

Opportunity Cost

Overview

This lesson introduces the concept of opportunity cost in the eyes of both the consumer and the producer. Students will walk away from the lesson thinking about the opportunity cost that comes with each decision that they make.

Objectives

By the end of the lesson, students will:

- Understand the concept of opportunity cost
- Explicitly define the opportunity cost in various daily scenarios
- Connect opportunity cost to large scale planning

Standards

Standard 1: **Scarcity**












Benchmark: 1, 4

This listing is based on the Council for Economic Education .

















Vocabulary

- Opportunity Cost is what needs to be given up to get something. This is different from an item's price
- Scarcity is the level of availability of something. The more scarce, the less there is of it e.g. water is scarce in a drought.
- Choice is the number of options that you have available to you when making a decision.
- A need is something that you cannot live without i.e. water, food for fuel, warmth.
- A want is something that is a luxury. Without it, you will still manage to survive.
- Tradeoff is when you make a decision and there is an advantage or a disadvantage to that decision.

Lesson Plan Includes

- | | |
|---|---|
|  Direct Instruction |  Technology-Based Activities |
|  Accompanying |  Worksheets |
|  Class Discussion |  Assessments |
|  Full Class |  External |
|  Small Group Activities |  Homework Optimized |
|  Individual | |

Activity Summary

- Introduction 
Time: 5 Minutes
- StockTrak Opportunity Cost Lesson
  
Time: 15 Minutes
Requires: StockTrak Curriculum , Computer Access
- Dinner Prep on a Budget   
Time: 15 Minutes
Requires: Worksheet, Computer Access
- This or That Discussion   
Time: 15 Minutes
- Small Group Scenarios   
Time: 15 Minutes
Requires: Scenario Slips
- Planning Prom   
Time: 20 Minutes

Instructor's Guide

Introduction

Explain to students that today they will be learning about Opportunity Cost.

- Explain that everyone faces opportunity costs each and everyday. Some of the opportunity costs may be small and they might be made without even thinking about it while other opportunity costs may be larger and have larger impacts on their lives.
- Explain that :
 - "Opportunity Cost" is what needs to be given up to get something. This is different from an item's price
- Provide an example:
 - I am deciding what to do this weekend. I can go take a free coding class offered at the library or go to a music festival with my friends. I choose to go to the coding class because I think it would be more beneficial long term. The opportunity cost is missing out on quality time with my friends and missing my favorite band performing.
- Ask the students to think of a choice that they made today that involved an Opportunity Cost and then have them share it with a partner.

Time:

5 Minutes

Type:



Required Resources:

Independent Activities

Activities designed for students to learn independently—either in class or as homework. Some activities include presentations if you prefer to use them for direct instruction instead of independent study.

Instructor's Guide

StockTrak Opportunity Cost Lesson

Assign your students the "Opportunity Cost" lesson on StockTrak.com. This lesson is an introduction article to Opportunity Cost from the view of a producer and a consumer.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up the next day with discussion questions.

Discussion Questions:

- What is an example of an Opportunity Cost that a producer must make?
- What is an example of an Opportunity Cost that a consumer must make?
- Why is it important to think about Opportunity Costs?

Resource Links:

Lesson Content (Included in the Assignment on StockTrak.com)
<https://learn.stocktrak.com/finance-knowledge/economics/opportunity-cost/>

Time:

10 Minutes

Type:



Required Resources:

- StockTrak Curriculum
- Computer Access

Dinner Preparation on a Budget

Have students complete this worksheet that asks them to plan a dinner party with a budget of only \$50. Students must assess the opportunity cost when it comes to selecting guests and a menu. They will then research online the cost of the dishes they selected to see if they remain on budget or go over.

Finally they will answer questions about the process and relate it back to opportunity cost. The questions at the end of the worksheet can be used as the start of a class discussion as well.

Collect the worksheet, and evaluate as an assessment.

Discussion Questions:

- Was there anyone you wanted to invite that you could not invite? Why could you not invite them?
- Would your list of people to invite be different if you had \$100 to spend? Would the food you offered be different if you had \$100 to spend?
- How does all of this relate to economics and opportunity costs?

Resource Links:

<https://www.teacherspayteachers.com/Product/Dinner-Preparation-on-a-Budget-Opportunity-Cost-Activity-4461088>
 (Requires Login to Teachers Pay Teachers)

Time:

15 Minutes

Type:



Required Resources:

- Worksheet
- Computer access

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StockTrak Planning Long Term Purchases Lesson

Assign your students the "Planning Long Term Purchases" lesson on StockTrak.com. This lesson discusses terms like opportunity cost and depreciation of purchasing big items such as a phone or a car. It also goes through a step by step calculation to figure out how to plan for a long term purchase.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- Why is factoring in depreciation important?
- What is an example of an item that would require you to go through that mathematical process?

