**UNIT #6 – CIVICS & ECONOMICS – ORANGE WORKSHEET**

**§6.1 – FUNDAMENTALS OF ECONOMICS**

* CENTRAL PROBLEM IN ECONOMICS: S\_\_\_\_\_\_\_\_\_\_ = UNLIMITED \_\_\_\_\_\_\_/\_\_\_\_\_\_\_ + LIMITED \_\_\_\_\_\_\_\_\_\_\_\_\_\_
* LEADS US TO MAKE ECONOMIC DECISIONS BASED ON THREE QUESTIONS: \_\_\_\_\_\_\_\_ TO PRODUCE, \_\_\_\_\_\_ TO PRODUCE, & \_\_\_\_\_ \_\_\_\_\_\_\_ TO PRODUCE

*Match the terms below with the appropriate definition.*

AUTOMATION DIVISION OF LABOR FACTORS OF PRODUCTION

GOODS INNOVATIONS INVENTIONS

PRODUCTIVITY SERVICES SPECIALIZATION

|  |  |
| --- | --- |
|  | USING RESOURCES MORE EFFICIENTLY TO MEET OUR WANTS & NEEDS |
|  | BREAKING DOWN JOB INTO SMALLER TASKS FOR MULTIPLE WORKERS; INDVS CONCENTRATE ON WHAT THEY DO BEST (EX.: ASSEMBLY LINE) |
|  | CHANGING THE WAY SOMETHING IS DONE WITH NEW INVENTIONS OR PROCESSES |
|  | NEW FORM OF TECHNOLOGY USED TO MEET A NEED |
|  | CONCENTRATING ON PRODUCING WHAT ONE PRODUCES BETTER THAN OTHERS |
|  | REPLACING HUMAN LABOR WITH MACHINE LABOR |
|  | WORK PROVIDED FOR SOMEONE ELSE |
|  | TANGIBLE PRODUCTS THAT SATIFY OUR WANTS & NEEDS |
|  | LAND, LABOR, CAPITAL, ENTREPRENEURSHIP |

**§6.2 – TRADE-OFFS, INCENTIVES, OPPORTUNITY COST**

THREE THINGS INVOLVED IN ECONOMIC DECISION-MAKING:

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Match the terms below with the appropriate definition.*

INCENTIVES OPPORTUNITY COSTS TRADE-OFFS

|  |  |
| --- | --- |
|  | WHAT MOTIVATES ECONOMIC ACTORS TO ACT |
|  | ALTERNATIVE FACED WHEN DECIDING TO DO ONE THING RATHER THAN ANOTHER |
|  | NEXT-BEST ALTERNATIVE WHEN MAKING AN ECONOMIC DECISION; THE BEST OPPORTUNITY GIVEN UP BECAUSE OF LIMITED RESOURCES |

SCENARIO:

You are at the grocery store. You have ten dollars and want to buy one pack of each of your favorite candies. Below is the list of your favorite candies ranked by most to least favorite.

(1) Reese’s Cups - $1.50 What is the trade-off? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ vs. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(2) Sour Skittles - $1.00 What is the opportunity cost? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(3) Chocolate Truffles - $5.00

(4) Snickers Bars - $1.50

(5) Tootsie Rolls - $1.00

(6) Tropical Jolly Ranchers - $1.50

MAIN INCENTIVES:

* FOR BUSINESSES: TO MAKE THE HIGHEST P\_\_\_\_\_\_\_\_\_ THEY CAN ON THE SALE OF GOODS/SERVICES
* FOR CONSUMERS: TO GET THE BEST V\_\_\_\_\_\_\_ FOR THE PRICE THEY PAY

**§6.3 – FACTORS OF PRODUCTION**

*Match the terms below with the appropriate example.*

CAPITAL FUNDS ENTREPRENEURSHIP HUMAN CAPITAL

LABOR LAND/NATURAL RESOURCES PHYSICAL CAPITAL

|  |  |
| --- | --- |
|  | Baristas, cashiers, janitors, bookkeepers |
|  | New coffee beverage ideas, promotions, advertising ideas |
|  | Customer service skills, knowledge of coffee preparation, experience in food/beverage industry |
|  | Espresso machines, cash registers, the store building, chairs & tables, refridgerators |
|  | Pulp from trees to make paper cups & napkins, coffee beans, water, cow’s milk for creamer, sugarcane, the land on which the store sits |
|  | Money received from selling stocks and the sale of goods that is used to invest in the business |

**§6.4 – CIRCULAR FLOW OF ECONOMIC ACTIVITY**

* FOUR SECTORS WHERE RESOURCES, MONEY, & GOODS/SERVICES FLOW: C\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, B\_\_\_\_\_\_\_\_\_\_\_\_\_\_, G\_\_\_\_\_\_\_\_\_\_\_\_\_\_, & F\_\_\_\_\_\_\_\_\_\_\_\_\_ SECTORS
* MARKETS WHERE CONSUMERS SPEND MONEY & BUSINESSES MAKE MONEY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MARKETS
* MARKETS WHERE BUSINESSES SPEND MONEY & CONSUMERS MAKE MONEY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ MARKETS
* MARKETS: F\_\_\_\_\_\_ & W\_\_\_\_\_\_\_\_\_\_ E\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ OF G\_\_\_\_\_\_ & S\_\_\_\_\_\_\_\_\_\_\_

**§6.5 – FINANCIAL OPERATIONS OF A BUSINESS (PART ONE)**

*Match the terms below with the appropriate definition.*

AVERAGE TOTAL COST BREAK-EVEN POINT FIXED COSTS MARGINAL COSTS MARGINAL REVENUE LOSS PROFIT TOTAL COSTS TOTAL REVENUE VARIABLE COSTS

|  |  |
| --- | --- |
|  | COSTS > REVENUES |
|  | COSTS = REVENUES |
|  | REVENUES > COSTS |
|  | TOTAL COSTS DIVIDED BY UNITS PRODUCED |
|  | SALES PRICE MULTIPLIED BY UNITS SOLD |
|  | FIXED COSTS PLUS VARIABLE COSTS |
|  | ADDITIONAL REVENUE EARNED FROM SALE OF ONE MORE UNIT |
|  | ADDITIONAL COST TO MAKE ONE MORE UNIT |
|  | COSTS THAT STAY THE SAME REGARDLESS OF UNITS PRODUCED |
|  | COSTS THAT INCREASE AS MORE UNITS ARE PRODUCED |

**§6.6 – FINANCIAL OPERATIONS OF A BUSINESS (PART TWO)**

*Match the terms below with the appropriate definition.*

COST-BENEFIT ANALYSIS LAW OF DIMINISHING RETURNS MARGINAL BENEFIT

|  |  |
| --- | --- |
|  | ADDITIONAL SATISFACTION FROM PRODUCING/CONSUMER ONE MORE UNIT |
|  | AS MORE UNITS ARE PRODUCED/CONSUMED, THE BENEFITS OF THE NEXT UNIT ARE LESS THAN THE PREVIOUS UNIT |
|  | ECONOMIC DECISION-MAKING ABOUT HOW MUCH TO PRODUCE BASED ON MARGINAL BENEFITS & MARGINAL COSTS |

* WHEN DOING A COST-BENEFIT ANALYSIS, THE OBJECTIVE IS TO PRODUCE RIGHT UP TO THE POINT BEFORE WHERE MARGINAL \_\_\_\_\_\_\_\_\_\_ BECOME GREATER THAN MARGINAL \_\_\_\_\_\_\_\_\_\_\_\_\_

|  |  |  |  |
| --- | --- | --- | --- |
| **Number of additional stores** | **Marginal Benefit (MB)**  **[extra sales]** | **Marginal Cost (MC)**  **[extra costs for opening store]** | **MB - MC** |
| 1 | 200,000 | 90,000 |  |
| 2 | 180,000 | 90,000 |  |
| 3 | 160,000 | 90,000 |  |
| 4 | 140,000 | 90,000 |  |
| 5 | 120,000 | 90,000 |  |
| 6 | 100,000 | 90,000 |  |
| 7 | 80,000 | 90,000 |  |
| 8 | 60,000 | 90,000 |  |

According to the chart, when should the owner stop opening additional stores?

