Unit 2: Dimensions of Microeconomics: Size does matter

Content Area: **Social Studies**
Course(s): **AP Micro Economics**
Time Period: **October**
Length: **4 weeks**
Status: **Published**

Transfer

Enduring Understandings

Consumers take several variables into account when choosing items. Price, quality, availability, need and other factors come into play. Economists measure the usefulness of a good or service in Utils. Utils help gauge what the demand curve for a good would look like.

Supply and Demand Curves are both elastic and inelastic. Inelastic portions of the curve mean that there are not many other choices while elastic portions show there are many other choices. Understanding elasticity helps to understand how prices and quantities are set for goods.

We can use supply and demand models to not only find the price and quantity but also gauge the profits or losses of a company. If the price of a good is above where its average total cost to produce the good, then a company is profitable, if it is below ATC, then it is taking losses and has to decide to stay in business or shut down.

Companies help to raise funds to produce goods in several ways. They must choose whether financial investments, stock options, loans, or bonds are the best way to raise capital to expand their business. Understanding the positives and negatives of these investments help companies make informed decisions.

Essential Questions

How do we determine the usefulness of an item and what does that tell us about the demand for an item?

Why do items lose their usefulness or desirability as more of that item is purchased?

How do we calculate the elastic and inelasticity of curves and what does this tell us about the decisions made by consumers and producers at those points?

What factors influence average total cost in both the short run and long run and how do we represent them graphically?

How do companies expand their business and how does the market for investment good impact these decisions?

Skills

How do we determine the usefulness of an item and what does that tell us about the demand for an item?

Graph and analyze supply and demand curves and production possibility curves.

Analyze The elasticity of curves and asses how the impacts how firms supply and how buyers demand..

Evaluate current economic climate through Economic Literacy Projects (ELP) where students choose a current event article and write up an analysis of it using economic standards.

Differentiate between costs for the firm and how the firm will operate.

Assess the determinants of supply and demand through real world examples.

Vocab: Accounting Profit, implicit costs, opportunity cost capital, economic profits, Short Run, Long Run, Law of diminishing marginal return, Total Costs, Fixed Cost, Variable Costs, Marginal Costs, Economies of scale, Diseconomies of Scale,

Standards

6.5.8 A 2. Explain the law of supply and demand.

6.5.8 A6. Describe how private industry acquires material and energy resources, provides jobs, raises financial capital, manages production processes, and markets goods and services that create wealth in order to meet consumer and industrial requirements.

6.5.8 B. 6. Analyze and give examples of how business and industry influence the buying decisions of consumers through advertising.

6.5.12 A. 4. Identify entrepreneurs in the community and describe the risks and rewards of starting a new business.

6.5.12 A. 7. Analyze the impact of supply and demand on market adjustments and prices (e.g., real estate and interest rates).

6.5.12 B. 4. Discuss the value and role of free and fair competition versus the social need for cooperation and how business, industry, and government try to reconcile these goals.