# Test Bank for Essentials of Contract Law 2nd Frey

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# CHAPTER 2

## *Step Two: Contract Formation—The Offer, the Events Between Offer and Acceptance, and the Acceptance*

### *True/False*

**Indicate whether the statement is true or false.**
**An answer must be all True to be True.**

| | | | |
|---|---|---|---|
| 1. | T | F | The *Restatement [Second] of Contracts* and modern contract law use a subjective standard. |
| 2. | T | F | A contract has three elements: an offer, acceptance, and consideration. |
| 3. | T | F | In an offer, the promisor may require the promisee to promise or to perform. |
| 4. | T | F | In an offer, the promisee's promise or performance is the consideration for the promisor's promise. |
| 5. | T | F | An offer may be made to the general public. |
| 6. | T | F | An illusory promise is not a promise because it is not an unequivocal assurance that something will or will not occur. |
| 7. | T | F | "I may" or "I might" does not rise to the level of promise and therefore cannot be the promisor's promise in an offer. |
| 8. | T | F | "I promise to sell you Blackacre for $500,000 if I feel like it" is an offer. |
| 9. | T | F | Consideration that is feigned or pretended is not consideration. |
| 10. | T | F | A breach of contract cause of action is based on unjust enrichment. |
| 11. | T | F | An auction in which the seller (acting through the auctioneer) is the offeror is an auction without reserve. |
| 12. | T | F | An auction is presumed to be with reserve. |
| 13. | T | F | An offer that is not accepted, revoked, or rejected will lapse in the time stated or if no time is stated, within a reasonable time. |
| 14. | T | F | Under the *Restatement [Second] of Contracts,* an offer for a bilateral contract cannot be revoked if the offeree begins to prepare to perform. |
| 15. | T | F | An option contract ceases to have a purpose after the offeree has accepted the main contract offer. |
| 16. | T | F | The *Restatement [Second] of Contracts* § 90 provides when reliance can be used to create a reliance cause of action if a party makes statements that are less than an unequivocal assurance that something will or will not occur and the other party relies on those statements. |
| 17. | T | F | "Will you sell me your car" does not rise to the level of promise because it is illusory. |
| 18. | T | F | Advertisement may never be offer. |
| 19. | T | F | The general rule on auctions is that they are "with reserve" unless a contrary intention is apparent from a statute, court order, advertisement, or announcement at the beginning of the auction. |
| 20. | T | F | Some promises are indefinite because they lack the essential terms that assist the court in determining a remedy. |
| 21. | T | F | The second element of an offer is the consideration for the promisor's promise. |
| 22. | T | F | An inadequate price for the promisor's promise results in the price not rising to the level necessary to be consideration for the promisor's promise. |


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| 23. | T | F | A promise to make a future gift is an offer. |
| 24. | T | F | Sham consideration does not meet the peppercorn test because it is feigned or pretend consideration and therefore cannot be consideration for the promisor's promise. |
| 25. | T | F | Motive can be consideration for a promisor's promise. |
| 26. | T | F | Moral obligation can be consideration for a promisor's promise. |
| 27. | T | F | For an offer to have been created, the promisee's promise or performance must be the *quid pro quo* for the promisor's promise. |
| 28. | T | F | Past consideration satisfies the *quid pro quo* and therefore can be consideration for the promisor's promise. |
| 29. | T | F | A condition does not satisfy the *quid pro quo* requirement because the promisor is not seeking a performance by the promisee. |
| 30. | T | F | Acceptance at a distance is effective when received by the offeror. |
| 31. | T | F | An acceptance is the offer's manifestation of a willingness to enter into a contract on the offeror's terms. |
| 32. | T | F | The acceptance has three elements: the promisee's promise or performance, the promisor's promise, and the promisee's promise or performance must be made to receive the promisor's promise. |
| 33. | T | F | Both an offer for a bilateral contract and an offer for a unilateral contract are accepted when the offeree promises. |
| 34. | T | F | An offer for a bilateral contract must be accepted by a promise and that promise may be implied from performance. |
| 35. | T | F | Under classical contract law, the offeree must have knowledge of the offer for a unilateral contract prior to the beginning of performance. |
| 36. | T | F | Under classical contract law, the acceptance need only mirror the offer as to the bargained-for terms. |
| 37. | T | F | An option contract ceases to be effective after the main contract offer is accepted. |
| 38. | T | F | An option contract ceases to be effective after the offeror revokes the main contract offer. |
| 39. | T | F | If an acceptance is sent by the offeree on March 5th and received by the offeror on March 8th, and a revocation of the offer is sent by the offeror on March 4th but not received by the offeree until March 7th, a contract has been formed. |
| 40. | T | F | If an acceptance is sent by the offeree on March 5th and received by the offeror on March 8th, and a rejection of the offer is sent by the offeree on March 4th but not received by the offeror until March 7th, a contract has been formed. |
| 41. | T | F | An option contract can be created before the main contract offer is extended. |
| 42. | T | F | An option is an option contract and requires an offer and an acceptance. |
| 43. | T | F | The consideration for the offer for the option contract must be independent of the consideration used for the promisor's promise in the main contract offer. |
| 44. | T | F | An option contract ceases to be effective after the offeree rejects the main contract offer. |
| 45. | T | F | Offeror extends an offer for a bilateral contract to the offeree and the parties also enter into an option contract. If an acceptance is sent by the offeree on March 5th and received by the offeror on March 8th, and a rejection of the offer is sent by the offeree on March 4th but not received by the offeror until March 7th, a contract has been formed. |


