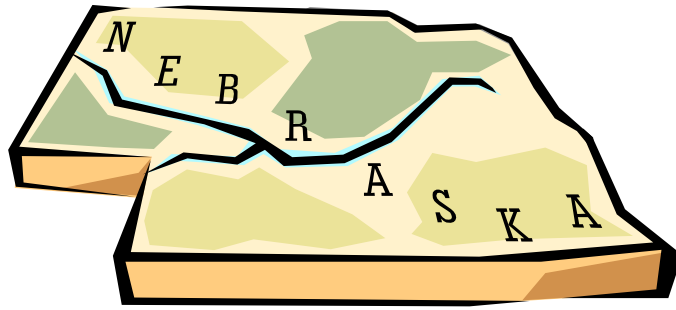


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## *Creating Your Own Career*

**Economics Lessons  
for Secondary Teachers**

*by:*

*Tammie Fischer*

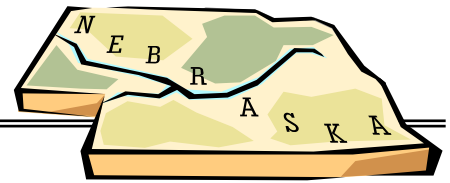
*Mary Lynn Reiser*

*Sponsored by:*

*Nebraska Council on Economic Education*

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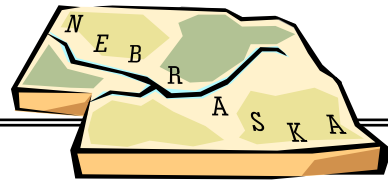
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# The Economics of Entrepreneurship

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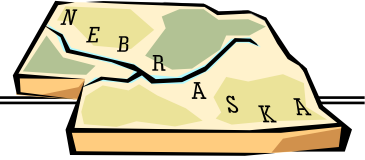
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# Correlation to Nebraska Standards



Nebraska Standards	1	2	3	4	5	6	7	8	9	10	11
<i>Social Studies/History—8<sup>th</sup> Grade</i>											
8.3.5—Students will explain the structure and operation of the United States economy and the role of citizens as producers and consumers.	X	X	X	X	X	X	X	X	X	X	X
*8.3.6—Students will describe the government's role in the United States economy						X	X				
<i>Social Studies/History—12<sup>th</sup> Grade</i>											
*12.3.10— Students will describe the development and implementation of personal economic decision-making skills in a democratic society.			X			X					
12.3.11—Students will analyze characteristics of the United States market economy.		X		X		X	X	X	X	X	X
*12.3.11a— Students will discuss opportunity costs, scarcity, and balancing unlimited wants versus limited resources.			X					X			
*12.3.11b— Students will explain supply and demand, and the formation of basic economic questions, including what to produce, how to produce, and for whom to produce.	X			X	X						X
*12.3.11c— Students will describe the role of private ownership, private enterprise, profits, and entrepreneurship.	X	X	X	X	X	X	X	X	X	X	X
12.3.12—Students will analyze the role of the national, state, and local government in the United States economy.							X				
*12.3.12a— Students will discuss the impact of fiscal and monetary policy.							X				
<i>Reading/Writing—8<sup>th</sup> Grade</i>											
8.1.1— Students will identify the main idea and supporting details in what they have read.	X		X	X	X	X	X	X			X
8.1.2— Students will identify, locate, and use multiple resources to access information on an assigned or self-selected topic.	X			X							X
8.2.1— Students will write using standard English (conventions) for sentence structure, usage, punctuation, capitalization, and spelling.	X	X	X	X	X		X	X	X	X	X

8.2.2— Students will write compositions with focus, related ideas, and supporting details.											X	X
8.2.3— Students will revise and edit descriptive compositions.											X	
8.2.4— Students will demonstrate the use of multiple forms to write for different audiences and purposes.	X		X				X	X				
8.2.5— Students will demonstrate the ability to use self-generated questions, note taking, summarizing and outlining while learning.	X			X		X	X				X	X
8.3.1— Students will participate in group discussions by asking questions and contributing information and ideas.		X	X	X	X	X	X	X				
8.3.2— Students will use multiple presentation styles for specific audiences and purposes.				X	X	X					X	X
8.4.1— Students will identify information gained and complete tasks through listening.				X	X	X				X	X	

Correlating Lesson

\* signifies an indicator of listed standard

## Correlation to Nebraska Standards (Cont.)

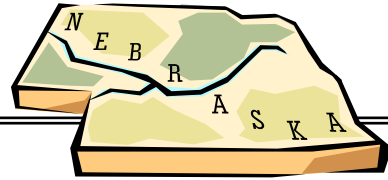


Reading/Writing—12 <sup>th</sup> Grade	1	2	3	4	5	6	7	8	9	10	11
12.1.1— Students will identify the main idea and supporting details in what they have read.	X	X	X	X	X	X	X	X			X
12.1.2— Students will locate, evaluate, and use primary and secondary resources for research.	X			X			X				X
12.2.1—Students will write using standard English (conventions) for sentence structure, usage, punctuation, capitalization, and spelling.	X	X	X	X	X		X	X	X	X	X
12.2.2— Students will write compositions with focus, related ideas, and supporting details.										X	X
12.2.3— Students will revise and edit persuasive compositions.										X	
12.2.4— Students will use multiple forms to write for different audiences and purposes.			X				X	X		X	
12.2.5— Students will demonstrate the ability to use self-generated questions, note taking, summarizing, and outlining while learning.	X			X		X	X	X			X
12.3.1— Students will participate in student directed discussions by eliciting questions and responses.		X	X	X	X	X	X	X	X		
12.3.2— Students will make oral presentations that demonstrate consideration of audience, purpose, and information.				X	X	X				X	X
<i>Mathematics—8<sup>th</sup> Grade</i>											
8.1.1— Students will recognize natural numbers, whole numbers, integers, and rational numbers.								X	X		
8.2.2—Students will identify the appropriate operation and do the correct calculations when solving word problems.								X			
8.2.3— Students will solve problems involving whole numbers, integers, and rational numbers (fractions, decimals, ratios, proportions, and percents) with and without the use of technology.			X		X				X		
8.5.1— Students will collect, construct, and interpret data displays and compute mean, median, and mode.					X						
8.5.2—Students will read and interpret tables, charts, and graphs to make comparisons and predictions.			X		X				X		
8.6.3—Students will describe and represent relations, using tables, graphs, and rules.					X						

Mathematics—12 <sup>th</sup> Grade											
12.2.1— Students will solve theoretical and applied problems using numbers in equivalent forms, radicals, exponents, scientific notation, absolute values, fractions, decimals, and percents, ratios and proportions, order of operations, and properties of real numbers.								X			
12.2.3— Students will perform estimations and computations of real numbers mentally, with paper and pencil, and with technology.			X						X		

# Introduction

---



Thank you for opening up this curriculum guide and reading about entrepreneurship as part of economics education at your school. Economics, using a commonly recognized definition, is the study of how limited resources are used to meet the unlimited wants of people in society.

Are your wants really unlimited? Let me tell you about my typical day. I like to start with two or three cups of coffee and toast with butter and honey. Reading the newspaper is an excellent complementary good with my morning breakfast. Then I'm off to the shower to wash my hair, shave, put on after-shave lotion (this is probably more than you wanted to know about me, but...). Next, I'm off to work and while in route I may stop for gas, gum, and mints. After work, I want books to read, movies to watch and golf courses to be play. The list goes on and on. Do you have a similar list? When you look at your list and my list and your neighbor's list, you get the idea that wants are unlimited.

Are resources really limited? Before we get around to answering this question, let's think about what we mean by the term *resource*. When viewed in the most basic way, resources are people and things. With regard to things, we have land and capital resources. *Land* includes the soil and minerals below and even the trees rising out of the soil. *Capital* is the general name for all the tools, buildings, machines and similar items that are first produced, then used to assist in the production of other items. The computer I am using to type these words is the capital good I use in production.

People as resources can either be categorized as labor or entrepreneurial labor/skills. *Labor* is the human effort in production. As I type the words you

are reading, I am using my labor resource. As you look over the design of this document and structure of my writing, you are witnessing my entrepreneurial skill (OK, so maybe this isn't my comparative advantage!). The resource *entrepreneurship* coordinates the use of the other types of resources, or inputs, in the production process in a new or creative way.

Now, with some 305 million people and mile after beautiful mile of land in the United States, are resources limited? Do you always get what you want? Neither do I. But this means that *relative to our unlimited wants*, resources are limited. When the ideas of unlimited wants and limited resources are used together, you will often see the word *scarcity* mentioned. Scarcity is a shorthand way of referring to the combination of unlimited wants and limited resources. So, in some books you see a basic definition of economics as the study of scarcity.

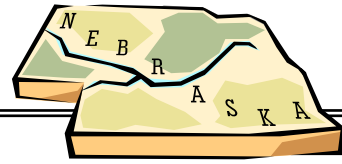
As we move forward and go through these lesson plans, remember the focus is on the entrepreneur in the context of economics. Also, remember the entrepreneur is the human resource in charge of organizing all the other resources in production. These lessons are designed to help you as a Nebraska teacher teach to and assess some of the standards for social studies, reading and writing, and mathematics. Each lesson will identify the standards addressed in that lesson by number. A grid is included in this curriculum that has the standards written out in full along with the lesson(s) that address each standard.

Take your time as you read through this guide and by all means, enjoy the trip! What could be worse than not enjoying the trip? Economics can be exciting and fun and focusing on the entrepreneur could be just the ticket you need to engage your students.



# Lesson 1: Nebraska Entrepreneur Success Stories

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**Overview:** From history you have probably heard of Thomas Edison, George Washington Carver and Eli Whitney. These inventors made items like the light bulb, peanut butter and the cotton gin. Inventors create something that did not exist before. Entrepreneurs create something as well. By combining resources and ideas, some of which may be new inventions, entrepreneurs create markets for products where none existed before. The computer industry today has an amazing number of entrepreneurs, with Steven Jobs of Apple and Bill Gates of Microsoft being two of the more prominent entrepreneurs. Many towns in Nebraska have entrepreneurs as well. Students can explore a Nebraska Department of Economic Development web site for information about many Nebraska Companies and entrepreneurs.

## Economic Concepts:

Entrepreneurship

**Objectives:** The students will be able to:

- 1) Define the term entrepreneurship
- 2) Identify 2 or 3 Nebraska entrepreneurs and describe their line of business.

## Nebraska Standards:

SS/H—8.3.5, 12.3.11b, 12.3.11c

R/W—8.1.1, 8.1.2, 8.2.1, 8.2.4, 8.2.5, 12.1.1, 12.1.2, 12.2.1, 12.2.5

## Materials:

- 1) Reprints of the article provided for each student; Activity 1-1.
- 2) Access to the Internet.
- 3) Transparency of Visual 1-1

**Time required:** 1 or 2 class periods

## Procedure:

- 1) Have the students read the reprint of the article (activity 1-1) and answer the following questions:
  - A. Who are the entrepreneurs and what are the main products sold? (Sally Everett and Alex Brening; Don Everett and Don Everett Jr.; Sandwiches and other Food.)
  - B. What did Don Everett Sr. make sure to remember as the chain expanded? (Ensure quality was never compromised for the sake of growth.)
  - C. What actions did Don Everett Sr. take in 1966 in order to start the business? (Purchased the rights to the sandwich, trademarked the product, and found a location.)
  - D. What does this Don Everett Jr. define as the key to success? (To provide value through food and service.)
  
- 2) Display Visual 1-1. Tell students that these Nebraska Businesses are members of the Nebraska Business Hall of Fame, which was founded in 1992 by the Nebraska Chamber of Commerce and Industry in cooperation with the University of Nebraska-Lincoln. These business leaders are recognized for their contribution to Nebraska's economy and business environment and are deserving of public acclaim. Each year, new inductees are added to this prominent list of individuals.
  
- 3) Visit 2 or 3 of the websites for well-know companies (i.e. Nike, Adidas) and find the following at each site:
  - A. The product(s) made,
  - B. Some history of the company, paying attention to the motivation of the founders of the company. What lead them to be entrepreneurs?
  - C. Are the products sold in local markets, within the state, within the country, or around the world?

## Assessment:

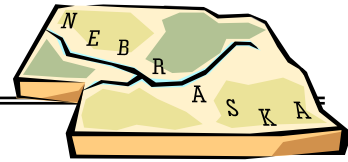
- 1) In the space provided, define the term entrepreneur in your own words.
  
  
  
  
  
  
  
  
  
  
- 2) Compose a brief paragraph that outlines what Donald Everett Jr. considers to be important when owning a business.

