

1956

Contracts: Final Examination (January 1956)

William & Mary Law School

Repository Citation

William & Mary Law School, "Contracts: Final Examination (January 1956)" (1956). *Faculty Exams: 1944-1973*. 45.
<https://scholarship.law.wm.edu/exams/45>

Copyright c 1956 by the authors. This article is brought to you by the William & Mary Law School Scholarship Repository.
<https://scholarship.law.wm.edu/exams>

I

Creditor held a note of Debtor's in the amount of \$5,000 maturing on March 1. Creditor was in need of cash and on January 10 wrote to Debtor that he would accept \$4,000 in full satisfaction of the note if paid to him before February 1st. Debtor wrote to Creditor that he would have the \$4,000 for him before February 1 and was taking steps to obtain it. He applied to a bank for a loan, offering a mortgage on his home as security. Before accepting the mortgage the bank caused a survey of the land to be made and an abstract of title to be prepared, all at considerable expense to Debtor. On January 20 Creditor wrote to Debtor that he had been able to get the cash he needed elsewhere and regretted that he would no longer accept the \$4,000 from Debtor in full satisfaction. Debtor nevertheless obtained the \$4,000 and on January 30 sent Creditor a check for that amount, which Creditor returned, refusing to accept it. On March 1 Creditor wrote demanding payment of \$5,000. Debtor refused, but again enclosed check for \$4,000, writing on the face of it "payment in full". Creditor cashed the check and brought action against Debtor to recover the additional \$1,000 he claimed was due him. Can he recover?

II

Tenant had entered into a lease of property "for use solely as a filling station and not for any other purpose". Shortly after the making of the lease but before entering upon the property for the transaction of business, the United States entered into war and Government regulations were effected "freezing" automobiles, tires and tubes, and rationing gasoline. Realizing that his filling station business could be operated only at substantial loss, Tenant abandoned the lease and refused to make any payment of rent. Discuss the merits of any defenses that Tenant may have to an action by Landlord for the rent.

III

A was the accountant for the X Corporation, preparing statements and auditing books for the corporation for an agreed upon annual fee. A was asked by X, the president and principal stockholder of the corporation, to prepare certain financial statements in connection with a proposed merger. A contended that such services were not within the coverage of the annual fee and said that he would do the work only for an additional charge. X stated that in his opinion the preparation of the statements were within the services that A should perform under the annual employment, but conceded that it was somewhat questionable and to avoid dispute he would give A an option to purchase up to 100 shares of X Corporation stock at \$100 per share, exercisable at any time prior to December 31st. A stated that that would be satisfactory and prepared the requested financial statements. By November 1 word of the proposed merger had leaked out and the X Corporation stock rose considerably above the \$100 per share option price. X notified A that the option was rescinded and that A could purchase the stock only for full value. On December 30 A tendered \$5,000 in cash and demanded 50 shares. X refused to let A have the stock for less than \$7,500, its market value, and A brought action to recover damages for the refusal to sell him the stock at the option price. To what extent does the outcome of the suit depend upon whether X Corporation can show that the preparation of the financial statements was within the scope of the annual employment?

IV

A needed \$1,000 for the purchase of farm equipment and seed. On May 1 he asked B to lend it to him and promised to pay him back \$2,000 on or before October 1 if he got more than \$2 a bushel for the crop which he was to raise. B hoped that A's son would marry his daughter and recognized an opportunity to provide a continuous inducement for A to bring this about. He told A that the terms were acceptable and that if A's son married B's daughter before he demanded repayment, A would not have to pay him anything, to all of which A agreed. In September A's son and B's daughter left their respective homes under circumstances which indicated that they probably had eloped. They had not been heard from when, on October 15, B demanded and A refused payment to B of \$2,000. B immediately thereafter commenced action against A to recover \$2,000. At the trial B introduced a stipulation which conceded all of the above facts and then rested his case. A then moved for judgment on the grounds (1) that B had failed to show that A had sold his crop for more than \$2 a bushel, (2) that B had failed to prove that their children were not married prior to October 15, and (3) that B had failed to show a consideration sufficient at law for the promise to pay \$2,000. How should the Court rule on each of these contentions?

