

Lesson Plan —When Consideration is Not Required

Course Title: Business Law

Session Title: When Consideration is Not Required

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 Objectives:

- Students will distinguish situations in which consideration is not needed.
- Students will recognize when the doctrine of promissory estoppel can be applied.

Preparation

TEKS Correlations:

This lesson, as published, correlates to the following TEKS. Any changes/alterations to the activities may result in the elimination of any or all of the TEKS listed.

- **120.45(c)(2)(D)**
...examine the concepts of consideration
- **120.45(c)(2)(E)**
...describe defective agreements
- **120.45(c)(2)(F)**
...describe illegal agreements
- **120.45(c)(5)(B)**
...identify the essentials of negotiability

Interdisciplinary Correlations:

English:

110.42(b)(6)(A) – Vocabulary Development

...expand vocabulary through wide reading, listening, and discussing

110.42(b)(6)(B) – Vocabulary Development

... rely on context to determine meanings of words and phrases such as figurative language, idioms, multiple meaning words, and technical vocabulary

110.42(b)(7)(F) – Reading/comprehension

...identify main ideas and their supporting details

110.42(b)(7)(G) – Reading/comprehension

...summarize texts

110.42(b)(7)(J) – Reading/comprehension

...read silently with comprehension for a sustained period of time

Economics:

118.2(c)(8)(B) – Economics

...analyze how financial institutions affect households and businesses

Accommodations for Learning Differences:

[Guidelines and Procedures for Adapting Instructional Materials](#)

Guidelines and Procedures for Adapting Instructional Materials
Instructor Format for Curriculum Customization for Learning Differences
Sample Curriculum Customization for Learning Differences

Teacher Preparation:

References:

1. Law for Business and Personal Use, Eighteenth Edition, John E. Adamson, Southwestern Cengage Learning
2. USA Today and local newspapers.
3. Television Network Newscasts and the Internet
4. uen.org (State of Utah Business Law Curriculum)

Instructional Aids:

1. "When Consideration is Not Required " PowerPoint Presentation
2. Internet
3. "Wholesale Case" Assignment
4. "Debt Refresher Case" Assignment
5. "Statute of Limitations and Promissory Estoppel PowerPoint" Assignment
6. "Statute of Limitations and Promissory Estoppel PowerPoint" Assignment Rubric

Materials Needed:

1. Construction paper
2. Scissors and glue
3. Poster board
4. Current newspapers

Equipment Needed:

1. Computers for students to complete projects
2. Projector for PPT

Learner Preparation:

- Show students pledge cards from local churches and other non-profit organizations. Divide the class into groups and ask students to identify considerations for donations (if they are mentioned on the card). Then students will compare the policies of the organizations for collecting the pledges.

Lesson Plan

Introduction (LSI Quadrant I):

1. Explain to students how the UCC rules for firm offers and contract modifications support business activity by streamlining 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 Valentines Day.
2. 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.

3. Case Study: Alan wanted to go to graduate school after college and he knew it would be very expensive. Alan's dad 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 already enrolled and has a substantial bill that would cause him an economic loss if his father does not pay.



Important Terms for this Lesson:

- 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

Outline










Outline (LSI Quadrant II):

Instructors can use the PowerPoint presentation, slides, handouts, current events, the Internet, and note pages in conjunction with the following outline.

MI	Outline	Notes to Instructor
 	<p>I. Exceptions to the Requirements of Consideration</p> <p>A. Promises to Charitable Organizations</p> <ol style="list-style-type: none"> 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 provided the charity states a specific use for the money and actually acts in reliance on the pledge <p>B. Promises Covered by the UCC</p> <ol style="list-style-type: none"> 1. Firm Offers - offer is open for the time stipulated or up to three months 2. Modifications <ol style="list-style-type: none"> a. common law - modification of a contract needs consideration b. UCC <ul style="list-style-type: none"> - 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, 	<p>A 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.</p> <p>B When a person sells a patio set to a friend, no new consideration is necessary if the seller of the patio set later decides to also give the buyer the covers for the patio set.</p>