### Extension Activity:

Have the students prepare a one-page proposal for a business they would like to own and operate in the future. The proposal should include the product and/or service they sell, who they will sell to, where they will locate, and potential related markets they could explore. If your school incorporates six-trait writing, instruct the students to incorporate the traits you are currently incorporating in your curriculum.



## Activity 1-1



Runza® Restaurants is kicking off its 60th anniversary celebration with a 60 cent Original Runza® Sandwich sale. From Wednesday, February 18th to Tuesday the 24th, an Original Runza® Sandwich is only 60 cents with the purchase of a medium fry and medium drink. The offer is good at all Runza® locations. Substitutions and additions are extra.

The roots of the Runza® Sandwich – a mixture of ground beef, cabbage, onion, and special spices baked inside homemade bread – stretch all the way back to 18th century Russia. In 1763, Germans who were invited to settle in the Volga region of Russia by Czarina

Catherine the Great, developed the unique sandwich known as a bierock. A century later, many of the Germans immigrated to America due to a change in Russian leadership. Among those German-Russian immigrants was the Brening Family, who brought the bierock recipe with them to a farm near Sutton, Nebraska.

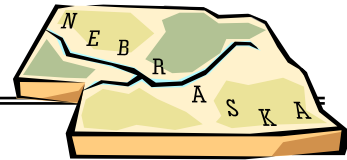


Sally Everett and her brother, Alex Brening, founded the company in 1949 and opened the first location near Pioneers Park with a \$500 investment. In 1966, Sally's son, Donald Everett, purchased the rights to the Runza® Sandwich, federally trademarked the name, and opened his first Runza® Restaurant at 56th & Holdrege. As the chain slowly expanded, Don ensured quality was never compromised for the sake of growth.

Donald Everett, Jr., President, stated, "My grandmother was a pioneer in the restaurant business. She quickly developed a reputation for quality food and service. It was on this strong foundation that the chain of Runza® Restaurants was built. She knew the key to success was to provide honest value through superior food and service." Runza® Restaurants possess a genuine commitment to maintain high quality products and customer service that helped launch the popularity 60 years ago.

Runza® Restaurants – famous for the Runza® Sandwich with its delicious blend of ground beef, cabbage, onions and secret spices baked inside homemade bread; made-to-order hamburgers; and homemade onion rings – operates and franchises restaurants in Nebraska (79), Colorado (2), Iowa (1) and Kansas (1).

## Visual 1-1



# Nebraska Business Hall of Fame Members

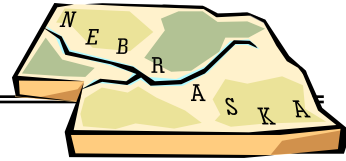
Most Recent Inductees

<b>Owner/ Founder</b>	<b>Date Inducted</b>	<b>Name of Business</b>	<b>Location</b>
<u>Donald Smeal</u>	2009	Smeal Fire Apparatus Company	Snyder
<u>Alan, Fred, and Steve Simon</u>	2009	Omaha Steaks	Omaha
<u>Willard H. Waldo</u>	2009	Waldo Farms	DeWitt
<u>J. Gates Minnick</u>	2009	DuTeau Chevrolet	Lincoln
<u>James P. Abel</u>	2008	NEBCO	Lincoln
<u>Fred Bosselman</u>	2008	Bosselman & Eaton Truck Stop	Grand Island
<u>Jack Vetter</u>	2008	Vetter Foundation	Gretna
<u>Dr. Wayne Ryan</u>	2007	Streck Laboratories	LaVista
<u>Dale C. Tinstman</u>	2007	First Nebraska Securities	Chester
<u>Robert Kelley and Gary Kelley</u>	2007	Kelley Bean Company	North Platte
<u>George F. Russell</u>	2007	Millard Lumber	Millard
<u>Bill Kubly</u>	2006	Landscapes Unlimited	Lincoln
<u>Robert "Bobby" Gottsch</u>	2006	Gottsch Enterprises	Elkhorn
<u>Bruce Lauritzen</u>	2006	First National Bank/ Lauritzen Corporation	Omaha
<u>Elizabeth Jane Robb Douglas</u>	2006	Douglas Manufacturing Corporation	Crete
<u>Jan Thayer</u>	2005	EXCEL Development Group	Grand Island
<u>Lawrence J. Arth</u>	2005	Ameritas Life Insurance Corp.	Lincoln
<u>William A. Fitzgerald</u>	2005	Commercial Federal	Omaha
<u>E.H. "Shoey" Shoemaker</u>	2005	Milldale Land and Cattle Company	North Platte

<u>Walter, Mike, and Gib Behlen</u>	2004	Behlen Manufacturing	Columbus
<u>Donald O. Clifton</u>	2004	The Gallup Organization	Lincoln
<u>Henry H. "Hod" Kosman</u>	2004	Platte Valley Bank	Scottsbluff
<u>Richard K. Davidson</u>	2004	Union Pacific	Omaha
<u>Thomas C. Woods, Jr.</u>	2003	Lincoln Telephone and Telegraph Company	Lincoln
<u>Roy Dinsdale</u>	2003	Dinsdale Bros. Inc./ Pinnacle Bank	Palmer
<u>Edwin E. Perkins</u>	2002	Perkins Products Company	Hastings
<u>C.L. Werner</u>	2002	Werner Enterprise	Omaha
<u>J. Robert Duncan</u>	2002	Duncan Aviation	Lincoln
<u>Hugh W. Hunt</u>	2002	HunTel Systems	Blair
<u>Joe R. Seacrest</u>	2001	Lincoln Journal	Lincoln
<u>Paul Mohr</u>	2001	Ideal Laundry	Scottsbluff
<u>Charles Durham</u>	2001	HDR/ Continental Care Center	Omaha
<u>Margaret Robinson</u>	2001	Norfolk Iron and Metal Company	Norfolk
Fred Hawkins, Sr.	2000	Hawkins Construction Company	Omaha
Charles Sand	2000	Sand Livestock Systems, Inc.	Columbus
Harriet Peterson Fort	2000	Peterson Manufacturing	DeWitt
Dale LeBaron	2000	Lincoln Plating Company	Lincoln
Jack Swartz	2000	Nebraska Chamber of Commerce and Industry	Lincoln

For the complete list go to <http://www.cba.unl.edu/about/halloffame/Default.aspx>

## Lesson 2: What are My Resources?



**Overview:** This lesson is designed to help students examine their own human resources. In this lesson students will examine their personal characteristics (human resources) and compare them to the characteristics that entrepreneurs tend to exhibit. After completing the assessment, some students may feel that they do not have what it takes to be an entrepreneur. Since people are not born with these characteristics but develop them through experiences, the lesson concludes with a discussion of what activities students can do to develop these characteristics. This lesson not only helps students examine the human resources they already possess; it provides them with ideas and activities that may be used to develop the personal characteristics necessary to be an entrepreneur.

### Economic Concepts:

Human Resources

**Objectives:** The students will be able to:

- 3) Identify their own human resources
- 4) Define human resources that entrepreneurs possess
- 5) Understand that personal characteristics are not inherited but are developed through experiences
- 6) Explain ways they can develop characteristics common to entrepreneurs

### Nebraska Standards:

SS/H—8.3.5, 12.3.11, 12.3.11c

R/W—8.2.1, 8.3.1, 12.1.1, 12.2.1, 12.3.1

## Materials:

- 1) One copy of Activity 2-1 (Human Resources Assessment) for each student
- 2) Overhead of Activity 2-2 (Entrepreneur's Response Key)
- 3) Overhead of Activity 2-3 (Human Resources Entrepreneurs Possess)
- 4) One copy of Activity 2-3 (Human Resources Entrepreneurs Possess) for each student

**Time required:** 1 or 2 class periods

## Procedure:

- 1) Tell students the following: *There are certain personal characteristics that entrepreneurs generally possess. These characteristics are the skills or Human Resources the entrepreneur adds to their business. Today we are going to take a simple test to determine how many, if any, of these resources you possess.*
- 2) Hand out Activity 2-1 to the students and instruct them to answer all questions honestly, turn them over when they are done, and wait quietly until all students are finished.
- 3) When all students have completed the "exercise", have them turn over their "exercise" and display the overhead of Activity 2-2. Have the students compare their answers to the responses given by entrepreneurs and circle the number of the question(s) that they agree with the responses of the entrepreneurs. For all the questions on the test have them list the personal characteristics listed in parentheses at the end of each question.
- 4) Distribute the copies of Activity 2-3 and display it on the overhead. Say the following: *There is no absolute definition of what a person has to be like to be an entrepreneur. However, people who start their own business have certain personality characteristics or resources in common. Some of these characteristics are described here.*

- 5) Read through the definitions on Activity 2-3 and instruct the students to place a check mark next to the characteristics they feel apply to them based on their answers to the questions on Activity 2-1.
- 6) After reading through Activity 2-3 ask the students the following questions:
  - A.) How many of you checked nine or more characteristics on 2-3? (*Numbers will vary*); B.) How many of you checked five or fewer? (*Numbers will vary*); C.) Are the people who checked 9 or more characteristics lucky because they were born with more characteristics than the people who checked 5 or less? (*No, personality characteristics can be developed through experiences we have they are not all inherited from our parents*); D.) What are some things or activities you could do to help you develop some of these characteristics and improve the human resources you would bring to your business? (*Answers will vary but the teacher should lead the discussion toward activities that students would be likely to be involved in such as running for a class office, serving as a class officer, trying out for the school play, etc.*)
- 7) Conclude the lesson by asking the following:
  - A.) How do people develop their personal characteristics or human resources? (*Through personal experiences*); B.) From the viewpoint of the entrepreneur what are their human resources? (*Personal characteristics and skills that the entrepreneur adds to their business*); C.) Is it necessary for an entrepreneur to possess every characteristic discussed in class to be successful? (*No, these are only characteristics common to entrepreneurs they cannot predict success or failure*).

### Assessment:

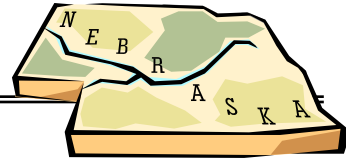
- 1) Being free to choose one's own actions is the personal characteristic known as...
  - A. determined
  - B. resourceful
  - C. creative
  - D. independence
- 2) Entrepreneurs who possess this characteristic will continue trying until they have a problem solved.

- A. determination\*
  - B. learning-oriented
  - C. efficient
  - D. resourceful
- 3) Aiming efforts toward a desired end would indicate that an entrepreneur is ...
- A. creative
  - B. goal-oriented\*
  - C. determined
  - D. responsible
- 4) Compose a short paragraph describing what you can do to help develop the personal characteristics that you did not check on Activity sheet 2-3. Use the appropriate conventions for composing a paragraph.

### Extension Activity:

As a homework assignment have the students interview one to two local entrepreneurs using the 15 questions on Activity Sheet 2-1. Students should record the results of each interview, making note of how many of the questions each entrepreneur answers the same as the common responses given on Activity 2-2 and how many they do not agree with. Students will then report their findings back to the class. The purpose of this activity is to show that there is no formula that can guarantee who will be a successful entrepreneur but that they do share common characteristics. The whole class could make a composite of the many local entrepreneurs.

## Activity 2-1



## Human Resource Assessment

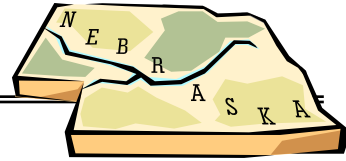
**Instructions:** This exercise is designed to help you compare your personal characteristics or human resources to the characteristics that entrepreneurs tend to exhibit. Place an X under the column that you feel best describes you. There are no right or wrong answers so please answer the questions honestly.

	Rarely or No	Mostly or Yes
1 Do you like taking chances?	_____	_____
2 Do you like school?	_____	_____
3 Do you like making your own decisions on the job?	_____	_____
4 Do you get bored easily?	_____	_____
5 Do you sleep as little as possible?	_____	_____
6 Do you feel unexpected energy when you tackle things that you like?	_____	_____
7 Do you finish what you start?	_____	_____
8 Do you try new things for the thrill of it?	_____	_____



- 9 Do you plan your tasks before getting started? \_\_\_\_\_
- 10 Do you worry about what others think of you? \_\_\_\_\_
- 11 Do you find it easy to get others to do something for you? \_\_\_\_\_
- 12 Do you enjoy doing something just to prove you can do it? \_\_\_\_\_
- 13 Do you find yourself constantly thinking up new ideas? \_\_\_\_\_
- 14 Do you like to take care of details? \_\_\_\_\_
- 15 Do you believe there should be security in a job? \_\_\_\_\_

## Activity 2-2



### Entrepreneur's Response Key

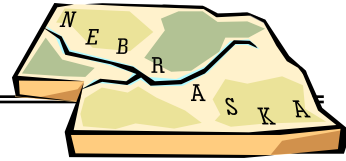
The answers shown here are what studies have shown to be the common responses given by entrepreneurs. Compare your answers to these responses and make note of the personal characteristics indicated in parentheses.

