**Business Law Contract Law Test**

Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Hour \_\_\_\_\_\_\_\_\_\_\_\_\_ Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**True/False (1 point each)**

*Indicate whether the statement is true or false.*

\_\_\_\_ 1. An oral contract is not enforceable by law.

\_\_\_\_ 2. A valid contract must contain at least four of the six elements of a contract.

\_\_\_\_ 3. Consideration is the legal ability to enter a contract.

\_\_\_\_ 4. When a bilateral contract is made, one person makes a promise to do something if and when another person does something.

\_\_\_\_ 5. Contracts for clothing and motor vehicles are examples of exceptions to the mirror image rule.

\_\_\_\_ 6. According to common law, when you send an acceptance over long distances, it is effective three days after it is sent.

\_\_\_\_ 7. A contract that is void has no legal effect.

\_\_\_\_ 8. The Statute of Frauds requires that both parties involved in the contract be honest with each other.

\_\_\_\_ 9. Advertisements in newspapers, price tags, and signs in store windows are treated by the law as invitations to negotiate.

\_\_\_\_ 10. An offer must always be made seriously for it to be legal.

**Multiple Choice (1 point each)**

*Identify the choice that best completes the statement or answers the question.*

\_\_\_\_ 11. The taking back of an offer by the offeror is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | revocation. | c. | cancellation. |
| b. | rejection. | d. | consideration. |

\_\_\_\_ 12. A contract that amounts to nothing and has no legal effect is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | unenforceable. | c. | void. |
| b. | voidable. | d. | unilateral. |

\_\_\_\_ 13. A contract that contains a promise by both parties is

|  |  |  |  |
| --- | --- | --- | --- |
| a. | express. | c. | bilateral. |
| b. | implied. | d. | unilateral. |

\_\_\_\_ 14. To be effective, an offer must be communicated to the

|  |  |  |  |
| --- | --- | --- | --- |
| a. | attorney. | c. | lender. |
| b. | offeree. | d. | offeror. |

\_\_\_\_ 15. In order for the acceptance to be legally binding, it must be

|  |  |
| --- | --- |
| a. | made in person and in writing by the offeree. |
| b. | unconditional and in writing by the offeror and offeree. |
| c. | made in person and follow the rules regarding the method of acceptance. |
| d. | unconditional and follow the rules regarding the method of acceptance. |

\_\_\_\_ 16. If you wait too long to bring a lawsuit, the court may not uphold it because it could be

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| --- | --- | --- | --- |
| a. | unenforceable. | c. | voidable. |
| b. | limited. | d. | fraudulent. |

\_\_\_\_ 17. Your friend has lost her bracelet and offers you a reward of $50 if you find it. This is an example of a(n)

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| --- | --- | --- | --- |
| a. | bilateral contract. | c. | acceptance contract. |
| b. | unilateral contract. | d. | revocation of a contract. |

\_\_\_\_ 18. In China, when people sign a contract, it means

|  |  |
| --- | --- |
| a. | all parties know what to do and by when. |
| b. | they are ready to fulfill the contract. |
| c. | that everyone will complete the requirements of the contract. |
| d. | they simply want to do business with each other. |

\_\_\_\_ 19. In contract law, consideration can be defined as

|  |  |
| --- | --- |
| a. | the thing of value promised in exchange for something else of value. |
| b. | anyone who enters into a legal contract has the ability to do so. |
| c. | contracts that involve illegal acts are not allowed. |
| d. | both parties communicating clearly when entering into a contract. |

\_\_\_\_ 20. Invitations to deal, trade, or make an offer by the seller are considered invitations

|  |  |  |  |
| --- | --- | --- | --- |
| a. | of legality. | c. | to make a counteroffer. |
| b. | to negotiate. | d. | for consideration. |

**Matching (1 point each)**

*Match each term with its definition.*

|  |  |  |  |
| --- | --- | --- | --- |
| a. | contract | f. | express contract |
| b. | offer | g. | implied contract |
| c. | acceptance | h. | counteroffer |
| d. | mirror image rule | i. | revocation |
| e. | unilateral contract | j. | rejection |

\_\_\_\_ 21. A contract that comes about from the actions of the parties

\_\_\_\_ 22. The terms stated in the acceptance must match the terms of the offer

\_\_\_\_ 23. A refusal of an offer by the offeree that brings the offer to an end

\_\_\_\_ 24. Any agreement enforceable by law

\_\_\_\_ 25. A response to an offer that changes the terms of the original offer

\_\_\_\_ 26. Unqualified willingness to go along with an offer

\_\_\_\_ 27. Contains a promise by only one person to do something when the other party performs some act

\_\_\_\_ 28. Proposal by one party to another party to enter into a contract

\_\_\_\_ 29. The taking back of an offer by the offeror

\_\_\_\_ 30. A contract stated in words; may be oral or written

**Short Answer (7 points)**

31. Using constructed response, list the six elements of a valid contract.