What is one possible reason why MC would be greater than MB after opening additional stores after a certain point?

**§6.7 – TYPES OF BUSINESSES**

*Match the terms below with the appropriate definition/example.*

CONGLOMERATE CORPORATION FRANCHISE HORIZONTAL MERGER MONOPOLY NON-PROFIT OLIGOLOPLY PARTNERSHIP

SOLE PROPRIETORSHIP VERTICAL MERGER

|  |  |
| --- | --- |
|  | EX.: RED CROSS, DOCTORS WITHOUT BORDERS, UNITED WAY |
|  | WHEN JUST A FEW BUSINESSES CONTROL THE ENTIRE MARKET FOR A GOOD/SERVICE |
|  | WHEN COMPANIES JOIN TOGETHER THAT ARE IN DIFFERENT INDUSTRIES |
|  | COMPANIES THAT ISSUE STOCK, OR CUPCAKES OF OWNERSHIP TO THE PUBLIC |
|  | BUSINESS OWNED BY TWO OR MORE PEOPLE |
|  | CORPORATIONS THAT ARE MADE UP OF BUSINESSES THAT HAVE LITTLE RELATIONSHIP AMONG ONE ANOTHER |
|  | PRE-PACKAGED BUSINESSES TO WHICH PEOPLE PURCHASE RIGHTS TO USE AND OPEN UP INDIVIDUAL STORES (EX.: U.P.S., SUBWAY, McDONALDS) |
|  | BUSINESS WITH ONE OWNER |
|  | WHEN JUST ONE COMPANY CONTROLS THE ENTIRE MARKET FOR A GOOD/SERVICE |
|  | WHEN COMPANIES JOIN TOGETHER THAT ARE IN THE SAME INDUSTRY |

**UNIT #6 – ORANGE WORKSHEET (PART II)**

Courtney’s Cupcake Cottage pays $5,000 per month on a lease for the building. Utility bills average out to be $0.10 per cupcake produced. The manager’s salary is $4,000 per month. Materials average out to be $0.20 per cupcake. The wages for the chef/server average out to $0.20 per cupcake. Production is 20,000 cupcakes for the month. During the month, 10,000 cupcakes are sold for $3 per cupcake. What is the profit or loss for the store for the month?

|  |  |
| --- | --- |
| **Step** | **Work** |
| (1) Identify fixed costs and variable costs.  (2) Add marginal costs together, ***THEN*** multiply this sum by the units produced to get the variable costs.  (3) Add fixed costs together  (4) Find total costs by adding fixed and variable costs.  (5) Find total revenue by multiplying sales price per unit by the units sold.  (6) Find the profit or loss by subtracting TOTAL COSTS from TOTAL REVENUE | Fixed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_  Variable: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Sum of Marginal Costs = $\_\_\_\_\_\_\_/cupcake + $\_\_\_\_\_\_\_/cupcake + $\_\_\_\_\_\_\_\_/cupcake  = $\_\_\_\_\_\_\_\_/cupcake  Units Produced = \_\_\_\_\_\_\_\_\_\_cupcake  **Variable Costs** = (Sum of Marginal Costs)(Units Produced)  = ($\_\_\_\_\_\_\_\_\_/cupcake)(\_\_\_\_\_\_\_\_\_\_\_cupcakes)  = $\_\_\_\_\_\_\_\_\_\_\_\_  **Fixed Costs** = $\_\_\_\_\_\_\_\_\_\_\_ + $\_\_\_\_\_\_\_\_\_\_\_\_\_  Total Costs = Fixed Costs + Variable Costs  = $\_\_\_\_\_\_\_\_\_\_\_\_ + $\_\_\_\_\_\_\_\_\_\_\_\_\_\_  = $\_\_\_\_\_\_\_\_\_\_\_\_  Total Revenue = (Sales Price per Unit)(Units Sold)  = ($\_\_\_\_\_\_\_/cupcake)(\_\_\_\_\_\_\_\_\_\_\_\_\_cupcakes)  = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Profit/Loss = Total Revenue – Total Costs  = $\_\_\_\_\_\_\_\_\_\_\_\_\_ - $\_\_\_\_\_\_\_\_\_\_\_\_\_\_  = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [PROFIT or LOSS] |