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| 46. | T | F | Sabrina promises to sell Michelle Blackacre for her promise to pay $500,000 and to hold his offer open for 60 days. Thirty days after extending his promise, Sabrina sells Blackacre to Pablo and notifies Michelle of the sale. Michelle then attempts to accept Sabrina's offer. An option contract was formed between Sabrina and Michelle for 60 days and Michelle's attempted acceptance is effective. |
| 47. | T | F | An implied option contract could be created through *Restatement [Second] of Contracts* § 87(2) if the offeree relies on the offer. |
| 48. | T | F | The classical consideration doctrine has been tampered with by various legislatures and courts so that the consideration doctrine of 1945 looks substantially different from the consideration doctrine of 2014. |
| 49. | T | F | If one party makes a gift promise and the other party relies on that promise, *Restatement [Second] of Contracts* § 90 provides the party who relies to circumvent the consideration requirement. |
| 50. | T | F | The offeree is the party who controls the terms of the contract. |

## *Multiple-Choice*

**Identify the best correct answer.**

1. A contract consists of:
   (a) an offer
   (b) an offer and an acceptance
   (c) an offer, an acceptance, and consideration
   (d) an offer, an acceptance, and two considerations

2. Consideration for the promisor's promise may be:
   (a) a condition
   (b) a moral obligation
   (c) a motive
   (d) a peppercorn

3. "I promise to give you $500 if you promise to walk across the Golden Gate bridge" is:
   (a) an offer for a unilateral contract
   (b) an offer for a bilateral contract
   (c) a promise with a condition
   (d) a gift promise

4. "I promise to sell you Blackacre for your promise to pay me $500,000, and I promise not to revoke this offer for 90 days" is:
   (a) an offer
   (b) an offer that lapses in 90 days
   (c) an offer with an option contract
   (d) an offer that cannot be revoked for 90 days

5. Lanette's promise to buy his daughter an SUV when she graduates to college is:
   (a) an offer for a unilateral contract
   (b) an offer for a bilateral contract
   (c) a promise without consideration
   (d) a sham promise


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6. "I promise to sell you my season tickets to the Denver Broncos' home football games for this coming year for your promise to pay me $75" is:
   (a) a sham and therefore not a promise
   (b) an illusory promise and therefore not a promise
   (c) a promise that lacks adequacy
   (d) an offer for a bilateral contract

7. A newspaper published for following two advertisements, side by side.

| | |
|---|---|
| Saturday 10 A.M. Sharp | Saturday 10 A.M. |
| 3 1973 VW Campers Buses | 1973 VW Camper Bus |
| Worth to $19,250 | Worth $19,250… $100.00 |
| First Come, First Served | First Come, First Served |

   (a) Because of the general rule, neither advertisement could be an offer.
   (b) The advertisement on the left could be an offer but the one on the right could not.
   (c) The advertisement on the right could be an offer but the one on the left could not.
   (d) Both advertisements are offers.

