

# High School Business Courses

There are four grade 12 level business courses offered in the Ontario Curriculum: Accounting (BAT4M), Economics (CIA4U), International Business (BBB4M), and Business Leadership (BOH4M). Although business courses are not the prerequisite courses for any university programs, it is recommended that students take those courses if they are heading into a business program in university. Accounting and economics are the two courses that focus on a more specialized content; International Business and Business Leadership focus more on the generic understanding of business, case studies, and report writing. Our website provides notes, practice tests and studying tips for each course. Feel free to send us an email with any questions and feedback you may have regarding the content.

## Course Overview

Economics is the course that falls between business and social sciences. It helps students develop a basic understanding of microeconomics and macroeconomics, from the basic terminologies to understanding how the government regulates the economy within a country. For those who are going into a business major, the micro and macroeconomics they must take in first year university is built on top of the grade 12 curriculum.

Level of Difficulty: 4.5 Stars

## General Studying Tips:

Although the concepts in the grade 12 economics course seem easy, teachers may ask tricky questions on tests to elevate the level of difficulty. You have to read the questions carefully before answering them. For all the multiple choice questions, there are usually two options that both seem correct; always go for the answer that fits closer to your textbook answer. Furthermore, make sure to study in advance and create a summary for every unit test; pay closer attention to the small details behind each concept, as you may often lose marks on those.

There are two main ways for teachers to calculate your course mark. The first method is to weigh every unit equally. The second method is to weigh each unit differently, but have all tests combined amount to a percentage (generally 70%) of your final mark. Regardless, make sure to put in the same amount of effort in each unit - do not slack off on units that have less weighting than other units.

Certain teachers may also provide assessments in the form of a quiz. Generally, quizzes are worth less than a unit test since the material being evaluated is less challenging. Like tests, they are a good opportunity to improve your mark.

## Unit 1: Introduction to Economics

**Economics:** The study of how groups of nations allocate their (source) resources to satisfy their unlimited wants and needs.

### LIMITED RESOURCES:

- Land
- Labour
- Capital
- Entrepreneurship

### ECONOMIC REASONING AND ITS RELEVANCE FOR YOU:

<u>Economic Proposition:</u>	<u>In English:</u>	<u>Lesson For Life:</u>
<b>Scarcity:</b>	You can't have everything you want.	Acceptance of scarcity will help you make more rationalized choices.
<b>Alternatives:</b>	Different options from which you can choose.	There are many different ways to allocate resources and to solve problems.
<b>Choice:</b>	Because you can't have everything you want, you have to make choices from a list of alternatives.	When policy-makers decide on a particular resource allocation, recognize that a choice had to be made due to scarcity. You may not like the alternative chosen, you may question the choice, but the villain is scarcity.
<b>Trade-Offs:</b>	Choices involve giving up something to get something. All choices have consequences both positive and negative.	You are responsible for the consequences of your choices. Since you make choices, you can't be a victim.
<b>Opportunity Cost:</b>	A resource can only be allocated to one thing at a time. The opportunity	All choices have opportunity costs. A good idea is only a good

	cost of deciding to do one thing is the next best alternative use of the resource.	idea if its value is greater than the value of its opportunity cost. Voters must always identify the opportunity cost of a particular policy.
<b>Benefit/Cost Analysis:</b>	Is it worth it? Are the positive aspects of the action greater than the negative aspects? Is it a good deal?	Analyzing positive and negative aspects of potential decisions forces you to think more carefully about your choices.
<b>Comparative Benefit Cost Analysis:</b>	Even if it's a good deal, is this the best deal? Is this the best use of limited resources?	Putting the decision in the context of all alternative uses of your resources helps you see your world in its completeness.
<b>Marginal Benefit Cost Analysis:</b>	You've used all of your resources. Now get more. Where do you go for the best deal and benefit for your resources.	The concept of the margin allows you to answer questions such as: "stereo?" "How much should I study and how much TV should I watch?"
<b>Sunk Costs:</b>	Regardless of how high the costs were in the past, the important question is whether future additional benefits are greater than future additional costs. Past costs are not relevant in the decision.	Concentrating on the future instead of the past allows you to work on what you can control as opposed to what you cannot control.

