MBE Contracts Practice Test (Sample)

Study Guide

Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- **Practice answering questions under realistic conditions,**
- **Improve accuracy and speed,**
- **Review explanations to strengthen weak areas, and**
- **Approach the exam with greater confidence.**

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here’s how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don’t just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There’s no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

1. **In the parol evidence issue involving the jeweler and the goldsmith, the court admitted evidence about the earrings but not the rose-gold option. Which statement best reflects how extrinsic terms are handled under the written contract?**

   A. Only the earring-related term is admissible.

   B. Only the rose-gold option is admissible.

   C. Both terms are admissible.

   D. Neither term is admissible.

2. **Who bears the risk of latent defects that are known to one party but not disclosed to the other party at the time of contracting?**

   A. The party unaware of the defect

   B. The party with knowledge of the defect

   C. The government

   D. The contract's insurer

3. **If a seller tenders goods that do not conform to the contract, the buyer's right is to:**

   A. Accept the goods and pay the contract price

   B. Reject the goods and sue for breach

   C. Immediately sue for any damages without inspection

   D. Elevate the price

4. **A nature magazine advertised a contest offering $1,000 to subscribers who submit a photo meeting technical specifications and intended for the May cover. A subscriber submitted a qualifying photo on March 15. The May issue used a different photo due to an ecological disaster, and the June issue used the subscriber's photo, but the magazine refused to pay $1,000 because the photo was not used on the May cover. Is the subscriber likely to prevail?**

   A. Yes, because the photo was ultimately used on another issue.

   B. No, because the subscriber failed to be used on the May cover.

   C. Yes, because the magazine prevented the publication of the photograph.

   D. No, because the contract required use on the May issue.

5. **A sale of an antique car includes a loan-approval condition discussed orally but not written. The contract is totally integrated. Will the court admit evidence of the oral loan condition?**

   A. **Yes, as proof of a condition precedent to the buyer's obligation under the contract.**

   B. **Yes, if the condition is later recorded in writing.**

   C. **No, parol evidence bars it due to integration.**

   D. **No, unless the condition is mutual.**

6. **A wholesaler sends a fax offering to sell up to 1,000 units at $7.50 each, a 25% discount off the $10 price, open for 7 days, with a signature that is not fully handwritten but initials are present. The wholesaler revokes on December 4. A retailer orders 1,000 units on December 5 at the discounted price. What is the value of the order placed by the retailer?**

   A. **$7,000**

   B. **$7,500**

   C. **$8,000**

   D. **$7,250**

7. **A homeowner met with several general contractors regarding significant renovations. After discussions with one contractor, the contractor sent a letter offering to perform the renovation for $10,000. The homeowner replied that he would pay $8,500 and that he would not pay more. The contractor began preparations and started acquiring materials. One week later, the contractor realized a $1,600 cost overrun due to the homeowner's exacting aesthetic. The homeowner refused to pay more, and the contractor discontinued work. Who has the better claim?**

   A. **The homeowner, because the homeowner's offer was effectively accepted by commencement of performance.**

   B. **The contractor, because he started work and incurred costs.**

   C. **The homeowner, because there was no written agreement.**

   D. **The contractor, because costs increased.**

8. Under the parol evidence rule, an integration clause generally bars the admission of prior oral terms to modify a written contract. Which statement best reflects this rule?

A. Yes, because the integration clause excludes prior terms.

B. No, because oral terms can always modify a written contract.

C. Yes, but only if the terms are about price.

D. No, because the rule only applies to fraud cases.

9. A tenant improves a cabin and the contractor is unpaid for $10,000 worth of work. The tenant vacates three months early. What action is proper to recover the value of the improvements?

A. An action for damages under contract.

B. A claim for punitive damages against the landlord.

C. An action in quasi-contract for the benefit conferred on the landlord.

D. A claim for breach of warranty.

10. A math tutor entered into an agreement with a father to provide one month of tutoring for the father's son. The agreement provides for eight lessons at $1,000 total, plus $350 for materials from a particular educational services provider. The provider, a new company, is expected to make a sale. A week after the agreement, the tutor demands an additional $250 to tutor, and the father refuses. The provider sues. The provider is an incidental beneficiary. What is the likely outcome?

A. No, because it was only an incidental beneficiary of the agreement.

B. Yes, because the provider was an intended beneficiary.

C. No, because the provider is not a party to the contract.

D. Yes, because there was consideration.

Answers

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

Explanations

1. In the parol evidence issue involving the jeweler and the goldsmith, the court admitted evidence about the earrings but not the rose-gold option. Which statement best reflects how extrinsic terms are handled under the written contract?

A. Only the earring-related term is admissible.

B. Only the rose-gold option is admissible.

C. Both terms are admissible.

D. Neither term is admissible.

When a contract is written and intended as a complete expression of the agreement, extrinsic terms may be admitted only if they do not contradict or alter the written terms. They can help explain or interpret what was agreed, but they cannot add new obligations or change existing ones. In this case, evidence about the earrings fits within the scope of what was bargained for and helps illuminate what the contract contemplated about the earrings, so it can be admitted. The rose-gold option, however, would introduce a different term that could modify the bargain or add a new obligation not stated in the writing, which the parol evidence rule generally bars for a fully integrated contract. So, only the term related to the earrings is admissible.

