

Texas Contract Law Practice Exam (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. What is the impact of fraud on a contract in Texas?**
 - A. It makes the contract automatically void**
 - B. It can render a contract voidable at the option of the deceived party**
 - C. It has no legal impact if the contract is written**
 - D. It allows parties to renegotiate the terms**
- 2. Is a contract that lacks consideration enforceable under Texas law?**
 - A. Yes, if both parties agree**
 - B. Yes, if it is documented**
 - C. No, it is generally unenforceable**
 - D. No, but it may be enforced with modifications**
- 3. What does the Statute of Frauds require for enforceability of certain contracts in Texas?**
 - A. They must be agreed upon verbally**
 - B. They must be in writing**
 - C. They must involve a witness**
 - D. They must be notarized**
- 4. What is the status of contracts made by minors under Texas law?**
 - A. They are always valid and enforceable**
 - B. They are voidable at the minor's discretion**
 - C. They are automatically canceled by the state**
 - D. They require parental consent to be valid**
- 5. When might a contract be considered voidable?**
 - A. When one party is under duress**
 - B. When the contract is oral instead of written**
 - C. When there is a disagreement on price**
 - D. When the terms are complicated**

- 6. What characterizes an "unconscionable contract" under Texas law?**
- A. It contains no legal terms or conditions.**
 - B. It is deemed oppressive and fundamentally unfair.**
 - C. It requires arbitration to resolve disputes.**
 - D. It includes unfair penalties for breach of terms.**
- 7. How does the assumption of risk apply to contract law?**
- A. Acknowledging and accepting potential dangers or losses associated with an agreement**
 - B. Transferring all risks to the other party in a contract**
 - C. Guaranteeing that no losses will occur under any circumstances**
 - D. Limiting the liability of both parties to only direct losses**
- 8. What is the primary function of an indemnity clause?**
- A. To outline the obligations of a party in the event of a lawsuit**
 - B. To limit liability for non-performance**
 - C. To require compensation for losses or damages incurred**
 - D. To ensure all parties are treated equally**
- 9. Which entity is responsible for drafting and revising contract forms in Texas?**
- A. Real Estate Advisory Board**
 - B. Broker-Lawyer Committee**
 - C. Texas Land Commission**
 - D. Texas Association of Realtors**
- 10. What type of form is the Texas Real Estate Commission (TREC) Form OP-H?**
- A. A mandatory form**
 - B. An optional form for voluntary use**
 - C. A form not recognized by the property code**
 - D. A form specifically for lawyers**

Answers

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

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Explanations

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1. What is the impact of fraud on a contract in Texas?

- A. It makes the contract automatically void
- B. It can render a contract voidable at the option of the deceived party**
- C. It has no legal impact if the contract is written
- D. It allows parties to renegotiate the terms

Fraud can significantly impact the enforceability of a contract under Texas law by rendering it voidable at the option of the deceived party. When one party engages in fraudulent behavior, such as misrepresentation or deceit concerning a material fact, the other party has the right to choose whether to affirm the contract or void it. This principle is rooted in the idea that parties should be able to rely on truthful representations when entering into an agreement. If a contract is found to be the result of fraud, the deceived party has the option not only to rescind the contract but also to seek damages that may have resulted from the fraud. This provides a remedy aimed at protecting the integrity of contractual relationships and ensuring that parties do not benefit from deceptive practices. The assertion that a contract is automatically void due to fraud is inaccurate, as contracts typically are only voidable rather than void. For a written contract, even if it is drafted and signed, the presence of fraud can impact its enforceability. Finally, while parties may choose to renegotiate terms of a contract, fraud does not inherently provide a basis for renegotiation; rather, it gives the deceived party the right to void or affirm the original contract. Thus, the primary impact of fraud in

2. Is a contract that lacks consideration enforceable under Texas law?

- A. Yes, if both parties agree
- B. Yes, if it is documented
- C. No, it is generally unenforceable**
- D. No, but it may be enforced with modifications

A contract generally requires consideration to be enforceable under Texas law. Consideration refers to something of value exchanged between the parties involved, which creates a binding agreement. Without consideration, a contract lacks the necessary legal foundation recognized by the courts, rendering it unenforceable. The principle of consideration is rooted in the idea that contracts are promises that should have mutual exchange; if one party does not give something of value in return for the other's promise, the contract does not form a legal obligation. Thus, a lack of consideration typically leads to a finding that the contract is unenforceable. Other options suggest scenarios where a contract might be enforceable without consideration, but they do not align with the fundamental contract law principle that requires consideration as a key component of a valid and enforceable contract. This reinforces the understanding that, under Texas law, failing to fulfill the consideration requirement means the contract cannot be upheld.