	Rarely or No	Mostly or Yes
1 Do you like taking chances? (risk taking)	_____	___ <u>X</u> ___
2 Do you like school? (learning oriented)	_____	___ <u>X</u> ___
3 Do you like making your own decisions on the job? (independence, responsibility)	_____	___ <u>X</u> ___
4 Do you get bored easily? (impatience, energy)	_____	___ <u>X</u> ___
5 Do you sleep as little as possible? (energy, time management)	_____	___ <u>X</u> ___
6 Do you feel unexpected energy when you tackle things that you like? (energy, resourcefulness)	_____	___ <u>X</u> ___
7 Do you finish what you start? (determination)	_____	___ <u>X</u> ___
8 Do you try new things for the thrill of it? (risk taking)	_____	___ <u>X</u> ___
9 Do you plan your tasks before getting started? (goal setting, management)	_____	___ <u>X</u> ___

- 10 Do you worry about what others think of you?      X      \_\_\_\_\_  
(self-confidence)
- 11 Do you find it easy to get others to do something  
for you? (leadership)    \_\_\_\_\_      X
- 12 Do you enjoy doing something just to prove you  
can do it? (need to achieve)    \_\_\_\_\_      X
- 13 Do you find yourself constantly thinking up new  
ideas? (creativity)    \_\_\_\_\_      X
- 14 Do you like to take care of details? (impatience)      X      \_\_\_\_\_
- 15 Do you believe there should be security in a job?  
(self-confidence)      X      \_\_\_\_\_

## Activity 2-3

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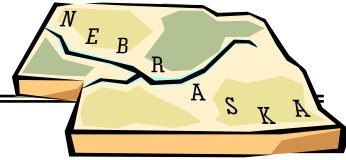


### *Human Resources Entrepreneurs Possess*

- **Risk taking.** To chance the possibility of loss. To some, risk taking seems foolish and dangerous, but many entrepreneurs see it as an adventure due to their belief in their ability to succeed.
- **Learning-oriented.** To gain skill through experience. Learning often requires making mistakes. This is very closely related to risk taking. Entrepreneurs view this as necessary for improvement.
- **Independent.** To be free to choose one's own actions. In other words, making their own decisions about how to run their business.
- **Responsible.** To be answerable for one's conduct and obligations. Being accountable for your own decisions and actions.
- **Impatient.** To become restless when delayed. Entrepreneurs prefer quick actions and results because they have high energy levels.
- **Efficient.** To be productive without waste. Maximizing every waking moment because of the heavy demands of operating your own business.
- **Resourceful.** To meet the demands of unexpected situations. Creative problem solvers.
- **Determined.** To continue trying until the problem is solved. Instead of giving up when faced with a problem, entrepreneurs will search for a way to overcome problems.

- **Goal-oriented.** To aim efforts toward a desired end. Entrepreneurs decide what they want, plan to achieve it, and make the plan work.
- **Self-confident.** To see yourself as talented and able. Believing in the ability to succeed.
- **Leaders.** To direct and manage activities. Strong direction and decision-making are characteristic of entrepreneurs' leadership.
- **Creative.** To design or make something new. Entrepreneurs are always on the lookout for new and better ways to do things.

## Lesson 3: What's In It for Me?



**Overview:** In this lesson students will examine both the benefits and costs that are associated with owning and operating a business. By completing a decision-making grid, students will realize that being your own boss involves trade-offs. In addition to this students will examine the incentives for starting a business as well as the opportunity costs involved.

### Economic Concepts:

#### **Benefits**

#### **Costs**

Decision Making

Incentives

Opportunity Cost

Trade-offs

**Objectives:** The students will be able to:

- 1) List the incentives that could be considered when starting a new business
- 2) Identify the costs and benefits of business ownership
- 3) Name the trade-offs between business ownership and employment
- 4) Define opportunity cost

### Nebraska Standards:

SS/H—8.3.5, 12.3.10, 12.3.11a, 12.3.11c

R/W—8.1.1, 8.2.1, 8.2.4, 8.3.1, 12.1.1, 12.2.1, 12.2.4, 12.3.1

## Mathematics—8.2.3, 8.5.2, 12.2.3

### Materials:

- Small prizes for winners of small group activity
- A timing device to time small group activity
- One copy of Activity Sheet 3-1 for each student

**Time required:** 1 or 2 class periods

### Procedure:

- 1) Divide the students into groups of 3 or 4 and give them the following instructions: a.) List reasons why a person would want to start their own business; b.) Only one person is allowed to write for the group; c.) You will have one minute to complete this task; d.) Try to see if your group can come up with the most written reasons.
- 2) Time the exercise and after one minute tell the groups to stop writing. Then ask each group how many reasons they were able to list. Ask only for the number of reasons, not the reasons they listed. Record the results for each group on the board.
- 3) Tell the students that you are going to do another round similar to the first round but with two changes. First, they are to use the backside of their paper and they cannot use any of the reasons they listed during the first round. Second, each member of the group that lists the most new reasons will receive a prize. (show prize that the members of the group will receive)
- 4) Time the exercise and after one minute tell the groups to stop writing. Ask for a representative from each group to record their reasons from rounds one and two on the board. (Have all the group representatives record their results at the same time to save both time and to keep groups from trying to add reasons while one group is recording)

- 5) Determine which group had the most new reasons in the second round and award the prizes. Working under the assumption that most groups had more reasons listed for the second round than for the first, ask the following: Why were you able to come up with more reasons during the second round than you were the first? (*Because we were competing for a prize*). If the groups were unable to come up with more reasons during round two say: I noticed that you seemed to work much harder during the second round than the first, why? (*The answer should have something to do with receiving the prize*)
  
- 6) Explain to the students that the prize they were competing for is known as an **incentive** just like the reasons listed on the board are incentives for people to go into business for themselves. Write the following definition on the board: *Incentives are factors that motivate and influence human behavior*. Then explain that economic incentives usually influence people to go into business for themselves to either achieve financial or material gain or to avoid financial or material loss. Then ask the students to identify the economic incentives from their lists on the board.
  
- 7) After identifying the economic incentives from their lists, explain to the class that even though there may be a great deal to gain from starting your own business there are also some things that must be given up. Giving up one thing, such as a job working for someone else, to have another, such as operating your own business, involves a **trade-off**. Write the following definition on the board: *Trade-offs involve accepting or choosing less of one thing to get more of something else*.
  
- 8) Tell the students the following: *Because a decision to start their own business will involve making trade-offs, an entrepreneur needs to weigh the benefits (what they will gain) against the costs (what they will give up) of each alternative they are considering. In order to receive the most satisfaction from their decision, they should choose the alternative that gives them the most benefits and the least costs based on their criteria*.
  
- 9) Hand out Activity Sheet 3-1 and tell the students that you are going to do a brief activity to illustrate how a potential entrepreneur may weigh costs and benefits to determine if they should start their own business. Read through the directions with the students and ask if they have any



questions. If there are no questions or after all questions have been answered, have the students complete the worksheet.

- 10) After the students have completed the worksheet, ask the following questions: a.) What alternative should Indy Pendant choose to receive the greatest satisfaction? (Alternative A), Sue Curity? (Alternative C); b.) Both women used the same criteria to evaluate the same alternatives so why did they choose different alternatives? (Because of their different values they weighed the criteria and alternatives differently).
- 11) Explain to the class that, like these two women, they need to consider their own values when making decisions to gain the most satisfaction from their decision. Then ask: What alternative would be the second best choice for Indy? (Alternative C), for Sue? (Alternative A). Tell the students that if both women chose the alternative in Step 10, the second best alternatives would be their **opportunity cost**. (Point of emphasis: The opportunity cost is only the second best choice, not both alternatives that were not chosen) Write the following definition on the board:  
*opportunity cost is the forgone benefit of the next best alternative when scarce resources are used for one purpose rather than another.*
- 12) Conclude the lesson by reviewing the following points: a.) Entrepreneurs must analyze the costs and benefits of going into business; b.) Make trade-offs that will result in the greatest satisfaction from the decision they make; and c.) Give something up for the alternative they choose and that something is the opportunity cost of making their decision.

### Assessment:

- 1) Juan Trey Preneur is considering starting his own business and has evaluated three different alternatives. According to his criteria he has decided that the best option for him is to keep his current job and operate his business on a part-time basis in the evenings and on weekends. His next best alternative would be to quit his job and start his business full time, and his third best alternative would be to quit his current job and join a partnership with his father-in-law. Based on this information, Juan's opportunity cost of his decision is ...

- going into partnership with his father-in-law.
- opening his business on a part-time basis while working full time.
- the sleep he will lose by trying to do two things at once.
- operating his own business on a full time basis.\*

2) Factors that motivate and influence human behavior are called ...

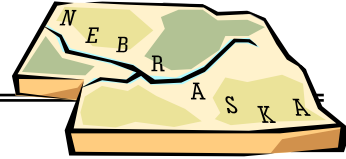
- incentives.\*
- trade-offs.
- opportunity costs.
- alternatives.

3) Your sister lives in South Dakota and works for an auto body shop so you decide to call her and let her know how your school year is going. During your conversation she tells you that she is considering quitting her job and opening her own body shop because she is sure she can make more money. After you hang up you decide to write her a letter urging her to make a rational decision rather than an emotional decision. Compose a letter to your sister and offer her advice on how to make a sound economic decision. Make sure to include something about comparing costs against benefits and the trade-offs she would need to make in order to be the most satisfied with her final decision. Use the proper format for a business letter and standard conventions of writing when composing your letter.

### Extension Activity:

Have students record any decisions that they make during the next 24 hours in a journal or notebook. For each decision they make instruct them to record what they had to decide between, what they chose, and what the opportunity cost of their choice was. Tell the students that these records will be displayed around the classroom so they do not need to include their name on the records they turn. During the next class session collect the records, display them around the room, and then discuss any questions or comments students may have about the activity.

## Activity 3-1



# What is the Best Choice?

**Instructions:** Two young women are considering starting their own business. Indiana Pendant (or Indy as she is known to her friends) and Sue Curity are discussing their potential businesses with each and decide that they essentially have three options to consider and that five criteria are important for determining the best option. Using the information for each woman below, complete the decision-making grid and list which alternative each woman would choose from her first choice to her third choice.

**Indy Pendant:** Indy ran for and was elected president of her class and was also a member of her schools speech and drama teams as well as participated in student government for her school. Despite all of her activities she still managed to get her homework completed on time for her classes and was able to maintain a solid grade point average. In order to make the “right” decision about starting her own business, she decided to rank the five criteria from one to five with one being the most important and five the least. She then ranked the three options from one to three with one being the best and three the least for each of the criteria. The results of her ranking are included in the decision-making grid below. Complete the grid for her by multiplying the rank of the criteria by the rank of each option and record it in the blank line. Then add up the answers in each row to get a total for each option. The option with the lowest total would be her top choice and the highest total would be her last choice. An example is shown below.

	Criteria 1	Criteria 2	Criteria 3	Criteria 4	Criteria 5	Total Points
	3	5	1	4	2	
Alternative 1	1 <u>  3  </u>	3 <u> 15 </u>	3 <u>  3 </u>	2 <u>  8 </u>	2 <u>  4 </u>	33
Alternative 2	3 <u>  9 </u>	2 <u> 10 </u>	1 <u>  1 </u>	1 <u>  4 </u>	1 <u>  2 </u>	26
Alternative 3	2 <u>  6 </u>	1 <u>  5 </u>	2 <u>  2 </u>	3 <u> 12 </u>	3 <u>  6 </u>	31

Indy Pendant's decision-making grid with her rankings is as follows:

	Steady Income 4	Unlimited Earnings 2	Time With Family/Friends 5	Freedom to make decisions 3	Responsibility for Success 1	Total Points
A) Full time operation of business	2 _____	1 _____	2 _____	1 _____	1 _____	
B) Work part-time and run business part-time	3 _____	2 _____	3 _____	2 _____	2 _____	
C) Work full time and forget business	1 _____	3 _____	1 _____	3 _____	3 _____	

Based on this information which alternative will Indy choose? \_\_\_\_\_

## Activity 3-1(cont.)

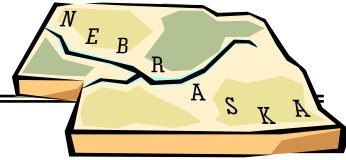
**Sue Curity:** Like Indy, Sue was a very good student in school who worked hard and all of her assignments completed on time. She received good grades in all of her classes and graduated with a high grade point average. However, because she felt it was important to do well in school she chose not to participate in any extra curricular activities in school but did have a part-time job so she could save money for college. She knew that having a part-time job would take away time from her homework and if she were involved in extra activities at school, she would not be able to spend as much time with her friends as she would like. Her decision-making grid with her rankings is as follows:

	Steady Income 2	Unlimited Earnings 3	Time With Family/Friends 1	Freedom to make decisions 5	Responsibility for Success 4	Total Points
A) Full time operation of business	3 _____	2 _____	2 _____	2 _____	1 _____	
B) Work part-time and run business part-time	2 _____	3 _____	3 _____	3 _____	3 _____	
C) Work full time and forget business	1 _____	1 _____	1 _____	1 _____	2 _____	

Based on this information which alternative will Sue choose? \_\_\_\_\_

In the space below explain why the women would choose different alternatives when they used the same criteria and alternatives to reach their decision.

