

A What is the difference between free goods and economic goods?

Free goods are plentiful and have no cost.

Economic goods are scarce and have a cost.

B What is meant by the term consumer goods?

Goods that are sold to people for their own private or immediate use.

C Colin has a part-time job working at the pizza store. This often means that he can't go out with his friends because he is working.

- (i) If Colin takes a night off and goes with his friends to a party, what is the opportunity cost of his decision?

Earning an income from working/working.

- (ii) Colin has limited means. Describe the concept of limited means.

Not enough money/time/resources/skills.

- (iii) Explain how the idea of scarcity is linked to the consumers' need to make economic decisions.

Scarcity means limited resources in relation to unlimited wants. Consumers must make decisions between alternatives (choices) because of scarcity. Individuals can not have everything they want and will choose the option they desire the most. Because there are only 24 hours in a day, time spent on one option can not be used for another option.

**A** Consumers must make decisions about what to do. Why can't they have everything they want?

Consumers have limited means/not enough money/time.

**B** Describe the difference between a good and a service.

Goods are objects (or items) with a physical presence, e.g., a car. A service is what someone does for you, such as the work of a mechanic or panelbeater.

**C** Dan indicated his preferences for weekend activities. In order of preference they were reading, watching movies and fishing.  
Use the information fishing to explain the concepts opportunity cost, scarcity and choice.

(i) **Opportunity cost** The next best alternative foregone idea, in this case for Dan it is the watching movies option missed out on.

(ii) **Scarcity** Idea of limited means and can not do everything, an example related to Dan's preferences, e.g., time spent fishing means that the same time can not be used to watch movies. Dan will choose the option he desires the most.

(iii) **Choice** Idea of a decision (not a choice or choosing) between alternatives. Examples of a decision linked to Dan's activities – (can use the word 'choice' here). Dan must decide between reading or fishing or watching a movie.