

UNIT I / LESSON 4

Should You Become an Entrepreneur?

Time Frame

2 days

Standards

NES: Economics: F.03, Explain the concept of scarcity;

F.04, Explain the concept of opportunity costs.

NES: Discovery: A.07, Generate venture ideas.

NES: Fundamentals of Communication: D.02, Apply effective listening skills

Teacher Background

The objective of this lesson is to use role-play, written activities, and classroom discussion to help students recognize that every decision a person makes in everyday life involves opportunity costs. The initial role play activity and discussion will lead into activities enabling students to recognize that at the core of deciding to become an entrepreneur is the need to conduct a cost/benefit analysis. This lesson relies heavily on materials provided in the *Personal Finance Program, Unit I, Lesson 1*.

Guiding Question

How do opportunity costs affect the choices people make throughout their lives?

Objectives

Students will be able to:

- Define and give examples of scarcity, opportunity costs, and cost-benefit analysis.
- Draw conclusions as to how opportunity costs will impact decisions they will make throughout their lives.
- Determine how the issue of opportunity costs will affect a person's decision to be an entrepreneur.
- Use role-play to analyze how opportunity costs influence economic decisions.

New Vocabulary

- cost-benefit analysis
- scarcity
- opportunity costs

Materials/Resources

Personal Finance Program, Unit 1, Lesson 1 (Particular sections of this lesson have been recommended though the entire lesson, as applicable.)

Teaching Strategies/Supporting Activities

Tell the students that one of last year's seniors in the Virtual Enterprise program said that he really loved the program because he has always wanted to make a lot of money and the only way and the easiest way to really make money is to become an entrepreneur. Ask: "Do you agree with this student? Why or why not?" (Elicit the idea that being an entrepreneur is not easy and it is not guaranteed to make you rich.)

Role Play: Have students pair up, with one student will play the VE graduate and the other will be his or her career or guidance counselor. For five minutes the counselor should bring up other issues that the graduate should consider before starting a new business. The graduate should respond with reasons why he/she feels entrepreneurship is the right way to go.

Have several volunteers share their guidance with the entire class. The instructor should start compiling a list of reasons that illustrate the concept of opportunity costs. After compiling a list of five or six items, have students determine what factors link all of the examples. Use these factors to establish a definition of "opportunity costs."

Ask the class: "Why can't this VE graduate have everything that he or she wants? Why do economic decisions involve trade offs?" Elicit the idea of "scarcity" and establish a class definition with students: for example, whether it is time, money, labor, natural resources, or other factors, all resources are limited; therefore, in order to get something, something else has to be given up.

Say to the class: "In the past 24 hours you have made several decisions that involved opportunity costs and the concept of scarcity. If you hung out with your friends after school and did not start doing your homework until after 11:00 PM, you made a decision about how to use your scarce time. The opportunity costs might have been that you did not get enough sleep and you are having trouble staying awake in class." Have students, in a short paragraph of four to five sentences, describe two other decisions they have made in the past day that involved opportunity costs caused by scarcity. Then have two or three students write the opportunity cost and the scarce item on the board and read their paragraphs. Have the rest of the class evaluate the information presented by the volunteer students.

Turn to the *Personal Finance Program, Lesson 1*, to reinforce what has been discussed so far. Follow Procedures 2, 3, and 4. Also have students complete Procedure 6.

Say to the students: "Based upon what you have seen so far, if I told you that each time you make an economic decision you are completing a 'cost-benefit analysis,' how would you define that term?" Using students' responses, establish a class definition of "cost-benefit analysis."

Have students complete procedures 9 and 10 of the *Personal Finance Program*.

Summary/Application

A friend of yours who loves music has decided to use all of the money he has saved from his summer job to buy a music deck in order to be a DJ and work Friday nights at club parties where he hears he can make \$200 a night spinning records. In this situation, identify the opportunity costs, the incentives, and recommend the cost/benefit analysis that your friend needs to complete.

Follow-up/Homework

As an entrepreneur, you will constantly be faced with decisions related to scarcity and forced to go through a cost/benefit analysis in order to determine whether the opportunity cost of your decisions are worth what has been sacrificed. Identify one possible business venture that interests you as a potential entrepreneur. Write down the incentives that draw you to this business. Write down three decisions that you would have to make before starting this venture. Identify the situation, the alternative decisions, and the opportunity costs of each alternative.

Expand Your Knowledge

"Extending the Lesson" from the *Personal Finance Program*, Unit 1, Lesson 1.