

Lesson Plan —Legal Capacity to Contract

Course Title: Business Law

Session Title: Legal Capacity to Contract

Performance Objective:

- Upon completion of this lesson, the student will be able to define legal capacity and the role of capacity in organizations.

Specific Objectives:

- Students will identify parties who lack contractual capacity.
- Students will explain the role of capacity in organizations.

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)(C)**
...explain the different capacities to contract.
- **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. "Legal Capacity to Contract " PowerPoint Presentation
2. Internet
3. "Lacking Capacity" PowerPoint Presentation Assignment#1
4. "Lacking Capacity" PowerPoint Presentation Rubric
5. "Emancipated Minors" Poster Assignment #2
6. "Emancipated Minors" Poster Assignment #2 Rubric
7. Case Study – Assignment #3 "Wholesale Flowers"

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:

- Ask students if they have ever tried to get out of a contract because they were young and inexperienced in the matter. Then ask students if they have a legal right to disaffirm contracts made while they were still in their minority. Indicate that most minors are not aware of their right of disaffirmance and therefore are vulnerable to those who would take unfair advantage of them. Around the world there are many differences in the ages that youth are permitted to leave school, work, and get married. For example, a child may leave school at age 10 in Bangladesh and age 16 in the United States. There is no minimum age of employment in New Zealand while the minimum age in Armenia is 16. A 16-year-old Japanese woman may marry; however a male in India must wait until age 21 to get married. Ask students to conduct research about laws concerning the age of majority for a country other than the United States.

Lesson Plan

Introduction (LSI Quadrant I):

1. Emphasize how capacity can be satisfied. Capacity does not mean understanding the actual terms of the contract or not understanding a paraphrasing of the terms, but having the ability to understand the consequences of the contract terms.
2. The law presumes that an adult has contractual capacity. A court review is required to prove this assumption to be incorrect. The court hearing may have the goal of determining whether or not a person should be considered without capacity on a permanent basis. The second review generally comes in the context of a trial to enforce contractual liability. In this type of case, temporary insanity or temporary intoxication is used as a defense.
3. A person is considered 18 on the day before the 18th birthday because the law does not consider fractions in such matters and one tick after midnight on that day the person is considered to have lived 365 days of his or her 17th year.
4. Case Study: Alicia is 16 years old in a state where the age of majority is 19. Alicia plans to begin working at a restaurant next month. Her parents are willing to let her use one of their cars, but Alicia wants her own car. If Alicia buys a car for fair market value, would she be able to return the car and get a full refund? Explain your answer.

Answer: Since Alicia is a minor, she does have special contractual rights when she purchases necessaries. In this case Alicia does not really need the car since her parents have offered the use of their car. The car dealer could not legally refuse to take the car back and must return Alicia's money.



Important Terms for this Lesson:

- contractual capacity - the ability to understand that a contract is being made and its general meaning
- age of majority - the age at which a person can be legally bound to contracts
- minor - a person who has not reached the age of majority, which is usually 18
- disaffirmance - ending a contract when both parties give back the consideration
- necessaries - things needed to maintain life and lifestyle
- ratification - acting toward a contract as though one intends to be bound by it
- emancipation - the severing of the child-parent relationship
- mental incapacity - not having the ability to understand the consequences of contractual acts
- intoxication - mental impairment caused by voluntary use of alcohol, drugs, or inhalants
- scope of authority - within the range of acts an organization has authorized a party to do


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. What is Capacity?</p> <p>A. Contractual capacity - the ability to understand the consequences of a contract</p> <p>B. Protections for Those Who Lack Capacity (Incapacitated)</p> <p>1. Minors</p> <p>a. age of majority is 18 in most states</p> <p>b. age of majority is 19 or 21 in a few states</p> <p>c. minors have yet reached the age of majority</p> <p>d. minority ends the day before the birthday of the age set as the age of majority</p> <p>e. contracts of most parties who lack capacity are considered voidable</p> <p>f. disaffirmance - refusal to be bound by a previous legal commitment</p> <p>g. minors must pay at least a reasonable value for necessities (food, clothing, and shelter) even if they disaffirm the actual purchase contract</p> <p>h. emancipation - severing of the child-parent relationship (ends the duty of the parent to support a child and the duty of the child to obey the parent)</p> <p>-The parent and minor agree that the parent will cease support.</p> <p>-The minor marries.</p> <p>-The minor moves out of the family home.</p> <p>-The minor becomes a member of the armed forces.</p> <p>-The minor gives birth.</p> <p>-The minor undertakes full-time employment.</p> <p>2. Those mentally Incapacitated</p> <p>a. person lacks the ability to understand the consequences of his or her contracts</p>	<p>A Since minors do not have the capacity to be bound by contractual agreements, they will need a co-signer who legally can be bound by the agreement. Many students start college as a minor. They will be bound to apartment rental agreements since housing is a necessity.</p> <p>B1Emancipation of a minor can be the result of many different situations. Once a person is emancipated, they will have the contractual responsibilities of an adult.</p> <p>B3An intoxicated person lacks capacity to be bound by a</p>