## Lesson 4: In Your Own Backyard



**Overview:** In this lesson students will identify entrepreneurial opportunities that exist in their own community. Students will access web sites for information about population trends and demographic information about their community. From this information students will determine possible market niches and identify potential businesses that could be started to meet the demands of these niches.

### Economic Concepts:

Competition  
Incentives

Markets

**Objectives:** The students will be able to:

- 7) Assess the trends in population growth/decline and median age for their community
- 8) Identify market niches based on their assessment of the community
- 9) Identify the current market structure of businesses serving these niches
- 10) List potential businesses that could be started to fill unmet needs

### Nebraska Standards:

#### **SS/H—8.3.5, 12.3.11, 12.3.11b, 12.3.11c**

R/W—8.1.1, 8.1.2, 8.2.1, 8.2.5, 8.3.1, 8.3.2, 8.4.1, 12.1.1, 12.1.2, 12.2.1, 12.2.5, 12.3.1, 12.3.2

### Materials:

- 1) Computers with internet access (one per group)
- 2) Poster board or flip chart paper for each group. (enough sheets to prepare their class presentations)
- 3) Markers and other materials (scissors, tape, glue) necessary to prepare poster board for presentation

**Time required:** 2 or 3 class periods

**Procedure:**

- Ask the students how many of them are familiar with a United States one-dollar bill. (All of the students or nearly all of them should raise their hands) Tell the students that you are going to take a short quiz to see how well they really know the dollar bill so they need to number from 1-7 on a blank sheet of paper.
- Ask the following questions (answers to the questions are in parenthesis):  
 1—How many eyes are there on the \$1 bill (4)? 2—What three words appear below the picture of George Washington (Washington, one, dollar)? 3—What are the titles of the two people whose signatures are on the bill (Treasurer of the United States, Secretary of the Treasury)? 4—What familiar Egyptian structure appears on the \$1 bill (pyramid)? 5—How many “ones” both numerals and words are there on every one dollar bill (17—remember “unum” is Latin for one)? 6—What city’s name is on every \$1 bill (Washington, D.C.)? 7—What does the eagle hold in its talons (olive branch, sheaf of arrows)? After the quiz review the answers with the students and ask how many they got right (it may be helpful to have a dollar bill available to verify answers).
- Ask the students how their community is a lot like the dollar bill. *Make sure you direct the discussion to the fact that because we are so familiar with it we do not pay attention to the details and may therefore be missing out on potential business opportunities. Entrepreneurs who are aware of changes in a community are able to determine potential markets and capitalize on new opportunities.*
- Divide the class into groups of three or four students. Tell the students that you are going to do a demographic profile of their community and/or county. The purpose of the profile is to see what their community looks

like now and how it has changed over the last 30 years. (This will allow your students to recognize and determine any trends that have taken place in their community.) Instruct students to focus their profile on the following areas: age breakdown, median age, number of people by gender, total population, projected population, employed persons and unemployment rate, income levels and median income, education level of population, and breakdown of industries and businesses.

- Have the students conduct computer searches for information. One very helpful web site for this information is: <http://business.neded.org/> (provides community profiles). Note: If your school is in a large community or if no internet is available, you could use a city map and divide areas among groups.
- Using the information that they find from their computer search, have the students prepare a presentation for the class on the poster board/flip chart sheets you have provided for them. Explain that each group will present their findings to the rest of the class in the form of a short oral presentation. Therefore, they not only need to record their findings on the poster board; they need to organize a short presentation to be given. (Each presentation should last between 3 to 5 minutes.) \*\*Note: this could be given as an assignment for the next class period.
- Have the groups present their community reports and trends to the rest of the class. After all groups have reported ask the following questions of the entire class and record their responses on the board: a.) What are the demographic trends in the community? b.) Based on these trends, what do you think the community will look like in 5-10 years? c.) Were there any demographic features of the community that surprised you? If so, what were they? d.) Why would information like this be helpful to entrepreneurs? *(It allows them to determine who their potential customers are so they can adjust to and meet the needs of the changing population of their community)*



- Write the following on the board: **Markets—arrangements that enable buyers and sellers to exchange goods and services.** Then have the students list markets and potential markets that they feel exist in their community based on their demographic analysis of the community. Give them 5 minutes to list as many ideas as they can come up with. Then discuss the markets the students have come up with and list them on the board. (Remember to list all the potential markets regardless of how impossible or unrealistic they may seem or if it already exists.)
- From the list developed in Step 8 discuss the markets that already exist in your community because they have both buyers and sellers and the businesses that are in competition with each other within those markets. (For example the food service market may have the school cafeteria, fast food restaurants, quick shops, and formal dining services in competition with each other for those dollars)
- Discuss potential markets on the list developed in Step 8 that are not markets because they do not have enough buyers to make the business successful or there are no sellers to meet the demands of the potential buyers. For the markets that have the potential buyers but no sellers, ask the students if they would consider opening a business that would meet the demands of the buyers. Have them explain why they would or would not open this business. (For example students might say that they would open this business if they could make enough or a lot of money, if they had an interest in this area, etc.) Explain to them that the reasons they gave are the **incentives** to open the business or the **incentives** not to enter into that market depending on their preferences.
- Conclude the lesson with the following review: Markets exist when buyers and sellers can come together and exchange goods and services. Entrepreneurs will enter into potential markets when there are incentives that encourage them to allocate their resources in that market. This incentive is almost always the profit from their business. In order to maximize their profit, entrepreneurs need to be aware of changes and

trends in the demographics of their community so they can better meet the needs of their potential customers.

### Assessment:

1) The function that encourages an entrepreneur to allocate their resources in a particular market is the \_\_\_\_\_ function.

- rationing
- information
- incentive \*
- absolute price

2) Arrangements that enable buyers and sellers to exchange goods and services.

- incentives
- demographics
- retail stores
- markets \*

3) Write a brief paragraph explaining why it is important for entrepreneurs to analyze their community. Use the appropriate conventions of writing when constructing your paragraph.

### Extension Activities:

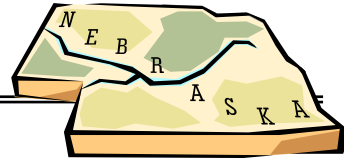
Have the class prepare a complete report of their demographic findings so that it can be presented to various community organizations such as the Chamber of Commerce or Rotary. Have them contact the organizations they would like to present to and set up a time that they can present to these organizations. This exercise will help them find out who the community leaders are in the business community as well as give them a chance to work on public speaking skills.



## Lesson 5: Competition and Market

### Structure

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**Overview:** The entrepreneur will operate in a market that may, or may not, have others selling the same or similar products. If the entrepreneur is the only seller of the product, then the market structure is called a monopoly. If there are many sellers, then the market structure is called competitive. In this lesson students will play a game that is like a competitive market. While playing the game, it is intended that students will “discover” that the price of the product is determined by the interaction of suppliers of the product and demanders of the product. Thus the entrepreneur, as one of the sellers, does not have a great deal of power to determine the price at which they sell. This can be important information for the entrepreneur because if the existing price in a competitive market is lower than the unit costs of production, then that would not be a good market to enter because only losses will result.

### Economic Concepts:

Supply and Demand

Profit

Shortage

Surplus

**Objectives:** The students will be able to:

- 1) Calculate profit from the sale of an item.
- 2) Explain why the price of a product in a competitive market is balanced by the forces of supply and demand.

## Nebraska Standards:

SS/H—8.3.5, 12.3.11b, 12.3.11c

R/W—8.1.1, 8.2.1, 8.3.1, 8.3.2, 8.4.1, 12.1.1, 12.2.1, 12.3.1, 12.3.2

Mathematics—8.2.3, 8.5.1, 8.5.2, 8.6.3

## Materials:

- 1) A standard deck of playing cards, where the following cards are used:  
black cards (spades or clubs) 2, 2, 3, 4, 5, 6, 6, 7, 8  
red cards (hearts or diamonds) 10, 10, 9, 8, 7, 6, 6, 5, 4.
- 2) A baseball hat or a pair of sunglasses that can be displayed as an example of the items that the students are buying or selling.
- 3) Nine copies of Activity Sheet 5-1, where the directions for each group are cut into separate piles.
- 4) Eighteen copies of Activity Sheet 5-2 (the earnings sheet for each player).
- 5) Three copies of Activity Sheet 5-3 (the trade verification sheet).
- 6) An overhead transparency of Activity Sheet 5-4

**Time required:** 1 or 2 class periods

## Procedure:

- 1) Divide the students into 3 groups, where two of the groups will have 9 people each, and one group will have two people. One group of 9 is the demand, or buyer, group. Another group of 9 is the supply, or seller, group. The last group is the recorder group. Give each group the appropriate directions from Activity Sheet 5-1.

2) Inform the buyers and sellers that each will get a card that represents either

- A. the maximum amount the buyer can pay for the item, or
- B. the minimum the seller can sell the item for.

3) Once each buyer and each seller is given a card (they should not show what is on the card to others) they all meet in the center of the room.

- A. Each buyer (seller) is free to negotiate a trading price with any seller (buyer) – **but only in increments of 50 cents.** (so prices can only be like \$1.00, or \$1.50, or \$2.00, or \$2.50 and so on.)
- B. Buyers and sellers may want to call out prices at which they would buy or sell and see if that helps in making a trade.
- C. When a buyer and seller agree on a price, they both report to the recorder table, where the trade is verified to make sure the price is allowable as set forth by the buyer and seller rules. If a trade is no good, send the two back to the market.
- D. Allow about 3 minutes for trading to occur. Some will not be able to make a trade, and that is ok.
- E. The recorders will use Activity Sheet 5-3 to record the trade information. The recorders will keep the cards in separate piles and at the completion of the round collect the cards from all players, shuffle each pile separately and then redistribute them to the players at the beginning of the next round. Sellers (buyers) stay sellers (buyers) all the time, but may not get the same card in the future.
- F. Each buyer and seller will use Activity Sheet 5-2 to record their own transaction. Say the trade is at a price of \$5.50. If the seller has the card 3, then they would record  $5.50 - 3.00 = 2.50$ . If the buyer had the card 10, then they would record  $10 - 5.50 = 4.50$ .
- G. Play the game for 5 or 6 rounds.
- H. After all the rounds are played have each player add up their earnings and reward the buyer and the seller with the highest earnings with a small prize. This may give the students an incentive to do the math and record the prices.

4) After the game has been played and rewards given out, put the transparency of Activity Sheet 5-4 on the overhead.

- A. Explain the supply curve in the market is a reflection of the cost of producing units of the product. Plus, each entrepreneur does not have the same cost. Point out that when the price is, say \$4, that only the sellers with the cards 2, 3, and 4 will make any money at all or break even. Every other seller would lose money and would thus not supply. A similar story holds for other prices.
- B. Explain the demand curve in the market is a reflection of the value consumers put on a unit of the product. Plus, each consumer does not place the same value on the unit. Point out that when the price is, say \$8, that only buyers with cards 10, 9, and 8 value the product enough to buy the product. Every other buyer would give up more than the item is worth. A similar story holds for other prices.
- C. Explain that when prices are higher than \$6, where supply and demand meet, some sellers do not sell because enough buyers do not value the good at those high prices. The **surplus**, amount sellers would have left over at prices higher than \$6, leave sellers unhappy and in order to sell the units they will lower the price.
- D. Explain that when prices are lower than \$6, some buyers will not get to buy because sellers do not have prices high enough to cover their costs. The **shortage**, amount buyers do not get at prices lower than \$6, leave buyers unhappy and in order to buy the item they will offer more for the item.
- E. Explain that the entrepreneur in a competitive market can't charge any price that might be desired. The market forces of supply and demand influence what can be charged.

