

Elements of a Contract

Chapter 5

Section 5.1 Capacity and Legality

What You'll Learn

- Access contractual capacity
- Explain the statute of frauds and the parol evidence rule
- List minors' contractual rights and responsibilities
- Define legality and illegality

Understanding legality and capacity will enable you to access and interpret contracts correctly

Key Terms

- Capacity
- Minor
- Majority
- Emancipated
- Disaffirm
- Ratification

- Public policy
- Statute of Frauds

Academic Vocabulary

- Assumption
- Usury
- dispensing

Parties to a contract must have the _____ to enter into the contract.

Persons who may _____ contractual capacity include:

- minors
- _____ with mental impairments
- intoxicated persons
- convicts

A minor is a person who has not reached the legal _____ of adulthood.

In most states, the legal age is _____.

Minors can be _____ to contracts that involve:

- car insurance
- _____ agreements
- enlistment in the military

Some states also give _____ capacity to married minors and minors

who own businesses.

An otherwise valid contract may be _____ if it involves an agreement that:

- violates _____ law
- is contrary to public policy

An agreement _____ statutory law if it:

- requires a party to _____ a tort or a crime
- violates _____ laws
- involves an unlicensed person doing a job that requires a license

An agreement is contrary to public policy if it _____ the public, or the good of society.

Agreements that run counter to public _____ include agreements to:

- eliminates competition among businesses
- _____ justice
- induce a breach of duty or fraud

The **Statute of Frauds** _____ that some contracts be in writing.

This is so there is evidence that the contract _____ and has specific terms.

Contracts that must be in _____ include:

- contracts to _____ someone else's debts
- sales contracts
- contracts for real _____, such as land

5.1 Wrap Up

1. In most state, the legal age of adulthood is:

- a) 18
- b) 19
- c) 20
- d) 21

2. Minors can be held to contracts that involve enlistment in the military.

True or False

3. An agreement runs counter to public policy if it:

- a) lacks consideration
- b) violates gambling laws
- c) eliminates business competition
- d) all of the above

4. What rights does a minor have in relation to contracts?

5. What happens when a minor becomes emancipated?

6. How are minors protected under the *parens patriae* doctrine?

7. Suppose that you have purchased a MP3 player from a classmate. Can the classmate change his mind, ask you to return the player, and offer you a refund? Explain.

Section 5.2 Consideration

What You'll Learn

- Analyze the requirements for valid consideration
- Define the different types of consideration
- List exceptions to the requirements of consideration
- Compare unconscionability and illegality

Understanding the concept of consideration will help you make sure that contracts you enter into are valid

Key Terms

- Consideration
- Forbearance
- Unconscionable contract
- Adhesion contract
- Accord and satisfaction

- Promissory estoppel

Academic Vocabulary

- Contain
- Indicating
- obligation

Consideration in a contract is the _____ of benefits and detriments.

A **benefit** is something a party _____.

A **detriment** is something a party gives _____.

Consideration in a contract requires _____ things:

- it must _____ a bargained-for exchange
- it must involve something of value
- it must be legal

A bargained-for exchange is when one _____ is made in exchange for another promise.

The thing of _____ exchanged as consideration in a contract can be:

- Money
- Property
- A Service

The law has _____ specific value requirements on consideration.

All that matters is that the parties agreed _____ on the value and the price.

Sometimes the parties to a contract disagree over the _____ of consideration owed.

The amount is said to be in **dispute**.

The dispute can be _____ through **accord and satisfaction**.

This occurs when one party agrees to accept _____ than full payment to end the contract.

5.2 Wrap Up

1. The law has specific requirements on the value of consideration.

True or False

2. Consideration in a contract can be in the form of:

- a) money
- b) property
- c) a service
- d) all of the above

3. What are the characteristics of consideration?

4. What is an unconscionable contract?

5. What is forbearance?

6. Suppose that you make a contract to buy a skateboard for you friend, Hal. You then see the exact same skateboard on auction on eBay. You monitor the auction and discover that the winning bidder paid a lot less than you paid Hal. Can you use accord and satisfaction to pay the lesser amount for the skateboard? Explain.