### **THE ECONOMIC PROBLEM:**

- Scarcity of Resources
- People's needs and wants (there isn't enough resources to supply both)

**Microeconomics:** how individual participants behave and affect markets

**Macroeconomics:** studies the interaction between economic sectors and their effect

**Economic Models:** attempt to explain economic trends and behaviour in general terms

**Independent Variable:** a variable that changes the other variable

**Dependent Variable:** a variable that is affected

**A direct relationship:**  $X \uparrow$ , as  $Y \uparrow$

**An inverse relationship:**  $X \uparrow$ , as  $Y \downarrow$

**Ceteris Paribus:** all other things remain constant

**Positive Economics:** based on facts not opinions

**Normative Economics:** opinions on value judgements and people can disagree with these statements

**Economics Choice:** utility (satisfaction) gained from any action and cost (opportunity cost of the next best alternative)

**Free Goods:** extremely rare, so much available that there is no cost

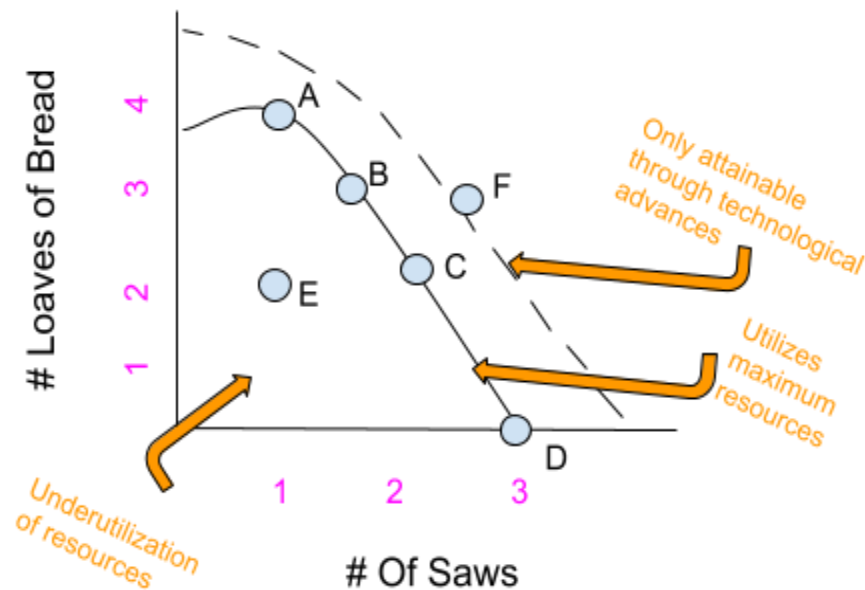
**Goods with Economic Value:** have an opportunity cost

**Scarce:** limited resources and people want these resources

### **BASED FALLACIES:**

- **Fallacy of Composition:** individual benefit = social benefit or vice versa
- **Single Causation:** Single factor/person caused event (oversimplification)
- **Post Hoc Fallacy:** cause + effect, false assumption caused effect

### **PRODUCTION POSSIBILITIES CURVE:**



### **ECONOMIC GOALS:**

1. **Economic Freedom:** individual choice is not constrained by government or power groups within the economy
2. **Economic Growth:** increase in the productive capacity of the economy
3. **Efficiency:** ensuring optimal utilization of scarce resources; prevention of waste of the nation's resources; and getting the most out of available resources
4. **Equity:** people in the society consider the distribution of resources to be fair
5. **Full Employment:** a country's resources - including workers and capital - are utilized to capacity (Unemployment no higher than natural unemployment rate of about 5%)
6. **Security:** protection against economic risks
7. **Stability:** prices do not fluctuate rapidly, little or no inflation, no deflation

## **ECONOMIC SYSTEMS:**

- Because of scarcity, every country must decide:
  - **What to Produce:** how much to supply (can we buy it cheaper from another country)
  - **How to Produce:**
    - Capital-Intensive (machinery)
    - Labour-Intensive (people)
  - **For Whom to Produce:** how to distribute & to whom

### **1. Traditional Economy**

- Economic decisions based on customs
- Religion & culture considered at LEAST as material welfare

Advantages	Disadvantages
<ul style="list-style-type: none"><li>- Stability</li><li>- Maintain cultural traditions</li></ul>	<ul style="list-style-type: none"><li>- Restricts human potential (follow custom rather than making your own choice)</li><li>- Inability to meet consumer wants</li></ul>

### **2. Command Economy**

- All natural resources & capital are in the hands of the government
- “Planners” decide what to produce, how to do it and how much to distribute

Advantages	Disadvantages
<ul style="list-style-type: none"><li>- Income distribution (no rich &amp; poor)</li><li>- Economic growth (can devote more resources if it wants to... manufacturing)</li></ul>	<ul style="list-style-type: none"><li>- Planning (bad predictions) = over/under production</li><li>- Individual freedom</li><li>- Political freedom</li><li>- Efficiently (people do not motivated by self-interest and profit), corruption of gov &amp; officials, quantity emphasized over quality</li></ul>