8. After AnneMarie's pet monkey escaped from its cage, she advertised a $5,000 reward for her monkey's safe return.
   (a) AnneMarie has made an offer for a unilateral contract.
   (b) AnneMarie has not made an offer because rewards cannot be offers.
   (c) AnneMarie has made an offer for a bilateral contract.
   (d) AnneMarie has not made an offer because there is no consideration for her promise to pay.

9. After AnneMarie's pet monkey escaped from its cage, she advertised a $5,000 reward for her monkey's safe return. Jessica discovered the monkey in her garage and put it in her SUV to take to the zoo. On the way, she learned of the reward. After giving the monkey to the zoo for the zoo to return the monkey to AnneMarie, Jessica asked AnneMarie for the reward.
   (a) Under the *Restatement [Second] of Contracts*, Jessica is entitled to the reward.
   (b) Under the *Restatement [Second] of Contracts*, Jessica is not entitled to the reward because the reward was not an offer.
   (c) Under the *Restatement [Second] of Contracts*, Jessica is not entitled to the reward because she learned of the reward after beginning the performance of returning.
   (d) Under the *Restatement [Second] of Contracts*, Jessica is not entitled to the reward because she returned the money to the zoo and not to AnneMaire.

10. On June 1st, Roger sent Sue Ellen a letter promising to pay her $500,000 for her promise to sell him for the 160 acres of undeveloped farmland that he owned.
    On June 5th, Sue Ellen received Roger's letter.
    On June 7th, Sue Ellen sent Roger a letter accepting his offer.
    On June 10th, Sue Ellen sent Roger a letter rejecting his offer.
    On June 12th, Roger received Sue Ellen's June 10th letter. He never received her June 7th letter.
    (a) Sue Ellen's June 7th letter was an acceptance when sent so contract was formed.
    (b) Sue Ellen's June 10th letter was a rejection on June 10th because Roger never received the June 7th letter.
    (c) Sue Ellen's June 10th letter was a rejection and a contract was not formed on June 12th because Roger did not receive Sue Ellen's June 7th letter of acceptance but did receive her June 10th letter of rejection.
    (d) Sue Ellen's June 10th letter would appear to be the effective rejection in the event that Roger relied on it, even though technically a contract was formed on June 7th.


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11. Roger sent Sue Ellena letter promising to pay her $500,000 for her promise to sell him 160 acres of undeveloped farmland that he owned.
    On June 5th, Sue Ellen received Roger's offer letter.
    On June 7th, Roger sent Sue Ellen a letter revoking his offer.
    On June 10th, Sue Ellen sent Roger a letter accepting his offer.
    On June 12th, Sue Ellen received Roger's June 7th letter revoking his offer. Roger never received Sue Ellen's June 10th letter of acceptance.
    (a) Roger's June 7th letter was effective as a revocation on that date so no contract was formed.
    (b) Roger's June 7th letter was effective as a revocation on June 12th when received so no contract was formed.
    (c) Sue Ellen's June 10th letter was effective as an acceptance on June 10th when it was sent so a contract was formed.
    (d) Sue Ellen's June 10th letter was not effective as an acceptance because Roger never received it.

12. In May, Gretchen and Pamela were students a State University. Gretchen promised to drive Pamela back to the university after summer recess. In early August when Gretchen did not hear from Pamela, Gretchen contracted to drive Maxine back to the university for Maxine's promise to pay for the gas.
    (a) At the time Gretchen contracted with Maxine, Gretchen's offer to Pamela had lapsed.
    (b) Gretchen's promise to Pamela was a gift promise and unenforceable.
    (c) Gretchen's offer to Pamela lapses when Gretchen contracts with Maxine.
    (d) Even through Gretchen and Maxine have contracted, Gretchen's offer to Pamela could still be accepted because Gretchen has not revoked her offer.

13. The consideration for the promisor's promise must be:
    (a) either the promisee's promise or the promisee's performance
    (b) the promisee's promise
    (c) the promisee's performance
    (d) the promisee's performance of its promise

14. Sonia, a new paralegal, promised to apprentice for Walter, an experienced attorney, for six month. What is the minimum Walter must promise to pay Sonia for a contract to be formed?
    (a) $0
    (b) $75 a week
    (c) $400 a week
    (d) $1,000 a week

15. "I promise to leave you my house when I die if you care for me for the remainder of my life" is:
    (a) a promise with a condition
    (b) an offer for a unilateral contract
    (c) an offer for a bilateral contract
    (d) a contract

