

## CHAPTER

## 10

## Consideration

## Legal Terms

In the Answer column, write the word or phrase that best completes each of the following statements.

- |   | Answer   |
|---|----------|
| 1. A doctrine under which no consideration is needed is called _____.   | 1. _____ |
| 2. The act of refraining from one's legal rights is known as _____.   | 2. _____ |
| 3. An exchange of benefits and detriments by the parties to an agreement is known as _____.                   | 3. _____ |
| 4. A _____ is something for which no consideration is received.   | 4. _____ |
| 5. Contracts which appear at first glance to bind the parties but which actually do not are said to be _____. | 5. _____ |
| 6. _____ involves giving up something that one has a legal right to keep.                                     | 6. _____ |
| 7. A(n) _____ contract is one in which the consideration is ridiculously low.                                 | 7. _____ |
| 8. A(n) _____ is something that a party was not previously entitled to receive.                               | 8. _____ |
| 9. A free agreement is also called a(n) _____ agreement.  | 9. _____ |

## Key Points in Your Reading

Answer each of the following questions by circling Yes or No in the Answer column.

- |   | Answer     |
|---|------------|
| 1. May the giving up of some right constitute valid consideration?  | 1. Yes No  |
| 2. Will an executed contract ordinarily be set aside for lack of consideration?   | 2. Yes No  |
| 3. Do some acts and promises not provide consideration?   | 3. Yes No  |
| 4. Will promising to do an illegal act create an enforceable contract?  | 4. Yes No  |
| 5. Is a promise to make a gift enforceable?   | 5. Yes No  |
| 6. Must there normally be some consideration to support a valid informal contract?  | 6. Yes No  |
| 7. May an act be valid consideration for a promise?   | 7. Yes No  |
| 8. Does consideration require that each party get something of equal value?   | 8. Yes No  |
| 9. If one promises to do something that one is already legally bound to do, may this promise be used as consideration for a new contract? | 9. Yes No  |
| 10. Does the court usually look into the adequacy or fairness of consideration?   | 10. Yes No |

## You're the Judge

For each of the following cases, circle Yes or No to indicate your decision. Then, in your own words, state the legal principle or legal reason that applies to the facts in the case.

- |   | Answer    |
|---|-----------|
| 1. Darla Carlton promised to donate \$2 million to Rayfield Community College if it would build a new humanities center. The college built the new center, but then Carlton refused to give the money, claiming she received no benefit for her promise. Can the college collect the money? | 1. Yes No |

Legal principle: \_\_\_\_\_

\_\_\_\_\_

2. After Tom Babbit inspected Tom Kennedy's microwave, he offered to buy it for \$250. Kennedy accepted the offer. Later Babbit refused to perform his promise when he discovered the microwave was worth only \$100, claiming inadequacy of consideration. Must Babbit pay the price he bargained for?  
Legal principle: \_\_\_\_\_  
\_\_\_\_\_

2. Yes No

3. Kim Oakes employed Mike Arkin to work for her for one year at a salary of \$2,400 a month. Arkin worked three months and then threatened to quit unless he were promised a \$4,000 bonus to finish the job. Oakes promised to give Arkin the bonus. Arkin stayed on the job, but at the end of the year Oakes refused to give Arkin the bonus. Can Arkin collect the \$4,000 bonus?  
Legal principle: \_\_\_\_\_  
\_\_\_\_\_

3. Yes No

4. Barb Buchanan promised to sell, and Bill Wicker agreed to buy, a custom made skateboard for \$60. Is this contract binding?  
Legal principle: \_\_\_\_\_  
\_\_\_\_\_

4. Yes No

5. Denise Cobern was stopped by a state trooper for speeding on the highway. Cobern promised to send the trooper \$100 if he would not arrest her. She was allowed to go on her way, but later she failed to send the trooper the \$100. Can she be forced to pay the \$100 through court action?  
Legal principle: \_\_\_\_\_  
\_\_\_\_\_

5. Yes No

## Legal Application

Contact a local attorney, a business law professor at your local community or technical college, or a student in the paralegal program of that college. Ask what the law is in your state regarding the use of the seal and what effect it has on a contract, especially in relation to consideration. If possible, tape the interview so that it may be played back to the class.

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