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| *Indicate whether the statement is true or false.* |

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| 1. The fact that the word *consideration* is used in an agreement means, by itself, that consideration has been given.​   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 2. In contract law, the term *consideration* refers to the serious thought that underlies a party’s intent to enter into a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 3. In contract law, “consideration” refers to the time that a party takes to evaluate a deal.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 4. A court will always enforce a promise, despite a lack of consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 5. A promise by one party to pay another for refraining from an action that one has a legal right to undertake is enforceable.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 6. For consideration to have “legally sufficient value,” it must con-sist of goods or money.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 7. Performance that creates a legally binding contract may consist of an act.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 8. A transaction that lacks a bargained-for exchange lacks an element of consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 9. *Forbearance* is the act of refraining from doing something that one has a legal right to do.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 10. To be legally sufficient, consideration must be evidenced by something tangible.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 11. Legally sufficient consideration is something of value in the eyes of the law.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 12. Legal sufficiency of consideration is the same as adequacy of consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 13. Essentially, adequacy of consideration concerns the fairness of a bargain.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 14. Parties are usuallyfree to bargain as they wish.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 15. A determination of whether consideration exists depends on a comparison of the values of the things exchanged.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 16. The element of bargained-for exchange distinguishes contracts from gifts.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 17. *Rescission* is the remaking of a contract so as to enrich one party at the expense of the other.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 18. A promise made in return for an act or event that has not yet taken place is unenforceable.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 19. A promise to do what one already has a legal duty to do constitutes legally sufficient consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 20. Two parties can mutually agree to rescind a contract unless it is executory.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 21. If, during the performance of a contract, extraordinary difficulties arise that were totally unforeseen at the time the contract was formed, a court may allow an exception to the preexisting duty rule.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 22. *Rescission* is the unmaking of a contract so as to return the parties to the positions they occupied before the contract was made.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 23. An obligation is enforceable only if it is made in return for actions or events that have already taken place.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 24. A contract that one party retains the exclusive right to cancel at any time is unenforceable.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 25. An *illusory promise* is a promise that is enforceable without consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 26. Even if the terms of a contract express such certainty of performance that the promisor has not definitely promised to do anything, the promise binds the promisor.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 27. Risks ordinarily assumed in business constitute consideration for the modification of a contract.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 28. A *release* is an agreement in which one party gives up the right to pursue a legal claim against another party.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 29. A release bars any further recovery beyond the terms stated in the release.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 30. For an accord and satisfaction to occur, the amount of a debt must not be in dispute.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 31. A covenant not to sue always bars further recovery.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 32. If a debt is unliquidated, an accord and satisfaction cannot take place.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 33. In a covenant not to sue, the parties substitute a contractual obligation for some other type of action.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 34. Promissory estoppel requires that justice will be better served by the enforcement of the promise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| 35. Under the doctrine of promissory estoppel, a promise will not be enforced unless it is supported by consideration.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False | |

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| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. ​Kingston promises to pay Melina $500 to install a sump pump in his warehouse. Melina com-pletes the installation. The act of installing the pump   |  |  |  | | --- | --- | --- | |  | a. | ​imposes a moral obligation on Kingston to pay Melina. | |  | b. | ​imposes no obligation on Kingston unless he is satisfied with the job. | |  | c. | ​is not sufficient consideration because it is not goods or money. | |  | d. | ​is the consideration that creates Kingston’s obligation to pay Melina. | |

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| 37. ​Quentin questions whether there is consideration for his contract with Rainey to exchange his performance with the Saxophone Symphony for her payment of a certain amount. To constitute consideration, there must be   |  |  |  | | --- | --- | --- | |  | a. | ​a payment. | |  | b. | ​a performance. | |  | c. | a bargained-for exchange. | |  | d. | ​serious thought underlying each party’s intent to contract. | |

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| 38. Uri promises to pay Tami, his niece, $5,000 if she obtains her degree at State Institute of Technology, where she is in her third year. Tami graduates. Uri is   |  |  |  | | --- | --- | --- | |  | a. | not required to pay because Tami was already at State. | |  | b. | not required to pay because obtaining a degree benefits Tami. | |  | c. | required to pay because a job can be hard to find after college. | |  | d. | required to pay because Tami obtained a degree at State. | |

