

MICROECONOMICS -

The natural of the economic problem and the opportunity cost

By Kru P'Eve and Kru P'Da Knockout.Economics

Overview

1. Identify and provide examples of the economic problem
2. Identify opportunity cost and provide examples of opportunity cost in different circumstances



1. Identify and provide examples of the economic problem

Basic economic problem : Resources are limited but wants are limitless.
The scarcity of resource arises from wants exceed resources.

Consumer

Eg. Ms.Yaya has limited free time but Ms.Yaya would like to *play games, and revise Economics lessons.*

Limited resources : *Time*

Unlimited wants : *Playing games and revising Economics lessons.*

Producer

Eg. Farmer has limited land. Farmer has to decide what to make between rice or wheat.

Limited resources : *Land*

Unlimited wants : *Rice and Wheat*

Government

Eg. Government has limited tax revenue. Government has many projects which are healthcare improvement, education improvement and infrastructure.

Limited resources : *Tax revenue*

Unlimited wants : *healthcare improvement, education improvement and infrastructure.*

To sum up : Everyone faces limited resources (in this case : time, land, money) and unlimited wants. So, we need to trade off as we cannot get everything under the condition of limited resources.

2. Identify opportunity cost and provide examples of opportunity cost in different circumstances

Opportunity Cost : the next best alternative foregone when making a choice.

Consumer

Limited resources : *Time*

Unlimited wants :

- *Playing games*
- *Revising Economics lessons.*

Producer

Limited resources : *Land*

Unlimited wants :

- *Rice*
- *Wheat*

Government

Limited resources : *Tax revenue*

Unlimited wants :

- *Healthcare improvement*
- *Education improvement*
- *Infrastructure.*

To sum up : According to economic problems, you cannot choose everything that you want. So if you choose one thing, you are not decide to do other things and it's called "opportunity cost".

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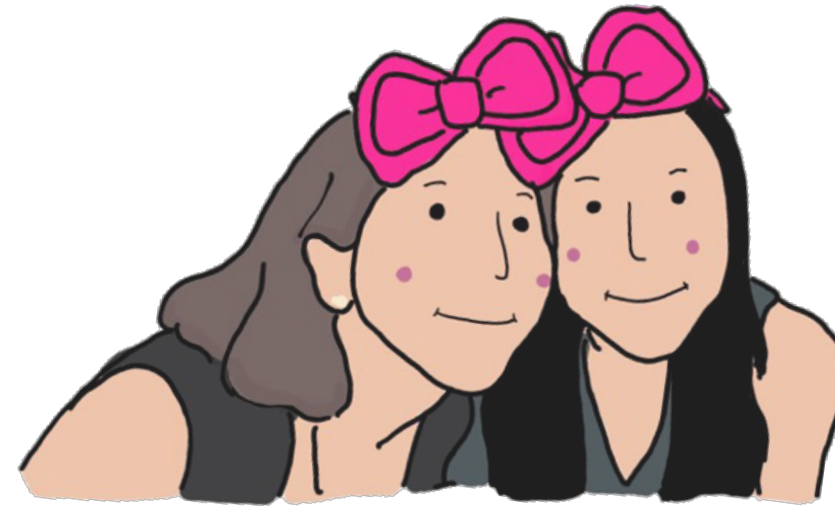
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MICROECONOMICS - Exercise-The natural of the economic problem and the opportunity cost

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Exercise: MCQ

1. Susan decided to use her family's land to build cafe, what is the opportunity cost of the decision

A. Sales of coffee and bakery

B. Wage of employees

C. Rent

D. Loss of green area



Exercise: MCQ

2. Ms. Eiei wrote a list of how she would like to spend her Sunday morning.

- First choice : go to cafe for sipping coffee
- Second choice : yoga at studio
- Third choice : sleep
- Fourth choice : visit relatives

Unfortunately, a pandemic caused fitness and cafe to be closed. Ms. Eiei slept at home instead. What was the opportunity cost of sleeping at home?

