

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

**SECTION ONE: BASIC ECONOMIC CONCEPTS**

**WHAT IS ECONOMIC?**

- Is the study of how to use our limited resources wisely to satisfy our unlimited needs & want.

**RECOURCES**

- are the FACTOR OF PRODUCTIONS( things available to produce goods & services such as land ,oil , minerals, machinery etc. )

**Resources are classified into renewable and non-renewable resources.**

- 1) **Renewable resources:-** are resources that can be naturally replaced/ reproduced such as fishes , sheep etc or replanted such as trees.
- 2) **Non- renewable resources:-** are resources that cannot be replaced/reproduced/replanted once they are used up , they gone forever. For example if catches fish species are over-fished to a point where they cannot reproduce quickly enough/ cannot replant the trees after we cut it down.

**Differentiate between Need and Want**

**NEEDS:-** things are essential for survival for example food, shelter etc.

**WANTS:-** things are not essential for survival for example brand new shoes, television set etc

**GOODS and SERVICES**

**GOODS:-** are Tangible items that can be bought and sold such as bread, squash, fish, mats ,cars etc. while **SERVICES** refer to a work you've done to others .For example teaching, taxi, touring, catering etc

**Type of Goods:**

**INTERMIATE GOODS:-**Goods used in the production of other goods and not ready for final consumption.

**FREE GOODS:-** Good that are free of charge. For example fresh air, rain water etc

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

*ECONOMIC GOODS*:- Goods with some benefits to society and an opportunity cost. It can include both private and public goods.

*CAPITAL GOODS/ PRODUCER GOODS*:- those goods such as machineries, equipments and tools are used to produce more goods & services.

*CONSUMER GOODS*:- those goods are buying for final use. For example buying some foods to eat.

*PRIVATE GOODS*:- are those which we buy in the normal course of a day and pay for directly , for example breads, noodles, sugars etc.

*PUBLIC GOODS*:-those goods and services are provided by the government that are free of charge, non-rival and non-depletable. For example roads, street lights, Fa'onelua Park,etc.

*MIXED GOODS*:- those goods with some features of public goods and some of private goods, eg health care.

*COLLECTIVE GOODS* :- those goods are provided by government free of charge and are paid for through taxes.

*MERIT GOODS*:-those goods are benefit to others ,eg education, medicine etc.

*DEMERIT GOODS*:- those goods are harmful to others, eg cigarettes, alcohol etc.

***ECONOMIC CONCEPTS:***

1. **SCARCITY**:- refers to the situation where resources are limited while needs & wants are unlimited. THIS IS THE MAJOR ECONOMIC PROBLEMS.
2. **CHOICE**:- the process of making economic decisions between given alternatives.
4. **OPPORTUNITY COST**:- refers to the cost or value of the second best alternative given up after a choice is made.

***RELATIONSHIP BETWEEN SCARCITY, CHOICE AND OPPROTUNITY COST.***

- Because of scarcity we need to make choices and every choices has an opportunity.

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

5. SPECIALIZATION:- concentrating in the production of a particular product /concentrating in doing one Job.

6. DIVISION OF LABOUR:- splitting of a job into smaller tasks handled by different individual / breaking

down a production process into a number of smaller tasks.

#### ADVANTAGES OF DIVISION OF LABOUR and SPECIALIZATION

Businesses :-

- Improve quality of production produced
- Increased productivity
- Production becomes cheaper per good because of this.

Employees

- Become faster at their job
- Do not need lots of qualifications
- Higher pay for specialized work
- Each worker can concentrate on what they are good a and build up their expertise
- Improved skills at that job

#### DISADVANTAGES OF DIVISION OF LABOUR and SPECIALIZATION

- Doing one job everyday can be boring.
- If one worker being away may delay the whole production process.
- No feeling of achievement if they do not make a complete item

#### RELATIOSHIP BETWEEN DIVISION OF LABOUR and SPECIALIZATION.

- Division of labor will lead to greater specialization.

7. INTERDEPENDENCE :- mutually reliance of one another.

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

INDEPENDENCE:- Relying on oneself.

DEPENDENCE:- Relying on others.

8. EXCHANGE:- the process of swapping or trading goods & services.
9. MARKET:- a place or situation where consumers & producers meet to trade their goods and services.
10. DISTRIBUTION:- process of taking / delivering goods from producers to consumers.

RELATIONSHIP BETWEEN SPECIALIZATION , INTERDEPENDENCE and EXCHANGE.

- Increase specialization will lead to greater interdependence resulting in exchange.

11. CONSUMPTION:- process of using goods and services for example renting a car, buying an airline ticket to New Zealand etc
12. INVESTMENT:-buying or creating more capital goods to produce more products for example buying a car for hire (rental or taxi).
13. SAVING:- foregoing present consumption / putting money aside for future consumption.
14. PRODUCTION:- process of making or creating goods & services/process of converting natural resources into finished goods
15. PRODUCTIVITY:- output per unit of input in a period of time/ output per workers per hour.
16. ECONOMIES OF SCALE:- benefit of reducing unit cost as a result of increasing the scale of production
17. DISECONOMIES OF SCALE:-situation when the percentage increase of inputs results in a lesser percentage increase in output
18. INCREASING RETURN TO SCALE:- this is situation which the percentage change in a firm output exceeds the percentage change in its use inputs.
19. DIMINISHING RETURN TO SCALE:- the principle where by adding variable inputs (labour) to the fixed inputs(capital) results in gradually lessening addition to outputs.
20. CONSTANT RETURN TO SCALE:- situation where the percentage of factor input gives the equal percentage of outputs.

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

21. TECHNOLOGY:- scientific method of production

REVIEW QUESTIONS

1. Given below are 10 concepts commonly used in Economics.

Choice, Interdependence, Scarcity, Distribution, Specialization, Opportunity cost, Exchange

Division of labour, Production, Productivity

The statements below describe 8 of the above terms. Using only one term once, complete the table below by identifying the appropriate term described by each statement.

Statements

There are 54 workers working as teachers here at Queen Salote College. ....

In each classroom we have 40 students but we have only 36 desks & chairs.....

The process of moving production from producers to consumers.....

Some teachers teach mathematics, some teach music and some teach science.....

About 55 students decided to take science.....

Teachers and students are relying on each other.....

The process of trading fruits & vegetables at Talamahu market. ....

The cost of taking science .....

2. Differentiate between the following economic terms.

i. Needs & Wants

ii. Consumer & Capital goods

iii. Investment & Saving .

3. Explain how the following groups of terms are related in economics.

i. Scarcity, Choice and Opportunity cost.

ST ANDREW HIGH SCHOOL  
ECONOMIC FORM 5 HANDOUT  
As at 4/3/2022

---

ii. Division of labour, specialization, Interdependence and Exchange.

4. Explain how the fishes can be an example of a non-renewable resources.

5. Identify one advantage of specialization to businesses and employees.

i. Businesses: \_\_\_\_\_

ii. Employees: \_\_\_\_\_

6. Identify two disadvantages of specialization .

i. \_\_\_\_\_

ii. \_\_\_\_\_