

**Business Law Contract Law Test****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.
  - b. rejection.
  - c. cancellation.
  - d. consideration.
  
- \_\_\_ 12. A contract that amounts to nothing and has no legal effect is
  - a. unenforceable.
  - b. voidable.
  - c. void.
  - d. unilateral.
  
- \_\_\_ 13. A contract that contains a promise by both parties is
  - a. express.
  - b. implied.
  - c. bilateral.
  - d. unilateral.

- \_\_\_ 14. To be effective, an offer must be communicated to the
- a. attorney.
  - b. offeree.
  - c. lender.
  - 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
- a. unenforceable.
  - b. limited.
  - c. voidable.
  - 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)
- a. bilateral contract.
  - b. unilateral contract.
  - c. acceptance 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.
  - b. to negotiate.
  - c. to make a counteroffer.
  - 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.