- A. go to cafe for sipping coffee
- B. yoga at studio
- C. sleep at home
- D. visit relatives



Exercise: Essay

1. In December 2020, Country A would like to construct a new airport. Some economists suggest that an airport construction involved in a high opportunity cost. What may be the opportunity cost of building an airport? (2 marks)

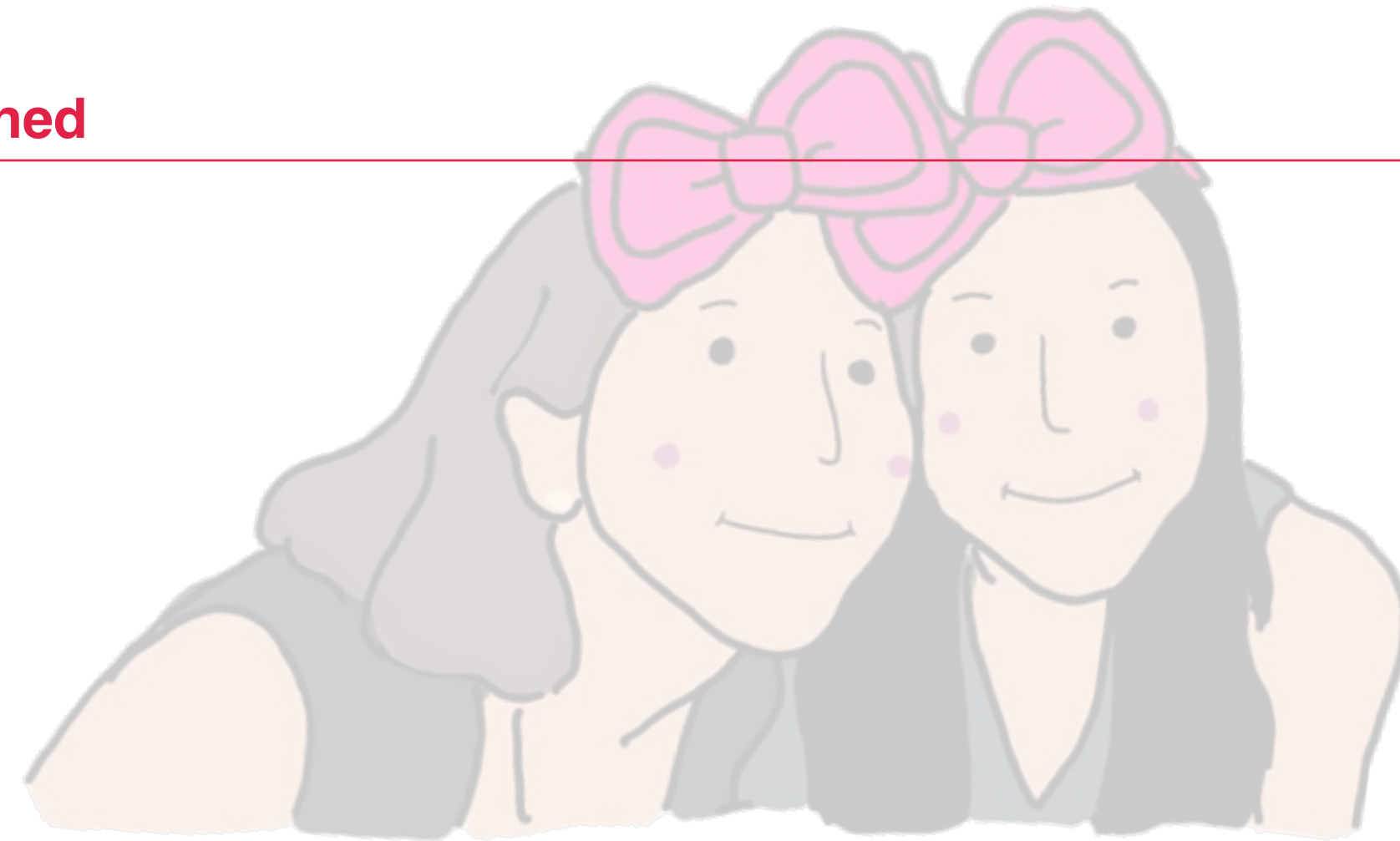


Exercise: Essay

2. Explain why scarcity makes rise to an “opportunity cost” (4 marks)

Command word :

