D) All of the above.

Answer: C

- 37) A wide range of contracts for goods and services are protected under the *Australian Consumer Law* by statutory guarantees. Which of the following types of contract are not covered by the guarantees?
- A) Goods and services for commercial purposes that cost more than \$40 000.
  - B) An auction sale.
  - C) Goods and services that are sold privately e.g. a person sells her car after advertising it in the local paper.
  - D) All of the above.
  - E) A and B only.

Answer: D

- 38) Under the *Australian Consumer Law* a seller will not breach the consumer guarantee that its goods should be of acceptable quality if:
- A) the buyer was advised about any defects before they were purchased.
  - B) the buyer paid less than \$40 000 for the goods.
  - C) the buyer could have discovered any defects through a reasonable examination.
  - D) any one of the above situations occurred.
  - E) A or B occurred.

Answer: E

- 39) Which of the following statements is not true in relation to the consumer guarantee that goods must be reasonably fit for a specified purpose?
- A) The guarantee is breached if goods are incapable of performing the purpose that the supplier told the consumer they would perform.
  - B) The guarantee is breached if the goods are incapable of performing the special purpose that the consumer told the supplier they required and the supplier said they were suitable.
  - C) Consumers can make their special purpose known to suppliers by express (direct) or implied conduct.
  - D) The guarantee is breached if a legal representative of the supplier, even an obviously unskilled staff member, claimed goods would perform a purpose which they were not capable of performing.

Answer: D



- 40) A plumber who carried out some emergency repairs at your residence advised you in writing before starting that he was only liable for any faults with his work within the next six months. Nine months later you have been found that his work is faulty. Which of the following statements is most accurate concerning your legal rights under the *Australian Consumer Law*?
- A) You have legal rights. People providing services to consumers must show reasonable care and skill and this right cannot be limited to an unreasonable time period.
  - B) You have no rights. The six months limitation period is legally binding because you were advised in writing before the job began and you chose to go ahead.
  - C) You have legal rights because there is a minimum statutory protection period of 12 months for all goods or services purchased by a consumer.
  - D) You have no rights. As the plumber provided services and not goods you are not entitled to consumer guarantees, such as the right to purchase goods of acceptable quality.

Answer: A

- 41) Two months ago you purchased goods that are covered by the consumer guarantees under the *Australian Consumer Law*. The goods have suffered a major failure. What are your rights?
- A) You have the right to choose between a repair or a replacement.
  - B) You have the right to choose a repair, a replacement or a refund.
  - C) You must accept the supplier's decision about whether you should receive a repair, a replacement or a refund.
  - D) You have the right to choose a repair, a replacement or a refund and you may be able to claim compensation for related loss or damage.

Answer: D

- 42) Which of the following situations gives a consumer the right to claim for a major failure of services under the *Australian Consumer Law*?
- A) The services were unsafe.
  - B) The services were significantly different from the description provided by the supplier.
  - C) A reasonable consumer would not have acquired the services if they had known the full extent of the problem.
  - D) All of the above.
  - E) B and C above only

Answer: D

- 43) Jane agreed to purchase a coat priced at \$600 through a lay-by agreement with a clothing store. She signed a written agreement which required her to pay \$100 per month for 6 months. Jane made two payments and then decided not to proceed. The store has advised Jane that she must pay a \$50 termination fee although there was no reference to one in the lay by agreement. What are the store's obligations under the lay by provisions of the *Australian Consumer Law*?
- A) It must refund Jane's payments and it can impose the termination fee.
  - B) It does not have to refund Jane's payments and it has the right to the termination fee because Jane breached the contract and is obliged to pay damages.
  - C) It must refund Jane's payments and it cannot impose the termination fee.
  - D) It does not have to refund Jane's payments and it has the right to claim the termination fee if it can prove that the fee is reasonable.

Answer: C

44) A consumer has the right to sue an importer for a defect in manufactured goods if:

- A) the importer is a wealthy multi-national company.
- B) the manufacturer does not have a place of business in Australia.
- C) the consumer chooses to exercise this right.
- D) the manufacturer gives the consumer permission to sue the importer.

Answer: C

45) Which of the following statements is true regarding the strict liability imposed on manufacturers of goods with safety defects under Part 3-5 of the *Australian Consumer Law*?

- A) A company that merely packages goods supplied by a third party and puts its brand name on the package is not subject to Part 3-5.
- B) Goods have a defect if their safety is 'not such as persons are generally entitled to expect'.
- C) The plaintiff must satisfy the ACL definition of a consumer.
- D) All goods are covered by Part 3-5 except for pharmaceutical and medical goods.

Answer: B

46) Which of the following powers are granted to federal and state safety regulators under the *Australian Consumer Law* national safety system?

- A) To order the recall of faulty products.
- B) To require the destruction of unsafe consumer goods.
- C) To set minimum safety standards.
- D) All of the above.
- E) A and B only.

Answer: D

47) Breaches of the consumer protection provisions under the Australian Consumer Law may be penalised by fines of up to:

- A) \$1.1 million for a corporation and \$220 000 for an individual.
- B) \$200,000 for a corporation and \$10 000 for an individual.
- C) \$500,000 for a corporation and \$50 000 for an individual.
- D) \$5.5 million for a corporation and \$440 000 for an individual.

Answer: A

48) Pecuniary penalties (fines) cannot be imposed for which breaches of the consumer protection provisions of the *Australian Consumer Law*?

- A) Misleading or deceptive conduct (s18).
- B) False misrepresentations ((s 29).
- C) Bait advertising (s 35).
- D) Accepting payment without intention to supply (s 36).
- E) Unconscionable conduct (s 21-23).

Answer: A

49) Compensation (ancillary) orders that may be imposed for breaches of the Australian Consumer Law include orders:

- A) to void or vary a contract.
- B) to order money refunded or property transferred.
- C) to refuse to enforce the terms of the contract.
- D) all of the above.
- E) A and B only.

Answer: D

- 50) Which of the following provide defences to criminal breaches of the *Australian Consumer Law*?
- A) The defendant reasonably relied on information supplied by another person.
  - B) The actions of another person, or an accident, or some other cause beyond the control of the defendant led to the breach.
  - C) The defendant made a reasonable mistake about a fact.
  - D) All of the above.
  - E) A and B only

Answer: D

- 51) Small Claims Tribunals and Consumer Claims Tribunals have been set up in all jurisdictions in Australia. Their main purpose is to:
- A) resolve disputes between businesses and consumers in a way that is quick, flexible, fair, inexpensive and non-legalistic.
  - B) deal with claims involving parties who live in different states.
  - C) deal with claims that are too small in value to come under the Australian Consumer Law.
  - D) satisfy all of the above purposes.

Answer: A

- 52) Which of the following statements is true in relation to hearings in a Small Claims Tribunal or a Consumer Claims Tribunal?
- A) The tribunal follows formal procedures that are similar to court procedures.
  - B) The decision of the referee or magistrate is not legally enforceable.
  - C) Evidence which would not be allowed in a court hearing may be heard.
  - D) The parties usually have the right to be represented by a lawyer.

Answer: C

- 53) Which of the following remedies is usually not available to a Small Claims Tribunal or a Consumer Claims Tribunal?
- A) An order that additional or substitute work be performed.
  - B) An order to pay monetary compensation.
  - C) An order to pay a fine.
  - D) Dismissal of a claim.

Answer: C