



Business/Marketing Virtual Learning

10-12 grade Business Law

May 6, 2020



Lesson: [May 6, 2020]

Objective/Learning Target:

Consideration

Analyze the adequacy of consideration.

Let's Get Started

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[Consideration Element of Contracts](#)



Adequacy of Consideration

Adequacy of Consideration

Generally, what the parties give and get as consideration need not be of equal economic value. This idea is sometimes expressed as, “The courts do not inquire into the adequacy of consideration.”

The values that different people place on the same property may vary widely. For example, one person might gladly pay \$60,000 for an original and exclusive high-fashion gown by a famous designer. Others would not be interested in owning such a gown for \$60. A person also might place a higher value on a product at one time than at another. For example, when you have been baking for hours on the sunny side of a baseball stadium, you might willingly pay three times the grocery-store price for a cold soft drink.

Adequacy of Consideration

Economic value is unimportant as long as there is genuine agreement. However, as mentioned in a previous lesson, a big difference in economic value of what one gives and receives may be evidence of misrepresentation, mutual mistake, duress, undue influence, or fraud. If the consideration received by one of the parties is so grossly inadequate so as to shock the conscience of the court, the contract or a term thereof will be declared unconscionable (grossly unfair or oppressive) and void. In such a case, the contract or the unconscionable clause will not be enforceable.

Nominal Consideration

In certain written contracts, such as publicly recorded deeds, consideration from one party may be identified as “one dollar (\$1) and other good and valuable consideration.” In such situations, the actual consideration may be substantially more. However, the parties either cannot state the amount precisely or do not want to publicize it. The token amount (for example, the \$1 mentioned above) stated instead is known as nominal consideration.

ACTIVITY #23

- 1) Forbearance cannot be consideration. True or False?
- 2) The presence or absence of consideration distinguishes a legally enforceable promise from a generally unenforceable promise to make a _____.
- 3) A court would hold an unconscionable contract to be:
a) Valid b) Voidable c) Void
- 4) Consideration can be found in the exchange of benefits, or in the trading of a benefit for a detriment, but not in the exchange of two detriments. True or False?
- 5) Courts do not consider the _____ of consideration.
- 6) Token amounts given as consideration are referred to as __?__ consideration.
a) Nominal b) Normal c) Insufficient

ACTIVITY #23

- 7) A three-piece high school rock band practiced for at least one hour most days of the week. Its studio was the cramped one-car garage of the drummer's home. Ultimately, several neighbors offered to pay the rent at a local mini-warehouse as a practice room for a year if the group agreed to stop practicing at the drummer's home. As the warehouse was much larger, the players agreed.
- a) Did the neighbors receive consideration?
 - b) Did the rock band receive consideration?
 - c) Did the rock band receive a benefit, endure a detriment, both, or neither?
 - d) Was the contract enforceable?
 - e) Why or why not?