#### Footnote

1. This activity is based on the work of Charles A. Holt, *Classroom Games: Trading in a Pit Market*, Journal of Economic Perspectives, Volume 10, pages 193-203, 1996
2. Also see Lesson 3: "A Classroom Market for Crude Oil." Focus: High School, National Council Economics, New York, NY 2001
3. For more practice and teacher review before teaching this activity, for supply and demand jeans activity on [ecedweb.unomaha.edu/demand\\_supply/demand.htm](http://ecedweb.unomaha.edu/demand_supply/demand.htm)

### Assessment:

- If sellers are charging more than buyers are willing and able to pay, a(n) \_\_\_\_\_ of product will result.  
  
A. surplus\*  
B. shortage  
C. equilibrium  
D. diminishing return
- If sellers are charging less than buyers are willing and able to pay, a(n) \_\_\_\_\_ of product will result.  
  
A. surplus  
B. equilibrium  
C. over stocking  
D. shortage\*
- Based on the demand chart on Overhead 5-4, as price went up buyers purchased \_\_\_\_\_ products.  
  
A. the same amount of  
B. more  
C. substitute  
D. less\*
- In the space below, use complete sentences to explain why an entrepreneur cannot charge any price they want to for their products.

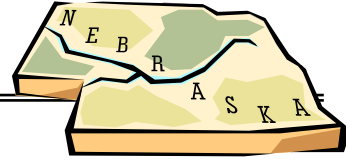
### Extension Activity:

Divide the class into two groups of students with the buyers and one of the recorders in one group and the sellers and the other recorder in another group. Using the information recorded on the transaction verification sheet, have the group of buyers construct a demand curve from the trading activity



and the group of sellers construct a supply curve. Have a spokesperson from each group present their graph to the rest of the class explaining the relationship between price and quantity on each. Then as a class, combine the information from each graph and determine the equilibrium price of the activity.

## Activity 5-1



# Buying & Selling on the Market

## Buyer Instructions

- 1) You have an earnings sheet.
- 2) In each round of the game you will be given a card. The card value is the maximum dollar amount you would pay for the item in question. So, if you pay less than the card value, you will have “earned” by saving. As an example, say your card is a 9 and you trade at a price of \$5. You would have earned 4 (9 minus 5).
- 3) Negotiate with sellers to try to get the best deal for you. Call out how much you will pay for the item. You can change the amount you call out. **BUT YOU CAN'T BUY AT A PRICE HIGHER THAN WHAT IS ON YOUR CARD.**
- 4) You will play several rounds of the game. If you do not want to make a trade in a round, it is OK. If you do make a trade, go with the seller to the recorder table to have your trade verified, then return to your seat to write down the card value and the trading price on Activity Sheet 5-2.
- 5) Make sure you turn in your card at the end of each round.

## Seller Instructions

- 1) You have an earnings sheet.

2) In each round of the game you will be given a card. The card value is the minimum dollar amount you can accept for the item in question (it is the cost of making the item). So, if you receive more than the card value, you will have earned a profit. As an example, say your card is a 4 and you trade at a price of \$6. You would have earned 2 (6 minus 4).

3) Negotiate with buyers to try to get the best deal for you. Call out how much you will accept for the item. You can change the amount you call out. **BUT YOU CAN'T SELL AT A PRICE LOWER THAN WHAT IS ON YOUR CARD.**

4) You will play several rounds of the game. If you do not want to make a trade in a round, it is OK. If you do make a trade, go with the buyer to the recorder table to have your trade verified, then return to your seat to write down the card value you had and the trading price on Activity Sheet 5-2.

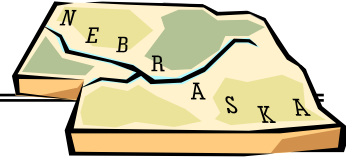
5) Make sure you turn in your card at the end of each round.

## Activity 5-1 (cont.)

### Recorder Instructions

- 1) Check to see each trade brought to you follows the rules. The trading price must be equal to or more than the seller's card (the black card), and must be equal to or less than the buyer's card (the red card).
- 2) If a trade is good, record both card values and the trading price on Activity Sheet 5-3, and call out to the class the trading price. Keep the two cards in separate piles.
- 3) If a trade does not follow the rules, send the two out to the trading floor. Beware that two buyers (or two sellers) do not try to trade with each other.

# Activity 5-2



## EARNINGS RECORD SHEET

Name: \_\_\_\_\_

---

### *Seller Earnings*

(sellers use this side)

-----    -----    -----

$$(\text{price}) - (\text{cost}) = \text{earnings}$$

-----    -----    -----

$$(\text{price}) - (\text{cost}) = \text{earnings}$$

-----    -----    -----

$$(\text{price}) - (\text{cost}) = \text{earnings}$$

### *Buyer Earnings*

(buyers use this side)

-----    -----    -----

$$(\text{value}) - (\text{price}) = \text{earnings}$$

-----    -----    -----

$$(\text{value}) - (\text{price}) = \text{earnings}$$

-----    -----    -----

$$(\text{value}) - (\text{price}) = \text{earnings}$$

----- -----  
(price) – (cost) = earnings

fourth round

----- -----  
(value) – (price) =  
earnings

----- -----  
(price) – (cost) = earnings

fifth round

----- -----  
(value) – (price) =  
earnings

----- -----  
(price) – (cost) = earnings

sixth round

----- -----  
(value) – (price) =  
earnings

----- -----  
(price) – (cost) = earnings

seventh round

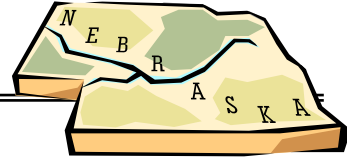
----- -----  
(value) – (price) =  
earnings

----- -----  
(price) – (cost) = earnings

eighth round

----- -----  
(value) – (price) =  
earnings

# Activity Sheet 5-3

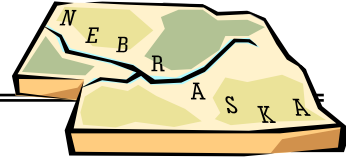


## Trade Verification Sheet

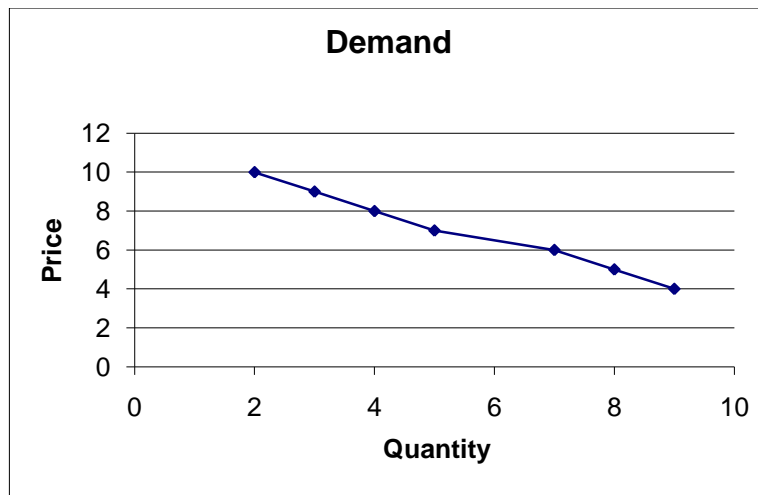
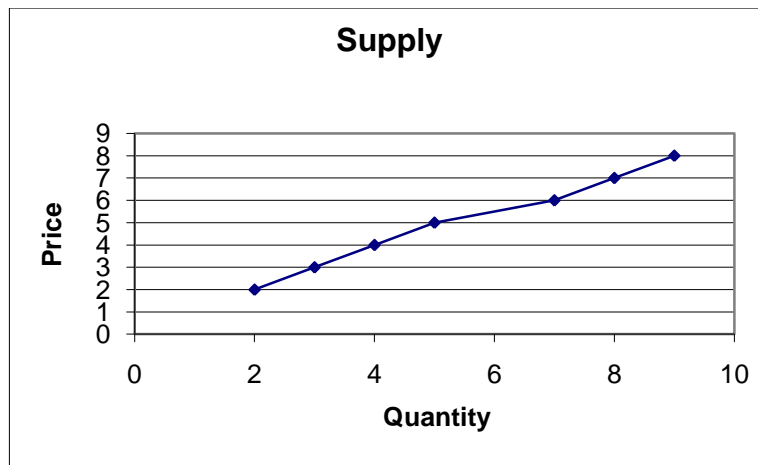
Seller Cost	Price of Trade	Buyer Value
(number on the black card)	(more than seller card, less than buyer card, ties ok)	(number on the red card)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

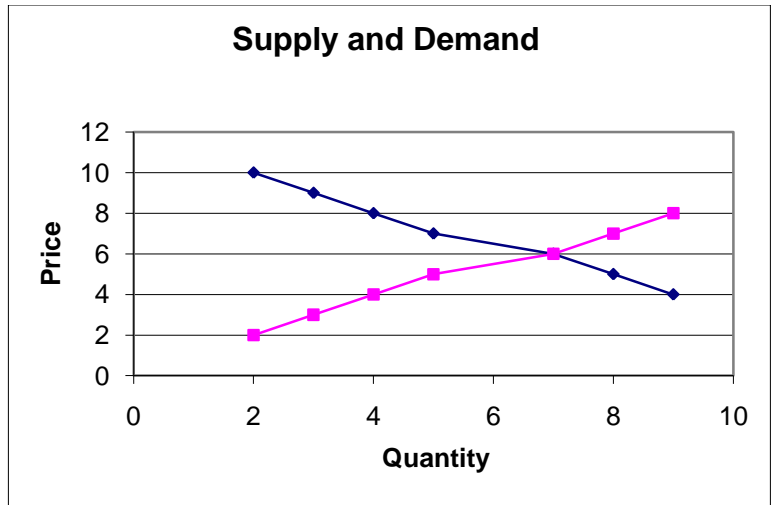
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
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_____	_____	_____



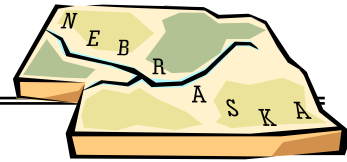


## Supply and Demand





## Lesson 6: Legal Forms of Business



**Overview:** Entrepreneurs have a vision about what a business might be like.

When thinking about the positives, the vision is probably one of good fortune and success. But, as you can imagine, unfavorable things may happen. Revenues may not be enough to pay all the bills, accidents can happen, and many other contingencies may mean the entrepreneur has financial responsibilities that must be met. The legal form under which the firm operates can have an impact on the financial position of the entrepreneur. Here we will want to explore issues relating to the legal forms of business called **sole proprietorship, partnership and corporation.**

### Economic Concepts:

Legal forms of business

Limited liability

Double Taxation

**Objectives:** The students will be able to:

- 1) Describe the difference between limited and unlimited liability.
- 2) Describe the way in which corporate stockholders are taxed twice.

### Nebraska Standards:

SS/H—8.3.5, 8.3.6, 12.3.10, 12.3.11, 12.3.11c

R/W—8.1.1, 8.2.5, 8.3.1, 8.3.2, 8.4.1, 12.1.1, 12.2.5, 12.3.1, 12.3.2

### Materials:

## 1) Overhead transparency of Activity Sheet 6-1

**Time required:** 1 or 2 class periods

### **Procedures:**

- 1) Put transparency of Activity Sheet 6-1 on the overhead and go over the terms with class.
  
- 2) Have the students go into the community and ask several business owners what legal form of business they have. Ask doctors and lawyers in town, if there are any. Also go to restaurants and grocery/convenience stores.
  
- 3) Divide the class into groups of three or four students. Within their groups they should discuss and record how liability and taxation issues might have influenced the community businesses, researched in step 2, to choose their legal form of business.
  
- 4) When the groups have finished discussing and recording their findings, have one person from each group report their findings to the rest of the class. Each group should report all of their findings even if an earlier group has analyzed their business. (This is a real possibility for students located in small towns with a limited number of businesses)
  
- 5) Assign the students to write a one or two page paper that describes a business they would like to have. Have them include a discussion of how liability and taxation issues will influence what legal form their business will have. If your school incorporates six-trait writing, let them know what traits to concentrate on for this paper.

### **Assessment:**

1) A business with only one owner and no stock issued is a ...

- partnership
- corporation
- S corp
- sole proprietorship\*

2) An advantage to organizing a business as a sole proprietorship is ...

- A. limited liability.
- B. having someone to share the expenses of start up.
- C. single taxation of profits.\*
- D. unlimited liability.

