

Core 2: The Economic and Business Environment

Content focus	Duration
Students develop an understanding of the importance, and features of, the economic environment, including markets. They explore the nature, role and operation of businesses in the context of an increasingly globalised economy. Students investigate cause-and-effect relationships in relation to a major economic event or development affecting Australian consumers and businesses.	10 weeks
<i>Skills to be integrated in this topic as appropriate: developing questions, gathering and processing relevant information, analysing familiar and new situations, evaluating options, developing and implementing plans, developing evidence-based conclusions/decisions and reasoned arguments, working independently and collaboratively.</i>	

Outcomes	Assessment suggestions
COM5-1 applies consumer, financial, economic, business, legal, political and employment concepts and terminology in a variety of contexts	Assessment of learning <ul style="list-style-type: none">Students are to research and nominate one business that demonstrate excellence in innovation and entrepreneurship. <i>Note: this task has opportunities to embed assessment for learning as well as assessment as learning. [Refer to the worksheet titled Assessment of Learning Task].</i> Assessment for learning <ul style="list-style-type: none">A number of quizzes have been included in the workbook at the end of each section as a way to test ongoing learning.Additional activities have been included at the end of the book for ongoing consolidation of vocabulary. Assessment as learning <ul style="list-style-type: none">Post task Self-Evaluation. <i>Note: this can be given after an in-class task to all students to complete to allow those receiving disability provisions to have extra writing time without drawing attention to them.</i>
COM5-2 analyses the rights and responsibilities of individuals in a range of consumer, financial, economic, business, legal, political and employment contexts	
COM5-4 analyses key factors affecting decisions	
COM5-5 evaluates options for solving problems and issues	
COM5-6 develops and implements plans designed to achieve goals	
COM5-7 researches and assesses information using a variety of sources	
COM5-8 explains information using a variety of forms	
COM5-9 works independently and collaboratively to meet individual and collective goals within specified timeframes	

Learning across the curriculum

The general capabilities

- ✓ Critical and creative thinking 🧠
- ✓ Ethical understanding ⚖️
- ✓ Information and communication technology capability 💻
- ✓ Intercultural understanding 🌐
- ✓ Literacy 📖
- ✓ Numeracy 📊
- ✓ Personal and social capability 🧑

The cross-curriculum priorities

- ✓ Aboriginal and Torres Strait Islander histories and cultures 🇺🇸
- ✓ Asia and Australia's engagement with Asia 🌏
- ✓ Sustainability 🌱

NESA syllabuses include other areas identified as important learning

- ✓ Civics and citizenship 🇺🇸
- ✓ Difference and diversity 🌈
- ✓ Work and enterprise ⚙️

Differentiation

Each worksheet contains a range of activities that are scaffolded and can be assigned to according to the level students are engaging with the content. For example, Worksheet 1.1a is about the economic problem and different economic systems. Students requiring support can be assigned questions 1-4, as these introduce students to some key foundational concepts without requiring a complex understanding of different economic systems. Students operating within the core level should be attempting questions 1-6, which investigate some more complex features of economic systems in addition to the fundamental ideas. Questions 7 and 8 aim to extend students by getting them to apply their understanding of economic systems to a number of scenarios and may be suitable to those students ready to engage with content at a deeper level. It is important to note that students operating at this level do not need more work but rather different work. Compacting the curriculum for gifted students can mean that in some instances they can demonstrate engagement with an outcome by simply completing the extension activity. In the programme this will be indicated under the resource using a traffic light system like this:

Worksheet 1.1a

S	C	E
1-4	1-6	7-8

The program also offers a variety of alternative activities that can suit students needing support, students operating at the core level, as well as students who need extending. These will be included at the end of each section in a table, using the traffic light system.

DIFFERENTIATION

SUPPORT

Simplified activities give students access to course content

CORE

Activities suitable for the majority of students

EXTENSION

Activities design to extend students and provide greater depth



Content

Teaching, learning and assessment

Resources

Introduction

- Hold a **class brainstorm** about what the students think the terms ‘*Economy*’ and ‘*Business*’ mean.
- Students are to complete a **Pre-Test**.
- Students are to work on learning the key terms necessary to understand this unit. Choosing a range of these activities as lesson starters can be effective and fun ways to acquire subject specific language.
 - Students are given a list of terms and definitions which they need to match.
 - Play *Word Connect*.
 - Arrange students into small groups of 2 or 3.
 - **Step One:** Give each group a game card that has 2 different words they need to connect. (see *Supplement 1a*). For example, if the terms given are *Apples* and *Inflation* they may come up with the following concepts. Refer students to the glossary if they get stuck.

