

Champions Law of Contracts Practice Exam (Sample)

Study Guide



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SAMPLE

Questions

- 1. What must a mold remediator provide no later than 10 days after completing work?**
 - A. Dept. of State and Health Services Agreement**
 - B. Texas Property Code receipt**
 - C. EPA Certificate**
 - D. Certificate of Mold Remediation**
- 2. What determines whether a buyer has an unrestricted right to terminate a contract?**
 - A. Proper delivery of the option fee**
 - B. Completion of the inspection**
 - C. Timeframe of the agreement**
 - D. Approval from the seller**
- 3. What time must the written notice to terminate be delivered to the seller on the last day of the option period?**
 - A. Noon.**
 - B. 8:00 AM.**
 - C. 5:00 PM.**
 - D. Sundown.**
- 4. What is the significance of a liquidated damages clause?**
 - A. It sets a fixed compensation amount for breach**
 - B. It allows for negotiation post-breach**
 - C. It provides pathways for dispute resolution**
 - D. It defines the parties' performance expectations**
- 5. In contract terminology, what does the term "on or before" refer to?**
 - A. Closing date**
 - B. Termination date**
 - C. Exact date**
 - D. Amended date**

- 6. What does a real estate agent do with multiple offers on a property?**
- A. He/she can choose the best offer for the client**
 - B. He/she can hold all offers until one comes in that is over the asking price**
 - C. He/she may present the highest offers only**
 - D. He/she must present all offers to the client**
- 7. What type of lease typically includes property taxes, insurance, and maintenance costs being paid by the tenant?**
- A. Gross lease**
 - B. Net lease**
 - C. Percentage lease**
 - D. Flat lease**
- 8. What must contracts for the conveyance of real estate or leases over one year comply with?**
- A. SAFE Act**
 - B. Statute of Frauds**
 - C. Statute of Limitations**
 - D. RESPA**
- 9. What is meant by waiver in contract law?**
- A. A party's refusal to adhere to the contract terms**
 - B. A party voluntarily relinquishing a known right**
 - C. A party's acceptance of an alternative to performance**
 - D. A provision for resolving disputes**
- 10. In a deed, a limitation placed on the new owner by the grantor is referred to as what?**
- A. Consideration**
 - B. Plottage**
 - C. Probate**
 - D. Restriction**

Answers

SAMPLE

1. D
2. A
3. C
4. A
5. A
6. D
7. B
8. B
9. B
10. D

SAMPLE

Explanations

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1. What must a mold remediator provide no later than 10 days after completing work?

- A. Dept. of State and Health Services Agreement**
- B. Texas Property Code receipt**
- C. EPA Certificate**
- D. Certificate of Mold Remediation**

A mold remediator must provide a Certificate of Mold Remediation no later than 10 days after completing their work to ensure documentation of the remediation efforts and compliance with applicable laws. This certificate serves as proof that the mold issue was addressed according to industry standards and provides assurance to clients that the work was completed correctly. Providing this certification is crucial not only for the transparency of the remediation process but also for the protection of the client, as it can be an important document for future property transactions and potential claims related to mold damage. The requirement for this certificate is a part of regulatory standards aimed at safeguarding public health and ensuring that properties are safe for occupancy following mold removal. Other options, while related to mold remediation or property management, do not fulfill the specific regulatory requirement that is mandated for mold remediators within the specified time frame. As a result, the Certificate of Mold Remediation is the most relevant and necessary document to be provided post-remediation.

2. What determines whether a buyer has an unrestricted right to terminate a contract?

- A. Proper delivery of the option fee**
- B. Completion of the inspection**
- C. Timeframe of the agreement**
- D. Approval from the seller**

The determination of whether a buyer has an unrestricted right to terminate a contract is often linked to the proper delivery of the option fee. In many real estate contracts, for example, an option fee is paid by the buyer to secure a right to terminate the agreement during a specified option period without facing penalties. If the buyer delivers this fee correctly and within the agreed timeframe, they typically are granted a legal right to terminate the contract without cause, which provides them with significant leverage and flexibility during the decision-making process. In contrast, while completion of the inspection or approval from the seller can be relevant aspects of a real estate transaction, they do not inherently grant the buyer an unrestricted termination right. If inspection findings are unsatisfactory, a buyer may have a contractual basis for termination depending on the terms of the contract, but this is not an unrestricted right. The timeframe of the agreement is also relevant for the overall execution of the contract, yet it is the proper delivery of the option fee that specifically enables the buyer's unhindered ability to exit the contract.