2. Who bears the risk of latent defects that are known to one party but not disclosed to the other party at the time of contracting?

A. The party unaware of the defect

B. The party with knowledge of the defect

C. The government

D. The contract's insurer

Latent defects are hidden flaws that a reasonable buyer cannot discover through ordinary inspection. When one party knows about such a defect and does not disclose it, they carry the risk because there is a duty to be honest about known issues. Concealment or misrepresentation about a latent defect allows the other party to rescind the contract or seek damages, since they relied on the truth of what was disclosed. The party with knowledge bears the risk for failing to disclose. The government or an insurer isn't the source of this risk in the ordinary contract framework unless there's a separate regulatory or policy rule at play.

3. If a seller tenders goods that do not conform to the contract, the buyer's right is to:

A. Accept the goods and pay the contract price

B. Reject the goods and sue for breach

C. Immediately sue for any damages without inspection

D. Elevate the price

When goods are tendered that don't match the contract, the buyer has remedies for breach of the sale agreement. The core idea is that conforming tender is required, and a nonconforming delivery gives the buyer the option to reject the goods and sue for breach. Rejection lets the buyer avoid payment for these nonconforming goods and seek damages caused by the breach. There's also usually a duty to inspect and to notify the seller of the nonconformity within a reasonable time, and the seller may have a chance to cure if that's possible. Why the other ideas don't fit: paying the contract price despite nonconformity isn't allowed because it would fulfill a defective tender and leave the buyer without recourse. Suing for damages without any inspection isn't correct because the buyer typically has the right to inspect and must act within a reasonable time to reject if the goods don't conform. Elevating the price has no basis as a remedy for nonconforming goods.

4. A nature magazine advertised a contest offering $1,000 to subscribers who submit a photo meeting technical specifications and intended for the May cover. A subscriber submitted a qualifying photo on March 15. The May issue used a different photo due to an ecological disaster, and the June issue used the subscriber's photo, but the magazine refused to pay $1,000 because the photo was not used on the May cover. Is the subscriber likely to prevail?

A. Yes, because the photo was ultimately used on another issue.

B. No, because the subscriber failed to be used on the May cover.

C. Yes, because the magazine prevented the publication of the photograph.

D. No, because the contract required use on the May issue.

A reward/competition for submitting a photo creates a unilateral contract, meaning the offer is accepted when the requested act is performed. Here, the subscriber completed the act on March 15 by submitting a qualifying photo intended for the May cover. Once that performance occurred, the contract was formed and the magazine was obligated to pay the prize. The magazine's refusal to pay hinges on whether its later decision not to use the photo in the May issue matters. It does not: payment is triggered by the act of submission, not by actual publication on the May cover. Although the May issue didn't include the photo, the magazine's own action prevented publication, which is a breach of the contract. The photo's later use in June doesn't cure or alter the obligation to pay the prize upon performance.

5. A sale of an antique car includes a loan-approval condition discussed orally but not written. The contract is totally integrated. Will the court admit evidence of the oral loan condition?

A. Yes, as proof of a condition precedent to the buyer's obligation under the contract.

B. Yes, if the condition is later recorded in writing.

C. No, parol evidence bars it due to integration.

D. No, unless the condition is mutual.

The key idea is that the parol evidence rule allows outside evidence to prove a condition precedent to performance, even when the contract is fully integrated. A totally integrated writing stops you from adding or varying terms that are inside the contract, but it does not bar evidence of separate, collateral agreements that determine whether performance is due at all. Here, the sale hinges on an oral loan-approval condition. That condition is a separate agreement that affects whether the buyer's obligation to perform arises. If the loan is approved, the buyer must proceed; if not, there is no duty to perform. Because this is a collateral agreement that does not contradict the written contract, the oral condition can be admitted to show that the buyer's obligation is conditioned on financing. A later writing isn't required to prove this; the subsequent recording would be superfluous to establish the condition precedent. Thus the best answer is that the court should admit the oral loan condition as proof of a condition precedent to the buyer's obligation. The other options fail because they rely on requiring a written recording, overstate the breadth of parol evidence in the presence of an integrated contract, or require mutuality for a condition to be admissible.

6. A wholesaler sends a fax offering to sell up to 1,000 units at $7.50 each, a 25% discount off the $10 price, open for 7 days, with a signature that is not fully handwritten but initials are present. The wholesaler revokes on December 4. A retailer orders 1,000 units on December 5 at the discounted price. What is the value of the order placed by the retailer?

A. $7,000

B. $7,500

C. $8,000

D. $7,250

The key idea is the firm offer rule under the UCC: when a merchant makes a written offer to sell goods and signs it, the offer is irrevocable for the time stated (up to three months, but here seven days) even without consideration. The signature can be a signature or initials, as long as it shows intent to be bound. Here, a merchant sent a fax offering to sell up to 1,000 units at $7.50 each, open for seven days, with initials accompanying the signature. The price reflects a 25% discount off $10, so $7.50 per unit. Because this is a firm offer, the revocation on December 4 does not destroy the offer during the seven-day window. The retailer's acceptance on December 5 is timely within that period, forming a contract at the discounted price. Therefore, the value of the retailer's order is 1,000 units × $7.50 = $7,500.