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| Dave’s Hobby Town and Estelle’s Yarn Shoppe are adjacent stores with adjoining parking lots. Dave offers Estelle a discount on purchases from Dave’s store if Estelle will not tow the cars of Dave’s customers who park in Estelle’s lot.​ |

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| 39. Refer to Fact Pattern 12-1.Dave’s discount is legally sufficient consideration   |  |  |  | | --- | --- | --- | |  | a. | because it is a promise of something of value. | |  | b. | only if Dave adds a cash rebate. | |  | c. | only if Estelle uses it. | |  | d. | under no circumstances. | |

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| 40. Refer to Fact Pattern 12-1.Estelle’s forbearance from towing is legally sufficient consid-eration   |  |  |  | | --- | --- | --- | |  | a. | because it is a promise of something of value. | |  | b. | only if Dave’s customers park in Estelle’s lot. | |  | c. | only if Estelle’s customers cannot park in her lot because it is full. | |  | d. | under no circumstances. | |

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| 41. Jenilee promises to pay Kyle $500 because “he does not have as much money as other people.” Jenilee’s promise is   |  |  |  | | --- | --- | --- | |  | a. | enforceable because society wants people to keep their promises. | |  | b. | only if Dave’s customers park in Estelle’s lot. | |  | c. | only if Estelle’s customers cannot park in her lot because it is full. | |  | d. | under no circumstances. | |

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| 42. Aaron questions whether there is consideration for his contract with Banquet Hall to exchange his musical performance of country tunes at select social events for Banquet’s payment of a certain amount. To constitute consideration, the value of whatever is exchanged must be   |  |  |  | | --- | --- | --- | |  | a. | objectively worthy. | |  | b. | precisely adequate. | |  | c. | legally sufficient. | |  | d. | practically sound. | |

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| 43. Valley Paragliders Association files a suit against Wing Designers, Inc., claiming that the consideration for their contract is inadequate. The court will most likely *not* examine the adequacy of the consideration if   |  |  |  | | --- | --- | --- | |  | a. | there is a large disparity in the amount of consideration exchanged. | |  | b. | the consideration involves the performance of services. | |  | c. | something of value passed between the parties. | |  | d. | the consideration is worth less than $100. | |

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| 44. Frisco offers to buy a Gibson guitar owned by Hayden for twice what Hayden paid for it. She accepts and hands the guitar to Frisco. Her delivery of the guitar is   |  |  |  | | --- | --- | --- | |  | a. | ​not consideration because her voluntary consent may be lacking. | |  | b. | not consideration because the exchange is not a bargain. | |  | c. | consideration. | |  | d. | not consideration because the value is not legally sufficient. | |

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| Brad defends against a breach-of-contract suit by College Credit Corporation by claiming that their deal—a student loan accruing interest at a certain rate and payable beginning on a certain date—was unfair because the consideration for their contract was inadequate.​ |

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| 45. Refer to Fact Pattern 12-2. A court is most likely to evaluate the adequacy of consid-era-tion if   |  |  |  | | --- | --- | --- | |  | a. | a thing exchanged has no intangible value to one of the parties. | |  | b. | something exchanged is not of direct economic or financial value. | |  | c. | the items exchanged were of unequal value. | |  | d. | there is a large disparity in the value of the consideration exchanged. | |

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| 46. Refer to Fact Pattern 12-2.“Adequacy” of consideration refers to   |  |  |  | | --- | --- | --- | |  | a. | “how much” consideration is given. | |  | b. | legally sufficient value in the eyes of the law. | |  | c. | the intangible value to a contracting party of a thing exchanged. | |  | d. | ​the substantiality of the consideration exchanged. | |

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| 47. Refer to Fact Pattern 12-2.If, as Brad claims, the consideration in this problem is inadequate, it may indicate a lack of   |  |  |  | | --- | --- | --- | |  | a. | accord in Brad’s satisfaction with the value of the deal. | |  | b. | voluntary consent. | |  | c. | flexibility on the part of College Credit to accommodate Brad’s needs. | |  | d. | ​“heft,” “substance,” or “weight” in the terms of the contract. | |