Explain : How or why something happened



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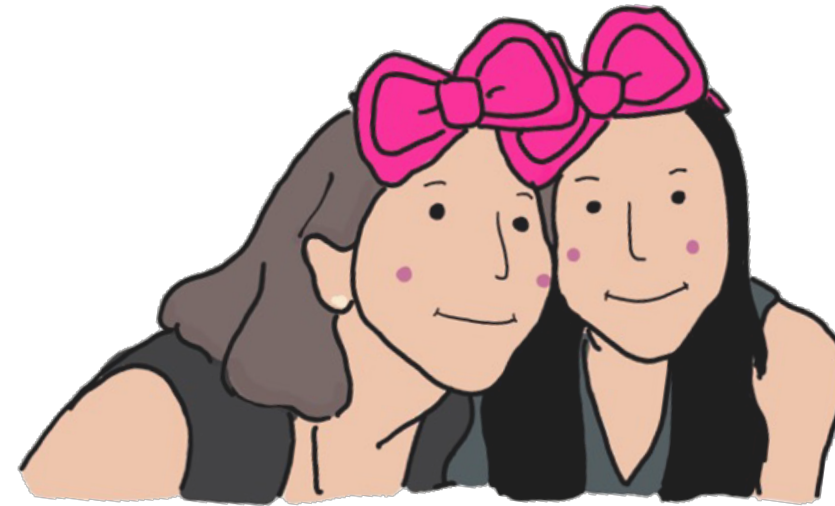
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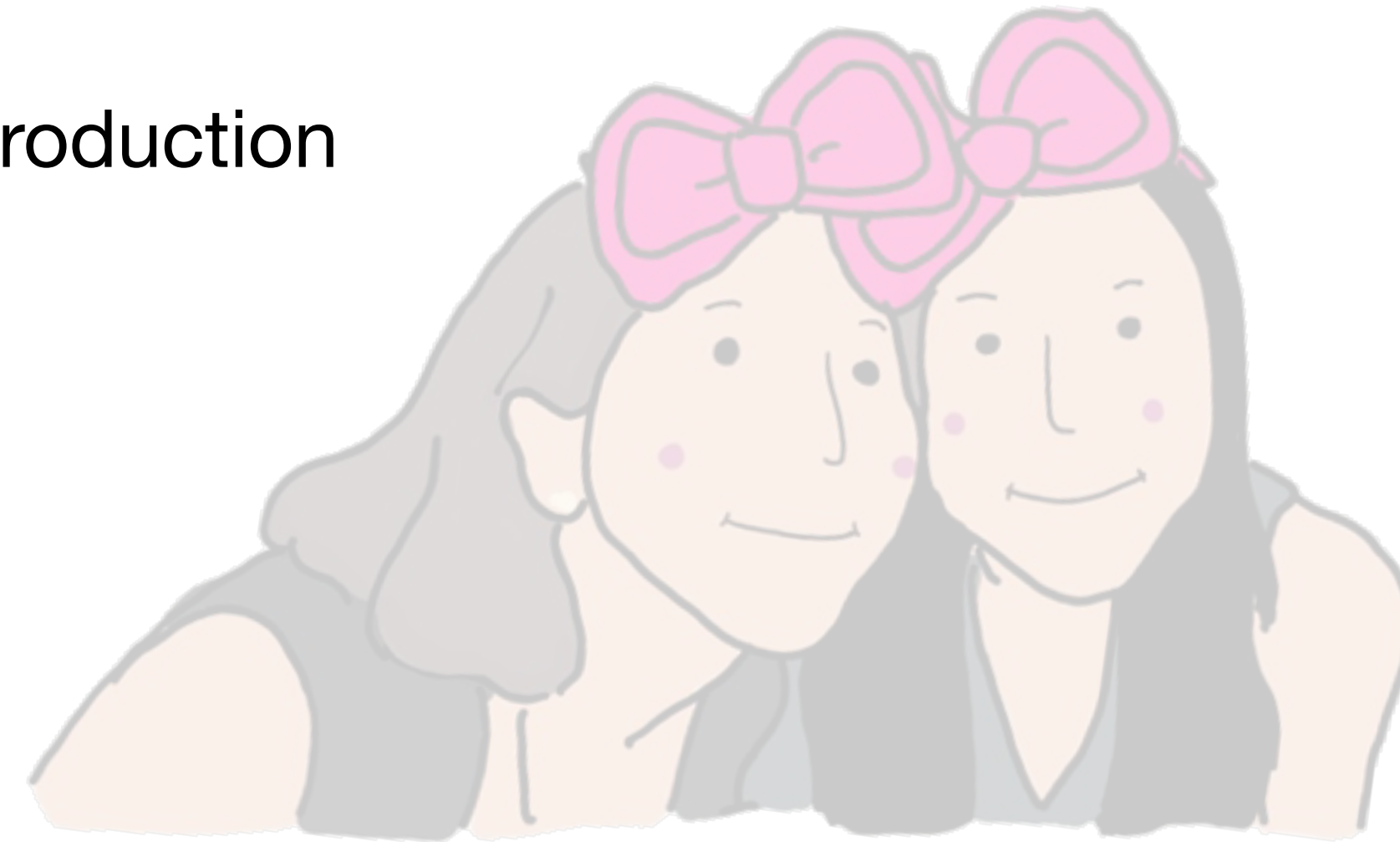