3) The earnings of a corporation are subject to double taxation when the Board of Directors ...

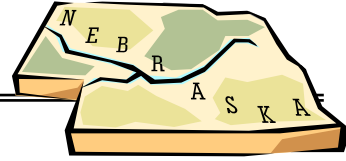
- A. pay dividends to stockholders.\*
- B. retain the after tax income for operations.
- C. subtract expenses from revenue.
- D. set prices.

*Extension Activity:*

Invite a local lawyer or accountant to visit your class and discuss the steps that must be taken to incorporate a business. They should also share their views on both the advantages and disadvantages of a corporation, partnership, and sole proprietorship as a form of business operations.

For more information on starting a business in Nebraska, visit the Nebraska Business Development Center at <http://nbdc.unomaha.edu>. Click on the Publications button; "Keys for Successful Business Start-Up. This publication can be purchased through the Nebraska Business Development Center.

## Activity 6-1



# Types of Businesses

A **corporation** is a form of business where *shares* of ownership have been issued in the form of stock. Owners of the stock have limited liability, but are open to double taxation. There can be a few, or millions of owners of the company.

A **sole proprietorship** is a form of business where there is one owner and no stock has been issued. The owner of the company faces unlimited liability, but only single taxation.

A **partnership** is just like a sole proprietorship, except there is more than one owner.

## Liability

Liability means responsibility. Entrepreneurs as owners of firms are responsible for the bills of the firm. How much responsibility depends on the legal form the business takes.

Limited liability means the responsibility of the owner(s) is limited to the dollar amount invested in the business. If financial obligations are larger than this, then the owner is not obligated to cover the obligation. For instance, personal assets could not be taken to meet the obligation.

Unlimited liability means the responsibility of the owner(s) is unlimited. If financial obligations are more than the owner has invested in the company, then the owner could have to give up personal assets, like a car, in order to satisfy the financial obligation.

## Activity 6-1 (cont.)

### Taxation

Businesses sell a product (or many different types of products) and collect revenue. The government requires business to pay taxes on the revenue that is left over after expenses are paid. So, revenue net of expenses is the **basis for taxation**.

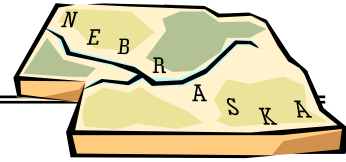
After tax income is revenue minus expenses minus taxes paid. This is the end of the story for sole proprietors and partnerships. In the corporate form of business, the after tax income may be given to the owners in the form of a **dividend**. If not, the after tax income is retained by the corporation and used for operations.

Dividends are really revenues from sales minus expenses and taxes that are given to the corporate stockholders. Once the stockholder receives the net revenue the government taxes the net revenues again at the stockholder level as part of their income. Thus the net revenues are taxed again – **double taxation!**



## Lesson 7: Ask Not What Your Government

### Can Do For You...Why Not?



**Overview:** In this lesson students will evaluate Nebraska laws, which allow tax incentives for businesses to locate or expand their operations in Nebraska. In addition they will also discuss LB 840, which allows local governmental units to use a local option municipal sales tax for economic development. Municipalities can use the tax money collected to offer incentives for businesses to locate or expand operations in their community. This lesson also introduces the concept of fiscal policy employed by state and local governments.

#### Economic Concepts:

##### **Aggregate Demand**

##### **Fiscal Policy**

##### **Incentives**

Role of Government

**Objectives:** The students will be able to:

- 11) Explain how governments use fiscal policy to influence the behavior of entrepreneurs
- 12) List the incentives for governmental bodies to provide tax breaks and other inducements to businesses
- 13) Identify reasons entrepreneurs should be aware of governmental incentives available

## Nebraska Standards:

SS/H—8.3.5, 8.3.6, 12.3.11, 12.3.11c, 12.3.12, 12.3.12a

R/W—8.1.1, 8.2.1, 8.2.4, 8.2.5, 8.3.1, 12.1.1, 12.1.2, 12.2.1, 12.2.4, 12.2.5,  
12.3.1

## Materials:

- Computers with Internet access (optional)
- Copies of the Nebraska Department of Economic Development’s “Nebraska Tax Incentives” printout. (One copy per student, if you decide to provide the copies instead of have them search for the information)

**Time required:** 1 class period

## Procedure:

- Ask the students why it is important for an entrepreneur to understand local laws as well as the laws of Nebraska that may affect their business. Record their responses on the board or overhead projector. Answers may include *stay out of jail, avoid fines, keep from making changes later that could be very costly, etc.*
- If the students do not mention that Nebraska law allows for tax breaks and other incentives for entrepreneurs, proceed with the lesson as follows: A.) Say *not only do our laws place restrictions on business and punish people for violations of the law, they also offer incentives for entrepreneurs to locate or expand their operations in Nebraska. Remember that incentives are factors that motivate and influence human behavior. Today we are going to examine these types of laws.* B.) Divide the class into the number of groups, as there are tax incentive laws. (At the time of this publication there were four laws that offered tax incentives to businesses) C.) Assign each group a law to research and prepare a brief report on that law that they will give to the rest of the class. D.) Have the students perform the search for the information by accessing the Department of Economic Development’s web site at <http://info.neded.org> at this site they would click on incentive programs and at that site they should choose either overview or the specific act you have assigned to them. If you decide to provide the

students with handouts of the laws, access the site and print out the information and make copies for each student. E.) Give the students 10 to 15 minutes to read through the information and prepare a brief oral report for the rest of the class. F.) Have the groups give their reports. **If students respond to the question in step one by stating that entrepreneurs can take advantage of tax incentives, proceed as follows.** *Tell the students that you are going to take a closer look at specific Nebraska laws that offer tax incentives to business and follow steps B through F.*

- Write the following on the board: **Fiscal Policy—changes in taxes, in government expenditures on goods and services, and in transfer payments that are designed to affect the level of aggregate demand in the economy.** Explain to the students that providing tax incentives for businesses is a part of the state fiscal policy designed to raise the level of aggregate demand in the state. Ask: How can this policy raise demand? *(expanding business operations in the state create more jobs, because there are more jobs people have more disposable income, people will spend this money on goods and services therefore increasing total demand for goods and services which is also known as aggregate demand)*
- Tell the class that in addition to state incentives many local governments in the state have taken steps to offer incentives to businesses to locate or expand in their communities. Explain that in 1990 LB840 was passed which allowed local governments to generate funds, to be used for economic development, from local property or sales tax. Tell them that there are several things the money can be used for but the general purpose of the funds is for economic development of the community and surrounding area. Based on this information, ask students why a local government would enact fiscal policy that would impose additional tax on their citizens with the intent of offering it as an incentive to potential and existing businesses. Record their responses on the board. *(Students should indicate that bringing businesses to the community or expanding existing businesses will mean more jobs, which means more people in the community, which means more taxable property on the tax rolls, which means a larger tax base to share the property tax burden, which could result in lower property taxes for everyone. If the reduction in property tax is large enough to offset the additional sales tax paid, the total tax burden of their citizens is reduced.)*

- Conclude the lesson with a class discussion of why it is important for entrepreneurs to know the local laws as well as the Nebraska laws that affect their business. *(Along with several of the reasons that were discussed throughout the lesson, students should also realize that the incentives can be used to reduce their total operating costs and therefore help them maximize their profit)*

### Assessment:

- 1) Changes in taxes, in government expenditures on goods and services, and in transfer payments that are designed to affect the level of aggregate demand in the economy.
  - incentives
  - fiscal policy \*
  - monetary policy
  - governmental policy
- 2) Using standard conventions of writing, compose a paragraph explaining why local governmental units would choose to impose additional tax on their citizens to offer incentives to potential or existing businesses.
- 3) A good friend of yours lives in California and is considering starting his own business. Compose a letter, using standard conventions, explaining why he should start his business in your community. Make sure you not only include information about available incentives but also about the quality of life, location, and other advantages of life in your Nebraska community.

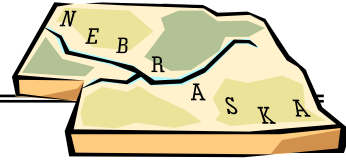
### Extension Activity:

Find out if your community has a local option municipal development tax program. If they do, they will also have a written economic development program on file at the city office or with the program administrator. Obtain copy of the plan and make enough copies for your class so each student has one or if you decide to do this as a group project, one for each group. Assign the students read through the program and be prepared to discuss

what projects would be eligible to receive funds, what they would have to do if they had a project that they wanted funding for, and the process that is used to determine who will get funds (in other words who makes the decisions on how the funds are spent).

## Lesson 8: I'm in Business, Now what

### Do I Charge?



**Overview:** When entrepreneurs start their own business they do so with the intention of earning a profit. They will realize a profit when total revenue is greater than total out-of-pocket (explicit) costs. Entrepreneurs must set the price of their goods or services high enough to allow total revenue to exceed total costs so they can receive a profit from the resources they put into the business. The question then becomes how much profit is enough to encourage the entrepreneur to shift their productive resources into a new business venture. In this lesson students will determine what price must be charged in order for an entrepreneur to breakeven and then determine what price must be charged in order to make an adequate profit. The purpose of this lesson is to help students understand that profit is the payment for entrepreneurship and this payment along with other factors should be taken into consideration when setting prices.

#### Economic Concepts:

##### **Incentives**

Opportunity cost

Price

Productive resources

##### **Profit**

**Objectives:** The students will be able to:

- 14) Calculate the breakeven price for a business venture
- 15) Identify opportunity costs involved in starting a business

- 16) Calculate price needed to cover all costs including opportunity cost of operating a business
- 17) Explain the importance of basing price on all costs including opportunity costs

### Nebraska Standards:

SS/H—8.3.5, 12.3.11, 12.3.11a, 12.3.11c

R/W—8.1.1, 8.2.1, 8.2.4, 8.3.1, 12.1.1, 12.2.1, 12.2.4, 12.2.5, 12.3.1

Mathematics—8.1.1, 8.2.2, 12.2.1

### Materials:

- 1) Activity 8-1 (one copy per student)
- 2) Activity 8-2 (one copy per student)

**Time Required:** One class period

### Procedure:

- 1) Introduce the lesson by telling students that *an entrepreneur is in business to make a profit. Profit is the payment they receive for the productive resources they put into their business. These productive resources are usually their labor and any capital investments in their business. In order to realize a profit the price they set for their products or services must be high enough to cover their costs. This price is known as the breakeven price.*
- 2) Distribute copies of Activity 8-1 and allow the students 5 to 10 minutes to read and complete the worksheet. Discuss the answers to the questions with the class as a large group discussion. Answers and suggested answers to the questions are as follows. *Depr. – 500.00; Ad. – 20.00; Main./Repair – 100.00; Gas/Oil – 600.00; Total Ex. – 1,220.00; Breakeven price – 6.10; 1 – yes; 2--\$0.00; 3 – no, she will not make any money. She will work all summer and only cover her costs.; 4 – answers will vary but should include charging enough so she make a profit, pay herself for her time, make more than she would be paid if she worked for someone else.*

- 3) Follow up the discussion of the answers to questions on 8-1 by asking the students how do entrepreneurs determine how much profit is enough. Allow the students to discuss as a large group and make sure that they are aware of the fact that the price cannot be set so high that no one will buy their products or services. Therefore, even if they would like to have unlimited profit there will be limits so they should consider other ways their resources could be used to help them establish an adequate profit.
- 4) Distribute copies of Handout 8-2 and allow the students 10 to 15 minutes to read and complete the worksheet. After all the students have completed the worksheet, discuss the answers to the questions with the class as a large group discussion. Answers and suggested answers to the questions are as follows. *Explicit Exp. – 1,220.00; Forgone Wages--\$1,000.00; Forgone Interest--\$135.00; Total OC--\$1,135.00; Total Exp. And OC--\$2,355.00; Breakeven price--\$11.78; 1 – yes; 2--\$1,135.00; 3 – answers will vary and are based on the opinions of the students.*
- 5) Say the following *Suppose an entrepreneur determines the price that they must have in order to cover their explicit and opportunity costs and realize that they cannot charge that price and have enough sales to meet their necessary sales projections. Based on this information they still decide to start the business and charge a lower price that will still cover all their expenses and allow them to make a reasonable profit but not a large enough profit to cover their opportunity costs. Why would they do this? Answers will vary to this but should point out that the satisfaction of running their own business is incentive enough to start the business even if they could have made more money by choosing a different option.*
- 6) Conclude the lesson by reminding students that entrepreneurs should consider both explicit and opportunity costs when setting prices along with what they feel their customers will be willing and able to pay.

### Assessment:

- 1) The breakeven price is the price where...
  - unit price is equal to total costs.



