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CONTRACTS

January, 1968

Time allowed: 3 hours

Mr. Torcia

1. A entered into a written agreement with B under which A promised to build a house and B promised to pay therefor \$15,000. When the house was partly (about one-third) constructed, A had occasion to review his estimated expense figures and observed that he had underestimated the cost of the plastering work by some \$3,000. On the basis of his original estimate, A's total expenses would have been \$13,000, thus permitting him to have realized a profit of \$2,000. But, because of his having underestimated the cost of doing the plastering work, he stood now to lose \$1,000 by going ahead and completing the house. When A informed B of his impending loss, B replied: "That's just too bad. I had a feeling you underestimated the cost of plastering. But we have a contract; so do the job or I'll sue you for damages." A angrily said: "But I was mistaken; I can probably get out of the contract. Besides, the law does not force a person to do work at a loss. Get somebody else to finish the house; I'm through with you." B declared: "I'm sorry I was rough with you; please reconsider." A, feeling that he was now in a powerful bargaining position, decided to capitalize upon it by making an even greater profit than that originally contemplated. He said: "All right! Let's cancel the existing contract and enter a new one. I'll need an additional \$5,000 or I will abandon the job." B replied: "O.K., our contract is cancelled; stop around at my office tomorrow morning and we'll see about a new one." Later in the day, B prepared a new agreement and, when A came around to B's office the next morning, both parties signed such agreement. The terms of the new agreement were identical with those of the old one, except that B promised to pay \$20,000 under the new agreement rather than \$15,000. Thereupon, in due course, A completed the building of the house and demanded payment of \$20,000. B paid him only \$15,000.

Discuss fully all the issues presented, and decide whether A is entitled to any further payment.

2. On May 1, 1966, A mailed the following letter to B: "I hereby offer to buy your farm for \$7,000." Upon receiving the letter (on May 3), B immediately prepared a letter of acceptance and gave it to his secretary to drop in the neighborhood mail box. B reflected further upon what he had done and decided not to sell his farm. He attempted to overtake his secretary with a view of taking back the letter, but he was too late — just as he arrived, she dropped the letter in the mail box. (B did not know that he had the power to require the Post Office to return his letter to him). On returning to his office, B telephoned A and said: "I don't want to sell my farm to you; so ignore my letter of acceptance when you receive it." A replied: "I'll think about it." On the next day (May 4), A telephoned a number of real estate brokers in an attempt to find a person to whom he might resell the farm at a profit. Eventually, A found a person who was willing to pay him \$10,000 for the farm. Whereupon, A sent the following telegram to B: "I am holding you to your acceptance. You are bound by contract to sell me your farm for \$7,000."

continued

(Question 2 continued)

Upon receiving the telegram, B immediately telephoned A and declared that there was no binding contract between them. On the next day (May 5), A received B's letter of acceptance (the one that B's secretary had mailed on May 3).

Discuss fully all the issues presented, and decide whether B is contractually bound to sell his farm.

3. A employed B to care for his lawn and shrubs during the summer season for an agreed compensation of \$400. B performed faithfully and, at the end of the season when the time for payment arrived, he demanded \$475. B attributed the extra amount of \$75 to grass seed, fertilizer and other materials which he supplied in the course of the summer. A told B that there was no agreement in respect of materials supplied and that, accordingly, B was not entitled to reimbursement for such expenses. B said: "Well, at least pay me \$400; I'll take appropriate action at a later time to recover the balance." A said: "Oh no! I'll pay you the \$400 only if you give me a receipt of payment in full." B said: "I'll do no such thing." A said: "O.K., then I won't pay you a cent." B said: "But you owe me the \$400 in any event." A said: "So sue me for it." B said: "It's too time-consuming. I want some money now." A said: "I'll give you one more chance. I'll pay you \$400 right now if you give me a receipt of payment in full." B said: "All right." A said: "On second thought, I'll give you an extra 25 cents for your receipt." So, A paid B \$400.25 and B gave A a receipt of payment in full. Subsequently, B sued A for \$74.75.

In deciding the case, discuss fully all the issues presented.

4. On May 1, 1966, A, a roofer, received a telephone call from B to put a new roof on his house for \$400. A agreed to do the job. By mistake, however, A put a new roof on the house of C, who happened to have been away on a vacation while the work was being done. On May 10, when C returned to his home, A demanded payment of \$400 for the work done. C said: "But I didn't request you to put on a new roof. I'm not responsible for your mistake. Although there is some doubt in my mind, I don't believe the law would require me to pay you for the work. But I do feel sorry for you; and if I decide to get rid of my car, I might be able to settle the matter with you in an equitable way." On May 15, C entered into a written agreement to sell his car to D for \$400 and, under the agreement, at C's request, D promised to pay the price to A. The car was to be delivered and the price paid on June 15. On June 1, D suffered a serious financial reversal and C was kind enough to allow him to withdraw from the contract—indeed, C and D mutually cancelled their contract. When, on June 15, A learned (for the first time) that he had been the intended recipient of the \$400 promise of D, A demanded payment from D; but D refused. Utterly disappointed, A immediately appealed to C. C, again feeling sorry for A, promised to pay him \$400 in 10 days. But when, on June 25, A demanded payment from C, C refused.

In determining the rights and liabilities of the parties, discuss fully all the issues presented.