

Penang Sangam High School

Commercial Studies-Year 9

Strand 3: Economics

Sub-strand/ Introduction to Economics

LESSON Week 25-27

Greetings students

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

Lesson 2.5: Demand and Supply

Market: is a situation where buyers and sellers exchange money for goods and services.

Price Mechanism: is a price system that determines the price of goods and services through interaction of the supply and demand.

Demand

Demand: refers to the amount of goods and services that consumers are willing and able to buy in a given period of time at a particular price.

Illustrative Example of Demand Schedule and Curve

Given below is the Demand Schedule for Dolly's' Dalo for a week.

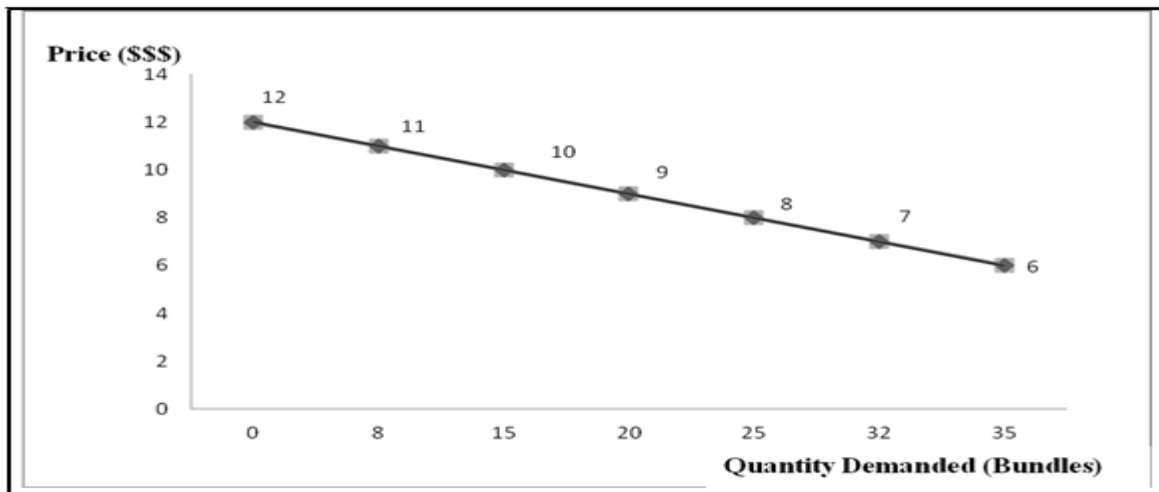
<i>Price \$</i>	<i>Qty Demanded [Bundles]</i>
12	0
11	8
10	15
9	20
8	25
7	32
6	35

Law of Demand

As price increase, quantity demand decrease and as price decrease, quantity demand increase.

Price and quantity demand are inversely/ indirectly/ negatively related

Demand Curve for Dalo for Dolly



The demand curve slopes downwards from left to right reflecting inverse relationship and clearly demonstrating the law of demand.

Supply

Supply- refers to the quantity of goods that producers are willing and able to sell at various prices over a period of time.

Law of Supply

As price increase, quantity supplied increase and as price decrease, quantity supplied decrease.

Price and quantity supply are directly/ positively related

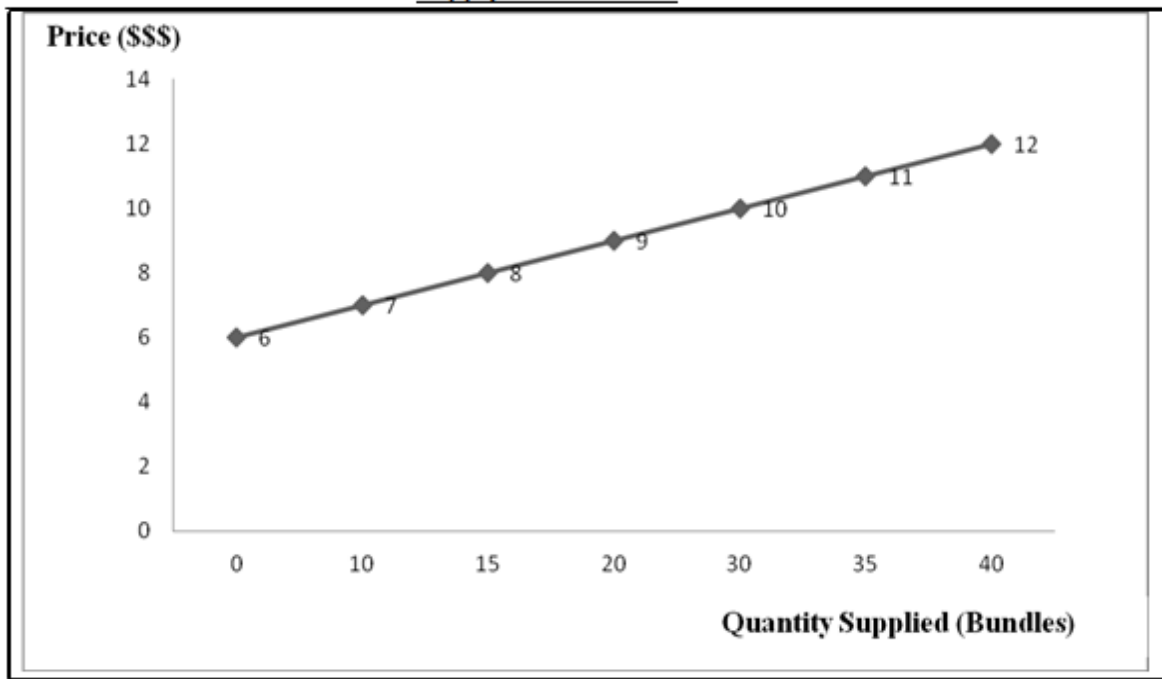
Illustrative Example of Supply Schedule and Curve