- unit price is equal to total explicit and opportunity costs.
- unit price is equal to explicit cost per unit.\*
- unit price is equal to explicit and opportunity cost per unit.

2) Which of the following would be an example of an opportunity cost?

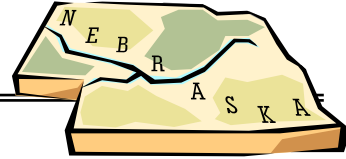
- Utilities necessary to operate the business
- Money used for capital expenditures necessary for business start up
- Wages paid to employees
- Lost interest on money taken from savings to purchase equipment \*

3) Using standard writing conventions compose a short paragraph explaining what costs should be used when determining the price that should be charged for a good or service. Also explain why it is important for an entrepreneur to consider all of these costs.

### Extension Activities:

Have the students do a profit analysis for a school operated business or fund raising activity. This analysis will not include the opportunity costs but should only include the explicit costs versus revenue. (If your school has more than one school operated business or fund raising function, make sure that at least one student chooses to research each activity) Have the students present their profit analysis to the rest of the class. After the presentations are completed, discuss the opportunity costs that are involved for both the students and sponsors who work in these ventures.

## Activity 8-1



# When Do I Start Making Money?

With a busy summer schedule filled with camps and softball games Awanna decided that she would start her own lawn mowing business instead of trying to find a summer job. After all, she thought, who would hire someone that would be gone for half of the summer. She already had a truck and found a trailer and lawn mower that she could buy for \$3,000. Based on information that she gathered from other students these would last five years at which time she would be able to sell them for \$500. Ms. Berich also determines that she will be able to mow a total of 200 lawns (10 per week for 20 weeks) during the mowing season. She also estimates the following total expenses for the summer: gas and oil--\$600; maintenance and repair--\$100; advertising on local cable access channel--\$20. Based on this information, determine the price per lawn Awanna Berich must charge to breakeven. After completing the breakeven price analysis below, answer the questions that follow it.

Yearly expenses:

Depreciation of mower and trailer .....\_\_\_\_\_

(original cost – salvage value) / useful life

Advertising .....\_\_\_\_\_

Maintenance/Repair .....\_\_\_\_\_

Gasoline/Oil .....\_\_\_\_\_

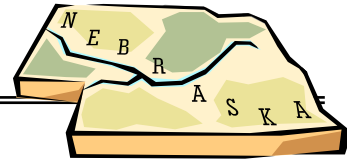
Total Expenses .....\_\_\_\_\_

Breakeven Price per lawn .....\_\_\_\_\_

(total expenses / total lawns)

- Is the breakeven price a price that Ms. Berich could reasonably charge for mowing a lawn? \_\_\_\_\_
- If Ms. Berich decides to charge the breakeven price for each lawn, what will her net profit from her summer business be? \_\_\_\_\_
- Based on the answer to Question 2, would the breakeven price be the price Awanna should charge for mowing? \_\_\_\_\_ Why or why not?  
\_\_\_\_\_  
\_\_\_\_\_
- What are some other factors Awanna should consider when establishing the price she will charge for mowing a lawn?

## Activity 8-2



# Pricing For Adequate Profit

Awanna tells her basketball coach about her plans to start her own lawn mowing business. This will allow her to attend camps and still make money during the summer because she can set up her own schedule. She also tells him how she has decided to charge \$8.00 per lawn because she has calculated her cost per lawn and this will allow her to make almost \$2.00 profit per lawn. Since her coach is also the business and economics teacher she points out that her expenses also include her depreciation costs. Her coach tells her that he is very pleased with the calculations she has done but asks her if she feels like \$2.00 per lawn will be enough profit to cover her opportunity costs. Seeing that she is confused by the concept of opportunity costs her coach explains that her opportunity costs are what she would be doing if she didn't start her mowing business and what she would be doing with the money she is using to buy the mower and trailer.

Awanna determined that if she didn't mow lawns that she would work as a life guard at the local swimming pool. Between her salary and money from private lessons she felt she could reasonably expect to earn \$1,000.00 for the summer. In order to purchase the mower and trailer she had to cash in her \$3,000.00 CD that was earning 4.5% interest per year. Using this information and the information from activity determine the breakeven price that Awanna must charge to cover both her explicit and opportunity costs. After completing the breakeven price analysis below, answer the questions that follow.

Yearly Expenses:

Total explicit expenses (from 8-1) .....

Forgone wages.....

Forgone interest.....

Total Opportunity Cost.....

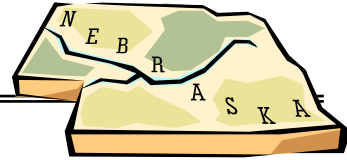
Total expenses and opportunity cost .....

Breakeven Price per lawn .....

(total expenses and OC / total lawns)

- 1) Is the breakeven price a price that Ms. Berich could reasonably charge for mowing a lawn? \_\_\_\_\_
- 2) If Ms. Berich decides to charge this price for each lawn, what will her net profit from her summer business be? \_\_\_\_\_
- 3) What if she could charge a price higher than the price found above, should she charge the higher price or be satisfied with her profits at the lower price. Explain your answer.

## Lesson 9: Production and Costs



**Overview:** The entrepreneur combines other resources in production. When there are only a fixed amount of tools, or capital goods, to work with the amount of output that can be made is somewhat limited. Within this time frame, the costs of production depend on the ability to produce items. This hands-on lesson will help students understand what an entrepreneur must grapple with in terms of controlling costs of production as well as developing an understanding of the concept of diminishing returns.

### Economic Concepts:

#### Diminishing Returns

#### Production Costs

#### Economic Resources (land, labor, capital)

#### Productivity

**Objectives:** The students will be able to:

- 18) Define productivity
- 19) Identify the factors of production (land, labor, capital)
- 20) Explain the concept of diminishing marginal returns
- 21) Calculate cost of labor per unit of output produced

### Nebraska Standards:

SS/H—8.3.5, 12.3.11, 12.3.11c

R/W—8.2.1, 8.4.1, 12.2.1, 12.3.1

Mathematics—8.1.1, 8.2.3, 8.5.2, 12.2.3

### Materials:

- 1) A large supply (100 copies, perhaps) of the Cup Origami pattern found in Microsoft Publisher, or at the end of this lesson plan. (Activity Sheet 9-1)
- 2) One pair of scissors
- 3) A stop-watch, or any time device that can be used to keep track of five minute intervals
- 4) Overhead of Activity Sheet 9-2

**Time Required:** 1 or 2 class periods

### Procedure:

- 1) Explain that production occurs by combining resources such as labor and capital. Have students mention examples of production they are familiar with and have them make a list of the resources used in that production. (McDonald's uses labor and various kitchen appliances. Gasoline stations have labor and gas pumps.)
- 2) Tell the students that they will produce paper cups today and the resources they will use are the pattern of the cups copied from Microsoft Publisher or the pattern on Activity Sheet 9-1 at the end of this lesson, the capital good scissors, and labor.
- 3) Explain that production will occur in several rounds and each round will take five minutes. The first round will have only one unit of labor using all the other resources. The second round will have two units of labor and the third round will have three units of labor and so on. Five or six rounds should be done to see a trend in production occur.
- 4) Read the following "Rules" for production to students before beginning the first found. This will provide instructions for completing the tasks each round as well as help you determine if they are using listening skills to follow directions.

- 5) In each round of production the labor will cut out the box pattern of the cup and then fold along the lines to complete the production of a cup as shown in the directions. (Hold up the cup pattern while explaining this step)
- 6) In a given round the labor will produce as many cups as they can, but the cups should be well constructed if they are going to be sold. **This is not a race.**
- 7) Once there is more than one unit of labor, specialization can occur as if along an assembly line. For example, one person could cut out the square pattern, one could make the first fold, and so on.
- 8) Inventory from one period will **NOT** be used in other rounds because we are comparing what can be produced in a given time frame with a given amount of capital.
- 9) After each round the total amount produced will be recorded on the overhead of Activity Sheet 9-2. (Do not be surprised, for example, if round two does not show exactly twice as much output as round one. Exactly equal increments of output may not be added each round. In fact you will probably eventually see the concept of *diminishing returns, or diminishing marginal product*, to labor set in. This means additions of labor add less and less output [total output may even fall if a lot of labor is added]) Explain this concept when it occurs during the rounds of production.
- 10) Have the production occur for rounds 1-5 or 6 remembering to add one more unit of labor each round.
- 11) Using the overhead of Activity 9-2, record the results of production in Column B and then find the marginal product of each unit of labor and record the number in Column C of the overhead. As an example say the production occurred as follows in the four rounds: 5, 12, 17, and 20.



Note that if there is no labor there is no output. Then the first worker helped add 5 units of output (*5 minus 0*). The second worker added 7 units of output (*12 minus 5*), the third worker added 5 units and the fourth worker added 3 units. *Diminishing returns* set in with the third worker in this example because the marginal product declined from 7 to 5 with the addition of the third worker. Note the reason for this is that with only one pair of scissors only so much can be cut, so additional workers are probably waiting on patterns to be cut. Thus, additional workers can't add as much output as previous workers.

- 12) Have students calculate the labor cost per unit of marginal product for each of the rounds completed and record the results in Column D of the overhead. For example, say each worker gets paid \$7 during the period of production. Since the first worker added 5 units of output, those units cost the company an additional (in addition to the cost of the scissors and the paper) \$1.40 per unit of output (*\$7 divided by 5*). The second worker added 7 units of output, or added output at \$1 per unit of output (*\$7 divided by 7*). The third worker added output at \$1.40 per unit of output and the fourth worker added output at a cost of \$2.33 per unit of output added.
- 13) Close the lesson by asking the following questions based on the results recorded on the overhead:
  - 14) What factors of production were used to produce the cups? (*capital-scissors and paper; labor*)
  - 15) With the addition of what worker(s) did diminishing returns occur? (*at any point where marginal product was lower than the previous round*)
  - 16) What happens to the cost per unit as diminishing returns set in? (*it rises*)
  - 17) Why is it important for an entrepreneur to understand the concept of diminishing returns? (*If they try to produce too much output, it may become so costly that they cannot sell the units at a price high enough to cover costs*)

18) To summarize the lesson: Make sure the students understand that additional costs of additional output first falls, but then increases. Not all units of production cost the same amount. When diminishing returns have set in the cost of making additional units rises. As an entrepreneur this is important to know because if you try to make so much output it may get so costly on the additional units that you can never sell the units for a price high enough to recover your costs. As an entrepreneur you may want to give the customers all they want, but you have to balance this against your own bottom line.

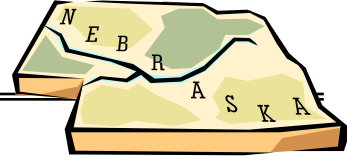
### Assessment:

- The scissors that were used to cut out the cup origami pattern would be an example of ...
  - A. labor
  - B. land
  - C. capital\*
  - D. entrepreneurship
- If 1 worker produces a total of 4 units of output, 2 workers produce a total of 10 units of output, 3 workers produce a total of 18 units of output, 4 workers produce a total of 25 units of output, 5 workers produce a total of 30 units of output, and 6 workers produce a total of 28 units of output, with the addition of what worker do diminishing returns first occur?
  - A. worker 6
  - B. worker 3
  - C. worker 4\*
  - D. worker 5
- Briefly explain what the entrepreneur could do to improve the productivity of the additional workers hired. Use complete sentences for your answer.

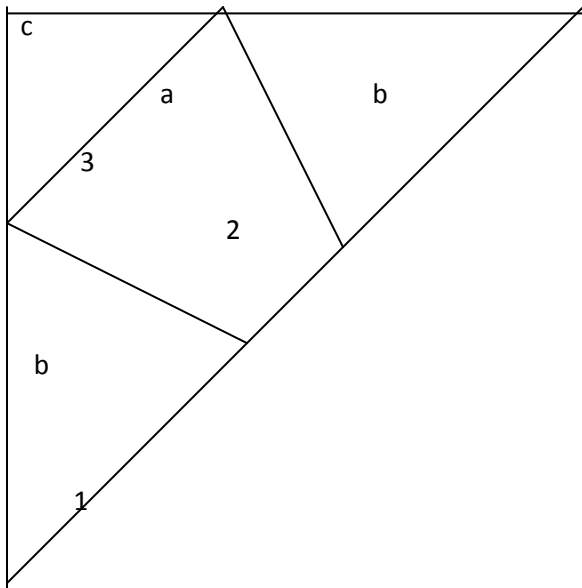
### Extension Activities:

Have the students write a letter to the owner of the cup factory explaining the concept of diminishing returns and then offer suggestions on how to improve the productivity of the additional workers hired. Students should apply the principles of six-trait writing to their letters.

