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| **TEXAS CTE LESSON PLAN**  [www.txcte.org](http://www.txcte.org) | |
| **Lesson Identification and TEKS Addressed** | |
| **Career Cluster** | Business Management and Administration |
| **Course Name** | Business Law |
| **Lesson/Unit Title** | Mistake, Misrepresentation, and Fraud |
| **TEKS Student Expectations** | **130.134. (c) Knowledge and Skills**  (4) The student identifies the principles of contracts in business: The student is expected to  (E) describe defective agreements; and  (F) describe illegal agreements.  (7) The student researches negotiable instruments: The student is expected to  (B) identify the essentials of negotiability. |
| **Basic Direct Teach Lesson**  (Includes Special Education Modifications/Accommodations and  one English Language Proficiency Standards (ELPS) Strategy) | |
| **Instructional Objectives** | Students will be able to:   1. Students will recognize the types of mistakes that can make a contract voidable or void. 2. Students will list the criteria for a statement to be treated as a misrepresentation. 3. Students will define fraud and describe the remedies for it. |
| **Rationale** | * Advise businesses or agencies on ways to improve fraud detection. * Conduct in‐depth investigations of suspicious financial activity, such as suspected money‐laundering efforts. * Create and maintain logs, records, or databases of information about fraudulent activity. |
| **Duration of Lesson** | 1 to 2 days |
| **Word Wall/Key Vocabulary**  *(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * Unilateral mistake ‐ a mistake in which one party holds an incorrect belief about the facts related to a contract. * Mutual mistake ‐ a mistake in which both parties have an incorrect belief about an important fact. * Material facts ‐ important facts that influence the parties’ decisions about a contract. * Fraudulent misrepresentation ‐ an untrue statement by a party in a contract that the party knows is untrue. * Fraud ‐ the tort that occurs when one person intentionally misrepresents an existing important fact thereby causing financial injury. |
| **Materials/Specialized Equipment Needed** | **Instructional Aids**   * Internet * Damages for Lawsuits Assignment * Damages for Lawsuits Assignment Rubric * Analyze the Television Commercials for Facts and Opinion Assignment * Consumer Fraud Presentation Assignment * Consumer Fraud Presentation Assignment Rubric   **Materials Needed:**   * Construction paper * Scissors and glue * Poster board * Current Newspapers   **Equipment Needed:**   * Computers for students to complete projects |
| **Anticipatory Set**  (May include pre-assessment for prior knowledge) | Survey the class to determine how many students have told a white lie, made a misrepresentation on purpose, or stated a fact that later was no longer true due to unforeseen circumstance. Then ask students to give examples of advertisements that made the merchandise look good; however, it wasn’t so great. Ask students if the statement meets the following tests: (1) The untrue statement is one of fact or there is active concealment. (2) The statement is material to the transaction or is fraudulent. (3) The victim reasonably relied on the statement.   * Austin contracts with Jasmine to purchase one of her two French poodle puppies. Austin believes that he has bought the male puppy for pedigree purposes. Jasmine thinks that Austin bought the female puppy, worth less money. Does a contract exist in this situation? * Answer:No contract exists because there is a mutual mistake of facts about the identity of the subjectmatter in this case. * Individuals in most states can rely on VIN (vehicle identification number), obtained from the governmental office responsible for title transfers and licensing, for title transfers and licensing a close approximation of the true mileage of the vehicle. Explain how this will decrease consumer fraud caused by turning back the odometer to sell a used car. * Europe has a “duty to inform” that is gaining momentum is parts of the United States. If a contracting party does not know to inquire about a potential defect, the law requires that the information be disclosed. Individuals selling a home must indicate previous cases of mold or roof damage caused by a hurricane or tornado. |
| **Direct Instruction \*** | Instructors can use handouts, current events, the Internet, and note pages in conjunction with the following outline.  I. Types of Contractual Mistakes  A. Unilateral mistake ‐ when only one   1. party holds an incorrect belief about the facts or law related to a contract    1. Mutual (bilateral) mistake ‐ both parties have an incorrect belief about an important fact or the applicable law    2. Material facts ‐ important facts that influence the parties’ decisions about a contract (Material facts that influence a party’s decision about a contract must be honest for a valid contract.)    3. Mutual mistake of fact occurs ‐ the contract is void (without legal effect) (Mutual mistake voids a contract because both parties misunderstood the contract terms.) 2. What is Misrepresentation? 3. Untrue Statement of Fact (Silence can be as deceptive as active concealment (false statement of fact). Knowing that a building has a defect, or an automobile has been in a wreck and repaired and remaining silent about both situations results in miss‐representation.)    * 1. Active Concealment ‐ false statement of fact      2. Silence   a. important information about a material fact is omitted  b. when a true statement is made false by subsequent events  c. when one party knows the other party has made a basic mistaken assumption  B. Materiality  i. if the statement would cause a reasonable person to contract  ii. if the defendant knew this plaintiff would rely on the statement  iii. if the defendant knew the statement was false  C. Reasonable Reliance ‐ victim relied on the statement (Innocent misrepresentation that intends no harm results in voidable contracts.)  D. Innocent misrepresentation and Fraudulent misrepresentation result in voidable contracts (Actively concealing the facts that are material to a transaction equals misrepresentation of the law.)  III. Fraud and Remedies for Fraud  A. The Misrepresentation Must Be Intentional or Reckless (Misrepresentation that is intentional is fraud.)  B. The Misrepresentation or Concealment Must Injure  C. Remedies for Fraud (Court decisions for the injured party involved with fraud can include punitive damages such as pain and suffering.)  i. Rescission  ii. Damages   * + 1. Punitive Damages   *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  None |
| **Guided Practice \*** | The teacher will explain mistake, misrepresentation, and fraud. Students will be able to describe void and voidable contracts due to these three concepts. When the teacher gives examples, students will be able to categorize mistake, misrepresentation, or fraud and the related punishment.  *Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*  None |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** |  |
| **Lesson Closure** |  |
| **Summative / End of Lesson Assessment \*** | * Research Report: Damages for Lawsuits * Analyze TV Commercials for Facts and Opinions * Business Law – Mistake, Misrepresentation, and Fraud |
| **References/Resources/**  **Teacher Preparation** |  |
| **Additional Required Components** | |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** |  |
| **Recommended Strategies** | |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy**  **Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** |  |
| **Writing Strategies**  **Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication**  **90 Second Speech Topics** |  |
| **Other Essential Lesson Components** | |
| **Enrichment Activity**  (e.g., homework assignment) | Distribute sample contracts, such as rent agreements, credit card applications, and car rental agreements to small groups. Ask students to review the contracts and list the questions they would ask before signing the contract.  Student Directions:  Use the Internet to research lawsuits that have resulted in large settlements for compensatory and punitive damages. You must write a one‐page report about the incident, damages suffered, settlements awarded, and actual amounts received by the winning plaintiffs.  This assignment will use the corresponding rubric for evaluation.  Additional activities are attached to the end of the lesson plan. |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | * Business Professionals of America * Future Business Leaders of America |
| **Service Learning Projects** |  |
| **Lesson Notes** |  |

1. Visit the Texas College and Career Readiness Standards at <http://www.thecb.state.tx.us/collegereadiness/CRS.pdf>, Texas Higher Education Coordinating Board (THECB), 2009. [↑](#footnote-ref-1)