Given below is the Supply Schedule for Dalo for a week

Price \$ per Bundle	Quantity Supplied [QS]
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12	40
11	35
10	30
9	20
8	15
7	10
6	0

Supply Curve for Dalo



The supply curve slopes positively upwards reflecting direct relationship and clearly demonstrating the law of supply.

Equilibrium [Price & Quantity]- is the price at which market quantity demand equals the quantity supplied. $QD = QS$

Illustrative Example : Supply and Demand Curve

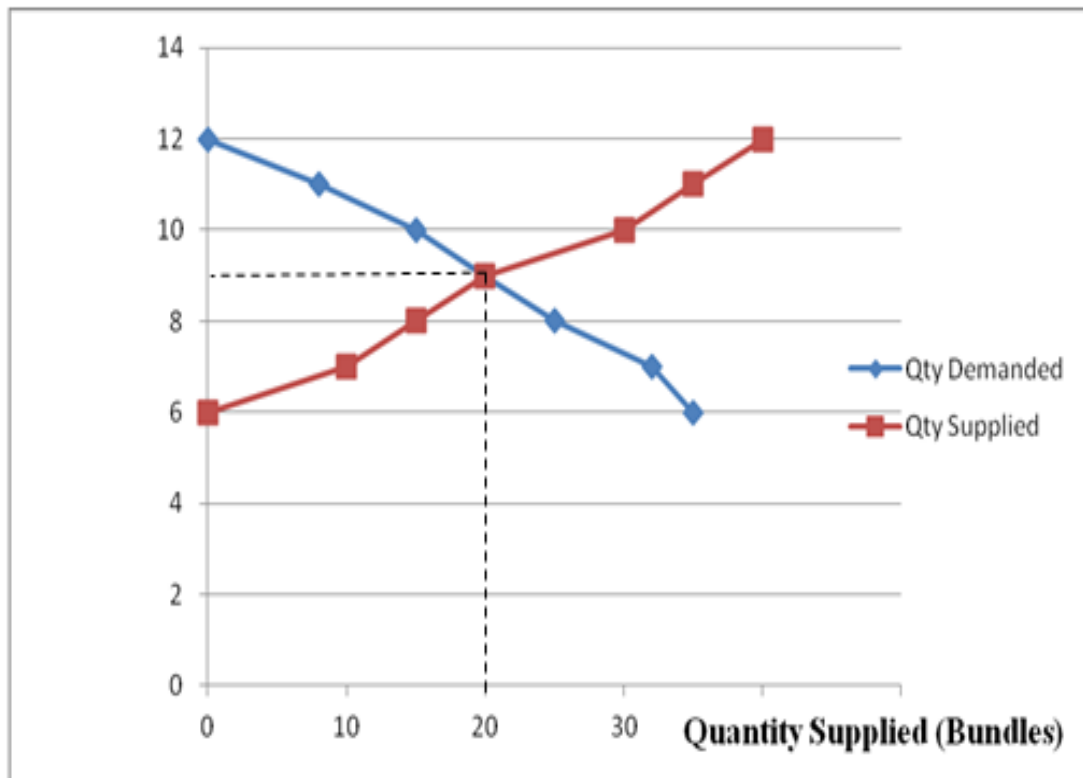
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Demand and Supply Schedule of Dalo per week

Price per bundle \$	Qty Demanded	Qty Supplied
12	0	40
11	8	35
10	15	30
9	20	20
8	25	15
7	32	10
6	35	0

