
3.1

Managing Resources

Scarcity and Choice (Economic Resources)

Learning Outcome Notes

LO 3.1 - Explain how scarcity of economic resources results in individuals having to make choices predict possible consequences of these choices

CHAPTER QUESTIONS

By the end of this learnign outcome you should be able to do the following

1. Define the term economics?
2. Explain the term economic resources?
3. Identify and outline the factors of production?
4. Describe how a business scan use the factors of production?
5. Explain how scarcity, choice and opportunity cost impact on the factors of production?
6. List the rewards for each factor of production?

WHAT IS ECONOMICS

Economics	Def This is the study of how society, people, business nad government uses its limited resources and make choice to satisfy their needs.
Economic Resources	Def These are the factors that are used to produce and distribute goods and services.
Needs	Def These are things that are necessary for survival. For example, Food and Water.
Wants	Def These are things that we don't need for survival but would like to have. For example, the newest mobile phone.

Remember that resource are scares which means we must use them efficiently.

There are two cost involved when we make a purchase. These are -

Financial Cost	Def This is the cost to buy a product or service. It is the price of the item that we want to buy.
Opportunity Cost	Def 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	Def This is a choice that will provide the greatest benefit from the limited resources.

FACTORS OF PRODUCTION

Factors of Production ^{Def} These are the economic resources needed to produce goods and services.

There are 4 factors of production - Land, Labour, Capital and Enterprise

1. Land

This is anything that is produced by nature - Fields, Sea, Mines. Some sources are renewable Solar and wind power. The reward for land is rent.

2. Labour

These are the people involved in producing the goods and services - Factory Workers. Labour is scares as it depends on the skill people have and if they are available for work. The reward for labour is Wage.

3. Capital

These are the items that are used in the production of goods and services -Machinery. The reward for capital is interest.

4. Enterprise

This factor bring 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. The reward for enterprise of profit

SCARCITY

All these Factors of production have 3 things in common 1. They have value, 2. They are alternative and 3 they are in limited supply. Because of this choice have to be made. These choices include -

1. What will be produced?
2. How will it be produced?
3. Where will it be produced?
4. Who will produce it?

3.1

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Past Exam Questions and Answers

NOTE - Very Important

It is very important when answering exams question that you use the following steps -

1. That you know the information for the learning outcome
2. That you understand the information form the learning outcome
3. That you can apply the information form the learning outcome to the question
4. Be able to give at least two full sentences for your answer (Fill up the space)

Questions are changing from rote learning to applying the knowledge to the Question

QUESTIONS**2019 - Question 10**

Please fill in the missing factors of production below

1. _____	2. _____
Factors of Production	
3. _____	4. Enterprise

SUGGESTED SOLUTIONS**2019 - Question 10**

Please fill in the missing factors of production below