MICROECONOMICS - Factors of production

By Kru P'Eve and Kru P'Da Knockout.Economics

Overview

1. Identify and provide examples of land, labour, capital and enterprise and the rewards to the factors production
2. Mobility of the factors of production



1. Identify and provide examples of land, labour, capital and enterprise

Factors of production : Economic resources (limited supply) are used to produce goods and services.

LAND	LABOUR
<p>Definition : Natural resources including non-renewable and renewable resources.</p> <p>For example:</p> <p>Rewards :</p>	<p>Definition : Human inputs (both mental and physical effort) involved in producing goods and services.</p> <p>For example:</p> <p>Rewards :</p>
CAPITAL	ENTERPRISE
<p>Definition : Man-made resources used in production.</p> <p>For example:</p> <p>Rewards :</p>	<p>Definition : : An individual who takes uncertain risks, make decisions in a business and manage the other factors of production.</p> <p>For example:</p> <p>Rewards :</p>

2. Mobility of the factors of production

	Land	Labour	Capital	Enterprise
Occupational Mobility	Mobile	Vary	Vary	(Most) Mobile
	Eg. Land : farming Vs. building accommodation	<p><u>The reasons of occupational immobility :</u></p> <ul style="list-style-type: none"> • Lack of information • Lack of skills / qualifications 	<p>Eg. Office building (Accountancy firm Vs. Marketing firm)</p> <p>Or</p> <p>Eg. Copy Machines</p>	Entrepreneurs possess a variety of skills that can be applied in different industries.
Geographical Mobility	Immobile	Vary	Vary	(Most) Mobile
	It is not possible to move a part of land from Thailand to The UK.	<p><u>The reasons of geographical immobility :</u></p> <ul style="list-style-type: none"> •Differences in cost of living in different areas • Family ties • Lack of education • Restriction of the movement of labours 	<p>Eg. Coffee brewing machines</p> <p>Eg. A coal mine</p>	Entrepreneurs would like to expand business in another country.

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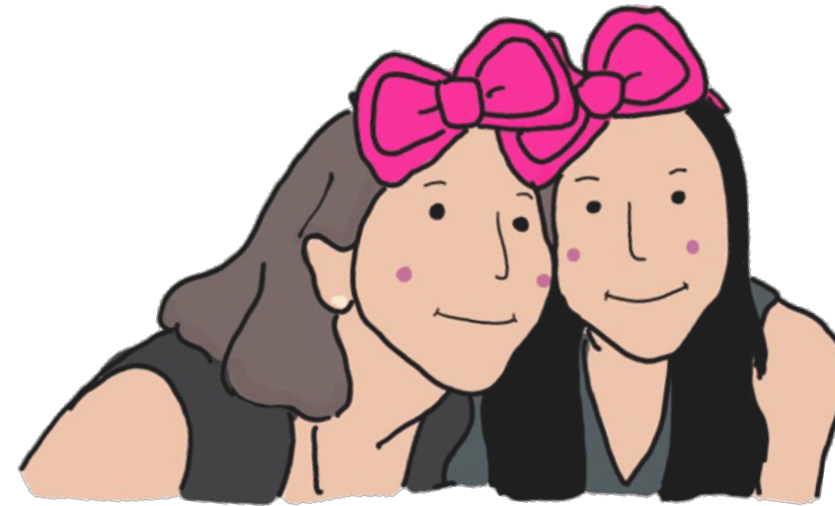
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MICROECONOMICS - Exercise - Factors of production

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Exercise: MCQ

1. In 2020, 1.5 billion barrels of natural gas and 50 billion barrels of oil were discovered in Dubai. Which factor of production has increased in Dubai due to this situation?