3. What time must the written notice to terminate be delivered to the seller on the last day of the option period?

- A. Noon.**
- B. 8:00 AM.**
- C. 5:00 PM.**
- D. Sundown.**

The correct choice is based on standard practices followed in many contractual agreements, particularly in real estate transactions where option periods are common. Generally, a time specified for delivering a termination notice is set to provide clarity and confidence to both parties involved. In most situations, especially in real estate, the business day typically concludes at 5:00 PM. This timing allows for formal communication within regular business hours, ensuring that the seller receives the termination notice during a time when they are likely to be accessible and able to respond to it. If a notice were delivered later in the evening or the next day, it could lead to confusion or disputes regarding whether the notice was delivered within the option period. Therefore, specifying 5:00 PM as the deadline creates a clear boundary for both the buyer and the seller concerning the option to terminate. Other times such as noon, 8:00 AM, or sundown do not align with standard business practices that typically designate 5:00 PM as the end of a working day, thus reinforcing why this particular time is preferred for notice delivery.

4. What is the significance of a liquidated damages clause?

- A. It sets a fixed compensation amount for breach**
- B. It allows for negotiation post-breach**
- C. It provides pathways for dispute resolution**
- D. It defines the parties' performance expectations**

A liquidated damages clause is significant because it establishes a predetermined monetary amount that a party agrees to pay if they breach the contract. This fixed compensation is designed to provide clarity and predictability regarding the financial consequences of a breach, which can help both parties avoid lengthy and expensive litigation to determine damages after the fact. By having this clause in place, parties can avoid disputes over the extent of damages, since the amount is agreed upon in advance. This ensures that the non-breaching party is compensated in a straightforward manner, which can help in managing expectations and fostering trust between the parties involved. It also serves as a deterrent against breaches, as the financial implications are clear from the outset. The other options do not accurately capture the primary function of a liquidated damages clause. For instance, allowing for negotiation post-breach, providing pathways for dispute resolution, or defining performance expectations does not encapsulate the core purpose of this clause, which is centered around establishing a specific financial remedy for breach.

5. In contract terminology, what does the term "on or before" refer to?

A. Closing date

B. Termination date

C. Exact date

D. Amended date

The term "on or before" in contract terminology refers to a timeframe within which a certain action must occur. It signifies that the action can be performed on the stated date or at any point prior to that date. This means that if a contract specifies that something must happen "on or before" a particular date, it allows for flexibility in completing the action before the ultimate deadline. In the context of a closing date in contracts—typically seen in real estate or financial agreements—this term ensures that parties have the option to finalize the agreement earlier. It establishes a clear deadline, without restricting parties to only that exact day for performance. Regarding the other options, the termination date is usually a definitive end to a contract, the exact date does not allow for flexibility beyond that specific day, and the amended date refers to a modified contract term rather than a timeframe for performance. Therefore, "on or before" most appropriately aligns with the concept of a closing date, emphasizing the range of acceptable days for action leading up to it.

6. What does a real estate agent do with multiple offers on a property?

A. He/she can choose the best offer for the client

B. He/she can hold all offers until one comes in that is over the asking price

C. He/she may present the highest offers only

D. He/she must present all offers to the client

In the context of real estate transactions, the obligation of an agent to present all offers to the client is rooted in fiduciary duty. This duty requires the agent to act in the best interests of the client and to provide them with all relevant information so they can make informed decisions. When multiple offers are received for a property, the agent must present each one to ensure that the client can consider all options available to them. This transparency enables the client to evaluate each offer based on their preferences and goals, such as price, contingencies, and closing timelines. The requirement to present all offers also aligns with legal standards governing agency relationships in real estate. By not presenting every offer, an agent could potentially breach their fiduciary duty, putting their client's interests at risk. Therefore, the correct approach for a real estate agent is to present all offers to the client, allowing them to exercise their discretion in choosing the best option based on their specific circumstances.

