



# eLearneconomics: Core – Basic Concepts (1)

**Student response** \_\_\_\_\_

**(a)** Limited means are used to satisfy unlimited wants. List the limited means that an individual has.

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(iii) \_\_\_\_\_

**(b)** Describe the link between the economic ideas of choice, scarcity and opportunity cost.

---

---

---

---

---

---

---

---

---

---

**(c)** What is the economic problem that requires people and groups to make choices?

---

---

---

**(d)** Describe what is meant by a **good** and a **service**. Provide a clear example of each.

Good: \_\_\_\_\_

Good example: \_\_\_\_\_

Service \_\_\_\_\_

Service example: \_\_\_\_\_

**(e)** What is the difference between producers and consumers?

---

---

---

# eLearneconomics: Core – Basic Concepts (1a)



## Solution

(a) Limited means are used to satisfy unlimited wants. List the limited means that an individual has.

(i) Income/money/wealth

(ii) Time

(iii) Skill or knowledge

(b) Describe the link between the economic ideas of choice, scarcity and opportunity cost.

Resources are scarce in relation to unlimited wants, so we must make a choice. Every choice results in an opportunity cost – i.e., with the next best alternative foregone.

(c) What is the economic problem that requires people and groups to make choices?

Scarcity – resources are limited in relation to unlimited wants. Individuals do not earn enough money or have the time to do everything they want, so must choose the cheapest option or the option they want the most.

(d) Describe what is meant by a good and a service. Provide a clear example of each.

Good: something with a physical, tangible presence

Good example: shoes, shirt

Service: something that other people do for us

Service example: dentist, lawyer, plumber

(e) What is the difference between producers and consumers?

Consumers consume the good or service, producers supply the good or service.



# eLearneconomics: Core – Basic Concepts (2)

## Student response \_\_\_\_\_

(a) Complete the statements below.

- (i) \_\_\_\_\_ are plentiful and have no cost, e.g., sunshine, seawater.
- (ii) \_\_\_\_\_ are scarce and command a price, e.g., food, tools, clothes.
- (iii) \_\_\_\_\_ are things individuals would like to have but are not essential for survival.
- (iv) \_\_\_\_\_ are things individuals must have in order to sustain life.
- (v) The basic physical needs are \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_.
- (vi) \_\_\_\_\_ (a decision between alternatives) made by an individual will be influenced by their limited means, tastes and preferences, and their values (core beliefs that they consider most important).

(b) Divide the following items into free goods or economic goods in the table provided below.

TV	moon	food	boat	sunshine
car	stars in the sky	clothes	clouds	beer

Free goods	Economic goods

(c) What is the difference between free goods and economic goods?

---

---

---

(d) (i) What is the difference between a capital good and a consumer good?

---

---

---

---

(ii) Divide the following items into the correct category in the table below.

family car	company car	table	table at a restaurant	food
hammer	road	golf clubs	tractor	clothes

Capital goods	Consumer goods

# eLearneconomics: Core – Basic Concepts (2a)



## Solution

(a) Complete the statements below.

- (i) Free goods are plentiful and have no cost, e.g., sunshine, seawater.
- (ii) Economic goods are scarce and command a price, e.g., food, tools, clothes.
- (iii) Wants are things individuals would like to have but are not essential for survival.
- (iv) Needs are things individuals must have in order to sustain life.
- (v) The basic physical needs are water, shelter and food.
- (vi) Choices (a decision between alternatives) made by an individual will be influenced by their limited means, tastes and preferences, and their values (core beliefs that they consider most important).

(b) Divide the following items into free goods or economic goods in the table provided below.

TV car	moon stars in the sky	food clothes	boat clouds	sunshine beer
Free goods			Economic goods	
moon, clouds, sunshine, stars in the sky			TV, car, boat, food, clothes, beer	

(c) 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.

(d) (i) What is the difference between a capital good and a consumer good?

Capital goods are man-made goods used in the production of other goods, for example, tools, machinery.

Consumer goods are for consumption by individuals for their own immediate satisfaction, for example, designer clothes, sunglasses.

(ii) Divide the following items into the correct category in the table below.

family car hammer	company car road	table golf clubs	table at a restaurant tractor	food clothes
Capital goods			Consumer goods	
company car, hammer, road, table at restaurant			family car, table, clothes, golf clubs, food	



# eLearneconomics: Core – Basic Concepts (3)

## Student response \_\_\_\_\_

(a) Complete the spaces in the table below.

Idea or definition	Phrase or economic idea
(i) Goods and services that are scarce and have a cost	
(ii) Goods that are plentiful and have no cost	
(iii) When a choice is made there will always be an	
(iv) Objects with a physical presence	
(v) Individuals cannot have everything they want because of ...	
(vi) What someone does for you	

(b) Connor has a part-time job working at the video store. This often means that he can't go out with his friends because he is working.

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

\_\_\_\_\_

(ii) Connor has limited means. Describe the concept of limited means.

\_\_\_\_\_

(c) Mariah could buy a pie, a bag of chips or a roll. She considers the roll the most desirable and the pie the least. What is the opportunity cost of her decision? Justify your answer.

\_\_\_\_\_

\_\_\_\_\_

(d) The following extract has a number of passages in **bold** that have been labelled (i) to (vi). Read the extract and write an economic term or phrase to replace each expression.

People's **desires seem to be endless**, (i) but they must make **a decision between alternatives** (ii) from a **limited availability of goods and services** (iii). A decision between alternatives will always mean an **alternative will be lost if the other alternative is chosen** (iv).

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(iii) \_\_\_\_\_

(iv) \_\_\_\_\_

# eLearneconomics: Core – Basic Concepts (3a)



## Solution

(a) Complete the spaces in the table below.

Idea or definition	Phrase or economic idea
(i) Goods and services that are scarce and have a cost	Economic goods
(ii) Goods that are plentiful and have no cost	Free goods
(iii) When a choice is made there will always be an	Opportunity cost
(iv) Objects with a physical presence	Goods
(v) Individuals cannot have everything they want because of ...	Limited means/not enough money
(vi) What someone does for you	Service

(b) Connor has a part-time job working at the video store. This often means that he can't go out with his friends because he is working.

(i) If Connor 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) Connor has limited means. Describe the concept of limited means.

Not enough money/time/resources/skills.

(c) Mariah could buy a pie, a bag of chips or a roll. She considers the roll the most desirable and the pie the least. What is the opportunity cost of her decision? Justify your answer.

The opportunity cost is the next best alternative foregone when a decision is made, for Mariah it is a bag of chips.

(d) The following extract has a number of passages in **bold** that have been labelled (i) to (vi). Read the extract and write an economic term or phrase to replace each expression.

People's **desires seem to be endless**, (i) but they must make **a decision between alternatives** (ii) from a **limited availability of goods and services** (iii). A decision between alternatives will always mean an **alternative will be lost if the other alternative is chosen** (iv).

(i) wants

(ii) choice

(iii) scarce/scarcity

(iv) opportunity cost

## eLearneconomics: Core – Basic Concepts (4)

**Student response** \_\_\_\_\_

Alan indicated his preferences for a holiday destination. In order of preference they were New Zealand, Australia and China.

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

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

# eLearneconomics: Core – Basic Concepts (4a)



## Solution

Alan indicated his preferences for a holiday destination. In order of preference they were New Zealand, Australia and China.

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

The opportunity cost is the next best alternative foregone idea, in this case for Alan it is the not going to Australia 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 visiting New Zealand means that the same time can not be used to visit Australia or China.

A choice is a decision (not a choice or choosing) between alternatives. Alan must decide between a holiday in New Zealand or Australia or China.