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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** | When Consideration is Not Required |
| **TEKS Student Expectations** | **130.134 (c) Knowledge and Skills**(4) The student identifies the principles of contracts in business. The student is expected to:(D) examine the concepts of consideration;(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** | **Performance Objective**Upon completion of this lesson, the student will be able to explain when consideration is not necessary for an agreement and define promissory estoppel.**Specific Objective*** Students will distinguish situations in which consideration is not needed.
* Students will recognize when the doctrine of promissory estoppel can be applied.
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| **Rationale** | Consideration in a contract is the exchange of anything of value by each party. However, a contract may be deemed invalid by a court if it lacks recognizable consideration. This lesson will demonstration some case scenarios where consideration is not necessary for an agreement, as well as the purpose of promissory estoppel. |
| **Duration of Lesson** | 2-3 days |
| **Word Wall/Key Vocabulary***(ELPS c1a,c,f; c2b; c3a,b,d; c4c; c5b) PDAS II(5)* | **Terms*** Statute of limitations ‐ specifies a time limit for bringing a lawsuit.
* Promissory estoppels ‐ enforcement of a promise to avoid injustice by denying to the promisor the defense of lack of consideration.
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| **Materials/Specialized Equipment Needed** | **Instructional Aids:*** Internet
* "Wholesale Case" Assignment
* "Debt Refresher Case" Assignment
* "Statute of Limitations and Promissory Estoppel” Presentation Assignment
* "Statute of Limitations and Promissory Estoppel” Presentation Assignment Rubric

**Materials Needed:*** Construction paper
* Scissors and glue
* Poster board
* Current newspapers

**Equipment Needed:*** Computers for students to complete projects
* Projector for presentation
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| **Anticipatory Set**(May include pre-assessment for prior knowledge) | **Explain** to students how the UCC rules for firm offers and contract modifications support business activity bystreamlining the old common law rules relating to consideration. Then ask students to draft a written firm offer to buy 200 dozen roses from a local floral wholesaler for Valentine’s Day. Students must understand that if they co‐sign a loan for a friend or family member, they may have to pay that debt. This true even if the person for whom you co‐signed takes bankruptcy. You will avoid paying the debt if the bankrupt person reaffirms their debt.**Case Study**: Alan wanted to go to graduate school after college and he knew it would be very expensive. Alan'sdad said that he would pay for Alan's master degree if Alan would major in math instead of philosophy. Alan majored in math, but his dad refused to pay for the graduate school tuition. Can Alan force his father to pay?**Answer:** Alan can compel his father to pay under the doctrine of promissory estoppel if he has alreadyenrolled and has a substantial bill that would cause him an economic loss if his father does not pay. |
| **Direct Instruction \*** | 1. Exceptions to the Requirements of Consideration
	1. Promises to Charitable Organizations
		1. Contributions or completed gifts or promises (pledges to pay in the future)
		2. Party who makes the pledge receives nothing in return (seems the pledge is unenforceable)
		3. Courts—generally enforce these promises
		4. When you make a financial pledge to your church, the court can hold you accountable to the amount if the church has specifically indicated specific projects earmarked for the money.
	2. Promises Covered by the UCC
		1. Firm Offers – offer is open for the time stipulated or up to three months
		2. Modifications
			1. Common law – modification of a contract needs consideration
			2. UCC – a good-faith agreement that modifies an existing contract for the sale of goods needs no new consideration. Example: after a sale has been made, a seller could agree to give the buyers a valid warranty without further charge.
			3. When a person sells a patio set to a friend, no new consideration is necessary if the seller of the patio set also later decides to vie the buyer the covers for the patio set.
	3. Promises Barred from Collection by Statute
		1. Statute of Limitations – states a time limit for bringing a lawsuit (for breach of contract—three years). If a person is planning to sue for damages, they must be aware of the statute of limitations to make sure that the case is not thrown out of court due to time elapsed.
		2. Debts Discharged in Bankruptcy
			1. Obligation may be reaffirmed by a promise of the debtor
			2. Usually when debtor has co-singer or guaranteed payment on the debt
			3. Debts to be reaffirmed should be listed with the bankruptcy court during the proceeding
			4. If a person files bankruptcy with the intention of paying some of the listed creditors in the future, they must list the debts they plan to pay in the future with the bankruptcy court.
	4. Promissory Estoppel
		1. The promisor should reasonably foresee that the promise will rely on the promise.
		2. The promise does act in reliance on the promise.
		3. The promise would suffer a substantial economic loss if the promise is not enforced.
		4. Promissory estoppel protects the innocent person who depends upon the promise. If a high school agrees to shovel snow from a 90-year-old person’s sidewalk, when there is doubt, promissory estoppel will enforce the promise.