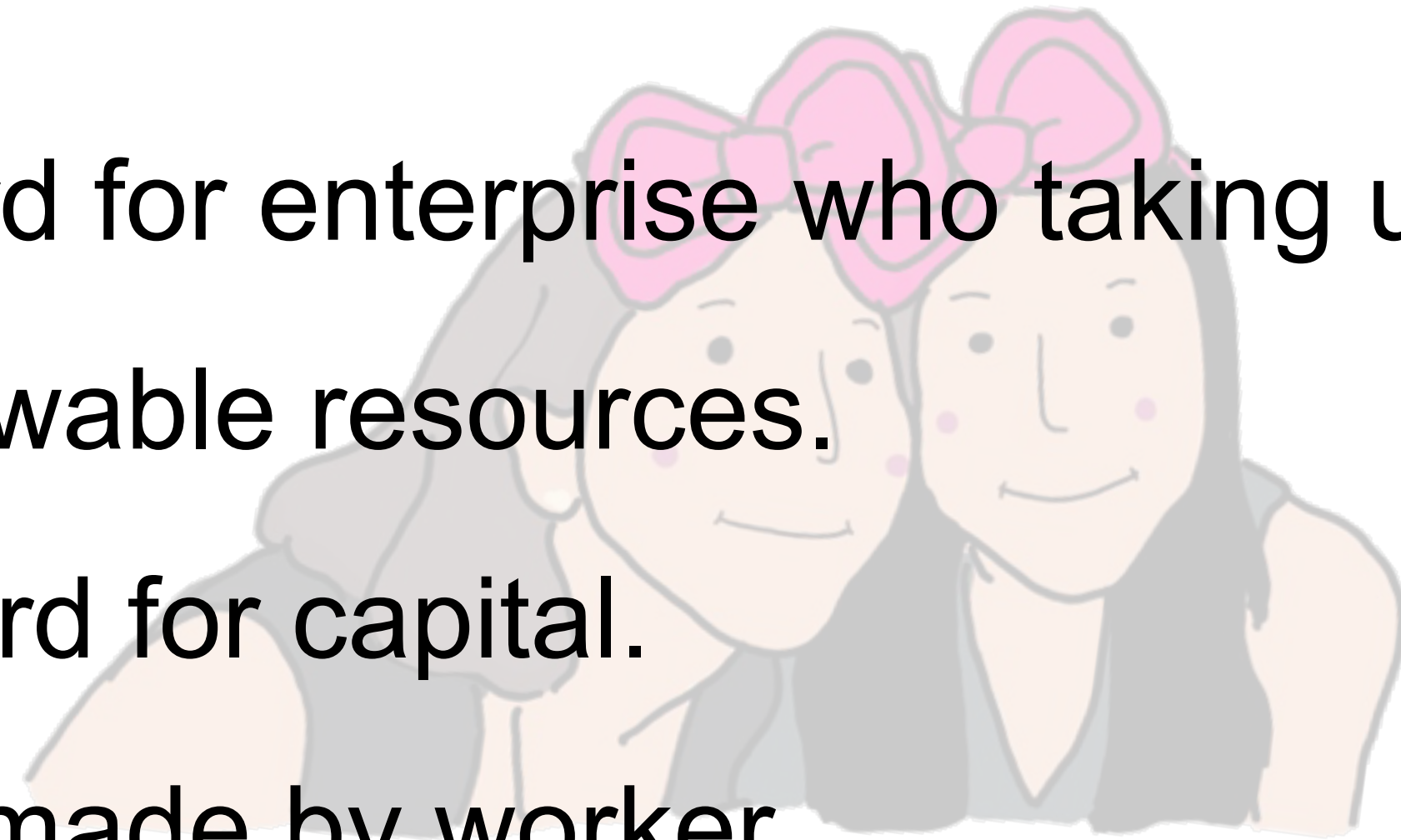
- A. Land
- B. Labour
- C. Capital
- D. Enterprise



Exercise: MCQ

2. Which statement about factors of production is correct?

- A. Profit is the reward for enterprise who taking uncertain risks.
- B. Land is only renewable resources.
- C. Wage is the reward for capital.
- D. Labour is output made by worker.