3. What does the Statute of Frauds require for enforceability of certain contracts in Texas?

- A. They must be agreed upon verbally**
- B. They must be in writing**
- C. They must involve a witness**
- D. They must be notarized**

The Statute of Frauds in Texas and many other jurisdictions requires that certain types of contracts be in writing to be enforceable. This requirement helps prevent misunderstandings and fraudulent claims regarding the terms and existence of such agreements. Specifically, contracts that fall under the Statute of Frauds include those for the sale of real estate, agreements that cannot be performed within one year, promises to pay another person's debt, and contracts for the sale of goods over a specified amount. When a contract is required to be in writing, it must sufficiently describe the nature of the agreement and the parties involved, allowing a clear understanding of the obligations. This written requirement is essential because it ensures there is tangible evidence of the agreement, which is critical in legal disputes. Options that suggest the contract can be agreed upon verbally or must involve a witness or notarization do not align with the written requirement established by the Statute of Frauds. While witnesses or notarization may lend support to a contract's validity in some contexts, they are not necessary for enforceability under the Statute of Frauds itself. The key point is that certain contracts must be in writing to be legally binding, confirming the correct answer as that they must be in writing.

4. What is the status of contracts made by minors under Texas law?

- A. They are always valid and enforceable**
- B. They are voidable at the minor's discretion**
- C. They are automatically canceled by the state**
- D. They require parental consent to be valid**

Under Texas law, contracts made by minors are indeed voidable at the minor's discretion. This means that while a minor can enter into a contract, they have the legal right to affirm or void the contract until they reach the age of majority or in some cases, even after that. The rationale behind this principle is to protect minors from being bound by agreements that they may not fully understand or appreciate due to their age and lack of experience. This voidability gives minors significant power in contractual relationships, allowing them to disaffirm contracts to avoid obligations they may not have the capacity to fulfill. If a minor chooses to void the contract, they usually need to do so within a reasonable time after reaching the age of majority, which is 18 in Texas. In contrast, other options suggest conditions that do not reflect the legal framework governing contracts with minors. The assertion that these contracts are always valid and enforceable misrepresents the protective nature of the law regarding minors. The idea that contracts are automatically canceled by the state is incorrect, as the minor has the option to decide whether or not to void the contract. Lastly, suggesting that parental consent is required for a contract to be valid does not align with Texas law, which allows minors to engage in contracts independently.

5. When might a contract be considered voidable?

- A. When one party is under duress**
- B. When the contract is oral instead of written
- C. When there is a disagreement on price
- D. When the terms are complicated

A contract is considered voidable when one party has the right to enforce or rescind the contract due to certain circumstances, such as duress. When one party is under duress, they may have been coerced into agreeing to the contract under threats or unlawful pressure, thus undermining their free will and ability to make informed decisions. This gives that party the option to void the contract, as it was not entered into voluntarily. The other scenarios listed do not inherently lead to a voidable contract. An oral contract, while it may be more difficult to enforce in some situations, is not automatically voidable simply because it lacks written form. Disagreements on price do not necessarily render a contract voidable; rather, they often relate to negotiation or terms that may need clarification. Similarly, complicated terms alone do not make a contract voidable unless they result in one party not being able to understand the agreement due to circumstances like misrepresentation or fraud. Thus, duress stands out as a clear basis for a contract to be considered voidable.

6. What characterizes an "unconscionable contract" under Texas law?

- A. It contains no legal terms or conditions.
- B. It is deemed oppressive and fundamentally unfair.**
- C. It requires arbitration to resolve disputes.
- D. It includes unfair penalties for breach of terms.

An unconscionable contract under Texas law is characterized as one that is deemed oppressive and fundamentally unfair. This concept focuses on the principle of equity in contract formation and enforcement. In determining whether a contract is unconscionable, courts will look at the circumstances surrounding the agreement, including the bargaining power of the parties involved and whether one party exploited its power to impose unfair terms on the other. Texas courts often assess both procedural and substantive unconscionability. Procedural unconscionability involves issues of inequality in bargaining power and lack of meaningful choice, while substantive unconscionability pertains to the actual terms of the contract that may be excessively one-sided or oppressive. The other options do not accurately reflect the definition of an unconscionable contract. For example, a contract containing no legal terms would not typically be enforceable, and the existence of arbitration clauses does not inherently render a contract unconscionable. Lastly, while unfair penalties may contribute to a contract being found unconscionable, they do not define the concept themselves. Unconscionability is broader, focusing on oppression and fundamental unfairness in the overall context of the agreement.

