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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** | Questionable Consideration |
| **TEKS Student Expectations** | **130.134 (c) Knowledge and Skills**  (4) The student identifies the principles of contracts in business:  (A) The student is expected to explain the classes of contracts;  (E) The student is expected to describe defective agreements; and  (F) The student is expected to describe illegal agreements.  (7) The student researches negotiable instruments:  (B) The student is expected to identify the essentials of negotiability. |
| **Basic Direct Teach Lesson**  (Includes Special Education Modifications/Accommodations and  one English Language Proficiency Standards (ELPS) Strategy) | |
| **Instructional Objectives** | **Performance Objective**  Upon completion of this lesson, the student will describe questionable consideration.  **Specific Objective**   * Students will describe situations in which consideration is present only under limited circumstances. * Students will recognize when what appears to be binding consideration is not. |
| **Rationale** | Whenever you go into a store and make a purchase, you exchange money in order to receive a product. The exchange of money and the receipt of the item is mutual consideration for the transaction. In every single agreement, there must be consideration in order for the agreement to be legally binding. This lesson will teach you about what constitutes consideration in business law. |
| **Duration of Lesson** | 1-2 days |
| **Word Wall/Key Vocabulary**  *(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | **Terms**   * **Output contract** ‐ a contract in which a buyer agrees to purchase all of a particular producer’s production. * **Requirements contract** ‐ a contract in which a seller agrees to supply all of the needs of a particular buyer. * **Liquidated debt** ‐ a debt which both parties agree exists and both parties agree on the amount of the debt. * **Accord and satisfaction** ‐ parties’ agreement can’t change the obligation required by their original contract and the performance of the new obligation. * **Release** ‐ settling a claim at the time the tort occurs, while the liability is unliquidated because the extent of damages is uncertain. * **Composition of creditors** ‐ a settlement in which the creditors mutually agree to accept less than they are entitled to in full satisfaction of their claims while the debtor agrees not to file for bankruptcy. |
| **Materials/Specialized Equipment Needed** | **Instructional Aids:**   * Internet * “When Credit Gets Out of Personal Control” Assignment * “When Credit Gets Out of Personal Control” Assignment Rubric * “Circumstantial Consideration Poster” Assignment * “Circumstantial Consideration Poster Assignment” Rubric * Case Study Assignment * Case Study Assignment Rubric   **Materials Needed:**   * Construction paper * Scissors and glue * Poster board * Current newspapers   **Equipment Needed:**   * Computers for students to complete projects * Projector for presentations |
| **Anticipatory Set**  (May include pre-assessment for prior knowledge) | **Question**: Your teacher announces that since the class has worked hard, she will pay for a pizza party forthe class at the end of the year—if she thinks that the party is deserved. Your class continues to work hard, and class grades are high, but no party is given. Can students in your class enforce the promise?  **Answer**: No—this is an illusory promise or no promise at all, because performance depends totally on thedecision of the teacher. No bargained‐for exchange exists and the teacher is not obligated to provide the party.  **Ask** students how the teacher’s illusory promise can be reworded into an enforceable unilateral offer. (Theteacher can specify objective measures of class performance, such as scores on an objective test that must be exceeded for the promise to be honored.)  **Explain**: An illusory promise is unenforceable because the terms express uncertainty of performance,resulting in no promise at all. Two types of business contracts are enforceable even with some uncertainty as to amount of performance legally required. Output contracts exist when the seller agrees to sell to the buyer, and the buyer agrees to purchase from the seller, all of something the seller produces. Requirements contracts exist when the buyer agrees to purchase from the seller, and the seller agrees to sell to the buyer, all of some good the buyer needs or requires. An output contract exists when Wal‐Mart agrees to purchase all of the vegetable plants grown by a local nursery. The requirement contract exists when a farmer provides all vegetables to the local farmer’s market when the vegetables are needs.  **Question**: A promise to do what you are already legally required to do is not usually sufficientconsideration to bind another to their promise given in return. Katy owes Mike an undisputed $800. Mike asks Katy for the money and Katy responded, “I don’t have $800, but I’ll pay you $500, take it or leave it.” Mike agreed to take the lesser amount. Can Mike sue Katy for the unpaid $300?  **Answer**: This is an example of a liquidated debt and since Katy paid no consideration for Mike’s agreementto take less than the amount owed, the promise is unenforceable, so Mike could sue for the unpaid balance. |
