

ANSWER KEY: DIAGNOSTIC TEST

1. (2) An expressed contract would be oral or written. An executory contract is one in which parties to the contract have not fulfilled their contractual obligations. An accepted offer to purchase would be an example of a bilateral contract. (119)
2. (1) Earnest money can be used as consideration to create a contract, but it is not essential. A contract to purchase a home may be written with the agreement that a check is to be written at closing for the full amount. To create a contract requires consideration, but the consideration may be a promise to pay the full amount at closing in return for the owner's property. (122)
3. (1) The landlord is the lessor. A property manager is considered a general agent because of the broad responsibilities assumed on the property owner's behalf. (123)
4. (4) A minor may enter into a contract; however, upon reaching majority age the minor may either ratify (accept) or disaffirm (reject) the contract. (120)
5. (3) The statute of limitations is the period of time within which one may judicially challenge a contract. The real estate commission is a regulatory body that is responsible for enforcing rather than making the laws of a state. The parol evidence rule provides that prior or contemporaneous oral agreements modifying a written contract will not be admitted in a court of law to modify or contradict a written contract. (119)
6. (4) An offer can be withdrawn at any time prior to notification of acceptance. (119)
7. (2) An option is a unilateral contract until the optionee chooses to exercise the option right to buy, at which time it becomes a bilateral contract. The optionor may not void the contract, which is enforceable by the optionee. (122-123)
8. (4) Options and installment land contracts are commonly used; the open listing is generally allowed but used rather infrequently. (121)
9. (4) The ordering of the dinner is considered an implied contract. An express contract is one where words have been exchanged, whereas in an implied contract the parties' conduct often demonstrates their willingness to enter into a contract. (119)
10. (1) A bilateral contract would require two promises. An open listing would be enforceable but clearly is not an executed contract as the parties must perform. (119)
11. (1) Answer number 4 would be a net listing while number 2 would be an exclusive agency or exclusive-right-to-sell listing. The seller in an open listing has the right to sell the property herself without paying the listing broker a commission. (120)
12. (4) The contract is not enforceable until binding acceptance occurs, which generally involves the delivery of the signed and accepted contract to the seller or buyer. (122)
13. (3) A contract that does not have legal object is void. A voidable contract is valid but may be disaffirmed depending on the parties involved. An enforceable contract is one that meets the test of a valid contract. (120)
14. (4) A listing contract may be terminated by acts of the parties or by operation of law. (122)
15. (3) The optionor promises to sell and has no right to cancel; the optionee has the choice of exercising the option right. (122-123)
16. (2) The broker's rights would be based on the broker protection clause. (120)

17. (2) The open and exclusive agency listings allow the sellers to sell the property personally on their own without owing the broker a commission. (120)
18. (3) The broker is required to disclose any known material fact that might affect the decision of the buyer. In an "as is" contract it is always best to define what is "as is." Is the plumbing in the bathroom "as is"? Or is the wiring in the entire house "as is"? Or is the entire property "as is"? (122)
19. (3) The contingency is not consistent with the terms of the listing, thus relieving the seller of the obligation to pay a commission to the broker. (122)
20. (4) The sellers have the power to terminate but not necessarily the right, which could result in the seller being liable for damages. The listing is a unilateral contract between the seller and the broker. As such, the broker could hold the seller to the agreed contract and simply withdraw the listing until the agreed time ran out. However, in most cases brokers who agree to termination hold the seller liable for possible marketing expenses. If the broker had a protection clause in the listing contract, the courts would probably award the broker a commission. (120)
21. (3) The salesperson is not a party to the contract. The exclusive right-to-sell provision prevents the seller from being able to avoid paying a commission. (120)
22. (3) The first broker is protected under the exclusive-right-to-sell provision; the second broker is entitled under procuring cause. (120)
23. (3) The closing means that the contract is no longer anticipatory or executory. (119)
24. (2) The listing contract is both a unilateral contract and an employment agreement. It is considered a unilateral contract because the seller obligates himself or herself to pay a commission only if a buyer is procured by the broker. However, the broker doesn't promise the seller that emphatically he or she will find a buyer. The broker only promises to try. Therefore, what legally exists is a promise for an act, which is the definition of a unilateral contract. (119)
25. (3) The salesperson works for the broker and may not receive commission from anyone other than the broker for whom he or she works. Blind ads are prohibited. (97)
26. (2) A contingency best describes this situation. Although the offer is conditioned upon the inspection, all of the elements of a contingency exist to make it the best answer. (123)
27. (3) Delivery means actual acceptance of the offer; therefore, until the buyer has received either a hand-delivered or faxed copy of the agreement, acceptance hasn't taken place. (122)
28. (1) The subject to sale is called a contingency. (123)
29. (3) Equitable title is sometimes referred to as an insurable interest. Legal title is passed ten years later when the deed is transferred to the vendee by the vendor. (123)

TEST SCORE

CONTRACTS		
Rating	Range	Your Score
Good = 80% to 100%	23-29	Total Number 29
Fair = 70% to 79%	20-22	Total Wrong -
Needs improvement = Lower than 70%	19 or less	Total Right _____

Passing Requirement: 20 or Better

ANSWER KEY: MATCHING QUIZ

1. K	6. P	11. E	16. C
2. O	7. L	12. G	17. S
3. M	8. I	13. J	18. T
4. D	9. H	14. B	19. Q
5. N	10. F	15. A	20. R