## Activity 9-1



Step 1 – Fold across diagonal and keep design showing on the outside



a

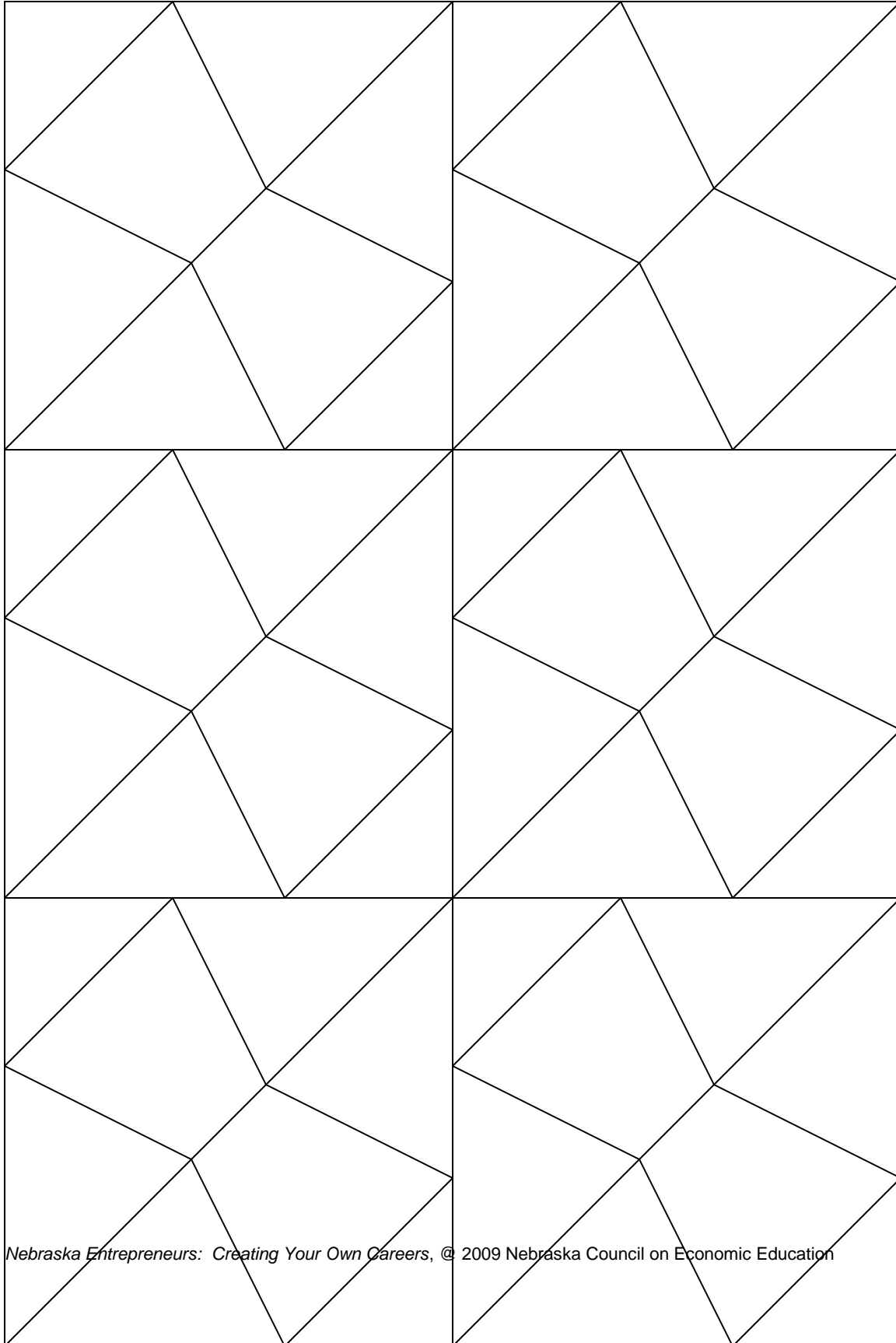
Step 2 – fold along line 1 so that the a’s meet.

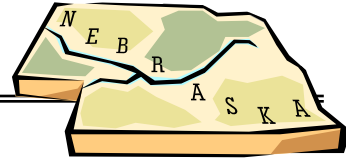
Step 3 – fold along line 2 so that the b’s meet, but over what you did in step 2.

Step 4 – up at top in area labeled c, fold one piece forward to line 3 and one side back to line 3.

Step 5 – Open the cup. You do not have to do this step during production, but a cup should not be considered good if this step is not easy to do.

## Activity 9-1 (cont.)



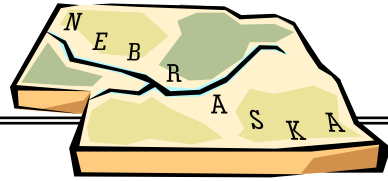


# Origami Cup Manufacturing

## Record of Production

<i>Number of Workers</i>	<i>Total Production</i>	<i>Marginal Product</i>	<i>Cost Per Unit of Marginal Product</i>
0	0	0	0
1	_____	_____	_____
2	_____	_____	_____
3	_____	_____	_____
4	_____	_____	_____
5	_____	_____	_____
6	_____	_____	_____

## Lesson 10: Hometown Heroes



**Overview:** In the introduction of this document it was stated that the entrepreneur is a person who coordinates the use of resources and other inputs into the production process. The purpose of this lesson is to have students determine what factors entrepreneurs consider when determining how to use their productive resources. Students will gather this information by interviewing a number of entrepreneurs in their hometown. Then, using the information gathered from their interviews, they would compose a short essay to report their findings.

### Economic Concepts:

#### **Competition**

Markets

Productive Resources

**Objectives:** The students will:

- Practice interviewing skills.
- Identify factors entrepreneurs must consider when starting and operating their business.
- Understand why successful entrepreneurs must look at current and future trends to remain in business.

### Nebraska Standards:

#### **SS/H—8.3.5, 12.3.11, 12.3.11c**

R/W—8.2.1, 8.2.2, 8.2.3, 8.2.5, 8.3.2, 8.4.1, 12.2.1, 12.2.2, 12.2.3, 12.2.4, 12.3.2



## Materials:

- One copy of Activity 10-1 (Entrepreneur Interview Questions) for each student.
- One copy of Activity 10-2 (Profile of an Entrepreneur) for each student

*Time Required:* 15 to 20 minutes of one class period for instructions and one class period to revise and rewrite essays.

### *Procedure:*

- Explain to the class that entrepreneurs possess human resources such as their labor and knowledge of their business and competition. They use these resources along with their capital resources to start and maintain a successful business operation. Tell them that in this lesson they are going to interview local entrepreneurs to determine how they make decisions regarding their resources.
- Hand out copies of Activity 10-1 and 10-2. Tell the students that they are to use these questions to interview local entrepreneurs and record their responses to the questions and profile. (Decide in advance how many entrepreneurs you would like them to interview. To give them a variety of responses to work with and still keep the number of interviews reasonable so they can complete them, three to five would be a good number to interview.) Have the students summarize the responses into a five-paragraph paper titled **The Secret of Successful Entrepreneurs**. Remind them to use standard conventions of writing and if your school uses them, to employ the techniques of six-trait writing. Have them complete the profile sheet for submission.
- Give the students a reasonable amount of time to interview the entrepreneurs and compose the rough draft of their five-paragraph paper and profile. Set a specific date for the rough draft paper to be completed and brought to class. (One to two weeks should be enough time and most likely one week would eliminate procrastination)

- On the due date for the rough draft paper have the students exchange their paper with another student in the class. They should read through the rough drafts and make suggestions and corrections to their reports and then hand them back to the author. Have them use the rest of the class period to work on preparing the final draft and make the final draft due for the next class meeting.

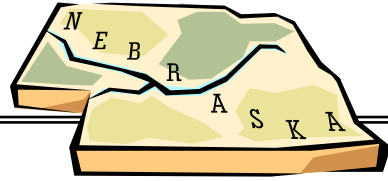
### Assessment:

On the due date for the final draft have the students turn in their essays so you can correct them. This will be the assessment for this lesson.

### Extension Activities:

Select three or four of the best essays turned in and have the students who wrote them read them to the rest of the class. Discuss with the class what makes these essays good as a way of reinforcing good writing skills and complete information. This will help students realize what was needed to have a quality paper as well as reinforce what an entrepreneur must do to be successful. This could also be submitted to the local newspaper.

## Activity 10-1



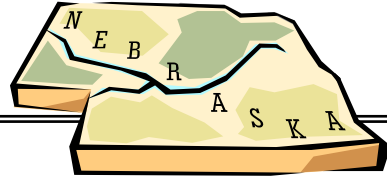
### Entrepreneur Interview Questions

- Where did you get the idea for your business?
- Were there any interests, skills, or hobbies that led to your business idea?
- What would you define as your market area?
- What is important for you to know about your customers?
- Who is your competition and why do you consider them as your competitors?

- Since you have started your business are there any changes that have affected your business?

- What changes do you predict that may affect your business in the future?

## Activity 10-2



### Profile of An Entrepreneur

Add  Photo
------------------

Name:

Business Name:

Location:

Idea Origination:

Interests, Skills, Hobbies:

Customers:

Changes Made Over Time:

Prediction for the Future of Your Business:

Toughest Part About Being a Business Owner:

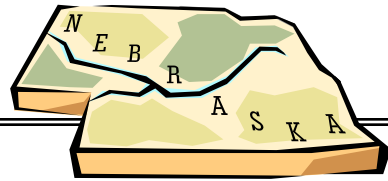
First Job:

Publications You Subscribe To:

What area(s) of study would you recommend for future entrepreneurs?

# Glossary

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**Aggregate Demand** A schedule or curve that shows the total quantity of goods and services demanded (purchased) at different price levels.

**Benefits** Something that promotes or enhances well-being; an advantage.

**Business Plan** Written description of a potential business that includes information pertaining to all aspects

**Competition** The presence in a market of independent buyers and sellers competing with one another and the freedom of buyers and sellers to enter and leave the market.

**Costs** An amount paid or required in payment for a purchase; a price.

**Decision Making** Comparing the cost vs. benefits when deciding whether or not to employ resources; comparing alternatives based on selected criteria.

**Demand** A schedule showing the amounts of a good or service that buyers (or a buyer) are willing and able to purchase at various prices during some period of time.

**Diminishing Returns** The principle that as successive increments of a variable resource is added to a fixed resource, the marginal product of the variable resource will eventually decrease.

**Double Taxation** The taxation of both corporate net investments (profits) and the dividends paid from this net income when they become the personal income of households.

**Economic Functions of Government** Providing the legal structure, maintaining competition, redistributing income, reallocating resources, and promote stability.

**Economic Resources** The land (natural), labor(human), capital, and entrepreneurial ability that are used in the production of goods and services; productive agents; factors of production.

**Entrepreneurship** The human resource that combines the other resources to produce a product, makes non-routine decisions, innovates, and bears risk.

**Fiscal Policy** Changes in government spending and tax collections designed to achieve a full employment and non-inflationary domestic output; also called discretionary fiscal policy.

**Human Resources** People's physical and mental talents and efforts that are used to help produce goods and services.

**Incentives** Something such as a fear or punishment or the expectation of reward, that induces action or motivates effort.

**Legal forms of business** Consists of sole proprietorship, partnership, and corporation.

**Limited Liability** Restriction of the maximum loss to a predetermined amount for the owners (stockholders) of a corporation. The maximum loss is the amount they paid for their shares of stock.

**Markets** Any institution or mechanism that brings together buyers (demanders) and sellers (suppliers) of a particular good or service.



**Opportunity Cost** The amount of other products that must be forgone or sacrificed to produce a unit of a product; the next best alternative.

**Price** The amount of money needed to buy a particular good, service, or resource; determined by supply and demand.

**Production Costs** Costs associated with the employment of resources used in the production of a good or service.

**Productivity** A measure of average output or real output per unit of input. For example, the productivity of labor is determined by dividing real output by hours of work.

**Profit** The return to the resource "entrepreneurial ability"; total revenue minus total costs.

**Role of Government** The economic activities of the public sector-Federal, state, and local government; also see economic functions of the government.

**Shortage** The amount by which the quantity demanded of a product exceeds the quantity supplied at a particular (below-equilibrium) price.

**Supply** A schedule showing amounts of a good or service that sellers (or a seller) are willing and able to offer at various prices during some period.

**Surplus** The amount by which the quantity supplied of a product exceeds the quantity demanded at a specific (above-equilibrium) price.

**Trade-offs** The sacrifice of some or all of one economic goal, good, or service to achieve some other goal, good, or service.