7. A homeowner met with several general contractors regarding significant renovations. After discussions with one contractor, the contractor sent a letter offering to perform the renovation for $10,000. The homeowner replied that he would pay $8,500 and that he would not pay more. The contractor began preparations and started acquiring materials. One week later, the contractor realized a $1,600 cost overrun due to the homeowner's exacting aesthetic. The homeowner refused to pay more, and the contractor discontinued work. Who has the better claim?

A. The homeowner, because the homeowner's offer was effectively accepted by commencement of performance.

B. The contractor, because he started work and incurred costs.

C. The homeowner, because there was no written agreement.

D. The contractor, because costs increased.

The key idea is that a counteroffer ends the original offer, and there isn't a binding contract yet. Here, the homeowner's reply to pay only $8,500 and nothing more is a counteroffer, not an acceptance. So there isn't a contract to be performed at the original price. However, once the contractor begins work and incurs costs because the homeowner's demands drive the project, the contractor can recover those costs that were reasonably necessary to perform the work and that were caused by the homeowner's changes, through a restitution/restitutionary theory (quantum meruit) when there's no enforceable contract or when the owner benefits from work without paying for it. In this scenario, the contractor incurred a $1,600 overrun due to the homeowner's exacting aesthetic. The homeowner refused to pay more, so the contractor should be compensated for the incremental cost that resulted from the homeowner's direction. That makes the contractor's claim stronger for recovering those increased costs. The other options fail for these reasons: starting performance does not automatically bind the homeowner to the original price because the initial response was a counteroffer; lack of a written agreement does not, by itself, create or destroy a contract, and the issue is the unjust enrichment from the extra costs, not merely the absence of a writing.

8. Under the parol evidence rule, an integration clause generally bars the admission of prior oral terms to modify a written contract. Which statement best reflects this rule?

A. Yes, because the integration clause excludes prior terms.

B. No, because oral terms can always modify a written contract.

C. Yes, but only if the terms are about price.

D. No, because the rule only applies to fraud cases.

When a contract is fully integrated, the written document is treated as the complete and final agreement, so prior oral terms cannot be used to modify it. An integration (merger) clause signals that the writing contains all agreed terms, which is why prior terms are barred under the parol evidence rule. This is why the statement that the integration clause excludes prior terms best reflects the rule. It's not that oral terms can always modify, and the rule isn't limited to price or to fraud cases—those ideas are misunderstandings of the general principle.

9. A tenant improves a cabin and the contractor is unpaid for $10,000 worth of work. The tenant vacates three months early. What action is proper to recover the value of the improvements?

A. An action for damages under contract.

B. A claim for punitive damages against the landlord.

C. An action in quasi-contract for the benefit conferred on the landlord.

D. A claim for breach of warranty.

The key idea is restitution for unjust enrichment. If someone improves another's property with that owner's permission and the owner benefits from the work, but there's no contract requiring the owner to pay, the law allows a quasi-contract (an implied-in-law contract) to recover the value of the improvements. Here, the contractor's work benefits the cabin's owner (the landlord). There's no payment from the landlord, and there isn't a contract with the landlord to pay for those improvements. So the contractor can seek the value of the improvements from the landlord under a quasi-contract theory to prevent the landlord from being unjustly enriched. Not a contract damages claim because it targets the landlord without a contract obligating them to pay. Punitive damages aren't appropriate here since there's no tortious or malicious conduct to punish. Breach of warranty doesn't fit the issue, which is recovery of the value of improvements, not a defect or guaranteed quality.

10. A math tutor entered into an agreement with a father to provide one month of tutoring for the father's son. The agreement provides for eight lessons at $1,000 total, plus $350 for materials from a particular educational services provider. The provider, a new company, is expected to make a sale. A week after the agreement, the tutor demands an additional $250 to tutor, and the father refuses. The provider sues. The provider is an incidental beneficiary. What is the likely outcome?

A. No, because it was only an incidental beneficiary of the agreement.

B. Yes, because the provider was an intended beneficiary.

C. No, because the provider is not a party to the contract.

D. Yes, because there was consideration.

The key idea here is who has the right to sue to enforce a contract. In contract law, standing to sue typically comes from being a party to the contract or from being an intended beneficiary of the promise. An incidental beneficiary—someone who would benefit from the contract but isn't intended to be protected by it—has no enforceable rights. In this scenario, the agreement is strictly between the father and the math tutor. The educational services provider is not a party to that contract, and there's no clear promise in the contract that it will be paid or that it will receive a benefit directly. So the provider does not have standing to sue to enforce the contract. Thus, the reason given—"the provider is not a party to the contract"—directly explains why the provider cannot recover. While it's true that the provider would benefit from performance, that alone doesn't create enforceable rights unless the provider is a party or an intended beneficiary.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://mbecontracts.examzify.com

We wish you the very best on your exam journey. You've got this!