

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

- 1) A valid contract is usually defined as an agreement made by two or more parties which creates:
- A) rights and obligations that are legally enforceable.
  - B) rights and obligations that are legally binding if the agreement is put into writing.
  - C) debts and credit obligations that are legally enforceable.
  - D) legally binding promises approved by the court of equity or the common law.

Answer: A

- 2) A contract is an agreement that:
- A) creates moral and social obligations that are legally enforceable.
  - B) creates rights and obligations that are legally enforceable.
  - C) must be proven by some form of written evidence.
  - D) can be enforced in a court if the parties have entered into a pre-enforcement covenant.

Answer: B

- 3) A contract which must be written in a special way and is not required to provide consideration is called a:
- A) a technical contract.
  - B) an informal contract.
  - C) a simple contract.
  - D) a formal contract.

Answer: D

- 4) Which of the following is not an essential feature of a contract under seal (a deed)?
- A) A seal, or the words 'signed, sealed and delivered'.
  - B) A printed or written document that states its purpose, names the parties and states the terms.
  - C) Signatures of the parties that are witnesses and dated.
  - D) Physical delivery of the deed to each of the parties.

Answer: D

- 5) A deed is not valid unless it is a document which:
- A) is executed by a natural person or an officer of the court.
  - B) is signed before a Justice of the Peace.
  - C) is signed, sealed, delivered and witnessed.
  - D) satisfies all of the above requirements.

Answer: C

- 6) Two types of contracts that are not enforceable unless they are in the form of a deed are:
- A) a power of attorney (to appoint an agent) and a gratuitous contract (one with no consideration from one party).
  - B) a power of attorney (to appoint an agent) and a contract for the sale of land.
  - C) a contract for the transfer of shares and an insurance contract.
  - D) a contract for the transfer of copyright and a consumer credit contract.

Answer: A

7) Which of the following contracts are not required by statute to be entirely or partly in writing?

- A) An agreement to transfer ownership of shares.
- B) The sale of land.
- C) An insurance contract.
- D) The sale of a boat.
- E) A and B only.

Answer: D

8) Which of the following statements about simple contracts is correct?

- A) They have a maximum duration of 12 years.
- B) They can take any form and must include consideration.
- C) They can take any form and do not require consideration.
- D) They must be written.

Answer: B

9) The parties to a simple contract have the right to take legal action for how many years after the contract is made? (Ignore the limit that applies in the Northern Territory)

- A) 4 years.
- B) 10 years.
- C) 8 years.
- D) 12 years.
- E) 6 years.

Answer: E

10) In New South Wales, Queensland, Western Australia and Tasmania, parties have the right to commence legal action for a breach of contract within:

- A) 6 years for a simple contract and 12 years for a formal contract.
- B) 10 years for a simple contract and 5 years for a simple contract.
- C) 2 years for a simple contract and 6 years for a formal contract.
- D) 12 years for a simple contract and 6 years for a formal contract.

Answer: A

11) In Victoria and South Australia parties have the right to commence legal action for a breach of contract within:

- A) 2 years for a simple contract and 6 years for a formal contract.
- B) 10 years for a simple contract and 15 years for a simple contract.
- C) 12 years for a simple contract and 6 years for a formal contract.
- D) 6 years for a simple contract and 15 years for a formal contract.

Answer: D

12) Which of the following statements about simple contracts is correct?

- A) They must be written.
- B) They can take any form and do not require consideration.
- C) They can take any form and must include consideration.
- D) They have a maximum duration of 12 years.

Answer: C

13) Which of the following is not required in a valid simple contract?

- A) Offer and acceptance.
- B) A signed document.
- C) Consideration.
- D) An intention to create legal relations.
- E) A and B only.

Answer: B

14) Consideration must exist in:

- A) simple contracts.
- B) domestic arrangements.
- C) deeds.
- D) all of the above.

Answer: A

15) Which of the following elements are required to create an 'apparent' simple contract?

- A) intention, agreement and consideration.
- B) intention, agreement and capacity.
- C) capacity, legality and intention.
- D) intention, consideration and genuine consent.
- E) agreement, genuine consent and capacity.

Answer: A

16) John sells an Android smartphone to Betty, who then sells it to Gerard. If the apparent contract between John and Betty is void, who has the strongest legal right to the smartphone?

- A) Gerard.
- B) Betty.
- C) John.
- D) There is no clear legal owner. The matter will have to go to mediation.

Answer: C

17) If a contract is *void ab initio* it has:

- A) no legal effect from the date a court rules it is void
- B) no legal effect from the very beginning.
- C) no legal effect once the guilty party terminates the contract.
- D) no legal effect once there is a failure by one party to perform the contract.

Answer: B

18) John sells an iPhone to Betty. The contract is voidable because of a breach by Betty. But Betty sold the iPhone to Gerard before John advised her he would no longer be bound to the contract. Who probably has the strongest legal right to the iPhone?

- A) No-one. The iPhone must be sold and the proceeds divided equally between John and Gerard, with Betty being responsible for making up the balance to both of them.
- B) Gerard.
- C) Betty.
- D) John.

Answer: B

19) A contract where one of the parties has the right to repudiate or rescind the contract is described as:

- A) an illegal contract.
- B) a void contract.
- C) a voidable contract.
- D) an unenforceable contract.

Answer: C

20) A has the right to \_\_\_\_\_ a contract if A did not give genuine consent to the contract.

- A) execute.
- B) repudiate.
- C) enforce.
- D) frustrate.

Answer: B

21) The formation of a contract between parties may be:

- A) quasi.                      B) implied.                      C) express.                      D) all of the above.

Answer: D

22) Which of the following statements is/are true in relation to an express contract?

- A) It occurs when parties clearly agree on the terms of the contract'.
- B) It can be achieved through documents or the spoken word or a combination of both.
- C) It refers to an agreement that is made quickly and effectively.
- D) All of the above.
- E) A and b only

Answer: E

23) A simple contract may be implied by:

- A) a contract of record.
- B) the conduct of the parties.
- C) a deed.
- D) a 'signed, sealed and delivered' agreement.

Answer: B

24) Which of the following is an example of a bilateral contract?

- A) I promise to pay you \$500 if you will create a website for me and you promise to create the website within 2 weeks.
- B) You and I contribute \$500 each as collateral for a new business that will create websites for small businesses.
- C) You create a website for me and I promise to pay you \$500 for the work within 2 weeks.
- D) All of the above

Answer: B

25) A contract where one or both parties have not yet performed their contractual obligations is known as:

- A) an executed contract.  
B) an executory contract.  
C) a voidable contract.  
D) a quasi contract.

Answer: B

26) An executed contract is one where:

- A) one or both parties could face prison sentences for a breach of the contract.  
B) both parties have performed their contractual obligations.  
C) one party is responsible for completing the necessary documentation.  
D) both parties sign, seal and deliver the written documents.

Answer: C

27) Which of the following statements is not true in relation to standard form contracts?

- A) Consumers are given special statutory protection against unfair terms in internet standard form contracts.
- B) Standard form contracts are printed or electronic agreements that do not allow us to negate any of its terms
- C) When consumers sign or otherwise accept a standard form agreement they are usually legally bound by all its terms
- D) Consumers are given statutory protection against unfair terms in standard form contracts.

Answer: A