

## Lesson Plan —Types of Consideration

**Course Title:** Business Law

**Session Title:** Types of Consideration

**Performance Objective:**

- Upon completion of this lesson, the student will explain requirements for adequate consideration.

**Specific Objectives:**

- Students will identify the three requirements of consideration.
- Students will discuss the adequacy of consideration.

### 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:**

[Lesson Plan/Curriculum Modifications Checklist](#)

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. "Types of Consideration " PowerPoint Presentation
2. Internet
3. "Traveling the 48 After Graduation Case" Assignment
4. "Band Aid Case" Assignment
5. "Finder's Keeper Case" Assignment
6. "Consideration PowerPoint" Assignment
7. "Consideration 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:**

- 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 in order 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.

**Lesson Plan**

**Introduction (LSI Quadrant I): Cases for Consideration**

1. 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.

2. "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.
3. 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.



**Important Terms for this Lesson:**











- 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
- Donee - the person receiving a gift
- Forbearance - a promise to not do something
- Promisor - the person who promises an action or forbearance
- Promisee - the person to whom a promise is made

**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
 	<ol style="list-style-type: none"> <li>I. Consideration - what a person demands and generally must receive in order to make hers or his promise legally binding               <ol style="list-style-type: none"> <li>A. Promise, Act, or Forbearance                   <ol style="list-style-type: none"> <li>1. legal value in the underlying act that is promised</li> <li>2. forbearance - promise to not do something (must have legal value)</li> </ol> </li> <li>B. Contracted Exchanges                   <ol style="list-style-type: none"> <li>1. promisor - a person promising an action or forbearance</li> <li>2. promisee - the person to whom the promise is made</li> <li>3. consideration must be mutual</li> </ol> </li> <li>C. Legal Value                   <ol style="list-style-type: none"> <li>1. there has been a change in a party's legal position as a result of the contract</li> <li>2. exchange of two benefits</li> <li>3. exchange of benefit for a detriment (forbearing of a legal right)</li> </ol> </li> </ol> </li> </ol>	<ol style="list-style-type: none"> <li>A Receiving a birthday gift is not an example of consideration. The recipient of the gift does not make any promises.</li> <li>B A parent promises their child a new car when the child graduates from college. The parent is the promisor and the child is the promisee.</li> <li>C An employer promises the</li> </ol>

	<p>4. exchange of two detriments</p> <p>D. Adequacy of Consideration</p> <ol style="list-style-type: none"> <li>1. what the parties give and get as consideration need not be of equal value</li> <li>2. values that different people place on the same property may vary widely</li> <li>3. economic value is unimportant as long as there is genuine agreement</li> <li>4. nominal consideration - token amount (\$1) for valuable consideration</li> </ol>	<p>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.</p> <p>D \$1 can be an adequate amount for a parent to give the title of their property to a child. Some individuals transfer the property before they die so the children will not have to pay inheritance taxes.</p>						
	<p>II. Consideration Distinguishes a Contractual Promise from a Promise to Make a Gift</p> <ol style="list-style-type: none"> <li>A. gift - transfer of ownership without receiving anything in return</li> <li>B. promise to make a gift is generally not legally enforceable</li> <li>C. donor - person giving the gift</li> <li>D. donee - person receiving the gift</li> <li>E. donor intentionally transfers the gift to the donee</li> </ol>	<p>IIA Promising to give \$1million to the athletic department of your favorite university is a gift and not a legally enforceable agreement.</p>						
<p><b>Copy and paste Multiple Intelligences Graphic in appropriate place in left column.</b></p>								
								
<p>Verbal Linguistic</p>	<p>Logical Mathematical</p>	<p>Visual Spatial</p>	<p>Musical Rhythmic</p>	<p>Bodily Kinesthetic</p>	<p>Intra-personal</p>	<p>Inter-personal</p>	<p>Naturalist</p>	<p>Existentialist</p>

## Application

**Guided Practice (LSI Quadrant III):** Using the PowerPoint 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 (LSI Quadrant III):

- Traveling the 48 After Graduation Case:** After graduation from high school, you and five friends plan to 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 for the 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 the week. 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 in exchange 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 because the neighbor agrees to (\$500 and hauling the furniture and end table the same day).
- Consideration PowerPoint Assignment:** Ask students to create a PowerPoint presentation that defines consideration 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.

### Summary

#### Review (LSI Quadrants I and IV):

**Q:** What are three requirements of consideration?

**A:** Three requirements of consideration are (1) each party must make a promise, perform an act, or forbear, (2) each party's promise, act, or forbearance must be in exchange for a return promise, act, 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).

**Q:** Who is the person who makes a gift?

**A:** The person who makes the gift is the donor.

**Q:** How can legal value be found in the exchange of benefit for a detriment?

**A:** With legal value, the detriment is the giving up of a legal right. A detriment arises when a person promises forbearance.

**Q:** What is adequacy of consideration?

**A:** 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.

### 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 #4 assigned for Independent Practice will be evaluated with the assigned rubrics. Projects#1-3 will be evaluated for completion. (LSI Quadrant III).

#### Extension/Enrichment (LSI Quadrant IV):

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.

**Business Law - Types of Consideration  
Independent Practice Assignment #1  
Traveling the 48 after Graduation Case**

**Student Name** \_\_\_\_\_

After graduation from high school, you and five friends plan to 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?

**Business Law - Types of Consideration  
Independent Practice Assignment #2  
Band Aid Case**

**Student Name** \_\_\_\_\_

A four-piece high school rock band practiced for at least one hour most days of the week. 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?

**Business Law - Types of Consideration  
Independent Practice Assignment #3  
Finder's Keeper Case**

**Student Name** \_\_\_\_\_

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 agreed to the offer, even though he knew that the chair and ottoman were worth \$2,000. Does a valid contract exist?

**Business Law - Types of Consideration  
Independent Practice Assignment #4  
Consideration PowerPoint Assignment**

**Student Name** \_\_\_\_\_

Create a PowerPoint presentation that defines consideration 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.

**Multimedia Project: Consideration PowerPoint  
Business Law - Types of Consideration  
Independent Practice Assignment #4 Rubric**

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Student Name: \_\_\_\_\_

<b>CATEGORY</b>	<b>20</b>	<b>15</b>	<b>10</b>	<b>5 or less</b>
<b>Content</b>	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.
<b>Presentation</b>	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.
<b>Requirements</b>	All requirements are met and exceeded.	All requirements are met.	One requirement was not completely met.	More than one requirement was not completely met.
<b>Organization</b>	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.
<b>Originality</b>	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**