Resource Links:

Lesson Content (Included in the Assignment on StockTrak.com)

<https://learn.stocktrak.com/finance-knowledge/personal-finance/planning-long-term-purchases/>

ADD Presentation

Time:

15 Minutes

Type:



Required Resources:

- StockTrak Curriculum
- Computer Access

StockTrak Work vs Study Purchases Lesson

Assign your students the "Work vs Study" lesson on StockTrak.com. This lesson addresses the different opportunity costs of continuing your education after high school or going straight into the workplace. It breaks the thought process into four steps to help students understand all their options when it comes to employment, income and opportunity cost.

They will be required to complete the quiz at the end as an assessment. If used as homework, follow up with discussion questions the next day.

Discussion Questions:

- What are the opportunity costs associated with going to college?
- What are the opportunity costs associated with going to the workplace?
- How you go about the situation if you did not know what you want to do for work or know what you want to study?

Resource Links:

Lesson Content (Included in the Assignment on StockTrak.com)

<https://learn.stocktrak.com/finance-knowledge/personal-finance/work-versus-study/>

ADD Presentation

Time:

15 Minutes

Type:



Required Resources:

- StockTrak Curriculum
- Computer Access

Opportunity Cost

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Full Class Activity

Activities designed for whole-class participation. These are best used along with the direct instruction portion of the lesson.

This or That Discussion

This is a teacher led discussion where students will be choosing between two different options. Throughout the process students will be encouraged to think about the opportunity cost that comes with each decision.

- Write the following on the board:
 - Eating Oatmeal v Eating Pancakes
 - Going to the Library v Going to the Movies
 - Going to College v Getting a Job
 - Joining a Gym v Getting a Tutor
 - Playing Lacrosse v Joining the Play
 - Work vs Study
- Have students get into pairs or groups and discuss the explicit costs (Monetary) of each of the ideas. Write their ideas on the board.
- Next have them discuss the opportunity cost. Is there more than one cost? Does each opportunity cost carry the same weight as the next? Again, write key responses on the board.
- Go through each option and have students vote for which is better.

Discussion questions:

- Why should people look at the opportunity cost of an action?
- How can we use opportunity cost in a non-monetary context?
- What is the opportunity cost of showing up to class?
- What is the opportunity cost of not showing up to class?
- What are some reasons that companies and individuals should be aware of opportunity costs?
- How do you think opportunity costs affect the macroeconomics of a nation?
- How might opportunity cost affect comparative advantage?

Time:

15 Minutes

Type:



Required Resources:

Instructor's Guide

Small Group Activities

Activities designed for small groups of students. These resources are best used after full-class direct instruction and activities.

Small Group Scenarios

In this activity students will be working in small groups to read scenarios that involve opportunity costs. They must work as a group to make a decision and then identify and record the opportunity cost.

- Cut out the 10 different scenarios and place them in an envelope
- Place students in small groups and have them select one scenario at a time.
- With each scenario, the group will record their choice and then write 1-2 sentences about the opportunity cost that came with making that decision.

Resource Link:

https://docs.google.com/document/d/1si70X66Cla2JwPan1ThBvTZ_4eta5DfwyP7_UDOCdH8/copy

Discussion Questions:

- Why should people look at the opportunity cost of an action?
- How can we use opportunity cost in a non-monetary context?
- What is the opportunity cost of showing up to class? What is the opportunity cost of not showing up to class?
- What are some reasons that companies and individuals should be aware of opportunity costs?
- How might opportunity cost affect comparative advantage?

Time:

15 Minutes

Type:



Required Resources:

- Scenario Slips

Planning Prom

Students will work in groups to pick a band, location and refreshments/decorations for their schools prom. Once all the groups have chosen their options they will discuss with other groups in order to get the best bang for their buck.

Resource Link:

<http://www.themint.org/teachers/planning-the-prom-1.html>

Discussion Questions:

- What strategies did you use to make your initial suggestions?
- Did anyone have to give up one of their ideas in order to please the group?
- What challenges did you have when you brought your ideas to the whole class?
- In what ways is this problem similar to economizing problems faced by your family? In what ways is it different?

Time:

15 Minutes

Type:



Required Resources:

- Planning Prom WS

Instructor's Guide

Conclusion

Bring the group back together and have them all think about a situation today (in or out of class) that required a choice between two things hence came with an opportunity cost. Remind them that they will be making decisions for the rest of their lives and it is important to think about the opportunity cost that comes with those decisions.

Remind students that

- “Opportunity Cost” is what needs to be given up to get something.
- It is important to know that the price of a good is not the same as an opportunity cost.

Ask the students to turn to their shoulder partner and give an example of an opportunity cost they faced today. Ask a few groups to share out with the class.