

11A QUIZ REVIEW

RESOURCE

- factors of production that are used in the production of goods and services.
- 4 types of resources are natural, human, capital, and entrepreneurship.
- Natural: Trees, stone, sand
- Human: Workers on an assembly line, a worker at Jimmy Johns who bakes the bread and slices the meat
- Capital: Assets used to create products: tools, buildings, machinery
- Entrepreneurship: Assets a business owner needs to run a business: licenses, patents, deeds, credit, organizations

SUPPLY AND DEMAND

- **Supply:** Amount of a good or service producers are willing to sell
- **Demand:** Amount of goods or services people are willing to buy
- **Supply and Demand determine price**
- **For example:** If the supply is low and the demand is high, the price of an item will be high

SCARCITY

- the inability to satisfy all wants at the same time.
- All resources and goods are limited.
- This requires that choices be made.

CONSUMPTION

- The act of buying or using goods or services.
- Consumer preferences and price determine what is purchased and consumed.

INCENTIVES

- Things that incite or motivate.
- Incentives are used to change economic behavior.
- For Example: “Deals,” Sales, “bargains”



OPPORTUNITY COST

- what is given up when a choice is made...the highest valued alternative is forgone.
- Individuals must consider the value of what is given up when making a choice.
- Barbara wants to spend the afternoon with her sister shopping at the mall. She has \$100 spending money and expects to spend it all if she goes. She has an essay due in her English class the next day and has not started it. She needs the rest of the afternoon to write a passable essay. What is her Opportunity Cost?

OPPORTUNITY COST ANSWER

- Barbara's Opportunity Cost is she can either go to the mall with her sister, have a fun time, and spend \$100, but fail her essay. Or she can stay home, work on her essay, receive the satisfaction of getting a passing grade and save \$100 for another day.

PRODUCTION

- **The combining of resources to create finished goods and services**
- **Natural, Capital, Human, Entrepreneurship Resources**

CHOICE

- selection of an item or action from a set of possible alternatives.
- Individuals must choose or make decisions about desired goods and services because these goods and services are limited.
- Scarcity drives choice

**5 MINUTES OF
STUDY TIME**