Market Equilibrium

Demand and Supply for Dalo



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Lesson 3.1 Circular Flow Model

Household Sector

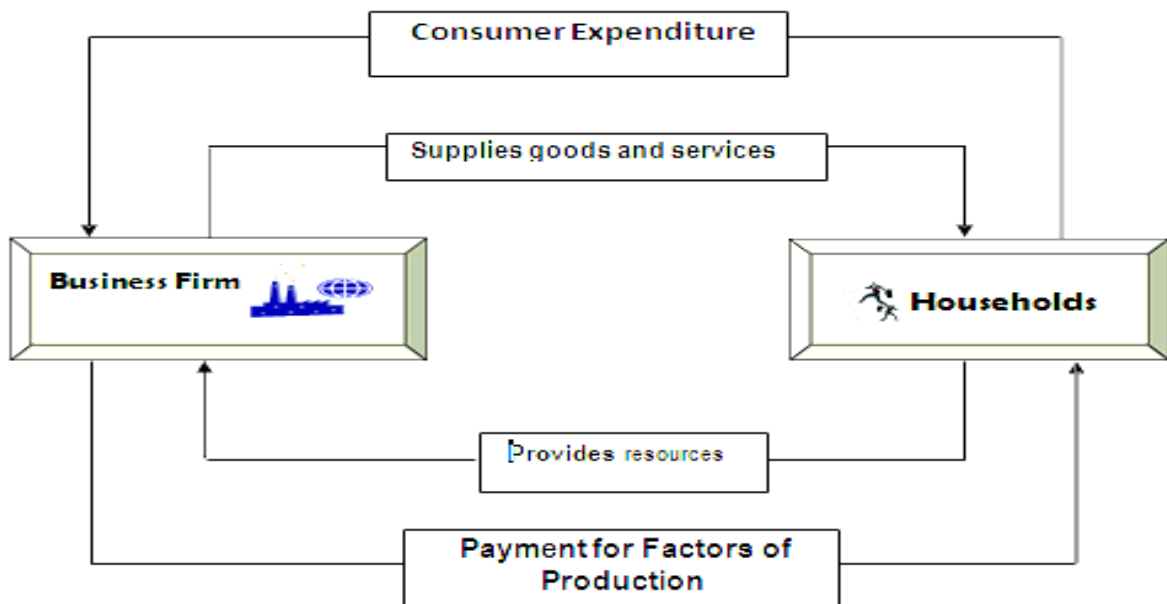
This sector consists of all private individuals within the economy.

Business Firms

This sector comprises all those business enterprises within the economy that are engaged in the production and distribution of goods and services.

Note: All the sectors of the economy are *interdependent*

Two Sector Circular Flow Model



Real Flow- is the exchange of goods and services between household and business firm.

Money flow- is the monetary exchange between 2 sectors.

Concepts Illustrated by the Two Sector Model

- ☐ Specialization
- ☐ Interdependence

Lesson 3.2 Government

There are two types of Government in Fiji:

1. *Central government;*
2. *Local government*

Local Government- town/ cities administrator

Objectives of Local government:

- ☐ Town and country planning and administration e.g. Nausori Town Council, Suva City Council

Functions of Local government:

- ☐ Beautification of town and cities
- ☐ Facility upgrading
- ☐ Provision of sporting facilities
- ☐ Waste disposal
- ☐ Provision for parking
- ☐ Recreation
- ☐ Provides street lights, market place, etc

Central Government- is the most powerful and governs the whole nation.

Objectives of Central government:

- ☐ Achieve economic growth,
- ☐ Full employment,
- ☐ Economic welfare,
- ☐ Economic stability

Functions of Central government:

1. Regulatory Role:

Make and maintain law in the country. Provide information and services to the people. Protect all economic agents and consumer protection

2. Allocative Role

Provides public goods to the general public.

3. Distributive Role

Control income distribution so that the resulting distribution meets with the society's standards and equality is maintained.

4. Stabilization Role

Intervenes in the economy through monetary, fiscal policy, exchange rate and trade policy to ensure that the economy remains stable at the macroeconomic level.

Lesson 4 International Trade

Trade: refers to exchange of goods and services

Types of Trade

1. Domestic Trade refers to exchange of goods and services within our country; for example from Suva to Labasa
2. International Trade refers to exchange of goods and services with one country and another for example Fiji to Australia.

Reasons for International Trade

1. Lack of resources

Fiji has limited range of natural resources example, oil and petrol is not produced here. Likewise Fiji does not have forms of skilled labour.

2. To gain from specialization

Producing all goods and services in Fiji will result in inefficient use of resources. Thus, specialization in certain skills and in the production of certain commodities results in a greater overall production as well as lower cost of production. Therefore comparative advantage leads to better utilization of resources as well as greater welfare of countries participating in trade.