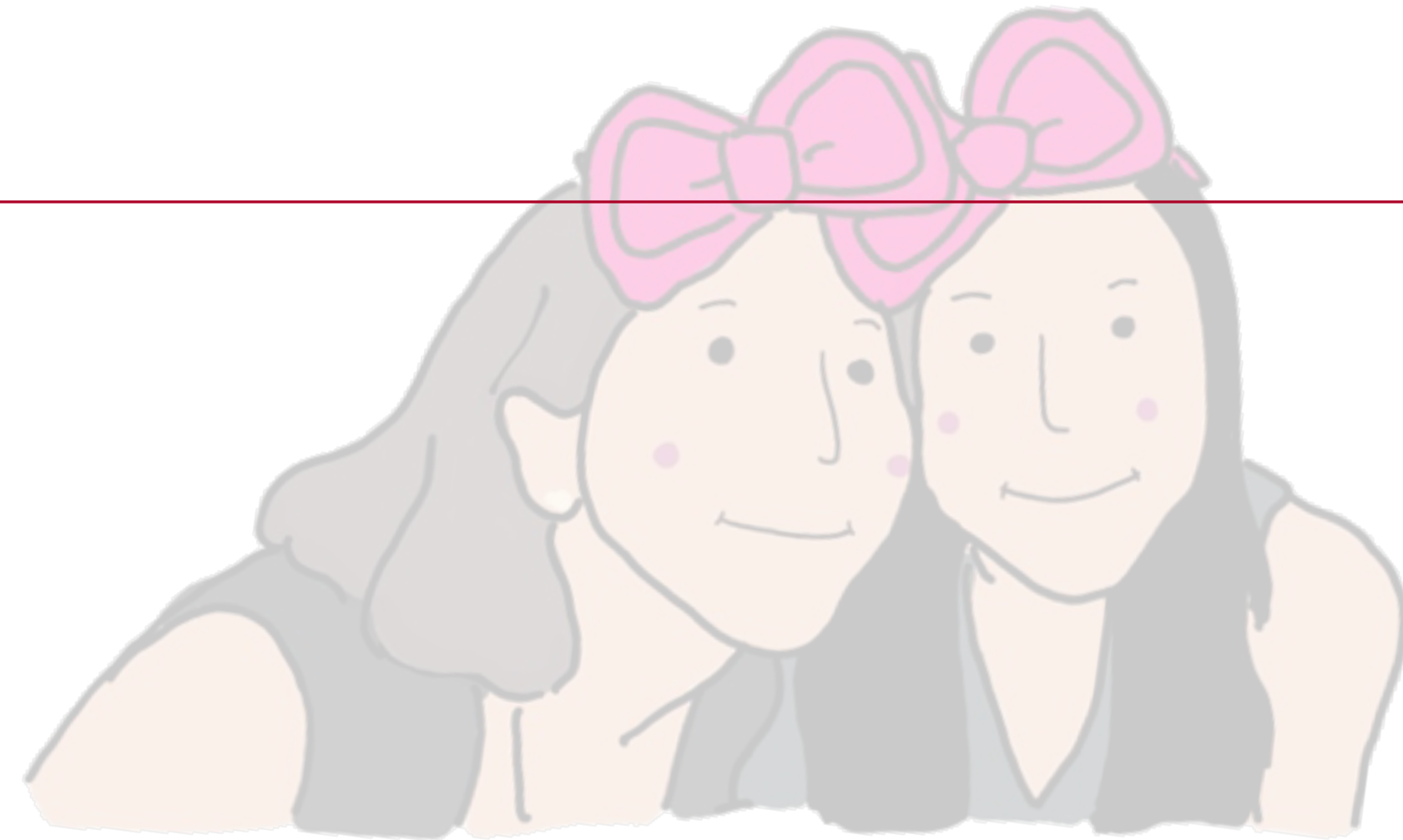


Exercise: Essay

1. Identify two factors of production involved in mining coal. (2 marks)

Command Word:

