

Penang Sangam High School

Commercial Studies-Year 9

Strand 3: Economics

Sub-strand/ Introduction to Economics

LESSONS Week 22-24

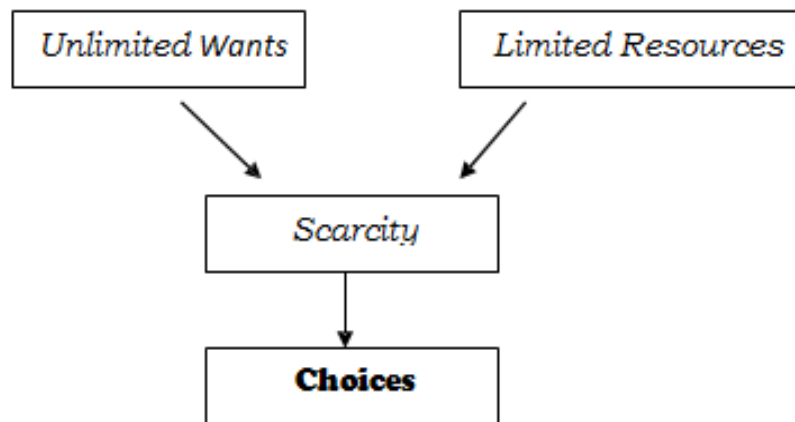
Greetings students

We will continue with our coverage. Topic: Introduction to Economics

Lesson 1: Introduction to Economics

Economics is the study of how individual and societies chooses to use scarce resources to satisfy their needs and unlimited human wants.

The **Economic problem** is the **scarcity of resources** i.e. resources are not enough to satisfy the wants of consumers.



Whenever we make a choice it always results in opportunity cost.

Opportunity Cost is the next best alternative foregone. For example , to stay home and watch movies or go to school. So when we pick school movies becomes our opportunity cost.

Choice: is act of choosing or selecting between many economic variations or options.

Reasons for the Studying Economics and Its Implications

It helps us to understand why people around us behave the way they do.

It helps us different fields of work since many jobs require economics knowledge e.g. Accountants, Managers, Governments Advisors, Tax Consultants etc.

It helps us to understand the actions of governments and business organizations.

It allows us as individuals to play a more active role in the workplace and the community.

Role of Economist

Economists are experts in economics; they research on issues such as:

Effect of changes on tax rates.

The relationship between interest rate and investment]

Ways of reducing unemployment

Developing theories and models that predict or explain behaviour of individual and business

Lesson 2: Economic Resources

The most important feature of resources is their scarcity and diversity.

Factors of Production are input into production process that is used to produce goods and services. Factors of Production are also known as economic resources.

Resources are scarce, and we are faced with economic problems.

The Basic Economic Resources are:

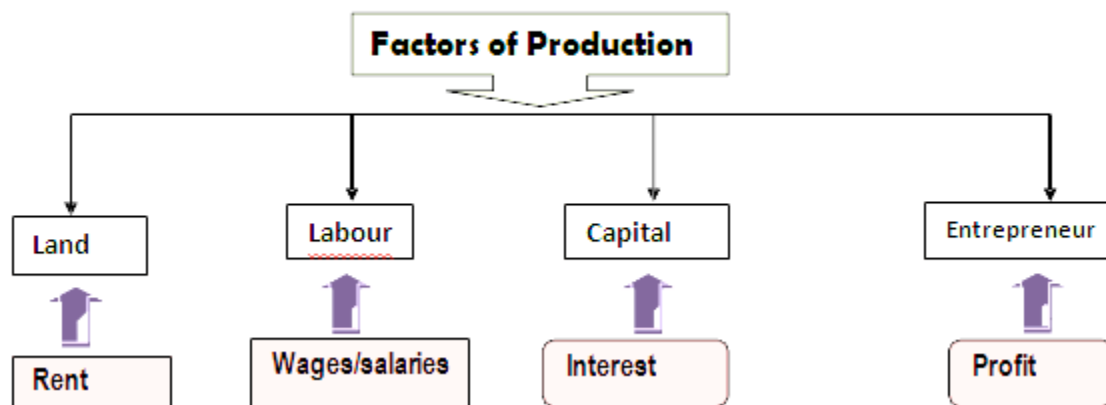
1. Land (Natural Resources)
 2. Capital (Manmade resources)
 3. Labour (Human resources)
 4. Entrepreneurship (Management resources)
-
1. Land (Natural Resources): Includes all natural resources found on earth, sea and minerals.

2. Labour (Human Resources): Refers to all human resources of either physical or mental efforts in the production of goods and services. Includes all types of productive work for which payment is made for example doctor, teacher, Carpenter, etc.
3. Capital (Man-made Resources): refers to manmade goods which are used in the production of goods and services. It includes the real physical assets that are used by the producer. E.g. machines, tools, hammer etc.
4. Entrepreneurship (Management Resources): refers to the ability to make difficult and new decisions, risk taking inventing new things such as those that starts up a new business and face the risk of uncertainties

Resources Management/Sustain.