3. Due to geographical and climatic condition

The climate and geographical conditions limit the range of agricultural products that can be produced here and apples and grapes could not be grown here.

4. To strengthen trading relationships.

5. Generate income through exports

6. To raise the standards of living of residents

Export- refers to selling of goods and services to overseas countries and earning foreign reserves. Fiji's major exports are:

- Sugar, timber, fruits & vegetables, garments, gold, kava, bauxite, mineral water and copra & coconut oil.

Imports- is the buying of goods and services and making payments for them. Fiji's major imports are:

- Food, beverages, crude minerals, chemicals, manufactured goods, machinery, equipment, transport.

Fiji's Major Trading Partners

- Australia, China, France, Japan, Pacific Islands, India, Malaysia, Singapore.

Lesson 5 Economic Growth and Development

Economic growth - is increases in a country's national income over time.

Economic Development - Improvement in people's standard of living.

Unemployment

Unemployment exists when there are people willing to work but they are unable find suitable work.

Types of Unemployment

1. Frictional
2. Seasonal
3. Structural
4. Cyclical
5. Technological

Causes of Unemployment

- ☐ Reduced spending by business firms
- ☐ High wage rates
- ☐ Uneducated workforce
- ☐ Unskilled workforce
- ☐ Overpopulation

Effects of Unemployment

- ☐ Hurts the worker and his or her family
- ☐ Loss of family savings
- ☐ Caused by inadequate income
- ☐ Loss of self-respect/morale
- ☐ Disrupts families and households
- ☐ Increases in crime
- ☐ Declines in standard of living
- ☐ Ill – health and Depression

Economic Effects

- ☐ Wastage of resources
- ☐ A loss resulting from the opportunity cost of the unemployed persons time
- ☐ Lower in savings can result in lower investment

Government Actions to overcome Unemployment in Fiji

- ☐ Increase foreign income by foreigners that is increase investment by foreigners. This creates more job opportunities for the locals
- ☐ Free education that increases the skills of a person and allow him to run his own business or to go into agriculture.
- ☐ Development of rural areas more so that it prevents rural urban drift
- ☐ Control in the population size. E.g. decrease in birth rate
- ☐ Decrease in automation and employ people instead of machines
- ☐ Reduce the salary of top level so that more can be employed.

Lesson 5.2 Environmental – Economic Issue: Pollution

Any harmful substance in the environment that affects health, natural resources or the atmosphere is known as **pollution**.

There are three types of pollution land, water and air pollution.

Types of Pollution and Their Causes

Land pollution and its causes

- ☐ Derelict land - refers to rubbish dumps and other areas where pollution is common. Toxic substance will leak from the rubbish into the ground and then eventually in the water.
- ☐ Careless behaviour– Not using rubbish and throwing cans and papers from cars and buses.
- ☐ Chemical substances – fertilizers, insecticides, pesticides, weedicide and other chemical substances are harmful to the environment. Chemical sprayed on plants may reach humans (if it is not absorbed by the plant or when some of it ends on the ground).

Water pollution and its causes

- ☐ Sewage – dumping near or in the sea or river is dangerous because pollutants will get into the water.
- ☐ Industrial waste – some businesses purposefully or accidentally spill chemicals into rivers and the ocean
- ☐ Other causes – careless behaviour and accidents are other common causes of water pollution.

Air pollution and its causes

- ☐ Automobile emissions – the biggest source of air pollution is exhaust. Cars, trucks, and buses all emit carbon dioxide and other gases. These gases affect the climate, pollute the air and may cause greenhouse effect.
- ☐ Factory emissions – emissions from factories cause pollution
- ☐ Other causes – accidents and careless behaviour are other common causes
- ☐ Household conveniences – bug sprays, air fresheners, and refrigerators can all cause air pollution.

Noise pollution

- ☐ Cars, T.V's, radios, dogs, factories and other sources of excessive noise cause noise pollution.

Effect of Pollution

- ☐ Poor health
- ☐ Increased medical expenses
- ☐ Environmental damage
- ☐ Loss of tourist revenue if the tourists do not come because of pollution

Activity

1. State three factors that cause shift in the demand curve.

2. Differentiate between substitute and complementary goods.

3. State 2 Functions of Household Sector

4. Fill in the Blanks

- i. Confectionaries, fruits and dairies in a shop could be described as _____
- ii. Business Firms produce _____ and services for _____
- iii. Models are _____ and _____
- iv. _____ and _____ form two sectors in an economy.
- v. Households are also called _____
- vi. Business Firms and household sector are _____

5. Differentiate between international trade and domestic trade.

6. Differentiate between economic growth and development.
