

eLearneconomics: Central concepts of economics (1)

Student response _____

Alan indicated his preferences for a night out. In order of preference they were going to the movies, ten-pin bowling and karaoke.

Use the information about holidays to explain the concepts opportunity cost, scarcity and choice.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

eLearneconomics: Central concepts of economics (1a)

Solutions

The opportunity cost is the next best alternative foregone idea, in this case for Alan it is the ten-pin bowling option missed out on.

Scarcity refers to the idea of limited means relative to his unlimited wants and that Alan can not do everything. He will choose the option he desires the most. Time spent at a movie means that the same time can not be used to go ten-pin bowling or karaoke.

A choice is a decision (not a choice or choosing) between alternatives. Alan must decide between going to a movie or ten-pin bowling or karaoke.

eLearneconomics: Central concepts of economics (2)

Student response

Mary is twenty and works as a hairdresser. She earns \$600 per week. Mary is saving for a car and intends to buy either an iPhone or a computer. Her sporting commitments mean she is too busy to earn more. Her birthday is coming up, and she asks her family to contribute towards a better computer instead of buying her presents.

Fully explain scarcity in relation to choices and opportunity cost for Mary. In your answer you should:

- Refer to the resource material and link the following: limited means, choice, opportunity cost.
- Explain how Mary's means have increased because of her family.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

eLearneconomics: Central concepts of economics (2a)

Solutions

Mary faces the problem of scarcity, that is, she has limited means (time and money) in relation to her unlimited wants.

Mary's income is limited. She does not earn enough to buy everything she wants; she only earns \$600 per week, so he has to choose the cheapest option/the one she wants the most. She must make a decision between alternatives (a choice) between an Iphone or a computer. Because there are only 24 hours in a day, Mary faces the problem of limited time. Mary is too busy with sporting commitments to earn enough to buy everything she wants so she has to choose the cheapest option/one that she wants the most. Time spent on her sporting commitments can not be used to do additional work to earn extra income.

When Mary makes a decision she will give up a next best alternative – this will be her opportunity cost. If Mary ranks buying a computer as the most important thing she wants to buy, followed by the Iphone, then the Iphone missed out on is her opportunity cost.

Mary's means have increased because of her family, more individuals allow for greater means. Mary can afford a better computer because her whole family is contributing.

The answer needs to link the concepts of limited means (time and money), choice and opportunity cost in context of Mary's options.