BUSINESS LAW PRACTICE EXAM

Part I: Multiple Choice

1. Smith loans Burke $10,000 on a promissory note and charged him 8% interest per month. Smith could be charged with
   1. Fraud b. duress c. larceny d. usury
2. A surgeon performed an appendectomy on Baton. Three weeks later, it was discovered that the surgeon had left a piece of gauze in Baton’s cut, which caused an infection, considerable pain, and additional medical expenses. Baton initiated a lawsuit against the surgeon to recover money damages. Which should have been the basis for Baton’s lawsuit?
   1. Defamation b. negligence c. assault d. invasion of privacy
3. Fleury witnessed a homicide but did not wish to become involved in testimony at the trial. The court, however, can order Fleury to appear at the trial as a witness by issuing
   1. A citation b. a summons c. an indictment d. a subpoena
4. Jones leaves her garbage in open containers, causing obnoxious odors in the neighborhood. This is an example of
   1. Nuisance b. fraud c. trespass d. vandalism
5. The person who starts a civil action is known as the
   1. Defendant b. plaintiff c. prosecutor d. bailiff
6. Damages that are awarded by the court to an injured party in excess of the real damages for the other party’s deliberate, wrongful acts are known as
   1. Actual damages b. nominal damages c. punitive damages d. liquidated damages
7. Roldan’s neighbor planned to build a fence on what Roldan believed to he her property. Roldan asked her neighbor to wait until they could determine the property line. If the neighbor said he did not want to wait and purchased the materials to build the fence, Roldan’s best action would be to
   1. Sue for conversion b. sue for trespassing c. seek a mandamus d. seek an injunction
8. In the daily newspaper, Webber Motor Co. advertised a new convertible at a special reduced price. When Luhr tried to purchase one at the advertised price, Webber’s salesperson stated that they had only one of that model and it had already been sold. Luhr insisted that Webber Motor Co. must sell him one at the reduced price as he was accepting their newspaper offer. Is Luhr correct?
   1. Yes; an advertisement in a newspaper is a communicated offer to all customers who wish to accept the offer.
   2. Yes; all advertisements are general offers that result in binding agreements when accepted by their customers.
   3. No; newspaper advertisements are only invitations to customers to make an offer.
   4. No; advertisements are offers, but do not have to be accepted by the advertiser once the product is sold out.
9. Myers owed Artic $1,500. When Myers was declared bankrupt, Artic received $100 as a settlement. According to the bankruptcy law, what is Myers’ future legal liability, if any, to Artic for this debt?
   1. Nothing b. $1,400 c. $1,400 plus late charges d. $1,500
10. Hill invited his 17-year-old girlfriend Dourney to attend his school’s senior ball. Dourney bought a new dress and made an appointment to have her hair done. The day before the ball, Hall broke his date with Dourney. Dourney sued for $160 compensatory damages. Is Hill liable?
    1. Yes; breach of promise makes one legally liable for damages.
    2. Yes; when there is valid consideration to support a contract, the breaching party is liable for damages.
    3. No; social agreements are not enforceable in court.
    4. No; minors may not initiate civil lawsuits.
11. To be enforceable, a contract for the sale of realty must be
    1. Evidenced in writing b. witnessed by two persons

c. accompanied by a downpayment d. approved by a real estate broker or lawyer.

1. Simpson and Betor had a contract dispute. They both agreed to let Jacobs, a third party, make a decision to settle the dispute. Settling a dispute in this manner is called
   1. Mutual release b. arbitration c. subrogation d. waiver
2. Ted brought suit against Krylo for breach of contract. The written contract stated that the amount owed was $1,400. Krylo claimed the correct amount was $1,200 and refused to pay the additional $200. In court, would Krylo’s testimony regarding the $1,200 amount be allowed?
   1. Yes; a person’s word prevails over a written document.
   2. Yes; provided a witness is competent, his testimony is admissible as evidence in court.
   3. No; only testimony of the plaintiff is allowed in breach of contract cases.
   4. No; the parol evidence rule does not allow oral evidence to change the terms of a written contract.
3. Thayer made a contract with Conway to buy her summer camp for $15,000. Neither party was aware that the camp had been destroyed by fire two days prior to the agreement. What is the legal status of this agreement?
   1. Void b. voidable c. binding d. illegal
4. Dow plumbing, Inc. contracted to install new copper pipes in Pryce’s home during the first week in August. When Dow’s master plumber arrived on August 2 to install the new pipes, Pryce informed her that the job could not be done until September. Dow’s obligation was discharged by
   1. Accord and satisfaction b. operation of law