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| 48. William buys Liz’s house for $100,000, which is the fair market value of the house. If the contract is later disputed in court, the court is likely to declare William’s consideration   |  |  |  | | --- | --- | --- | |  | a. | inadequate. | |  | b. | past. | |  | c. | legally sufficient. | |  | d. | illusory. | |

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| 49. Sparky offers Teodora $1,000 for her collection of rare coins. She ac-cepts. If a dispute arises, a court would likely   |  |  |  | | --- | --- | --- | |  | a. | enforce the deal after questioning the adequacy of consideration. | |  | b. | not question the adequacy of the consideration. | |  | c. | rewrite the deal after questioning the adequacy of consideration. | |  | d. | set aside the deal after questioning the adequacy of consideration. | |

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| 50. Under a contract with Valley Vineyard, Walsh begins grading a terraced hillside for the planting of grapes. Halfway through the project, Walsh asks for $5,000 over the contract price, claiming an increase in the “cost of doing business.” Valley agrees but later refuses to pay. Valley’s agreement to pay more is   |  |  |  | | --- | --- | --- | |  | a. | unenforceable because Walsh’s performance was a preexisting duty. | |  | b. | unenforceable because Valley’s promise was illusory. | |  | c. | enforceable. | |  | d. | unenforceable because Walsh’s request modified the contract. | |

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| Sally contracts with Tasty Pizza Company to deliver its products. Both parties change their minds, however, and inform each other that they would like to cancel the contract.​ |

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| 51. Refer to Fact Pattern 12-3. Sally and Tasty   |  |  |  | | --- | --- | --- | |  | a. | may rescind their entire contract. | |  | b. | may rescind their contract to the extent that it is executory. | |  | c. | must perform their entire contract. | |  | d. | must perform the part of their contract that is executory. | |

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| 52. Refer to Fact Pattern 12-3. The next day, Sally changes her mind and again offers to deliver Tasty’s products. Tasty is willing to deal, but for a new price. Sally and Tasty​   |  |  |  | | --- | --- | --- | |  | a. | may agree to a new contract, but it cannot include a new price. | |  | b. | may agree to a new contract that includes the new price. | |  | c. | must perform their original contract. | |  | d. | must perform the part of their contract that is executory. | |

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| 53. Martha is the sheriff of Junction, Texas. Alex robs a gas station on the edge of town and then evades capture. A $500 reward is offered for his capture. The following week, Martha captures Alex. Martha   |  |  |  | | --- | --- | --- | |  | a. | can collect the $500 reward. | |  | b. | cannot collect the $500 reward because she had a preexisting duty to catch Alex. | |  | c. | cannot collect the $500 reward because it is not legally sufficient consideration. | |  | d. | cannot collect the $500 reward because it would be unconscionable. | |

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| 54. Julia and Mary have a contract that is still executory. They mutually agree to rescind their contract and at the same time make a new contract. If the new contract is contested in court and the court finds that there was a preexisting duty under the original contract, then the new contract   |  |  |  | | --- | --- | --- | |  | a. | will not be enforceable. | |  | b. | ​will still be enforceable. | |  | c. | will not require consideration from either side. | |  | d. | will be legally sufficient. | |

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| 55. D’Sean promises to pay his personal assistant Edie $50,000 in consideration of the services she provided over the years. D’Sean never makes the payment. D’Sean’s promise is   |  |  |  | | --- | --- | --- | |  | a. | enforceable for the entire $50,000. | |  | b. | enforceable to the extent of what Edie’s services were actually worth. | |  | c. | not enforceable because the consideration is in the past. | |  | d. | not enforceable because the failure to pay is an unforeseen difficulty. | |

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| Teatro Restoration, Inc., begins renovating an old theater for Urban Edge Productions, but after three months Teatro demands an extra $250,000. Urban Edge agrees to pay. |

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| 56. Refer to Fact Pattern 12–4. If Teatro offers no reason for the extra $250,000, but says only that it will stop work if it is not paid, the agreement is   |  |  |  | | --- | --- | --- | |  | a. | enforceable as the consideration is past. | |  | b. | ​enforceable because of unforeseen difficulties. | |  | c. | ​unenforceable as an illusory promise. | |  | d. | unenforceable due to the preexisting duty rule. | |

