

## CHAPTER

## 7

## How Contracts Arise


**Legal Terms**

*In the Answer column, write the identifying letter of the term in Column I that best matches the phrase in Column II.*

Column I	Column II	Answer
a. acceptance	1. Contract that is legally binding and fully enforceable.	1. _____
b. bilateral contract	2. Proposal by one party that he or she is willing to enter a contract.	2. _____
c. contract	3. Contract that has no legal effect.	3. _____
d. counteroffer	4. Any agreement enforceable at law.	4. _____
e. express contract	5. Contract that comes about by the acts of the parties.	5. _____
f. implied in fact contract	6. Unqualified agreement by the offeree to be bound by the offer.	6. _____
g. offer	7. Offer that has been changed by the offeree.	7. _____
h. void contract	8. Contract stated in oral or written words.	8. _____
i. unilateral contract	9. Contract in which both parties make promises.	9. _____
j. valid contract	10. Contract in which one party makes a promise in exchange for an act.	10. _____


**Key Points in Your Reading**

*In the blanks provided, write the word or phrase that best completes the following statements.*

1. An offer must fulfill three requirements. It must be: a. \_\_\_\_\_  
b. \_\_\_\_\_ c. \_\_\_\_\_
2. What are the five ways that an offer comes to an end? a. \_\_\_\_\_ b. \_\_\_\_\_  
c. \_\_\_\_\_ d. \_\_\_\_\_ e. \_\_\_\_\_
3. What are the six elements of a contract? a. \_\_\_\_\_ b. \_\_\_\_\_  
c. \_\_\_\_\_ d. \_\_\_\_\_ e. \_\_\_\_\_ f. \_\_\_\_\_
4. Contracts can be classified in four ways. They are: a. \_\_\_\_\_  
b. \_\_\_\_\_ c. \_\_\_\_\_ d. \_\_\_\_\_
5. To be valid, an acceptance must meet two basic requirements. They are: a. \_\_\_\_\_  
b. \_\_\_\_\_

# You're the Judge

For each of the following cases, circle Yes or No to indicate your decision. Then, in your own words, state the legal principle or legal reason that applies to the facts in the case.

Answer

1. Anne Samuels offered John Goodwin \$25 if Goodwin would polish her car. Goodwin said nothing but started to work and polished the car. Is there a contract?

1. Yes No

Legal principle: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Annette Ramey, a sales representative for the Carlin Boat Company, wrote to Harry Duffin, offering to sell him a boat for \$600 and agreeing to hold the offer open for one week. Two days later, before Duffin made an acceptance, the boat company withdrew its offer. Could the company legally do this?

2. Yes No

Legal principle: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Arlene Burns, a dealer in preowned cars, telephoned Samuel Firman and offered to sell him a preowned car for \$2,000. Firman told her he wanted to think it over and would let her know later. That afternoon Firman sent Burns a letter by express mail saying that he would buy the used car. Did this result in a valid contract?

3. Yes No

Legal principle: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Bob Keefer wrote to Ed Ramirez offering to sell him the restaurant that Keefer owned. Ramirez wrote back to Keefer accepting the offer. He mailed the letter of acceptance on March 17 at 10:30 a.m., and Keefer received it on March 18 at 11:00 a.m. Keefer had decided to revoke his offer, however, and had mailed a second letter to Ramirez on March 16 at 11:00 a.m., which stated his decision to revoke. Ramirez received this letter on March 17 at 10:00 a.m. Was there a contract?

4. Yes No

Legal principle: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Betty Allen offered to sell Cynthia Blaustein her skis for \$100. She wrote to Blaustein, saying, "If I do not hear from you in two weeks, I will assume that you accept my offer." If Blaustein does not answer, must she pay Allen \$100 for the skis?

5. Yes No

Legal principle: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Legal Application

Most of the time we think of contracts as long, drawn out legal documents that we enter into only a few times in our lives. The truth is almost completely opposite to this. We enter contractual relationships all the time. Think about the last week and, on a separate sheet of paper, list all the contracts that you have entered. (Remember that each time you buy clothes, order food in a restaurant, purchase gasoline, buy a CD, agree to babysit for money, promise to cut the neighbor's grass for pay, or purchase a ticket to a concert you are entering a contractual relationship.) Now figure out which of those contracts are implied and which are express; also try to determine which are bilateral and which are unilateral. Place your determinations on the written list. Exchange lists with several classmates and discuss any disagreements as to categories. In this way, you can draw on each other's experiences and understanding of the law.