V

Buyer had agreed to buy a certain lot of land for \$10,000; payable \$2,500 on execution of the contract and the balance in three equal annual installments with interest. Seller agreed in the contract to commence within 60 days, and cause to be completed within a reasonable time, the paving of the street in front of the lot and the connection of a water main, the cost of which would total about \$1,000. The lot was to be used for the construction of a warehouse by Buyer in the vicinity of other warehouses already standing. Seller failed to commence the paving of the street or the connection of the water main within the 60 day period. When pressed by Buyer, he told Buyer that he was completely tied up in other work which he had not foreseen was going to take so long, and could give no assurance of when he would be able to do the job for Buyer. Buyer then brought action to rescind the contract and recover the \$2,500 which he had paid. Should he succeed?

VI

The statute of limitations applicable to actions for the breach of written contracts is 5 years. In 1945 Farmhand told Owner that he was going to leave and buy his own farm. Owner said, and later put in writing at Farmhand's insistence, "You stay and work for me, at least until 1955 when the mortgage will be cleared, and I will pay you \$100 a month and leave the farm to you when I die." Farmhand worked diligently for Owner until 1950 when Owner told him, "My son has decided to give up business and return to work the farm with me. You can stay on if you like at \$75 a month, but as long as my son is here to help me you won't be worth any more than that to us; and if he stays on the farm with me I feel that I must leave the farm to him". Farmhand refused to stay, obtained farmwork elsewhere at \$50 a month, and in 1951 brought action against Owner to recover \$3,000, the difference between \$50 and \$100 a month for the 5 year period which would terminate in 1955. Should Farmhand's judgment (a) be limited to \$1,500, the difference between \$75 and \$100 a month, (b) limited to recovery for only the one year since 1950, or (c) for the \$3,000 as requested?

Owner died in 1956, devising the farm to his son. Farmhand brought action against the son, as sole executor, to recover \$10,000 in damages, the value of the farm. What defense or defenses are likely to be raised and discuss their merits?

VII

Seller contracted to sell and Buyer to buy at \$8 a barrel 100 barrels of flour for July 1 delivery. On June 15 Seller stated to Buyer "Prices are rising so fast that I doubt whether I shall be able to deliver that flour to you". Buyer thereupon contracted to buy 100 barrels from X for \$10 a barrel, the market price at that time for July 1 delivery. By July 1 the market had dropped to \$7 and Seller tendered 100 barrels to Buyer at \$300, which Buyer refused to accept. Seller brought action against Buyer to recover \$100 damages and Buyer counterclaimed for \$200. What judgment should be rendered?

VIII

In December Railroad Construction Contractor wrote to Steel Dealer "I am engaged in the construction of a road line for the C&O Railroad and need all the steel rails that I can obtain in the next 2 months. I have some flat cars of my own to transport them. I understand that the market is now 50 a ton. Will you sell me at that price all of the steel rails that I will send 100 ton capacity flat cars for during the months of January and February?" Dealer replied, "The steel rails that you want are becoming hard to find. However I can take care of your demands for those 2 months, at least up to 2,000 tons". In early January Contractor sent 5 flat cars which Dealer loaded with 500 tons. In early February Contractor sent 10 flat cars to Dealer for another 1,000 tons. Contractor's efforts elsewhere and everywhere to obtain all of the steel rails available had exhausted Dealer's sources of supply and Dealer was unable to load them. Contractor, after much additional effort and delay, finally obtained 1,500 tons of the needed rails elsewhere at the skyrocketed (due to his own demands upon the market) price of 70 a ton. He brought action against Dealer claiming as items of damage (1) \$20,000, the difference between the contract price of 50 and the 70 which he paid for the 1,000 tons not loaded by Dealer, (2) \$20,000, the difference between the contract price of 50 and the 70 which he paid for the 500 additional tons which he claimed he was entitled to receive from Dealer under the contract and would have sent for but for Dealer's alleged breach, (3) \$1,000 expense in sending the 10 flat cars to Dealer which Dealer was unable to load, (4) \$500 for the loss of the use of the 10 flat cars during the 5 days consumed on their wasted trip to Dealer, and (5) \$30,000 for the delay in the construction of the road line for which he was liable to the C&O and which would have been avoided had Dealer supplied the rails promptly. Discuss Dealer's liability. If you should determine that Dealer has a complete defense, nevertheless assume that he does not for the purpose of discussing the items of damage.