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| 57. Refer to Fact Pattern 12–4. If Teatro says it is asking for the extra $250,000 because ordinary business expenses have increased, the agree-ment is   |  |  |  | | --- | --- | --- | |  | a. | enforceable as the consideration is past. | |  | b. | ​enforceable because of unforeseen difficulties. | |  | c. | ​unenforceable as an illusory promise. | |  | d. | unenforceable due to the preexisting duty rule. | |

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| 58. Refer to Fact Pattern 12–4. If Teatro says it is asking for the extra $250,000 because it has encountered extraordinary unforeseen difficulties that will add consid-erable cost to the project, the agreement is   |  |  |  | | --- | --- | --- | |  | a. | enforceable as the consideration is past. | |  | b. | ​enforceable because of unforeseen difficulties. | |  | c. | ​unenforceable as an illusory promise. | |  | d. | unenforceable due to the preexisting duty rule. | |

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| 59. Applied Methods Corporation promises to give stock options to Belden, a production designer, for processes he has already designed. This promise is   |  |  |  | | --- | --- | --- | |  | a. | enforceable because it is a new contract. | |  | b. | enforceable because it is an illusory promise. | |  | c. | enforceable because it is supported by past consideration. | |  | d. | unenforceable. | |

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| 60. Digital Enterprise, Inc., promises to pay its employees a year-end bonus “if profits continue to be high and management agrees at the time.” This is   |  |  |  | | --- | --- | --- | |  | a. | an enforceable contract. | |  | b. | an illusory promise. | |  | c. | anliquidated debt. | |  | d. | anaccord and satisfaction. | |

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| 61. Dave’s uncle tells Dave that if “he feels that Dave deserves it,” he will give Dave $1,000 when Dave graduates from college. Dave’s uncle’s promise is   |  |  |  | | --- | --- | --- | |  | a. | illusory. | |  | b. | enforceable. | |  | c. | a forbearance. | |  | d. | a preexisting duty. | |

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| Dex and Carmen are in an auto accident. Dex offers Carmen $2,000 if she promises not to pursue her potential legal claim against Dex. Carmen agrees. Later, Carmen discovers that it will cost $1,500 to repair her car and $4,000 to cover the medical expenses for a latent injury. |

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| 62. Refer to Fact Pattern 12-5. The agreement between Dex and Carmen is   |  |  |  | | --- | --- | --- | |  | a. | a covenant not to sue. | |  | b. | anaccord and satisfaction. | |  | c. | a release. | |  | d. | promissory estoppel. | |

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| 63. Refer to Fact Pattern 12-5. In Carmen’s suit against Dex to recover her repair and medical expenses, Carmen will most likely recover   |  |  |  | | --- | --- | --- | |  | a. | half the amount to pay the costs over what Dex already paid Carmen. | |  | b. | nothing. | |  | c. | ​the estimated amount to pay those costs and any other liability. | |  | d. | the exact amount to pay those costs and no more. | |

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| 64. Maya’s motorcycle is damaged in an accident caused by Luc’s negligence. Luc agrees to pay Maya $25,000 if she agrees to release him from further liability. Maya agrees. If her damages ultimately exceed $25,000, she can   |  |  |  | | --- | --- | --- | |  | a. | recover the balance for lack of consideration. | |  | b. | recover the balance because the consideration was past. | |  | c. | recover the balance due to unforeseen events. | |  | d. | ​not recover the balance. | |

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| 65. ​After an accident with a vehicle licensed to Guardian Security Company, Heidi signs a covenant not to sue Guardian Security for damages in a tort action if it pays for the damage to her car. This covenant is   |  |  |  | | --- | --- | --- | |  | a. | a bar to recovery if Guardian Security pays. | |  | b. | anaccord and satisfaction. | |  | c. | ​barred by the preexisting duty rule. | |  | d. | barred by the doctrine of promissory estoppel.​ | |

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| 66. Edie’s dock is damaged in an accident caused by Ferguson’s negligence. Edie agrees not to sue him if he will pay for the damage. If Ferguson fails to pay, Edie can bring an action for breach of contract. This is   |  |  |  | | --- | --- | --- | |  | a. | a covenant not to sue. | |  | b. | anaccord and satisfaction. | |  | c. | ​an unforeseen difficulty. | |  | d. | a release. | |