1. Land- land management through crop rotation
2. Labour- through education and training
3. Capital- through innovation
4. Entrepreneurship- through research and development

Return for Factors of Production



Lesson 2.1: Economic and Non-Economic Activities

Economic Activity – is concerned with the production of goods and services that give satisfaction to our wants. For example, production, exchange, consumption and distribution of goods and services.

Non-Economic Activity – activities that have no economic value. They include issues of value judgment that cannot be proved to be either right or wrong or leisure time activities. For e.g. a cat running across the road, singing, playing for relaxation.

Lesson 2.2: Goods and Services

Goods – tangible or material things we make or buy to satisfy our needs and wants. For example paper, shoes, car etc.

Types of Goods:

1. Free Goods
2. Economic Goods

Free Goods: - are abundant in supply

- They cost nothing to obtain.
- They are not relatively scarce in relation to human wants.
- no opportunity cost.
- Example air, sunshine, ice in Greenland, sand in deserts.

Economic Goods: - are scarce relative to human wants

- one has to pay a price to obtain them.
- They are valued in monetary terms
- have opportunity cost.
- Example cars, phone food, water etc.

Economic Good can be further divided into consumer and capital goods.

i. Capital or Producer Goods: are man made goods which are used for making other goods and services. Examples: machinery and equipment such as sewing machine and plough.

ii. Consumer Goods: goods used by consumers to satisfy their needs. Consumer goods are classified into two types

- a. Durable Consumer Goods: are used several times over a period. Example- radios, cars, furniture, stoves, etc
- b. Non-Durable Consumer Goods: are used on a single occasion. Example- bread, milk, lighting a matchstick, etc.

Collective Goods: these are goods used by the general public for their collective wants and are normally provided by government or religious or charitable organization. Example - ho

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spitals, schools, roads, police force, water supply.

Services: are non- material things which are provided to consumers to give them satisfaction. These are intangible jobs and work that people do for themselves or for others that cannot be touched. Example - restaurants, cafes, banks, transport, supermarkets, shops, Medical check-ups, tourism, education etc.

Producers: are those who produce or make goods and services.

Consumers: are those who buy and use the goods and services.

Lesson 2.3: Production and Producer

Production: is an act of producing goods and services.

Stages of Production Process

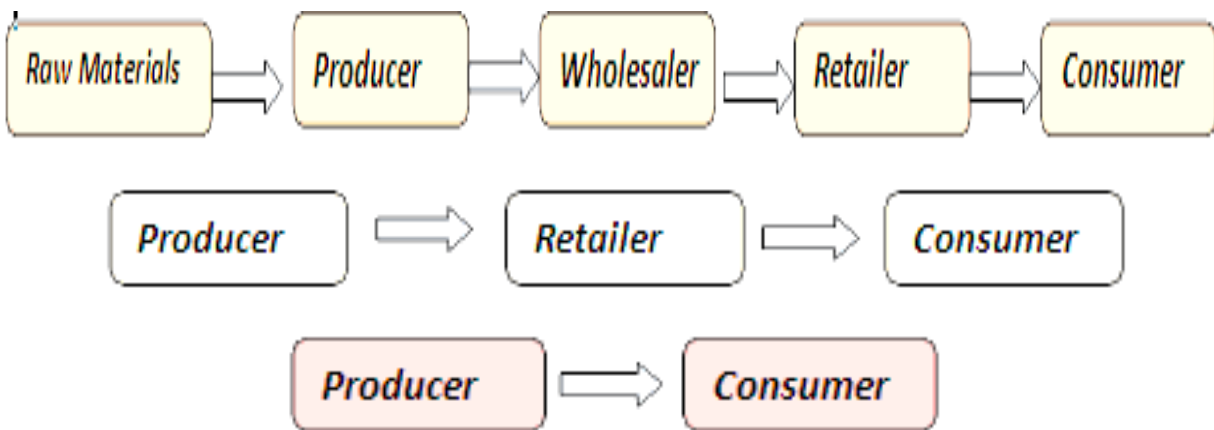
1. Primary Production: extracting of raw materials from nature.
2. Secondary Production: converting raw material into semi-finished or finished consumer goods.
3. Tertiary Production: refers to services whereby people do things for others. It also involves the distribution and selling of goods.

Contributions made by Primary, Secondary and Tertiary Productions

- Creates employment opportunities
- Earns foreign exchange
- Contributes towards the GDP
- Satisfies the needs of the local
- Leads to development of infrastructure in semi-urban areas
- Development of other sectors example transportation, banking, and insurance and so on.
- Improves peoples' standard of living

Gross Domestic Product- total value of goods and services produced in a country in a period of time.

Lesson 2.4: Channel of Distribution of Goods



PRODUCER: is a person or business which makes goods and services

WHOLESALER: buys goods in bulk from a producer or producers and sells them in smaller quantities to the retailer.

RETAILER A retailer buys goods at a discount from the wholesalers and producers and sells them in small quantities to consumers.

Activity

1. Define economics.

2. What is the basic economic problem?

3. State two reasons for studying economics.

4. Complete the following

| Factors of production | Factor income | Ways to sustain |
|-----------------------|---------------|-----------------|
| Land | | |
| Labour | | |
| Capital | | |
| Entrepreneur | | |

5. Define GDP
