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| **TEXAS CTE LESSON PLAN**  [www.txcte.org](http://www.txcte.org) | |
| **Lesson Identification and TEKS Addressed** | |
| **Career Cluster** | Business Management & Administration |
| **Course Name** | Business Law |
| **Lesson/Unit Title** | Types of Consideration |
| **TEKS Student Expectations** | **130.134. (c) Knowledge and Skills**  (4) The student identifies the principles of contracts in business: The student is expected to  (B) identify the essentials of negotiability  (D) examine the concepts of consideration  (E) describe defective agreements  (F) describe illegal agreements |
| **Basic Direct Teach Lesson**  (Includes Special Education Modifications/Accommodations and  one English Language Proficiency Standards (ELPS) Strategy) | |
| **Instructional Objectives** | * Upon completion of this lesson, the student will explain requirements for adequate consideration. * Students will identify the three requirements of consideration. * Students will discuss the adequacy of consideration. |
| **Rationale** | In this lesson students will learn about consideration, the difference between a gift and a binding promise, and what a contractual promise entails. Class discussion and scenario practice are included. |
| **Duration of Lesson** | When taught as written, this lesson should take approximately 1 ‐ 2 days to teach. |
| **Word Wall/Key Vocabulary**  *(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | * Consideration ‐ that which is given or received in a contract. * Gift ‐ the transfer of ownership without receiving anything in return. * Donor ‐ the person giving a gift. * Done ‐ the person receiving a gift. * Forbearance ‐ a promise to not do something. * Promisor ‐ the person who promises an action or forbearance. * Promise ‐ the person to whom a promise is made. |
| **Materials/Specialized Equipment Needed** | * Internet * “Traveling the 48 After Graduation Case” Assignment * “Band Aid Case” Assignment * “Finder’s Keeper Case” Assignment * “Consideration Presentation” Assignment * “Consideration Presentation” Assignment Rubric * Construction paper * Scissors and glue * Poster board * Current newspapers * Computers for students to complete projects |
| **Anticipatory Set**  (May include pre-assessment for prior knowledge) | Write the following questions on the board for the beginning of class. List three promises you have recently made. List what you promised and what you received in return. You may promise to call a friend after school or promise your parent to not go out to study for semester exams. Ask students to review their lists and place a check by the promises that they think would be legally binding.  Sally attended a mineral show with her grandparents. She purchased several different crystal‐like stones at the show. One stone was purchased from Jones for the marked price of $5. Later the stone was identified as a diamond, valued at more than $50,000. Jones sued to recover the stone, stating that he had not received proper consideration for the purchase. Can Jones legally collect his claim? Answer: The courts will side with Sally because Jones had received what he had demanded for the stone.  “I will if I want to” is an illusory promise. Any promise that conveys this meaning cannot be relied on or enforced against a party to litigation. The courts will count on a jury to determine if a statement is illusory.  Bring several types of contracts to class. Ask students to work in groups of three or four to identify the consideration given and received in each contract. Write the results on the board. |
| **Direct Instruction \*** | 1. Consideration ‐ what a person demands and generally must receive to make hers or his promise legally binding (**NOTE**: Receiving a birthday gift is not an example of consideration. The recipient of the girt does not make any promises.)    1. Promise, Act, or Forbearance       1. legal value in the underlying act that is promised       2. forbearance ‐ promise to not do something (must have legal value)    2. Contracted Exchanges (**NOTE:** A parent promises their child a new car when the child graduates form college. The parent is the promisor and the child is the promisee.)       1. promisor ‐ a person promising an action or forbearance       2. promise ‐ the person to whom the promise is made consideration must be mutual.    3. Legal Value (**NOTE**: An employer promises the employee paid membership to the local health spa if the employee stops smoking. This is a legally enforceable agreement. The employee is forbearing a legal right.)       1. there has been a change in a party’s legal position because of the contract       2. exchange of two benefits       3. exchange of benefit for a detriment (forbearing of a legal right)       4. exchange of two detriments    4. Adequacy of Consideration (**NOTE:** $1 can be an adequate amount for a parent to give the title of their…)       1. what the parties give and get as consideration need not be of equal value       2. values that different people place on the same property may vary widely       3. economic value is unimportant as long as there is genuine agreement       4. nominal consideration ‐ token amount ($1) for valuable consideration 2. Consideration Distinguishes a Contractual Promise from a Promise to Make a Gift (**NOTE:** Promising to give $1 million to the athletic department of your favorite university is a gift and not a legally enforceable agreement.)    1. gift ‐ transfer of ownership without receiving anything in return    2. promise to make a gift is generally not legally enforceable    3. donor ‐ person giving the gift    4. donee ‐ person receiving the gift    5. donor intentionally transfers the gift to the donee |