*Individualized Education Plan (IEP) for all special education students must be followed. Examples of accommodations may include, but are not limited to:*This lesson may be modified to accommodate your students with learning differences by referring to the files found on the Career & Technical Special Populations page of this website (http://cte.unt.edu/). |
| **Guided Practice \*** | Using the lesson presentation, the teacher will explain when consideration is not necessary for an agreement. Students will gain a better understanding about how a person can be held accountable for a pledged amount of money to a non‐profit organization that has stated a specific use for the pledged money.* **Case:** When the Smith family lost their father to cancer, the family promised to pay for the localhospital's purchase of new cancer‐fighting equipment. As a result, the board of directors of the hospital entered into a contract for more than $250,000 worth of advanced medical technology. When the Smith family was presented with the bill, they refused to pay due to declining economic conditions. The Smiths believe that they are not contractually obligated to give the hospital $250,000. What do you think?
* **Answer**: The court can hold the Smiths accountable for the $250,000 since the hospital stated an exactproject that the money would fund.
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| **Independent Practice/Laboratory Experience/Differentiated Activities \*** | * **Wholesale Case:** Brandon agreed to purchase 1,000 designer shirts from a New York wholesaler for$3,800 per shirt. Brandon and the wholesaler wrote out all terms of their contract and each signed. Later Brandon discovered that he could get the same shirts from another wholesaler for $3,100. Brandon told the wholesaler that if it wanted to maintain Brandon's goodwill, it would reduce the price to $3,100. The wholesaler agreed to the transaction. What is the consideration in the original contract? Can the $3,100 be enforceable? Explain your answer.
* **Answer**: Consideration in the original contract is Brandon's promise to pay $3,800 for the shirts;goodwill" does not have legal value. It does not involve a change in a party's legal position and cannot be consideration for the price change. The $3,100 is enforceable under the UCC rules for promises modifying existing contract without consideration.
* **Debt Refresher Case:** As a freshman in college, Scott borrowed $200 from Amy to buy a ticket to amajor bowl game. Scott never repaid the debt, and after five years it was barred by the statute of limitations. By coincidence, Scott spotted Amy in an airport lounge. Embarrassed by his past debt, Scott told Amy, "I have not forgotten the $200 I borrowed from you for the bowl game. Now that I am working, I'll pay you. In addition, I would like for you to be my guest at this year's bowl game." Can Scott be legally obligated to repay the $200?
* **Answer**: Scott is not legally obligated to repay the $200. The contract made between Scott and Amy atthe time of the loan is no longer enforceable due to the statute of limitations. Scott's new promise is not supported by consideration. The promise would have to be in writing for the few states that would allow the promise to be enforceable. Scott's offer to repay the $200 and take Amy to the bowl game is an unenforceable promise.
* **Statute of Limitations and Promissory Estoppel Case Presentation Assignment:** Student teams (2 students per team) must research legal cases thatinvolve statute of limitations and promissory estoppel. Each team will then produce a presentation that describes all activities associated with the case and defines promissory estoppel or statute of limitations as it is related to the case. This project will be evaluated using the associated rubric.
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| **Lesson Closure** | **Q.** Why would a pledge to a charitable organization be enforced when the promisor receives no consideration?**A.** Courts generally enforce such promises when the charity states a specific use for the money and acts in reliance on the pledge.**Q.** Describe situations in which consideration is not required.**A.** Consideration is not required when promissory estoppel occurs, when pledges are made to charitable organizations, or when there is a firm offer.**Q.** Can debts discharged in bankruptcy be reinstated?**A.** The debt can be reinstated by the debtor if it was listed with the bankruptcy court during the bankruptcy proceeding.**Q.** What is statute of limitation?**A.** Statute of limitation states the amount of time available to bring a lawsuit. |
| **Summative / End of Lesson Assessment \*** | * Project #3 assigned for Independent Practice will be evaluated with the assigned rubric.
* Project #1 and Project #2 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** | References* Local newspapers
* Television Network Newscasts and the Internet
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| **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.
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| **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 design pledge cards for fund‐raising events sponsored by school groups. The cards should include the name of the organization, what the funds will be used for, and spaces for the amount of the pledge, how and when the pledge will be paid, and the signature of the donor.**Financing Nonprofit Organizations:** Ask students to research national charitable organizations. Find theannual financial budgets for at least three organizations. Students will then calculate the percentage of each budget that comes from pledges and the percentage that comes from outright gifts. What percentage of the budget is devoted to staff and overhead? |
| **Family/Community Connection** |  |
| **CTSO connection(s)** | Business Professionals of AmericaFuture 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)