c. tender of performance d. novation

1. Roth sold his car to Mills for $2,000. Later Roth discovered the car was worth $3,000. Roth would be legally entitled to collect
   1. $1,000, only b. $1,000 plus court fees c. $3,000 d. nothing
2. Robbins orally promised to buy his 15-year-old daughter a stereo if she went to school every day. Robbins is NOT legally bound to his promise because
   1. His daughter is a minor

b. the promise was oral

c. his daughter’s consideration is already required by law

1. a minor’s contracts for luxury items are voidable

Use the following information to answer questions 18-22.

Richards, while hunting without permission on land belonging to Wells, accidentally shot and killed Well’s horse. Richards realized his guilt and offered Wells $10 for the loss. Wells refused the $10 because it was not sufficient, and sought court action to satisfy her claim for damages.

1. In this situation, Richards is most likely guilty of
   1. The tort of assault b. the tort of conversion

c. the tort of trespass d. breach of moral law

1. In this court action, Wells is known as the
   1. Public defender b. defendant c. victim d. plaintiff
2. Which type of law is involved in this court action?
   1. Criminal law b. civil law c. moral law d. administrative law
3. During the trial, Richards’ interruptions hindered the proceedings and his behavior insulted the court. Richards could be found guilty of
   1. Contempt b. perjury c. condemnation d. libel
4. The official determination of the court is known as the
   1. Complaint b. judgment c. injunction d. summation

# Part II: Short Answer

1. Clark attempted to buy some goods from Austin on credit. Austin refused to sell him the goods because he did not believe Clark would be able to pay. Gifford orally told Austin that he would pay for the goods if Clark failed to do so. If Austin then sold the goods to Clark, would Gifford be bound by his promise? Why or why not? No. Offering to pay the debts of others must be in writing according to the parol evidence rule.

2. Grant objected to Moore’s parking his old car in a legal parking zone in front of Grant’s home. Grant offered Moore $35 if he would refrain from parking there over the upcoming holiday weekend as Grant was expecting company. Moore agreed and carried out his end of the bargain, but Grant refused to pay the $35, claiming that Moore had not done any positive act, thus the agreement lacked consideration. Is Moore entitled to the $35? Why or why not? Moore is entitled to the money because he suffered a forebearance as his consideration. He did not do something he had a legal right to do.

3. Adair offered to sell his automobile to Bush for $1,500. Bush replied that he would pay Adair $1,000 for the car. Adair then sold the car to Kinglsey for $1,500. Bush brought an action against Adair for breach of contract. Should Bush succeed? Why or why not? No. An acceptance must exactly match the offer according to the mirror image rule. In this case, Bush made a counteroffer.

1. After a series of burglaries in a neighborhood, the residents set up a reward fund of $5,000 for the capture of the burglar. While on duty, Johnson, a police officer from the local police force, captured the thief. Can Johnson collect the reward? Why or why not? No. Johnson had a pre-existing duty to stop crime. Because of that, he did not offer any consideration towards a contractual arrangement.
2. Collins, a law student who had not passed the bar exam, agreed to give legal advice to Degon for a reasonable fee. When Collins presented Degon with a bill for his services, Degon refused to pay because Collins was not licensed. Can Collins legally collect for his services? Why or why not?

No. A lawyer must have a license in order to make contractual relations in that capacity. The contract would not be legal.

1. Bahrami did not approve of Luzzo, his daughter Jennifer’s fiancé, so he offered Luzzo $10,000 if he would leave town and never see Jennifer again. Luzzo agreed, took the money, but then left for Las Vegas, where they were married. Bahrami sued Luzzo for breach of contract. Will the suit be successful? Why or why not?

No. Contracts that discourage marriage are illegal.