7. How does the assumption of risk apply to contract law?

- A. Acknowledging and accepting potential dangers or losses associated with an agreement**
- B. Transferring all risks to the other party in a contract**
- C. Guaranteeing that no losses will occur under any circumstances**
- D. Limiting the liability of both parties to only direct losses**

In the context of contract law, the assumption of risk pertains to the recognition and acceptance by one party of the inherent dangers or potential losses that may arise from the terms of the agreement. Essentially, when a party assumes a risk, they are aware of the potential negative consequences yet choose to proceed with the contract regardless. This concept is critical because it determines how liability is allocated between the parties in case of unforeseen events or losses. If an individual acknowledges the risks involved in a contractual arrangement, they may be deemed to have accepted those risks, which can limit their ability to claim damages later. This acceptance can be explicit, such as through a waiver or an acknowledgment in the contract itself, or implicit, based on the facts surrounding the agreement. In contrast, the other options misrepresent the application of assumption of risk. Transferring all risks to another party does not align with this principle, as this would imply one party takes on the entirety of potential losses without an acknowledgment of risk. Guaranteeing that no losses will occur contradicts the nature of risk itself, as contracts often come with uncertainties. Finally, limiting liability to only direct losses pertains more to contract provisions rather than the inherent acceptance of risk that a party may encounter by entering into the agreement.

8. What is the primary function of an indemnity clause?

- A. To outline the obligations of a party in the event of a lawsuit**
- B. To limit liability for non-performance**
- C. To require compensation for losses or damages incurred**
- D. To ensure all parties are treated equally**

An indemnity clause serves to require compensation for losses or damages incurred, making it a critical component in many contracts. This clause is designed to protect one party from the financial repercussions that may arise from certain events, such as wrongful acts, lawsuits, or claims made by third parties. When a contract contains an indemnity clause, it creates an obligation for one party (the indemnitor) to compensate the other (the indemnitee) for specific losses that they might suffer. This function promotes financial security and risk allocation between the parties involved, allowing them to anticipate and manage potential liabilities related to their contractual relationship. The other options address different aspects of contracts but do not capture the primary role of an indemnity clause. Outlining obligations in the event of a lawsuit relates more to the terms and responsibilities defined within the contract rather than the compensation aspect. Limiting liability for non-performance pertains to limitations on damages but does not involve indemnification for incurred losses. Ensuring equal treatment of parties is a broader principle tied to fairness in contractual agreements rather than the specific financial protections offered by an indemnity clause.

9. Which entity is responsible for drafting and revising contract forms in Texas?

- A. Real Estate Advisory Board**
- B. Broker-Lawyer Committee**
- C. Texas Land Commission**
- D. Texas Association of Realtors**

The Broker-Lawyer Committee is the entity responsible for drafting and revising contract forms in Texas. This committee plays a critical role in ensuring that the legal language and terms used in real estate contracts are clear, up-to-date, and compliant with Texas law. By involving both brokers and attorneys, the committee ensures that the contracts are practical from a real estate transaction perspective while also adhering to legal standards and protecting the rights of all parties involved in a contract. In Texas, this committee collaborates with the Texas Real Estate Commission (TREC) to provide the forms used by real estate professionals statewide. Given the complexity and ever-evolving nature of real estate law, having a dedicated committee for this purpose is essential for maintaining the integrity and usability of the contract forms used by practitioners in the field. The other entities listed, while related to real estate or legal matters, do not have the specific responsibility for drafting and revising contract forms as the Broker-Lawyer Committee does, which is why this answer is accurate in the context of Texas contract law.

10. What type of form is the Texas Real Estate Commission (TREC) Form OP-H?

- A. A mandatory form**
- B. An optional form for voluntary use**
- C. A form not recognized by the property code**
- D. A form specifically for lawyers**

The Texas Real Estate Commission (TREC) Form OP-H is classified as an optional form for voluntary use, which means that real estate professionals can choose to use it but are not required to do so. This flexibility allows agents and brokers to tailor their transactions according to the specific circumstances of a particular deal or client needs without being bound by mandatory requirements. Mandatory forms indicate that they must be used in certain situations, whereas an optional form allows for greater discretion in its application. Since Form OP-H is not a requirement under Texas law but rather a tool that can assist in real estate transactions if deemed useful, it falls squarely into the category of optional forms. Additionally, forms that are not recognized by the property code or are specifically targeted to lawyers do not apply to this form, as OP-H serves a broader purpose in the real estate context.

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://txcontractlaw.examzify.com>

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