



Business/Marketing Virtual Learning

10-12 grade Business Law

May 12, 2020



Lesson: [May 12, 2020]

Objective/Learning Target:

Review and assess the concept of Consideration in contracts.

Let's Get Started

Review This Presentation:

[Contractual Consideration](#)



Types of Consideration

1. Consideration is what a person demands and generally must receive in order to make her or his contractual promise legally binding.
2. Consideration may consist of a promise, an act, or a forbearance.
3. The adequacy, equality, or fairness of the consideration given and received is immaterial as long as the consideration has some value and is genuinely agreed to by both parties.

Questionable Consideration

1. Performing or promising to perform an existing obligation is not consideration.
2. Past consideration is not legally binding consideration for a promise given now or in the future.

When Consideration is Not Required

1. Pledges to pay money to charitable organizations are usually enforceable even though no consideration was given in return.
2. Under the UCC, a merchant's firm offer is enforceable for up to three months even when no payment or other consideration has been given for the promise.
3. Agreements between merchants modifying contracts for the sale of goods need no consideration to be binding.
4. Promises barred by some statutes may be enforceable if reaffirmed.
5. If basic fairness demands it, the courts may invoke the doctrine of promissory estoppel to prevent promisors from stating that they did not receive consideration for their promises.

ACTIVITY #27

- 1) Give an example of an output contract associated with school.
- 2) Give an example of a requirements contract associated with school.
- 3) Think of three promises you've made to your family or friends today.
 - a) Might they be enforceable in court?
 - b) Why or why not?
- 4) Mary received a diamond lapel pin from the estate of her maternal grandmother. It was appraised at \$7,500. Because it did not fit in with her sports-oriented lifestyle, Mary sold the pin to a jeweler who told her, "The setting is old-fashioned, but the diamond is forever the same. I'll give you \$3,500 cash." Later Mary wondered whether she received legally sufficient consideration.
 - a) Did she?
 - b) Can she rescind the transaction if she can prove that she received much less than the pin was worth?

ACTIVITY #27

- 5) Glenn contracted to provide the labor for an addition to Reid's home for \$10,000. When Glenn was partially through, he realized that the job was more time-consuming than anticipated. Therefore he refused to continue until Reid promised to pay an additional \$2,000. Reid did so.
 - a) Is Glenn legally entitled to the extra \$2,000?

- 6) Jericha promised to lease the Gnosters an unimproved store front in Jericha's newly constructed shopping center. The Gnosters, in reliance on Jericha's promise, installed the drywall, electrical and plumbing systems, and flooring in the storefront. When Jericha realized the value of the Gnosters' efforts, she changed her mind about entering into a lease with them.
 - a) What will the court invoke to compel Jericha to lease the property as promised?

- 7) When Bob began college at age 21, his godmother promised to give him \$1,000 at the end of each of the following four years if he remained in school and refrained from smoking and/or chewing tobacco. She also promised a bonus of \$1,000 if and when he received his bachelor of science degree.
 - a) Are the godmother's promises legally enforceable?
 - b) What are the ethical implications of her promises?