

Contracts MBE Answers – Set 3

1. **B** is correct. In an action for breach of an employment contract, a non-breaching employee is entitled to receive the full contract price for the balance of the term plus consequential damages, less damage avoided by mitigation. Since Jonathan mitigated his damages by taking a job with another company at the same salary, he is entitled to what he lost between the discharge and the beginning of his new job. An employment contract may require payment of severance pay in the event of termination, but absent such agreement, there is no such legal requirement. **B** is therefore incorrect. **C** is incorrect because the plaintiff's work for the new company at the same salary mitigated his damages. **D** is incorrect because the reorganization by the defendant was voluntary.
2. **D** is correct. The Statute of Frauds requires a contract for the sale of goods with a price of \$500 or more to be in writing, but it does not apply to a contract for services, even if goods are to be provided by the person performing the services.
3. **B** is correct. Generally a promise is unenforceable unless it is supported by consideration. Consideration is a bargained for exchange of value given for a promise and may consist of benefit to the promisor or detriment to the promisee. Victoria who received a promise honestly believe that the debt was valid, she suffers a detriment by agreeing to accept less in settlement. For this reason, a promise to pay a sum of money to settle a claim for debt is supported by consideration if the debt is valid and the person asserting the claim believes in good faith the debt is owed.
4. **B** is correct. A minor may disaffirm a contract on the ground of incapacity. If, however, the disaffirming minor is the plaintiff in an action for restitution, her recovery will be offset by the reasonable value of the benefit that she had received. Measuring the benefit in terms of reasonable rental value is a common judicial approach. **A** is therefore incorrect. **C** is incorrect because the damage that the car sustained is not related to the benefit that Sally received. **D** is incorrect because it fails to recognize the minor's right to disaffirm the contract.
5. **C** is correct. An offer may be revoked at any time prior to its acceptance and is effectively revoked when the offeree learns of an act by the offeror that is wholly inconsistent with the offer. Seller's offer to sell the tractor to Buyer was thus revoked when Buyer learned that Seller had sold it to the other neighbor. i.e. an indirect revocation. Seller's promise to keep the offer open until February 10 was unsupported by consideration and therefore was not enforceable. In order to create an option the offer needs to be supported by consideration.