| **Guided Practice \*** | Using the lesson presentation, the teacher will explain consideration. Students will be able to describe the difference between a gift and a binding promise. Give students different examples of gifts and consideration. Then have a class discussion to explain which examples are binding considerations. Some examples to cover in class include: mowing a lawn for pay, a birthday gift, bonus at work, being paid for earning good grades, receiving pay for refraining from an unhealthy habit, and speaking at a conference for $1,000. |
| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | * **Traveling the 48 After Graduation Case:** After graduation from high school, you and five friends planto travel throughout the 48 contiguous states, taking numerous pictures along the way. Fox Camera offers to give you a dozen rolls of 36‐exposure color film for the trip free if you agree to let Fox Camera develop and print all the rolls of film you use, for a stated price per roll. You agree. Are you and Fox Camera legally bound? What is the consideration for each party?   **Answer:** The parties are bound. Fox Camera has given up its right to charge for the film in exchange forthe photographer’s promise to have the film developed and printed at Fox Camera. This is an exchange of forbearance from a promise.   * **Band Aid Case:** A four‐piece high school rock band practiced for at least one hour most days of theweek. The practice studio was a cramped one‐car garage of the drummer’s home. Several neighbors offered to pay the rent at a local warehouse as a practice studio for a year if the band agreed to stop practicing at the drummer’s home. The warehouse was much larger than the garage and the band members agreed to the offer made by neighbors. Did the neighbors receive consideration? Did the rock band receive a benefit, endure a detriment, both, or neither? Was the contract enforceable?   **Answer:** The neighbors received consideration when the rock band forbears practicing in the garage inexchange for the consideration of rent at the warehouse. The rock band benefited by receiving a better practice studio as their consideration. The contract is legally enforceable.   * **Finder’s Keeper Case:** Harold noticed an expensive chair and ottoman at the neighbor’s garage sale.Harold knew that the two pieces of furniture were easily worth $2,000. When he asked the neighbor how much he wanted for the furniture, the neighbor responded $500 if you pick it up today and take the end table that goes with the chair. Harold said he agreed to the offer, even though he knew that the chair and ottoman were worth $2,000. Does a valid contract exist?   **Answer:** A valid contract exists. Adequacy of consideration will not be questioned by the court becausethe neighbor agrees to ($500 and hauling the furniture and end table the same day).   * **Consideration Presentation Assignment:** Ask students to create a presentation that definesconsideration and the key terms in this lesson. The presentation should also give examples of binding consideration and actions that do not represent consideration. This project will be evaluated with the corresponding rubric. |
| **Lesson Closure** | 1. What are three requirements of consideration? 2. Three requirements of consideration are (1) each party must make a promise, perform an act, or forbear,    1. each party’s promise, act, or forbearance must be in exchange for a return promise, at, or forbearance   by the other party, and (3) what each party exchanges must have legal value (be worth something in the eyes of the law).   1. Who is the person who makes a gift? 2. The person who makes the gift is the donor. 3. How can legal value be found in the exchange of benefit for a detriment? 4. With legal value, the detriment is the giving up of a legal right. A detriment arises when a person promises forbearance. 5. What is adequacy of consideration? 6. Adequacy refers to the values that different people place on similar property, which can vary widely. What one person will pay for an item or service, another person may feel is unreasonable and never consider paying.   **SCARCITY AND VALUE**  Scarcity of needed goods has always led to an increase in value. Scarcity will lead to the formation of black markets that traffic in the needed goods to be sold at the highest price in countries that have planned economies. Give two examples of situations where prices are much higher due to demand and the circumstances. For example, Super Bowl tickets sell for a much higher price than the dollar value printed on the ticket due to demand. |
| **Summative / End of Lesson Assessment \*** | **Informal Assessment**   * Instructor will observe students during Independent Practice. * Instructor will assist students as needed.   **Formal Assessment**   * Project #4 assigned for Independent Practice will be evaluated with the assigned rubrics. * Projects #1‐3 will be evaluated for completion.   **Accommodations for Learning Differences**:  It is important that lessons accommodate the needs of every learner. These lessons may be modified to accommodate your students with learning differences by referring to the files found on the Special Populations page of this website. |
| **References/Resources/**  **Teacher Preparation** | * 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.  **Economics**  118.4(c)(17)(A). The student understands the role of financial markets/institutions in saving, borrowing, and capital formation. The student is expected to explain the functions of financial institutions and how they affect households and businesses. |
| **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) | Ask students to write two examples of agreements that they will enter within the next five years. Students must describe the agreements and note what consideration is involved with both agreements. |
| **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)