16. "Will you sell me Blackacre for $800,000" is:
    (a) an inquiry
    (b) an illusory promise
    (c) an indefinite promise
    (d) an offer for a bilateral contract

17. As a general rule:
    (a) an auction is not an offer
    (b) an auction is a promise with a condition
    (c) an auction is with reserve
    (d) an auction is without reserve


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18. Richard promised Lauren, a police officer, $500 if she would find his lost dog. Lauren found the dog but Richard refused to pay.
    (a) Richard made an offer for a unilateral contract to Lauren.
    (b) Richard made an offer for a bilateral contract to Lauren.
    (c) The purported consideration for Richard's promise was a sham.
    (d) Richard's promise lacked consideration because of Lauren's preexisting duty.

19. Hannah promised to pay Daniella, her niece, $50 if Daniella stopped smoking by the time she was 21. Daniella is now 19.
    (a) Hannah has not made an offer to Daniella because stopping smoking is a condition and not consideration for Hannah's promise.
    (b) Hannah has not made an offer to Daniella because the consideration for Hannah's promise was inadequate.
    (c) Hannah has not made an offer to Daniella because Hannah could revoke her offer at any time prior to the date when Daniella turned 21.
    (d) Hannah has made an offer to Daniella.

20. Derek bet Emily $500 that she could not swim the English Chanel. Emily began her swim from Dover, England, and when it looked like she would complete her swim, Derek yelled out from the escort boat that he withdrew his offer.
    (a) Swimming the Chanel was a condition so no offer was made.
    (b) Derek made an offer for a unilateral contract and could revoke his offer prior to Emily completing her swim.
    (c) Derek made an offer for a unilateral contract that could not be revoked because of an implied option contract.
    (d) Derek made an offer for a bilateral contract and when Emily began her swim, her performance implied her acceptance.

21. The A-1 Auto Mart made an offer to sell any new car on its lot for $5,000 below the manufacturer's list price and to keep this offer open until the end of the month.
    (a) A-1 did not make an offer because there was no promise to pay.
    (b) A-1 made an offer that must be held open for the remainder of the month.
    (c) A-1 made an offer that could be revoked at any time.
    (d) A-1 did not make an offer because advertisements are not offers.

22. Heather inherited some farmland and promised to sell it to Alice for Alice's promise to pay $500,000. Alice sent Heather a check for $450,000 along with a letter saying that $500,000 was more than the land was worth. Heather deposited the check into her account at the bank.
    (a) A contract was made for $500,000.
    (b) A contract was made for $450,000.
    (c) A contract was made for a reasonable price.
    (d) No contract was made because the price has not been established.

23. Kelly promised to teach ballroom dancing to Andre and Josephine. Andre and Josephine purchased the appropriate shoes and made the necessary arrangements to take time off from work but when they arrived at Kelly's dance studio, she refused to give them lessons.
    (a) Kelly did not make an offer because no price was stated.
    (b) Kelly's offer was never expressly accepted.
    (c) Kelly made only a promise and therefore no offer but reliance on that promise created a contract.
    (d) Kelly's offer was impliedly accepted and therefore a contract was formed.


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24. Carmen was rendered unconscious while riding on a train that collided with another train. A medical doctor rendered first aid and subsequently sent Carmen a bill for services.
    (a) A contract was formed between Carmen and the doctor.
    (b) No contract was formed between Carmen and the doctor.
    (c) If the doctor seeks recovery, it would need to be through a restitution cause of action.
    (d) The doctor could not successfully maintain either a breach of contract or a restitution cause of action.

25. Builder contracted to build a home for the Grahams.
    (a) The parties should consider an option contract so the builder will not breach.
    (b) The parties should consider an option contract so the Grahams will not breach.
    (c) The parties should not consider an option contract because the main contract has already been created.
    (d) The parties have no contract because they have not set their agreement down on paper.

26. Which is the correct statement?
    (a) Reliance has no role in a contract's analysis.
    (b) In the area of contract formation, reliance may be used to circumvent the lack of consideration.
    (c) In the area of contract formation, reliance may be a cause of action if the promise required for offer does not rise to the level of an unequivocal assurance.
    (d) In the area of contract formation, reliance may be used to circumvent the lacks of consideration or as a cause of action if the promise required for offer does not rise to the level of an unequivocal assurance.


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