

## Real Estate Principles

### Chapter 7 Quiz

1. Which of the following would be an example of actual fraud?
  - A. A promise made without an intention to perform it
  - B. A misrepresentation made by someone who knows that it is false
  - C. Statements made without regard for the truth by someone who should know the statements are false
  - D. All of the above
  
2. An agent promised, while taking a listing, that she would use advance fees from the seller in order to advertise the property. Instead, she used the advance fees to buy cocaine for herself. This would be an example of:
  - A. actual fraud
  - B. constructive fraud
  - C. fraud in factum
  - D. negative fraud
  
3. Which of the following acts may be legally undertaken by a minor or incompetent person, without court approval?
  - A. Selling real property through a guardian
  - B. Encumbering a property through an attorney in fact
  - C. Acquiring property through gift or inheritance
  - D. All of the above
  
4. A buyer made an offer on a property on December 1. On December 7, she called the sellers' broker to check the status of her offer. She was told that the sellers would not be able to respond until December 10. At this point, the buyer could:
  - A. revoke her offer, although she would lose the deposit
  - B. revoke her offer and receive a return of the deposit
  - C. not revoke her offer because the acceptance is pending
  - D. sue for specific performance
  
5. Which of the following is the best definition of a contract?
  - A. A mutual agreement between two or more persons to perform or not perform an act
  - B. A mutual agreement between two persons, supported by consideration, to perform or not perform an act
  - C. A mutual agreement between two persons with legal capacity, supported by consideration, to perform or not perform a lawful act
  - D. A mutual agreement between two competent persons to perform or not perform a legal act
  
6. Duress may be a consideration in the validity of:
  - A. contracts
  - B. easements
  - C. estates
  - D. recording

7. A contract signed under duress would be:
- A. void
  - B. voidable
  - C. illegal
  - D. valid
8. A valid contract requires consideration. Which of the following could be consideration?
- A. \$1 or more
  - B. Performance of services
  - C. A promise to give something that the parties consider to be of value
  - D. All of the above
9. When a counteroffer is made:
- A. the offeree becomes the offeror
  - B. the offeror is accepting the terms without modification
  - C. the original offer is amended
  - D. the offeree can later go back and accept the original offer
10. Which of the following would create a bilateral contract?
- A. A promise by an owner to pay consideration to a broker
  - B. The signatures of a husband and wife on an agreement to list community property
  - C. A promise by an owner in exchange for a promise by a broker
  - D. All of the above
11. An existing contract was replaced by an entirely new contract. This would be defined as a:
- A. conversion
  - B. novation
  - C. reformation
  - D. rescission
12. A contract that can be rescinded by one or more of the parties is considered:
- A. void
  - B. valid
  - C. illegal
  - D. voidable
13. M received an offer from J, which was \$5,000 below his asking price of \$130,000. M made a counteroffer that said, "I accept your offer, provided the purchase price is \$127,500." J rejected the counteroffer. M then changed his mind and decided to accept J's initial offer and so notified J in writing. Which of the following statements is CORRECT?
- A. J is bound to her offer because M's acceptance of the first offer was unconditional
  - B. M's counteroffer amounted to a rejection of J's offer and released J from any obligation
  - C. J's rejection of the counteroffer was oral and therefore not binding on M
  - D. A valid contract is formed

14. If a party to a purchase agreement is an unemancipated minor, the contract should be signed by:

- A. the minor
- B. the minor's parents
- C. the minor's legal guardian
- D. Both A and C

15. Any of the following will terminate an offer, except:

- A. conditional acceptance by the offeree
- B. death of the offeror prior to acceptance
- C. failure by the offeror to communicate a revocation before an acceptance by the offeree
- D. failure by the offeree to communicate acceptance before the deadline for acceptance

## Answer Key with Explanations

1. D

Explanation: Actual fraud is any intentional act of deception or misrepresentation. This can include making statements without regard for whether or not they are true.

2. A

Explanation: Actual fraud occurs whenever a person makes a promise without any intention of performing it, in order to deceive another person.

3. C

Explanation: A minor or incompetent person may receive title to property through gift or inheritance, although they may not sign a contract to purchase property. Court approval may be required for a transfer through a guardian. A minor or an incompetent person is unable to appoint an agent, which would include an attorney in fact.

4. B

Explanation: The buyer's offer has not yet been accepted, so no contract has been formed. The offeror may withdraw an offer, and have a deposit returned, at any point before the offer is accepted.

5. C

Explanation: Only this definition contains all four requirements for a valid contract: legal capacity, mutual consent, consideration, and a lawful objective.

6. A

Explanation: Duress is a negative force that may affect whether consent to a contract was freely given. Duress occurs when a person is forced to sign a contract through threat of violence or confinement.

7. B

Explanation: A contract signed under duress is voidable. This means that the wronged party has the option of rescinding the contract or enforcing the contract against the other party.

8. D

Explanation: Consideration may be money, property, services, or a promise to provide something of value in the future.

9. A

Explanation: When a counteroffer is made, the original offer is terminated. Instead, a new offer is formed, and the offeree of the original offer becomes the offeror of the counteroffer.

10. C

Explanation: A bilateral contract is one in which both parties promise to do something; there must be a promise for a promise.

11. B

Explanation: A novation is the substitution of a new obligation for an old one. It can involve the substitution of a new contract between the same parties, or the substitution of the same contract between new parties.

12. D

Explanation: A voidable contract is one that can be rescinded. Contracts formed as a result of fraud, undue influence, or duress are voidable by the victimized party. Also, a contract signed by a minor is voidable by the minor. Failure to rescind results in ratification.

13. B

Explanation: A counteroffer, no matter how trivial the change from the original offer, amounts to a rejection of that offer and releases the original offeror from any liability.

14. C

Explanation: If a party does not have contractual capacity, the party's legal guardian should sign instead of the party, who lacks capacity.

15. C

Explanation: If an offeror fails to notify the offeree that the offer has been revoked, and the offeree communicates acceptance of the offer before the deadline, then a binding contract has been formed.