*Match the letter of the appropriate term with its corresponding definition.*

(A) Command economy / Communism (B) Market economy / capitalism (C) Mixed economy

(D) Traditional economy (E) “Invisible hand” (F) *Laissez-faire*

(G) Central planning (H) Consumer sovereignty (I) Keynesianism

(J) Adam Smith (K) Karl Marx

\_\_\_\_\_ (1) Economy where economic decisions are made by central planning with government officials; factors of production are owned by the government, NOT by individuals/businesses

\_\_\_\_\_ (2) Economy where BOTH government and individuals/businesses make economic decisions

\_\_\_\_\_ (3) The idea of central governments making economic decisions

\_\_\_\_\_ (4) “Father of communism”; predicted that workers (proletariat) would overthrow the capitalists/owners (bourgeoisie) in a revolution to create a classless society.

\_\_\_\_\_ (5) Economic theories that explain that government should step in and hire people during economic downturns to stabilize the economy and promote economic growth

\_\_\_\_\_ (6) Economy where factors of production are owned by individuals/businesses who make all economic decisions; relies on free enterprise and consumer sovereignty

\_\_\_\_\_ (7) The idea put forth by Adam Smith that government shouldn’t interfere with economic decisions of individuals/businesses.

\_\_\_\_\_ (8) Economy where economic decisions are based on custom/habit; use traditional materials and methods of production; difficult to adjust to sudden changes

\_\_\_\_\_ (9) “Father of capitalism”; developed the ideas of *laissez-faire* & the “invisible hand”

\_\_\_\_\_ (10) The idea that people produce goods/services for others, not out of kindness, but out of self-interest

\_\_\_\_\_ (11) The idea that producers only produce those goods/services that customers are willing to buy

Steve’s Appliance Repair pays $4,000 per month on a lease for the building. Utility bills average out to be $1 per repair produced. The manager’s salary is $6,000 per month. Materials average out to be $4 per repair. The wages for the cook/server average out to $5 per repair. Production is 1,000 repairs for the month sold for $25 per repair. What is the profit or loss for the month?

|  |  |
| --- | --- |
| **Step** | **Work** |
| (1) Identify fixed costs & variable costs.  (2) Add marginal costs together, ***THEN*** multiply this sum by the units produced to get the variable costs.  (3) Add fixed costs together  (4) Find total costs by adding fixed and variable costs.  (5) Find total revenue by multiplying sales price per unit by the units sold.  (6) Find the profit or loss by subtracting TOTAL COSTS from TOTAL REVENUE | Fixed: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_  Variable: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Sum of Marginal Costs = $\_\_\_\_\_\_\_/repair + $\_\_\_\_\_\_\_/repair + $\_\_\_\_\_\_\_\_/repair  = $\_\_\_\_\_\_\_\_/repair  Units Produced = \_\_\_\_\_\_\_\_\_\_repair  **Variable Costs** = (Sum of Marginal Costs)(Units Produced)  = ($\_\_\_\_\_\_\_\_\_/repair)(\_\_\_\_\_\_\_\_\_\_\_repairs)  = $\_\_\_\_\_\_\_\_\_\_\_\_  **Fixed Costs** = $\_\_\_\_\_\_\_\_\_\_\_ + $\_\_\_\_\_\_\_\_\_\_\_\_\_  Total Costs = Fixed Costs + Variable Costs  = $\_\_\_\_\_\_\_\_\_\_\_\_ + $\_\_\_\_\_\_\_\_\_\_\_\_\_\_  = $\_\_\_\_\_\_\_\_\_\_\_\_  Total Revenue = (Sales Price per Unit)(Units Sold)  = ($\_\_\_\_\_\_\_/repair)(\_\_\_\_\_\_\_\_\_\_\_\_\_repairs)  = $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Profit/Loss = Total Revenue – Total Costs  = $\_\_\_\_\_\_\_\_\_\_\_\_\_ - $\_\_\_\_\_\_\_\_\_\_\_\_\_\_  = \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [PROFIT or LOSS] |