Identify: Name / Recognise

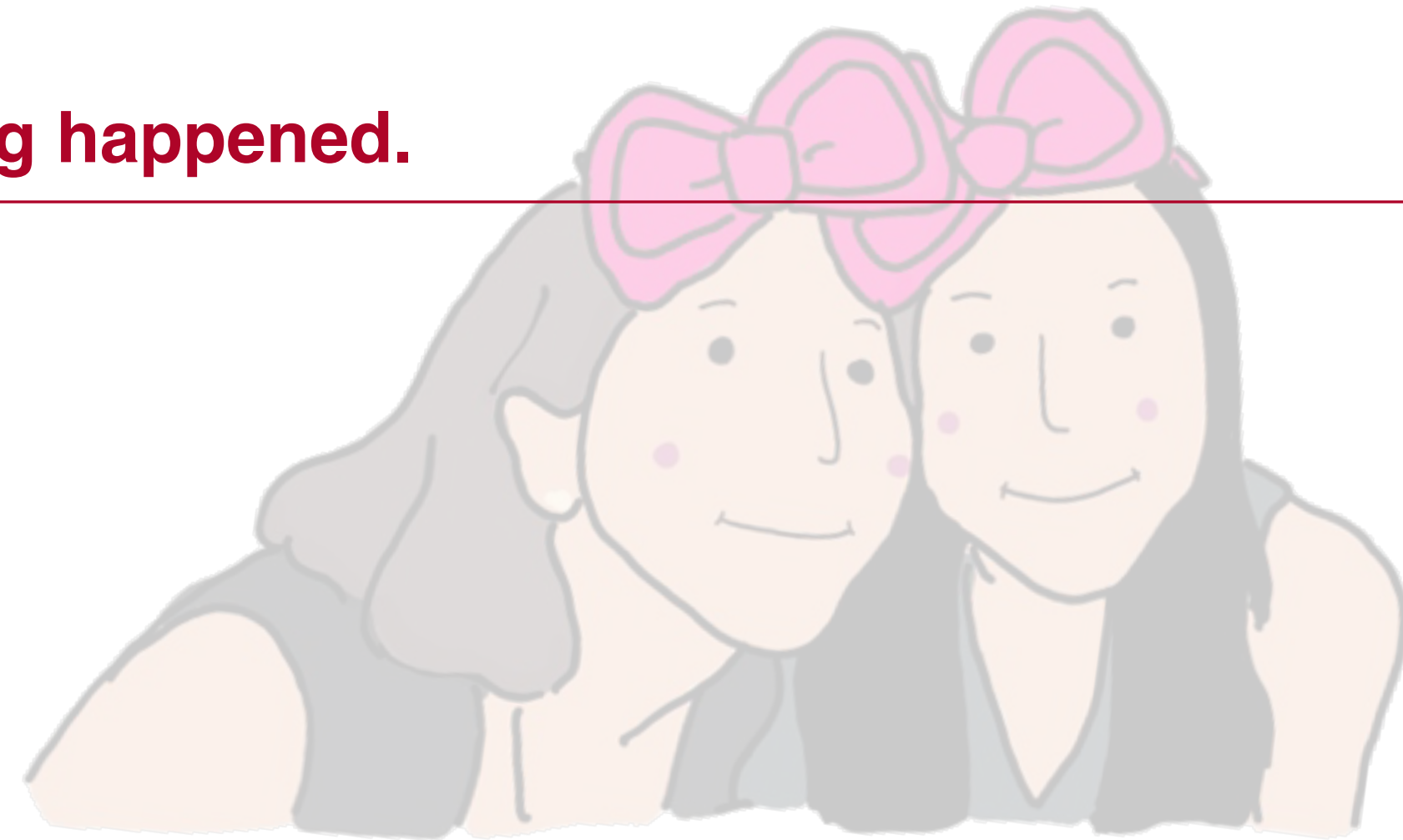


Exercise: Essay

2. Explain two differences between land and enterprise. (4 marks)

Command Word:

Explain : how or why something happened.



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