Chapter 1 - Guided Notes Answer Key

Three Most Important Concepts

Concept 1: Scarcity forces all businesses to make trade-offs and creates opportunity costs that smart entrepreneurs can turn into business opportunities.
Concept 2: Mixed economy rules set boundaries for businesses but create predictable frameworks that entrepreneurs can work within to succeed.
Concept 3: The four factors of production (LLCE) determine what businesses can create, and successful entrepreneurs find ways to maximize limited factors.

Main Concept Overview

Answers: scarcity, mixed economy, factors of production, within, resources

Matching Section

Answers:
1. D (Opportunity Cost = What you give up when making a choice)
2. C (Mixed Economy = Government rules combined with market freedom)
3. A (Factors of Production = Land, labor, capital, and entrepreneurship)
4. B (Land (business) = Where stuff comes from in business)
5. E (Scarcity = Limited resources that force tough decisions)

True/False Questions

Answers:
1. False (Each business must evaluate its own situation and costs)
2. True (Different products have different regulatory requirements)
3. False (Most real-world economies fall somewhere in between)
4. True (Land, Labor, Capital, Entrepreneurship)
5. False (Smart businesses find ways to maximize one factor when others are limited)

Fill in the Table

Business Type	Most Challenging Factor
Online tutoring service	Labor (finding qualified tutors)
Food truck business	Land (getting permits and finding good locations)
Photography studio	Capital (expensive camera equipment and software)
Lawn care service	Capital (equipment costs) or Labor (physical demands)

Application Questions

Sample Answers:

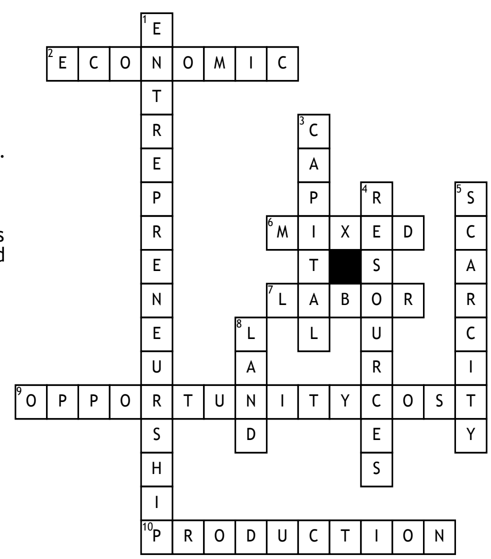
1. Consider long-term earning potential of business knowledge vs immediate income, time commitment of each option, and personal career goals.
2. Need school administration approval, follow health department rules if applicable, understand school fundraising policies, get proper permits if selling off-campus.

Economic Systems & Resource Allocation

J P D Y O Q O B C W M D O O G R A Y S Y K O C F
S L Y Q K T F F G E X D C Q N A I N U H O P M S
A S U L A M K M S B L P G P A N S B O E V P E H
S F L N F N R U I C G L A B O R A U G A O O V E
J U I H N L B N S X O Q U T N Z R G T L D R L C
C B H V P E O G T G E I R U U D D B V C A T C O
J R Y H D N Y O H W D D P S X B L C A Z W U D N
Y U R R W T F R T O V P E N X S E T B F H N C O
G R E L P R J M U F W M T C B M N L I E E I C M
P V S A R E N Q X M N V V J O N B D L I V T E I
G B O P C P C D G U D P S X Z N N Y K D L Y K C
D J U I Z R R A L T J V R F O T O K V Q B C Y S
H L R W Z E H Q P Z B E H T E S Z M J P F O M Y
M W C L O N B V J I V X X X G C C Z Y F D S J S
N K E J V E T S A G T E H O C I U A X M G T Q T
C E S S T U G L B X W A S R J X Z Z R V B L F E
C Y U O A R P P V F E T L Y C M Q C B C Y A Q M
L S A S P S U T L A N D P X V W E B Q Y I E Q G
B I P Y F H K Q G S T Q Y B F R Z F O Q X T P L
K V Q O Q I H E U V Z A P Y N R Y S M A M O Y Q
U H Q A W P J X L W D X F T Z R Y R Q L V A Z G
N F W Q V Q F R O N P M N S I K S R G R F I R V
B N F A C T O R S O F P R O D U C T I O N C W K
X L O F J R Y X Q G U A J S G B J E C E J O T E

Mixed Economy
Scarcity
Land
Capital
Factors of Production
Resources
Labor
Economic System
Opportunity Cost
Entrepreneurship

Economic Systems & Resource Allocation



Across

2. The way a society organizes the production, distribution, and consumption of goods and services. ____ System

6. An economic system that combines elements of both market and command economies, with both private businesses and government regulation. ___ Economy

7. All human effort used in production, from physical work to mental planning and decision-making.

9. The value of the best alternative choice that you give up when making a decision. (Two words)

10. The four basic resources needed to create goods and services: land, labor, capital, and entrepreneurship. Factors of ____

Down

1. The factor of production that involves innovation, risk-taking, and the ability to combine land, labor, and capital into successful businesses.

3. The tools, equipment, technology, and money that businesses use to create products and services.

4. The inputs used to produce goods and services, including natural resources, human skills, and capital equipment.

5. The basic economic problem that occurs when people have unlimited wants but limited resources to satisfy those wants.

8. All natural resources including physical locations, raw materials, and anything that comes from nature.

Chapter 1 - Hypothetical & Case Study Answer Keys

Hypotheticals Answer Key: Economic Systems & Resource Allocation

Hypothetical 1: Social Media Marketing Internship

a) Opportunity cost is $60 weekly income difference ($300 vs $240) and easier work conditions, but missing skill development and industry experience.

b) Internship develops entrepreneurship and labor skills (marketing, content creation). Retail primarily develops labor skills (customer service, basic operations).

c) Must follow advertising truth rules, age-appropriate content standards, and copyright laws when creating posts for business accounts.

