



Business/Marketing Virtual Learning

10-12 grade Business Law

May 8, 2020



Lesson: [May 8, 2020]

Objective/Learning Target:
Consideration

Recognize when what appears to be binding consideration is not.

Let's Get Started

Watch This Video:

[Past Consideration](#)



False Consideration

Unlike forms of consideration that are only legally binding in certain circumstances, certain acts or promises are falsely identified as consideration but can never be.

1) Mutual Gifts

When something of value is given by one party to another without demanding anything in return, the something of value is not consideration for anything later promised or provided.

2) Past Consideration

Contractual bargaining takes place in the present, for immediate or future performance by both parties. Therefore, an act that has already been performed cannot serve as consideration for a later promise. Such act is called past consideration.

ACTIVITY #25

- 1) What distinguishes a gift from a valid contract?

- 2) A motorist and her two young children are stranded in the parking lot of a shopping mall with a dead car battery. Having just completed your driver's education course, you know how to jump start the car. You connect the batteries of the two vehicles with your jumper cables. With your engine running, she turns her ignition key and her engine starts smoothly. Grateful, she asks for your address and promises to send you \$25.
 - a) Is she legally bound to keep her promise?
 - b) Is she ethically bound to do so?

- 3) Elton's elderly friend, Lloyd, was a diabetic who had had a leg removed and was on dialysis. When Elton was in city hall one day paying his water bill, he overheard two clerks discussing the fact that Lloyd's water was about to be cut off due to nonpayment of his utility bill for the last five months. Elton inquired how much the bill was, and then, without a word to Lloyd, paid the full amount due, a sum of \$973. When Lloyd found out what Elton had done, he immediately promised to pay Elton the amount as soon as possible.

If Lloyd dies before he can repay Elton, could Elton sue and recover the \$973 from Lloyd's estate?

ACTIVITY #25

- 4) A promise worded so that it does not create or increase your legal obligation is said to be _____.
- 5) Termination clauses always make a contract invalid for lack of consideration. **True or False?**
- 6) Output clauses are made enforceable through the courts imposing the duty of _____ on the parties.
- 7) If you already owe a duty, that duty cannot be used as consideration. **True or False?**
- 8) Past consideration is not binding consideration. **True or False?**
- 9) When there is a dispute over the amount owed, a subsequent agreement stipulating that amount and promising its payment is referred to as a(n):
 - a) **Accord**
 - b) **Satisfaction**
 - c) **Output contract**
- 10) Kamiar owed Rubio \$5,000, which was due in one year. There was no dispute as to the amount. However, Rubio needed money immediately, so Kamiar offered to pay \$4,000 early in full settlement of the debt.
 - a) If Kamiar pays the \$4,000 early, will Rubio be able to successfully sue and collect the \$1,000 later?

ACTIVITY #25

- 11) Georgia's neighbors approached her and said they felt that she drove too fast on the roads where their kids often played. They struck a deal with her that if she stayed within the speed limit for the next three months they would pay her \$200. Georgia agreed.
 - a) Is there a benefit to the neighbors?
 - b) Is there a benefit to Georgia?
 - c) Is there an enforceable contract?

- 12) Deb Tore let her credit card debt get out of hand and ended up owing 11 card companies more than \$35,000. Knowing that Deb could not pay the full amount due, the card companies conferred with one another and offered to reduce their total claims to \$17,500, if she would not seek to discharge the amounts owed through bankruptcy. She agreed.
 - a) What is such a group of creditors called?
 - b) What consideration binds each credit card company to the agreement?