

## ***Making a Contract***

**Grade Level:** Grade 6-8

**Duration:** 60 minutes

### **Maryland State Curriculum**

#### **Personal Financial Literacy Standards**

**Standard 3:** Students will develop skills to plan and manage money effectively by identifying financial goals and developing spending plans.

3.8.E Students will explain that contracts are binding agreements.

3.8.E.1 Explain why contracts are used.

3.8.E.2 Identify conditions that must be met when entering into contracts.

**Objective:** Students will be able to...

- explain why contracts are used.
- identify the conditions of a contract.
- create a contract.

### **Vocabulary**

**contract:** legally enforceable written or oral agreement between two or more parties to do or not to do something

### **Teacher Materials**

- Transparency of Resource 3: *Cell Phone Contract*
- Transparency of Resource 4: *Characteristics of a Contract*
- Motivation Questions 1-4 written on the board or chart paper

### **Student Materials**

- Resource 1: *My Cell Phone Use Contract* (One per student)
- Resource 2: *Consequences if the Rules are Broken* (One per student)
- Resource 3: *Cell Phone Contract* (One per student)
- Resource 5: *Contract Check-Up* (One per student)

### **Teacher Background**

Every year Americans agree to millions of contracts to purchase everything from telephones to cars to homes. In recent years, many people have agreed to contracts they did not understand which then led them into trouble.

### **Motivation**

Poll students to find out how many have a cell phone or how many would like to have a cell phone. Tell students that during this lesson they will assume that their parents will give them a cell phone as a present. They must consider the rules under which they will use the cell phone. Ask students to record their

answers to the following questions on the board:

1. How many minutes would you like to be able to talk each month?
2. How many text messages would you like to make each month?
3. What rules do you think your parents would like to include?
4. What will you agree to give up if you don't meet the terms of the contract?

### **Development**

1. Distribute Resource 1: *My Cell Phone Use Contract*. Tell them that they need to think about each of the questions from their point-of-view and then from their parent's point-of-view. Finally, they need to decide what compromise would probably occur in their home. Have students work in pairs to proof each other's answers.
2. Distribute Resource 2: *Consequences if the Rules are Broken* and have students work individually to complete the sheet.
3. Students should use the information from Resources 1 and 2 to help them complete Resource 3: *Cell Phone Contract*. (NOTE: The teacher could demonstrate by projecting a copy of Resource 3 and working with the class to complete a sample. This activity could be completed in the Computer Lab using a variety of colors and fonts to make the contract appear more "official.")
4. Explain to the students that they have just completed a behavioral contract. Share the definition of "contract" with the students. Ask them to identify the parties involved in the contract that they have just written. (*The student and their parents.*) Tell students that there are several other characteristics of a contract. Project Resource 4: *Characteristics of a Contract*. Remind students that:
  - The parties to a contract must be capable of legally making a contract. (Minors cannot make a legal contract.)
  - Consent has to be freely given.
5. Using Think-Pair-Share, ask students to examine the contracts they have just created to identify the characteristics of a contract. (Each student will first examine his/her contract to identify the characteristics contained within it. Then, each student will work with one other student to identify the characteristics in each other's contracts. Finally, pairs will share their findings with the class.)

6. Ask students to
- explain why having a cell phone usage contract is a good idea. *(They now know exactly what they are allowed to do and what they cannot do. They also know the consequences of not following the rules.)*
  - give examples of other types of contracts. *(Answers might include: Buying a car, purchasing a house, buying anything on credit, renting anything, etc....)*
  - explain what can happen if either side violates a contract *(Either side can take the other to court; a car or house could be repossessed, etc.... Include any stories that recently have appeared in the news.)*

### **Assessment**

Divide students into pairs. Distribute Resource 5 to each student. Have them work in pairs to answer the first question and, then, to answer the second question individually.

Resource 1

<b><i>My Cell Phone Use Contract</i></b>			
<b>RULES</b>	<b>MY WISHES</b>	<b>PARENTS' WISHES</b>	<b>PROBABLE COMPROMISE</b>
<b>1. Who has control over the contacts on my phone?</b>			
<b>2. When can I receive and make phone calls on weekdays?</b>			
<b>3. When can I receive and make phone calls on weekends?</b>			
<b>4. How many text messages can I send a month?</b>			
<b>5. What should be the rules about cell phone use during:</b> <ul style="list-style-type: none"> <li>• mealtime?</li> <li>• homework time?</li> <li>• family time?</li> </ul>			
<b>6. What rules(s) should exist while I'm out with friends?</b>			
<b>7. What additional rules should be included?</b>			

Resource 2

<i>Consequences if the Rules are Broken</i>			
<b>ACTIONS</b>	<b>WHAT I THINK SHOULD HAPPEN</b>	<b>WHAT MY PARENTS WOULD THINK</b>	<b>PROBABLE AGREEMENT</b>
<b>1. If I go over the allowable number of text messages...</b>			
<b>2. If I do not stick to the agreed upon hours...</b> <ul style="list-style-type: none"> <li>• first violation</li> <li>• second violation</li> </ul>			
<b>3. If I don't turn off the cell phone during the agreed upon time...</b>			
<b>4. If I don't turn off the cell phone when I am specifically asked to do so...</b>			
<b>5. Additional situations that might require consequences...</b>			

Resource 3

***Cell Phone Contract***

When I receive my cell phone, then we agree to the following terms:

If any of the following conditions occur, we agree to implement these consequences:

My signature: \_\_\_\_\_ Date: \_\_\_\_\_

Parents' Signature: \_\_\_\_\_ Date: \_\_\_\_\_

## ***Characteristics of a Contract***

- PARTIES:** People who enter into a contract; The contract should have the names of the parties in it.
- CONSENT:** Parties must freely give their consent to each other. All parties are agreeing to the same thing.
- OBJECT:** This is the name given to what is agreed to. Whatever is agreed to must be legal.
- CONSIDERATION:** In a contract, “consideration” means that each of the parties must gain something. It can be something that is or isn’t done.

## ***Contract Check-Up***

1. You are shopping for a dirt bike. Your friend is selling a dirt bike. You have decided to purchase the dirt bike from your friend and now the two of you need to draw up a contract. Write your contract in the space below. Remember to include all of the characteristics of a contract:
  - Parties
  - Consent
  - Object
  - Consideration

Resource 5 continued...

**The following item needs to be completed by you on your own:**

2. You signed the contract for the dirt bike purchase; however, the other party is not carrying out the agreement.

**Part A:** Select one of the following two scenarios by placing a check (✓) on the line:

**You are the buyer:** The seller refuses to deliver the dirt bike to you for the agreed upon price. He/she wants an additional \$200 before turning the dirt bike over to you.

**You are the seller:** The buyer stops making payments after the first six months.

**Part B:** Based on the scenario that you selected in Part A, answer the following:

- a) What good is the contract that you signed now that the other party has not kept up his/her part of the agreement?

- b) Under the contract, what can you do to carry out the contract or be compensated for your loss?