

1. Read the text and complete it with the missing words from the box. There is an extra word.

avoided • effect • minors • public • totally

A contract may be prohibited by the operation of law, by statute or on the grounds of 1..... policy. An illegal contract will be considered 2..... void and neither party will be able to recover any money paid or property transferred under it. A void contract has no legal 3..... A voidable contract is valid but may be set aside by the Court. Contracts arising out of misrepresentation, mistake, duress or non-disclosure are voidable. Contracts entered into by 4..... are also voidable as they do not have legal capacity.

**PRONUNCIATION TIP**

Remember that for the word **performance** /pə'fɔ:məns/ and **perform** /pə'fɔ:m/, the stress is on the second syllable.



**2.0.1** Listen and repeat.

2. Read the following statements (1-5) and decide whether they are **True (T)** or **False (F)**. Correct the false ones using the space provided.

- 1 To have an agreement under common law there must be offer or acceptance. T F
- 2 Contracts dealing with real property must be in writing. T F
- 3 A mortgage is considered to be an example of a contract dealing with real property. T F
- 4 When there is an exchange of promises, it is a unilateral agreement. T F
- 5 If an agreement is in writing, it is enforceable. T F

3. Circle the correct word(s) in each of the following sentences.

- 1 A domestic or social agreement is presumed not to have / to have legal consequences.
- 2 An invitation to treat / offer is a definite promise.
- 3 The party to whom an offer is made is the offeror / offeree.
- 4 A counter-offer extinguishes / revives the previous offer.
- 5 A request for information is not / is a counter-offer.
- 6 A display in a shop is an invitation to treat / offer.

4. Answer the following questions (1-5) in four words or less using the space provided.

- 1 Up to what stage does an offeror in a bilateral contract have to revoke the offer?  
.....
- 2 What is the name of the rule that means acceptance occurs when it is posted?  
.....
- 3 What is it called if the contract is found to be unenforceable because of vague terms?  
.....
- 4 For what type of promise is consideration not required?  
.....
- 5 Apart from money, the exchange of what else is consideration?  
.....

5. Match the words (1-6) with their definitions (A-F).

- |                       |                     |
|-----------------------|---------------------|
| 1 capacity            | 4 misrepresentation |
| 2 duress              | 5 undue influence   |
| 3 freedom to contract | 6 void ab initio    |
- A when a party enters into a contract due to a false statement of fact
  - B when a contract is set aside due to one party entering into it by mistake
  - C the ability to enter into an enforceable contract
  - D the liberty to create terms of contracts without restriction if within the law
  - E when a contract can be set aside if one party is in a position to influence the other
  - F a promise extracted through threats to person, or their property or financial interests

1  2  3  4  5  6

6. **2.0.2** Listen to the audio and complete the text with the missing words.

A deed is a contract under seal and it is a 1..... and enforceable agreement even though it is not supported by consideration. A deed is often used to make gifts, wills and dispose of assets under trust instruments. Before 31 2..... 1990, all deeds needed to be sealed in order to be considered validly executed. Hence the phrase - signed, sealed and delivered! With the 3..... of the Law of Property (Miscellaneous Provisions) Act 1989, this requirement has now been abolished. A deed 4..... simply requires the signature of the maker in the presence of a witness. Alternatively, it may be signed at the 5..... of the maker in the presence of two witnesses.

1. The text below is a typical termination clause from a contract. Read the text and complete it with the prepositions from the box.

by • from • in • of • of • to • to • within

1. Termination Clause

- 1.1 Either party may terminate this Agreement prior 1..... completion of the Work, 2..... serving written notice 3..... the termination if:
- the other Party commits a material breach of its obligations and
  - the breach is not remedied 4..... 30 days of receipt 5..... written notice of the breach requesting its remedy.
- 1.1 The failure of a Party to enforce any provision of the Contract shall not constitute a waiver nor affect their right to enforce such and every other provision.
8. Each party shall keep the other Party informed 6..... a reasonable and timely manner in matters and required mutual decisions regarding the Work. Each Party shall respond 7..... communications 8..... the other Party regarding the Work.

2. Match the two parts of the sentences (1-6) and (A-F) to make true sentences.

- Terms and conditions are
  - Expressed terms of a contract are
  - Implied terms of a contract have
  - The preliminary section of a contract contains
  - The operative section of a contract is
  - The boilerplate and end part contain
- not been expressed but are understood.
  - boilerplate clauses, schedules and annexures.
  - promises which both parties agree to be bound by.
  - the title, names of parties, term, recitals, and definitions.
  - in writing or expressly stated.
  - the main clauses and provisions.

1  2  3  4  5  6

3. Read the following statements and decide whether they are True (T) or False (F). Correct the false ones using the space provided.


- The recital gives a general explanation of what the contract is about. T F
- Once a term is defined, it no longer appears in the contract. T F
- The interpretation clause forms a part of the contract. T F

4. Circle the correct word(s) in each of the following sentences.

- A breach of warranty means a party is entitled to terminate the contract / damages.
- Indemnities are compensation / punishment for a party who incurs a loss in a particular situation.
- An exclusion of liability clause limits / removes the liability for a normally actionable breach.
- The clauses which aim to exclude agreements outside the contract are prevail / entire agreement.
- No authority clauses restrict / prohibit amendments being made to a contract.
- Non-waiver clauses mean that if a party waives its rights to seek damages once, they retain / lose them if the breach occurs again.

5. Answer the following questions (1-6) using the space provided.

- When do insolvency clauses become operative?  
.....
- Which clauses decide the nationality of the court for resolving disputes?  
.....
- What communication format is a service of notice required to be in?  
.....
- What is the remedy for *force majeure*?  
.....
- Who has the right to sever or delete clauses in a contract that are illegal or invalid?  
.....
- Why are schedules and annexures used for contracts?  
.....

6.  2.0.3 Listen to the audio and complete the text with the missing words.

In some contracts, the parties stipulate the applicable 1..... that will govern the transaction or agreement. Many countries are signatories of the international Rome Convention 1980, which came in 2..... from 1 April, 1991. This Convention provides that the parties' choice of law will be respected. If the agreement is silent and the parties have not 3..... a law, the Court will apply the law of the country which has the closest connection with the contract. The parties may also decide to select the 4....., which will exercise exclusive jurisdiction over any dispute arising out of the contract. This is called a Court of Competent Jurisdiction 5..... in some agreements. Whether this clause is valid to exclude the Court's jurisdiction will need to be 6..... if the parties disagree.