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| 67. While sailboarding, Jolene is injured when Kilroy carelessly crosses her path. Kilroy’s insurance company offers Jolene $50,000 to release Kilroy from liability, and she accepts. Later, she learns that her injuries are more serious than she realized. The release is   |  |  |  | | --- | --- | --- | |  | a. | enforceable. | |  | b. | unenforceable because Jolene’s injuries are unforeseeably difficult. | |  | c. | unenforceable because Kilroyhas a preexisting duty to pay. | |  | d. | unenforceable because the release is an illusory promise. | |

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| 68. Fecund Farms files a suit against Grain Mill Corporation under the doctrine of prom-issory estoppel. Fecund Farmsmust show that   |  |  |  | | --- | --- | --- | |  | a. | Fecund Farmsjustifiably refused to fulfill a promise to Grain Mill. | |  | b. | Fecund Farmsjustifiably relied on Grain Mill’spromise to its detriment. | |  | c. | ​Grain Milljustifiably refused to fulfill a promise to Fecund Farms. | |  | d. | Grain Milljustifiably relied on Fecund Farms’spromise to its detriment. | |

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| 69. Marketing Solutions Inc. promises to employ Niki as a software engineer. In reliance on the promise, Niki quits her job with Online Ad Company, but Marketing Solutions does not hire her. Most likely, Marketing Solutions is   |  |  |  | | --- | --- | --- | |  | a. | liable to Niki under the concept of rescission and new contract. | |  | b. | ​liable to Niki under the doctrine of promissory estoppel. | |  | c. | liable to Niki under the preexisting duty rule. | |  | d. | not liable to Niki. | |

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| 70. Claudia pledges to donate $10,000 to Disaster Relief & Recovery Inc. (DR&R). On the basis of the pledge, DR&R orders additional supplies. If Claudia does not fulfill the pledge, a court may enforce it   |  |  |  | | --- | --- | --- | |  | a. | under the preexisting duty rule. | |  | b. | on the basis of unforeseen difficulties. | |  | c. | as an illusory promise. | |  | d. | under the doctrine of promissory estoppel. | |

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| 71. Dean, the president of Billing & Credit Company, promises to pay his employee Ewing, who is dangerously obese, $10 for every pound that he loses within the next two years. Ewing agrees, diets and exercises, loses 154 pounds, and asks Dean for $1,540. Dean refuses to pay, say-ing that he does not remember the promise, but that even if he did make it, there was no consideration, and Ewing’s improved health is a sufficient benefit for his effort and sacrifice. Ewing files a suit against Dean. In whose favor is the court likely to rule, and why?​ |

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| 72. Centre City Properties, Inc., owns and manages a warehouse. DIY Home Improvement Stores agrees to lease the warehouse for six years. Under the lease, DIY is obligated to pay all of the utility costs. Two years into the term, DIY asks Centre City to modify the lease to provide that the utility costs will be split equally between them. The landlord agrees, but later decides it does not want to share the costs and refuses to pay. Is Centre City bound to its agreement to share the utility costs? Why or why not? |

**Answer Key**

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| 1. False |

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| 2. False |

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| 3. False |

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| 4. False |

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| 10. False |

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| 11. True |

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| 71. A court is most likely to rule against Dean and in favor of Ewing. Generally, a waiver of a legal right in this case, the right to eat to obesity at the request of an-other party is sufficient consideration to support a promise.  Here, Ewing provided legally sufficient consideration by losing 154 pounds in weight over the stipulated two-year period. The promise in the question was the payment of $10 for every pound lost. It does not matter that the performance—the loss of weight—also benefited Ewing. |

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| 72. ​  Centre City Properties, Inc., the landlord, is not bound to its agreement to share utility costs with DIY Home Improvement Stores, its tenant. Under the preexisting duty rule, a promise to do what one already has a legal duty to do does not constitute legally sufficient consideration. The preexisting legal duty may arise out of a previous contract. And if a party is already bound by contract to perform a certain duty, that duty cannot serve as consideration for a second contract. Thus, a modification of a contract requires consideration to be binding.  In this question, the agreement to split the utility costs was a modification of the original terms of the parties’ lease. Centre City is not bound because the landlord did not receive any consideration in exchange for the agreement to split the utility costs. |