| **Direct Instruction \*** | 1. Circumstantial Consideration    1. Illusory Promises       1. Termination Clauses—the power to withdraw from a contract if business circumstances change       2. Output and Requirements Contracts          1. Output Contract—steel company may buy all the output of a nearby coal mining company          2. Requirements Contract—carburetor manufacturer may agree to supply all the carburetors needed to produce a certain make of vehicle    2. When Dell Computer requires customers to purchase ink cartridges for the printer only from Dell, a requirements contract exists.    3. Existing Duty       1. Exiting Public Duty—if you make an agreement not to drink alcohol when are not of age to drink, there is no binding agreement          1. Example: If a parent promises a minor a new care for not drinking alcohol until age 21, a contract does not exist due to an existing public duty for the minor.       2. Existing Private Duty—when a duty already exists, a person cannot come back demanding more       3. Settlement of Unliquidated Debts          1. Genuine dispute between the parties about how much is owed          2. Accord and satisfaction—a payment offered in full settlement by the debtor and accepted by a creditor settles the claim          3. Composition of creditors exists in bankruptcy cases where creditors are happy to receive a percentage of debt owed by the debtor. 2. False Consideration    1. Mutual Gifts—when something of value is given by one party to another without demanding anything in return; the something of value is not consideration for anything later promised or provided       1. A gift is not consideration.    2. Past Performance—an act that has already been performed cannot serve as consideration       1. Once individuals have performed a required act, the agreement is complete.   *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 examples of questionable consideration. Students will be able to explain how contracts can be legally fulfilled or changed. Give students a blank BINGO card and have them randomly place one term in each square. Terms to use include: output contract, requirements contract, liquidated debt, accord and satisfaction, release, composition with creditors, past consideration, consideration, gift, donor, done, forbearance, promisor, promise, legal value, nominal consideration, duress, genuine assent, innocent misrepresentation, material fact, mutual mistake, ratification, rescission, and undue influence. Call out definitions for the terms on the BINGO cards and students place an “X” in the square containing the word for the definition. Keep calling definitions until someone calls BINGO. The winner must read back their BINGO terms to make sure they have selected words that were called. |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | * When Credit Gets Out of Personal Control Assignment: **Handou**t * Circumstantial Consideration Poster Assignment: **Handout** * Case Study:  **Handout** |
| **Lesson Closure** | **Q:** Why is consideration not binding in illusory contracts?   1. The promise is not binding because it is in essence a sham paraphrased by “I will if I want to.” 2. What distinguishes a gift from a valid contract? 3. Only a completed gift (shown by intent, delivery, and acceptance of the subject matter) is legally enforceable. A stated intent to make a gift, standing alone, is not enforceable. A valid contract, however, is enforceable because consideration supports the contractual promise. 4. What is an output contract? 5. An output contract exists when a buyer agrees to purchase all of a particular producer’s production. 6. What is liquidated debt? 7. Liquidated debt is a debt which both parties agree exists and both parties agree on the amount of the debt.   **WHAT’S THE ANSWER?**  Grant loaned Tyler his riding lawnmower. While mowing an incline, the right rear wheel fell off the lawnmower and rolled over Tyler, causing severe injuries. Grant knew that the wheel needed repair but hadn’t warned Tyler. When Tyler threatened to sue Grant and the lawnmower company, Grant offered Tyler $5,000 for a release from the unliquidated claim. Will Grant be able to relinquish his responsibility by paying Tyler $5,000?  **Answer:** Since Tyler owed for his hospital stay, he accepted and gave the release knowing that he could stillpursue suit against the lawnmower company. Grant is released from his responsibility by paying the $5,000 accepted by Tyler. The question is whether he can be successful with his suit. |
| **Summative / End of Lesson Assessment \*** | Project #1 and Project #3 assigned for Independent Practice will be evaluated with the assigned rubrics.  Project #3 will be evaluated for completion. |
| **References/Resources/**  **Teacher Preparation** | **References**   * Local newspapers * Television Network Newscasts and the Internet |
| **Additional Required Components** | |
| **English Language Proficiency Standards (ELPS) Strategies** |  |
| **College and Career Readiness Connection[[1]](#footnote-1)** | **College Readiness and Study Skills**   * 110.48 (b) (2) (A). The student is expected to expand vocabulary through wide reading, viewing, listening, and discussion. * 110.48 (b) (2) (F). The student is expected to use context to determine meanings of words and phrases such as figurative language, idiomatic expressions, homonyms, and technical vocabulary. * 110.54 (b) (4) (D). The student is expected to summarize texts by identifying main ideas and relevant details. * 110.47 (b) (7) (A). The student is expected to read silently or orally such as paired reading or literature circles for sustained periods of time. |
| **Recommended Strategies** | |
| **Reading Strategies** |  |
| **Quotes** |  |
| **Multimedia/Visual Strategy**  **Presentation Slides + One Additional Technology Connection** |  |
| **Graphic Organizers/Handout** | Assignment #1/Rubric  Assignment #2/Rubric  Assignment #3/Answer Key |
| **Writing Strategies**  **Journal Entries + 1 Additional Writing Strategy** |  |
| **Communication**  **90 Second Speech Topics** |  |
| **Other Essential Lesson Components** | |
| **Enrichment Activity**  (e.g., homework assignment) | Ask groups of three or four students to create comic strip stories that illustrate a payment problem and how its settlement involved either an accord and satisfaction or other means of resolution. |
| **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)