Hypothetical 2: Career Path Decision

a) CS degree opportunity cost is broad business knowledge and networking. Business degree opportunity cost is deep technical expertise and immediate high-paying opportunities.

b) Cannot maximize both technical depth and business breadth simultaneously. Must choose primary focus then supplement with secondary skills later.

c) Business degree better develops entrepreneurship factor and understanding of how to coordinate other factors, while CS degree maximizes one specific labor skill.

Case Study Answer Key: The PopSocket Opportunity

1. Understanding Question:
Scarcity forced Barnett to choose garage over expensive manufacturing space (land). Limited capital ($18,000) required careful allocation across equipment and materials. Mixed economy allowed crowdfunding approach while following product safety rules.

2. Evaluation Question:
Yes - balanced all four factors effectively. Started small to test market, used crowdfunding to build demand, scaled systematically. Revenue growth from $1M to $100M shows successful resource allocation.

3. Application Question:
Start with available resources rather than waiting for perfect conditions. Test ideas before major investments. Balance factors of production instead of over-investing in one area. Use entrepreneurship to work within economic system constraints.

Data Analysis Answer Key: Resource Allocation in Student Businesses

1. Data Interpretation Question:
The Food Truck Helper business spent $200 on labor costs during the three-month period.

2. Pattern/Trend Question:
No clear pattern exists between capital/equipment spending and revenue. Food Truck Helper had lowest equipment spending ($100) but highest revenue ($2,800), while Social Media Design had highest equipment spending ($350) but lowest revenue ($1,200).

3. Business Application Question:
Food Truck Helper's balanced allocation strategy appears most effective, generating $2,800 by investing across multiple factors rather than concentrating on equipment. New entrepreneurs should consider balanced spending rather than over-investing in capital/equipment alone, as service-focused businesses often outperform equipment-heavy businesses initially.

Extension Article Answer Key: Economic Thinking for Young Entrepreneurs

Key Reflection Question Answer:

Students should identify specific problems they observe (scheduling conflicts, expensive solutions, unmet needs) and connect them to economic concepts. Sample answers might include:

- Time management apps that don't work for student schedules (scarcity of effective solutions)
- Expensive tutoring limiting access (capital constraints creating opportunity)
- School fundraising restrictions (mixed economy creating need for compliant alternatives)

Strong answers will show understanding that problems represent market gaps and that resource constraints can become competitive advantages through creative solutions.

Economic Systems & Resource Allocation

Lecture Outline

Introduction

- Define economic systems as the framework for all business decisions
- Explain importance in career preparation and entrepreneurship
- Connect to students' daily decision-making experiences

Key Components of Economic Systems

Scarcity and Opportunity Cost

- Every choice involves giving up alternatives
- Businesses face same constraints as individuals
- Smart entrepreneurs turn others' limitations into opportunities
- Personal example: time allocation between work and education

Mixed Economy Framework

- Combination of market freedom and government regulation
- Real-world examples: permits, licenses, safety requirements
- Benefits: protection and predictability for businesses
- Student applications: school fundraisers, online sales, food service

Factors of Production (LLCE)

- Land: physical space and natural resources
- Labor: all human effort and skills
- Capital: tools, equipment, and financial resources
- Entrepreneurship: innovation and risk-taking that combines other factors
- Successful businesses maximize strengths when other factors are limited

Real-World Applications

- Pizza shop scheduling decisions based on customer demand
- Student businesses navigating school and legal requirements
- Career choices involving trade-offs between immediate income and future preparation

Impact and Implications

- Economic thinking improves personal and business decision-making
- Understanding systems helps identify opportunities others miss
- Preparation for working within regulatory frameworks throughout career

Conclusion

- Economic systems create both constraints and opportunities
- Success comes from working with economic realities, not against them

Class Discussion Prompts

1. What are some examples of scarcity and trade-offs you have observed in your own school or community?

2. How do government regulations in your area affect what types of businesses can succeed?

3. When you think about starting a business someday, which factor of production would be your biggest challenge?

4. What opportunities do you see where existing businesses cannot meet all customer needs?

5. How might understanding economic systems change the way you approach major life decisions?

Hands-on Activities

Activity 1: Personal Opportunity Cost Analysis

Materials: Worksheets, calculators
Instructions:
1. Students list their top 3 ways to spend free time and money
2. Calculate opportunity costs for different choices
3. Identify patterns in their decision-making
4. Discuss how this applies to business decisions

Expected Outcomes: Students recognize trade-offs in their own lives
Assessment Criteria: Accurate calculation and thoughtful analysis of personal choices

Activity 2: Economic System Comparison

Materials: Research access, presentation materials
Instructions:
1. Assign small groups different countries/regions
2. Research how businesses operate under different economic systems
3. Create presentations comparing regulations and opportunities
4. Class discussion on advantages and disadvantages

Expected Outcomes: Understanding of how systems affect business operations
Assessment Criteria: Accurate research and clear presentation of differences

Activity 3: LLCE Business Planning

Materials: Business idea worksheets, resource planning templates
Instructions:
1. Students choose a simple business idea (tutoring, lawn care, etc.)
2. Identify what they need for each factor of production
3. Determine which factors are most challenging to obtain
4. Brainstorm solutions for overcoming resource limitations

Expected Outcomes: Practical application of factors of production
Assessment Criteria: Realistic resource assessment and creative problem-solving