7. What type of lease typically includes property taxes, insurance, and maintenance costs being paid by the tenant?

A. Gross lease

B. Net lease

C. Percentage lease

D. Flat lease

A net lease is a type of lease agreement where the tenant agrees to pay not only rent but also other expenses associated with the property, which usually include property taxes, insurance, and maintenance. This arrangement benefits landlords by ensuring that they receive a more predictable stream of income, which covers the ongoing costs associated with the property. The rent amount in a net lease is typically lower than in a gross lease, reflecting the additional financial responsibilities that the tenant assumes. In contrast, a gross lease requires the landlord to cover all operating expenses, meaning the tenant pays only the base rent without any additional costs. A percentage lease usually pertains to commercial properties, allowing the landlord to charge a base rent plus a percentage of the tenant's sales, which varies from the fixed expenses involved in a net lease. Finally, a flat lease involves a fixed rental amount that remains constant over the lease term, without additional costs being shifted to the tenant in the way a net lease does. Therefore, in a net lease, the inclusion of property taxes, insurance, and maintenance costs by the tenant is what distinguishes it from the other lease types.

8. What must contracts for the conveyance of real estate or leases over one year comply with?

A. SAFE Act

B. Statute of Frauds

C. Statute of Limitations

D. RESPA

Contracts for the conveyance of real estate or leases extending beyond one year must comply with the Statute of Frauds. This legal doctrine requires certain types of contracts to be in writing and signed by the parties involved to be enforceable. Specifically, the Statute of Frauds was established to prevent fraud and perjury in the enforcement of agreements that are significant in nature, such as those involving real property. In the context of real estate, the Statute of Frauds mandates that any contract for the sale of land or a lease that lasts longer than one year must be documented in writing. This ensures that both parties have a clear, unequivocal record of their agreement, which can be reviewed in case of disputes. Other options, such as the SAFE Act and RESPA, deal with different aspects of real estate transactions, particularly those concerning financing and disclosures, but do not specifically address the requirements for the validity of contracts related to the conveyance of real estate or long-term leases. The Statute of Limitations, on the other hand, pertains to the time frame within which legal actions can be initiated and does not govern the formalities of contract execution.

9. What is meant by waiver in contract law?

- A. A party's refusal to adhere to the contract terms**
B. A party voluntarily relinquishing a known right
C. A party's acceptance of an alternative to performance
D. A provision for resolving disputes

In contract law, a waiver refers to a party's voluntary relinquishment of a known right or a benefit that they are entitled to under the terms of the contract. This means that one party consciously decides not to enforce a particular right or term of the contract, often to accommodate the other party or to maintain a good business relationship. Waivers can occur explicitly, through written or verbal agreement, or implicitly, through actions that clearly demonstrate the intention not to enforce a right. Understanding the concept of waiver is crucial because it can lead to significant changes in the contractual obligations and rights of the parties involved. Once a waiver is made, the party who waived the right generally cannot later assert that right against the other party. The other options present different legal concepts or situations that do not accurately capture the meaning of waiver. A party's refusal to adhere to contract terms involves a breach rather than a voluntary relinquishment of rights. Accepting an alternative to performance typically describes a modification or renegotiation of contract terms rather than a waiver. Lastly, including a provision for resolving disputes pertains to dispute resolution mechanisms within the contract, which is unrelated to the concept of waiving rights or obligations.

10. In a deed, a limitation placed on the new owner by the grantor is referred to as what?

- A. Consideration**
B. Plottage
C. Probate
D. Restriction

In a deed, a limitation placed on the new owner by the grantor is referred to as a restriction. Restrictions are specific conditions or limitations imposed on the use or transfer of property that must be adhered to by the new owner. These can include prohibitions against certain types of activities or uses of the property, which are designed to maintain the character of the property or protect the interests of the grantor and the surrounding community. Understanding the nature of a restriction helps to clarify how property rights can be conditioned by prior agreements, affecting what the new owner can or cannot do with the property. Other terms in the choices, such as consideration, relate to the exchange of value in contracts, plottage refers to the increase in value that can occur when two or more parcels of property are combined, and probate pertains to the legal process of administering a deceased person's estate, which is not directly related to the limitations imposed on property ownership in a deed.