

## Chapter 5 – Elements of a Contract

### I-Study

In this chapter you learned about the elements of a contract. The legal ability to enter into a contract is called capacity. People who lack contractual capacity are minors, people with mental impairments, and intoxicated persons. Minors who decide to get out of their contracts can do so, but emancipated minors – minors no longer under the control of their parents – are responsible for their own contracts. Any minor claiming to be an adult is committing fraud. A contract is illegal if it violates statutory law, violates public policy, or involves committing a crime. Most states have a Statute of Frauds that requires certain contracts to be in writing.

Consideration is the exchange of benefits and detriments by the parties to a contract. A benefit is something received and a detriment is something given up. Consideration can be money, property, services, promises not to sue, and charitable pledges. Agreements valid without consideration include promises under seal, promises after discharge in bankruptcy, debts ended by statute of limitations, promises enforced by promissory estoppel, and options. Agreements not valid without consideration include illusory promises, promise of future gifts or legacies, promises based on past consideration or on preexisting duties, and agreements to attend social engagements.

### I-Quiz

1. The legal ability to enter into a contract is
  - A. capacity.
  - B. legality.
  - C. consideration.
2. The age of majority in most states is
  - A. 16.
  - B. 18.
  - C. 21.
3. Something given up in an agreement is
  - A. a bargained-for exchange.
  - B. a benefit.
  - C. a detriment.
4. A contract in which the consideration is so unfair as to shock the court is
  - A. forbearance.
  - B. an adhesion contract.
  - C. an unconscionable contract.

**Answer Key**

1. A
2. B
3. C
4. C