	<ul style="list-style-type: none"> b. people with severe mental illness, severe mental retardation, or severe senility lack capacity c. person ruled as permanently insane has mental incapacity <p>3. The Intoxicated</p> <ul style="list-style-type: none"> a. from using alcohol in forms such as beer or vodka b. from using drugs such as marijuana or crack cocaine, or inhaling products such as glue or aerosols 	<p>contractual agreement. Using intoxication as a defense for not being bound by a contract is very embarrassing.</p> <p>B3 Intoxication can be in the form of alcohol or drugs.</p>
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	<p>II. Who Has Contractual Capacity in Organizations?</p> <ul style="list-style-type: none"> A. Someone who has capacity - is within his or her scope of authority B. When the organization leads others to believe that a person has certain authority C. When an employer tells an employee that they are authorized to bind the organization 	<p>II Power of attorney gives an individual authority to sign for/bind an organization. The vice president or marketing director of a company may have the power to sign binding contracts in the name of the business.</p>
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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 contractual capacity of individuals and organizations. Students will gain a better understanding about contracts and when they can be legally bound to a contract. Ask students to give three situations that will require them to sign a binding agreement at an early age. Answers may include college loan, car loan, or an apartment lease.

Explain how the apartment lease involves shelter (necessity for life) and does not require the co-signature to bind the minor. The car loan and college loan will probably require the minor to have a co-signature.

Case: Matt, age 17, entered into a contract with Professional Scuba Diving, Inc. Matt signed a release form, releasing Professional Scuba Diving from liability for negligence arising out of injury to Matt while he was participating in Professional Scuba Diving's training or other services contemplated by the agreement. Eight months after Matt's 18th birthday, he was injured in a scuba diving lesson. Matt sued Professional Scuba Diving alleging that the contract he signed with them was void because he was under 18 years old when he signed it. Will Matt be able to get out of the contract? Explain.

Answer: Matt is responsible for the contract. While minors have the right to void contracts they enter into as minors, they must do so either while they are minors or within a short time period after reaching the age of majority. Eight months is too long, and Matt will be held liable on the contract.

Independent Practice (LSI Quadrant III):

- 1. Lacking Capacity PowerPoint Presentation:** Design a PowerPoint presentation that shows which groups of individuals lack the capacity to be bound by a contract. The presentation should include politically correct and appropriate for classroom use pictures and captions. This project will be evaluated with the associated rubric.
- 2. Emancipated Minors Poster:** Design a poster that illustrates six informal means of emancipation for a minor. The poster should include pictures and text. This project will be evaluated with the associated rubric.
- 3. Case Assignment:** Jennifer was a wholesaler of flowers. Her friend, Carrie, worked for a grocery store as a checker. One day Jennifer stopped by during Carrie's break and asked if she could sell her flowers through that store. Carrie said yes and signed a contract to purchase 20 dozen roses for the store. When Jennifer tried to deliver the roses, they were refused by the store and Jennifer sued. Can Jennifer win the lawsuit?

Answer: Jennifer cannot win the lawsuit because Carrie does not have the capacity (scope of authority) to sign/bind the grocery store with legal contracts.

Summary

Review (LSI Quadrants I and IV):

Q: What three classifications of individuals lack contractual capacity?

A: The three classifications are minors, the mentally incapacitated, and the intoxicated.

Q: What are two ways that capacity to contract on behalf of an organization can be created?

A: Capacity to contract on behalf of the organization can come from a delegation of authority or from apparent authority created or allowed by the business.

Q: Give two examples of informal emancipation of a minor.

A: Two examples: (1) The parent and minor agree that the parent will cease support. (2) The minor marries. (3) The minor moves out of the family home. (4) The minor becomes a member of the armed forces. (5) The minor gives birth. (6) The minor

undertakes full-time employment.

Q: What is intoxication?

A: Intoxication can arise from using alcohol in forms such as beer or vodka, from using drugs such as marijuana or crack cocaine, or inhaling products such as glue or aerosols.

COPYING MUSIC OFF THE INTERNET

Sandra has discovered that it is easy to copy music from the Internet. She has copied CDs to give to her friends as gifts. The CDs include the latest Top 40 hits. Sandra has received a notice that she is being sued for \$100,000 for illegally downloading music from the Internet. Sandra believes that she is safe from the lawsuit since she is a minor? Who may be held accountable in this lawsuit?

Answer: Sandra's parents

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

Extension/Enrichment (LSI Quadrant IV):

Write scenarios that depict enforceable and unenforceable contracts involving minors or others lacking contractual capacity on index cards. Divide the class into small groups and have each group choose a card. Then each group must perform a skit based on the situation on their card. Discuss why the contract depicted is or is not enforceable.

Business Law – Legal Capacity to Contract
Independent Practice Assignment #1
Lacking Capacity PowerPoint Presentation

Student Name _____
Student Name _____

This project may be a team or individual assignment. Design a PowerPoint presentation that shows which groups of individuals lack the capacity to be bound by a contract. The presentation should include politically correct and classroom appropriate pictures and captions. This project will be evaluated with the associated rubric.

Lacking Capacity PowerPoint Presentation Business Law – Legal Capacity to Contract Independent Practice Assignment #1 Rubric

Student Name: _____

CATEGORY	20	15	10	5 or less
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.
Attractiveness	Makes excellent use of font, color, graphics, effects, etc. to enhance the presentation.	Makes good use of font, color, graphics, effects, etc. to enhance to presentation.	Makes use of font, color, graphics, effects, etc. but occasionally these detract from the presentation content.	Use of font, color, graphics, effects etc. but these often distract from the presentation content.
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.
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

Business Law – Legal Capacity to Contract
Independent Practice Assignment #2
Emancipated Minors Poster

Student Name _____
Student Name _____

This project may be a team or individual assignment. Design a poster that illustrates six informal means of emancipation for a minor. The poster should include pictures and text. Poster should have a minimum of 7 stated facts. This project will be evaluated with the associated rubric.

**Emancipated Minors Poster
Business Law – Legal Capacity to Contract
Independent Practice Assignment #2 Rubric**

Student Name: _____

CATEGORY	20	15	10	5 or less
Content - Accuracy	At least 7 accurate facts are displayed on the poster.	5-6 accurate facts are displayed on the poster.	3-4 accurate facts are displayed on the poster.	Less than 3 accurate facts are displayed on the poster.
Required Elements	The poster includes all required elements as well as additional information.	All required elements are included on the poster.	All but 1 of the required elements is included on the poster.	Several required elements were missing.
Knowledge Gained	Student can accurately answer all questions related to facts in the poster and processes used to create the poster.	Student can accurately answer most questions related to facts in the poster and processes used to create the poster.	Student can accurately answer about 75% of questions related to facts in the poster and processes used to create the poster.	Student appears to have insufficient knowledge about the facts or processes used in the poster.
Graphics - Clarity	Graphics are all in focus and the content easily viewed and identified from 6 ft. away.	Most graphics are in focus and the content easily viewed and identified from 6 ft. away.	Most graphics are in focus and the content is easily viewed and identified from 4 ft. away.	Many graphics are not clear or are too small.
Attractiveness	The poster is exceptionally attractive in terms of design, layout, and neatness.	The poster is attractive in terms of design, layout and neatness.	The poster is acceptably attractive though it may be a bit messy.	The poster is distractingly messy or very poorly designed. It is not attractive.

Total Score _____
Maximum 100 Points

Business Law – Legal Capacity to Contract
Independent Practice Assignment #3
Contractual Capacity Case Assignment

Student Name _____

Jennifer was a wholesaler of flowers. Her friend, Carrie, worked for a grocery store as a checker. One day Jennifer stopped by during Carrie's break and asked if she could sell her flowers through that store. Carrie said yes and signed a contract to purchase 20 dozen roses for the store. When Jennifer tried to deliver the roses, they were refused by the store and Jennifer sued. Can Jennifer win the lawsuit? Why or Why Not?