### **3. Market Economy**

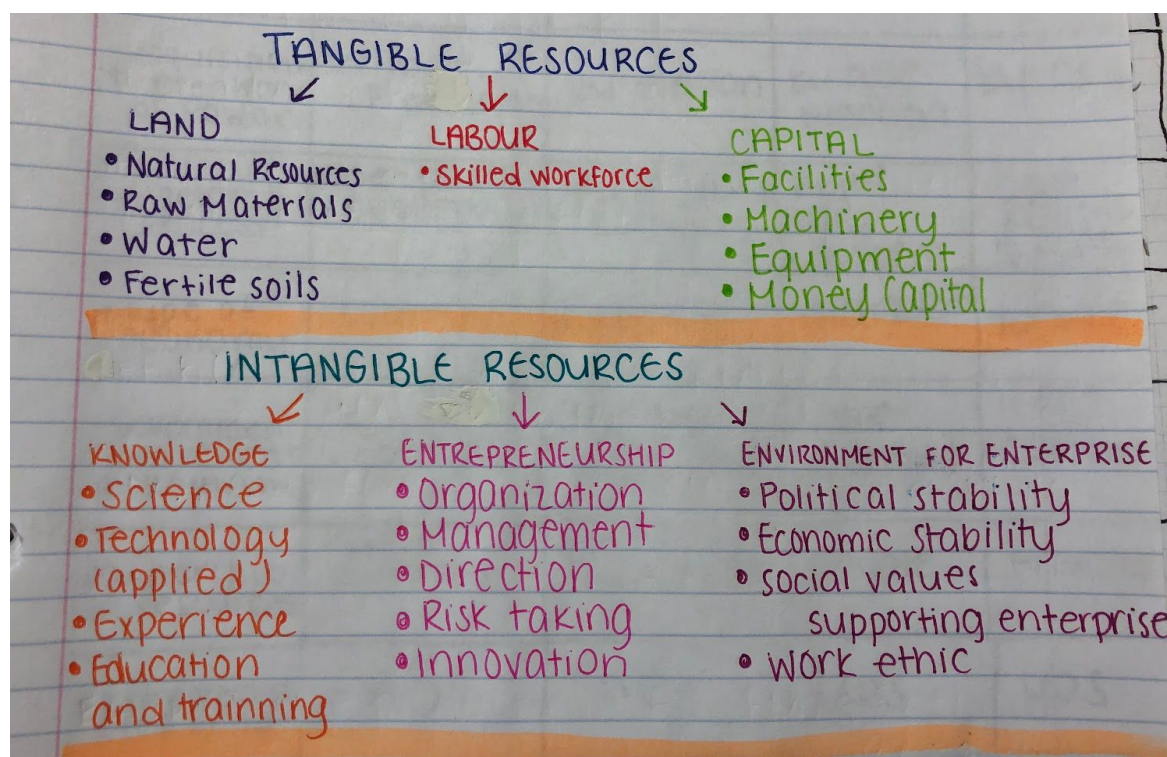
- Based on private ownership not public
- Capitalism

- Government makes & upholds laws and maintains public security
- Laissez Faire
- Market: allows buyers & sellers to trade items for set prices
- Product Market: final products are traded
- Resource Market: natural, capital, human resources are traded here

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>- Consumer sovereignty (consumers decide what they want)</li> <li>- Competition (“invisible hand” provides what you want at low prices)</li> <li>- Prices (stop too much or too little of an item from being produced)</li> <li>- Innovation (by looking out for yourself, new inventions, advanced technology)</li> </ul>	<ul style="list-style-type: none"> <li>- Income distribution (rich &amp; poor)</li> <li>- Market problems</li> <li>- Instability of output (market economics can create big variations)</li> </ul>

#### 4. Mixed Economy

- Mix of two economies:
  - Private Sector: private ownership of productive resources
  - Public Sector: government conducts economic activity
- Government in Canada Intervenes with Business By:
  - Personal & corporate taxes
  - Regulations
  - Subsidies (government gives money)
  - Crown Corporations (government used to own & now private companies own)



### POLITICAL ECONOMIES:

Criteria	Communism	Socialism	Capitalism	Fascism
Type of Government	Dictatorship	Democracy	Democracy	Dictatorship
Acquisition & Retention of Power	By force, if necessary	By election	By free election	By force
Electoral Process	One-party system	Multi-party system	Multi-party system	One-party system
Type of Economy	Command	Command	Market	Market
Government Involvement	Full control	Full control to high control	Little control	Little control
Ownership of Resources	State ownership	State ownership	Private	Private
Entrepreneurs?	No	No	Yes	Yes
Self-Interest	Emphasis on collective needs	Emphasis on collective needs	Profit motive	Profit motive

<b>Competition</b>	Not allowed	discouraged	encouraged	encouraged
<b>Production Decisions</b>	Made by central planning authority	Made by central planning authority	Driven by market forces of supply and demand	Driven by market forces of supply and demand
<b>Examples of Countries</b>	China, Cuba, North Korea	Norway, Sweden, Finland	Hong Kong, Singapore, USA	Italy, Spain, Argentina