	<p>a seller could agree to give the buyers a valid warranty without further charge</p> <p>C. Promises Barred from Collection by Statute</p> <ol style="list-style-type: none"> 1. Statute of Limitations - states a time limit for bringing a lawsuit (for breach of contract – three years) 2. Debts Discharged in Bankruptcy <ol style="list-style-type: none"> a. obligation may be reaffirmed by a promise of the debtor b. usually when debtor has co-signer or guaranteed payment on the debt c. debts to be reaffirmed have to be listed with the bankruptcy court during the proceeding <p>D. Promissory Estoppel</p> <ol style="list-style-type: none"> 1. The promisor should reasonably foresee that the promisee will rely on the promise. 2. The promisee does act in reliance on the promise. 3. The promisee would suffer a substantial economic loss if the promise is not enforced. 4. Injustice can be avoided only by enforcement of the promise. 	<p>C If a person is planning on suing 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.</p> <p>C2 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.</p> <p>D 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.</p>
--	--	---

Copy and paste Multiple Intelligences Graphic in appropriate place in left column.

								
Verbal Linguistic	Logical Mathematical	Visual Spatial	Musical Rhythmic	Bodily Kinesthetic	Intra-personal	Inter-personal	Naturalist	Existentialist

Application

Guided Practice (LSI Quadrant III): Using the PowerPoint 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 local hospital'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 exact project that the money would fund.

Independent Practice (LSI Quadrant III):

1. **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, "maintaining 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.

2. **Debt Refresher Case:** As a freshman in college, Scott borrowed \$200 from Amy to buy a ticket to a major 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 at the 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.

3. **Case PowerPoint Presentation Assignment:** Student teams (2 students per team) must research legal cases that involve statute of limitations and promissory

estoppel. Each team will then produce a PowerPoint 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.

Summary

Review (LSI Quadrants I and IV):

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.

Evaluation

Informal Assessment (LSI Quadrant III):

1. Instructor will observe students during Independent Practice.
2. Instructor will assist students as needed

Formal Assessment (LSI Quadrant III, IV):

Project #3 assigned for Independent Practice will be evaluated with the assigned rubric. Project #1 and Project #2 will be evaluated for completion. (LSI Quadrant III)

Extension/Enrichment (LSI Quadrant IV):

1. 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.
2. **FINANCING NONPROFIT ORGANIZATIONS**
Ask students to research national charitable organizations. Find the annual 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?

Business Law - When Consideration is not Required
Independent Practice Assignment #1
Wholesale Case

Student Name _____

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.

Business Law - When Consideration is not Required
Independent Practice Assignment #2
Debt Refresher Case

Student Name _____

As a freshman in college, Scott borrowed \$200 from Amy to buy a ticket to a major 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?

Business Law - When Consideration is not Required
Independent Practice Assignment #3
Statute of Limitations and Promissory Estoppel PowerPoint

Student Name _____

Your team must research legal cases that involve statute of limitations and promissory estoppel. Each team will then produce a PowerPoint 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.

Statute of Limitations and Promissory Estoppel PowerPoint

Business Law - When Consideration is not Required Independent Practice Assignment #3 Rubric

Student Name: _____

CATEGORY	20	15	10	5 or less
Content	Covers topic in-depth with details and examples. Subject knowledge is excellent.	Includes essential knowledge about the topic. Subject knowledge appears to be good.	Includes essential information about the topic but there are 1-2 factual errors.	Content is minimal or there are several factual errors.
Presentation	Well-rehearsed with smooth delivery that holds audience attention.	Rehearsed with fairly smooth delivery that holds audience attention most of the time.	Delivery not smooth, but able to maintain interest of the audience most of the time.	Delivery not smooth and audience attention often lost.
Requirements	All requirements are met and exceeded.	All requirements are met.	One requirement was not completely met.	More than one requirement was not completely met.
Organization	Content is well organized using headings or bulleted lists to group related material.	Uses headings or bulleted lists to organize, but the overall organization of topics appears flawed.	Content is logically organized for the most part.	There was no clear or logical organizational structure, just lots of facts.
Originality	Product shows a large amount of original thought. Ideas are creative and inventive.	Product shows some original thought. Work shows new ideas and insights.	Uses other people's ideas (giving them credit), but there is little evidence of original thinking.	Uses other people's ideas, but does not give them credit.

Total Score _____
Maximum 100 Points