

NOTES Goal 7

→ **Trade-offs and Costs**

	Description	Example (purchase of an \$18,000 car)
Monetary Cost		
Trade off		
Opportunity Cost		

- **SCENARIO:** You decide to go to college for \$17,500 a year at UNC-Chapel Hill. You will attend for 4 years = \$70,000. During this time you must spend time studying, attending class and cannot have a full time job.

→ **Monetary cost:** _____

→ **Trade-offs:** _____

→ **Opportunity cost:** _____

→ **Incentives**

- Businesses use incentives (forms of _____) to influence consumer economic _____.
 – Ex: buy 2 get 1 free! Happy Meal toys, Frequent Flyer miles.

→ **Business Costs and Benefits**

COSTS

- **Fixed Costs:** Business costs that _____ depend on the level of production (rent, salary
 – EX: _____, a business must pay rent on its factory whether the factory is operating or not.
- **Variable Costs:** Costs that _____ on a firm's _____ of production.
 – EX: a business received a large order, and must pay its workers _____.
 • ANSWER: Did variable costs increase or decrease? _____
- **Total Costs:** _____ costs + _____ costs = _____ cost of production
 – EX: Rent of factory + overtime = total cost of production

PRACTICE

	#1	#2	#3	#4
Monetary Cost				
Trade Offs				
Opportunity Cost				

Create your own scenario then have a partner identify the tradeoffs, opportunity cost and monetary cost.

Scenario:

Trade offs:

Opportunity Cost:

Monetary Cost: