**KEYWORDS**

**Economics** - This is the study of how society, people, business nad

government uses its limited resources and make choice to satisfy their

needs.

**Economic Resources -** These are the factors that are used to produce and

distribute goods and services

**Needs** -These are things that are necessary for survival. For example, Food

and Water

**Wants** - These are things that we don’t need for survival but would like to

have. For example, the newest mobile phone

**Financial Cost** - This is the cost to buy a product or service. It is the price

of the item that we want to buy

**Opportunity Cost** - This is what we could have spent the money one after a

purchase. Its when we buy an item we lose the chance to do something else

with the money

**Rational Choice** - This is a choice that will provide the greatest benefit from the limited resources

**Factors of Production** - These are the economic resources needed to

produce goods and services

**SELF TEST QUESTIONS**

1. Define the term economics

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2. Explain the term Economic Resources

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4. Identify and outline the Factors of Production

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5. Explain how Scarcity, Choice and opportunity impact the factors of production

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6. List the rewards for each factor of production

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**FACTORS OF PRODUCTION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Factor | **Land** | **Labour** | **Enterprise** | **Capital** |
| Definition | This is anything that is produced by nature – Fields, Sea, Mines. Some source are renewable solar and wind power | These are the people involved in producing the goods and services – Factory Workers. Labour is scares as it depends on the skills people have and if they are available for work | This factor brings together the other factors of production. It involves a person setting up a business because they see a gap in the market. They take the personal and financial risk and are know as entrepreneurs | These are the items that are used in the production of goods and services -Machinery. |
| Reward | Rent | Wages | Profit | Interest |

**SCARCITY, CHOICE AND OPPORTUNITY IMPACT THE FACTORS OF PRODUCTION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Factor | **Land** | **Labour** | **Enterprise** | **Capital** |
| Scarcity | Less land for crops and building of businesses | Less skilled people and people to produce produces/services | Less business to produce product/service to meet the needs of consumers | Less Profit for business |
| Choice | What will be produced | Who will produce it | Where will it be produced | How will it be produced |
| Opportunities | Produce different product | Use skills to produce products | Making more profit | Using resource effectively |