Apples		Inflation	
• Farming	• Distributors	• Cost of living	• Supply
• Agriculture	• Supermarkets	• Tariffs	• Demand
• Labour	• Export	• Taxation	• Purchasing power
• Fruit	• Transport	• Inequality	• RBA
• Import	• Pesticides	• Tax cuts	• Exchange rate
• Water	• Organic	• Wage growth	• Recession
• Fruit pickers	• Apple pie	• Increasing prices	• Government intervention
• environment	• Fruit markets		

- **Step Two:** After 90 seconds, each group swaps their word list with another group. Now give students 5 minutes to draw as many connections between the 2 main concepts as possible.
For example, if your words were *apples* and *inflation* you would need to create a chain of words that connect concepts in the list made by another group in Step One. You can use any words but you get 1 point for each word you use from the list. Make as many chains as you can. The group that gets the longest chain wins.
- This is a great game to use throughout the unit. Students will be able to make connections more easily as they work their way through this unit.

Pre-Test

Worksheet 1a

Worksheet 1b
Supplement 1

COMMERCE SENSE

2

THE ECONOMIC & BUSINESS ENVIRONMENT



CG WILLIAMS

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PRETEST

Name: _____

Date: _____

Score: _____ /15

Each question is worth one mark.

1. Which of the following concepts does the phrase *circular flow of income* best describe?
(A) Inflation
(B) Consumption
(C) Economy
(D) Interdependence

2. Who makes up the household sector?
(A) Adults and children
(B) Consumers
(C) Businesses
(D) The government

3. Money that flows out of an economy is commonly known as a:
(A) Injection
(B) Income
(C) Consumption
(D) Leakage

4. Select all the flows that inject money into an economy:
 Savings Investment Taxation
 Rent Imports Exports

5. What is the name of the agency that regulates the financial sector?
.....

6. Explain what is meant by the term *business cycle*.
.....
.....
.....

7. In what years did the Great Depression and the Global Financial Crisis (GFC) begin?
.....

8. Identify the characteristics in an economy experiencing economic growth.
 Falling levels of production
 Increasing consumer spending
 Increasing inflation
 Decreasing unemployment
 Decreasing interest rates

Answer questions 9 to 12 by determining if each statement is true or false.

9. A lack of spending can lead an economy into recession.

TRUE/FALSE

10. Too much spending in an economy can lead to higher inflation.

TRUE/FALSE

11. The Global Financial Crisis only affected America.

TRUE/FALSE

12. The law of demand states that consumers will purchase more goods and services when price decreases.

TRUE/FALSE

13. What term describes the point at which demand and supply are equal?
.....

14. What is the name given to the traditional economic system used by indigenous people?
.....
.....

15. Identify three common goods that Aboriginal and Torres Strait peoples traded.
.....

WORKSHEET 1b

Word Connect

This is a brainstorm with a difference. Your job is to identify as many economic and business-related words that you can associate with two given terms. Your next task is to find how these two words/concepts are connected.

Step One:

You will be put into a small group of two to three students. You will have 90 seconds to come up with as many words or concepts that relate to the terms you have been given. Each group has different words they need to brainstorm. For example, if your group was given the terms *Apples* and *Inflation* you may come up with the following concepts. Refer to the glossary if you get stuck.

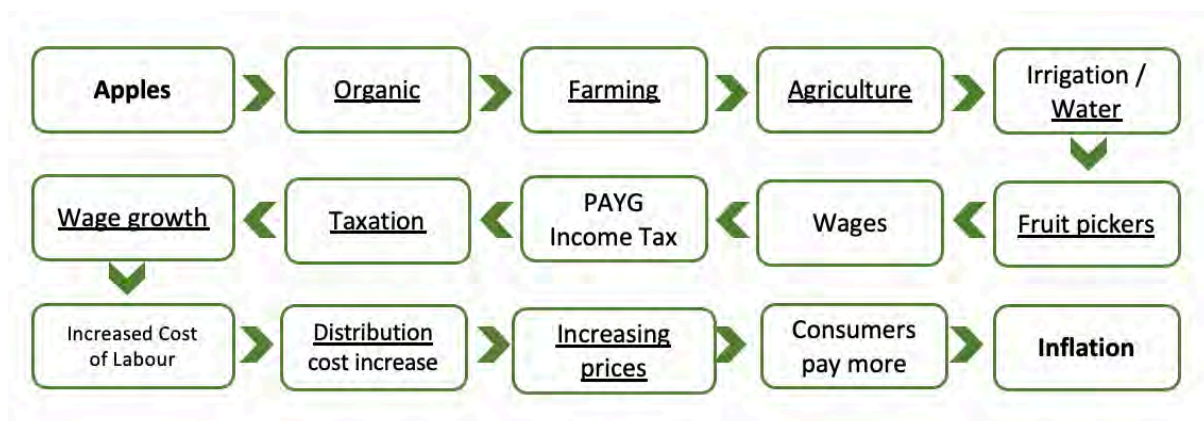
Apples		Inflation	
• Farming	• Distributors	• Cost of living	• Supply
• Agriculture	• Supermarkets	• Tariffs	• Demand
• Labour	• Export	• Taxation	• Purchasing power
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• Import	• Pesticides	• Tax cuts	• Exchange rate
• Water	• Organic	• Wage growth	• Recession
• Fruit pickers	• Apple pie	• Increasing prices	• Government intervention
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Step Two:

Swap your word list with another group in the class. You now have two new words and a list of associated concepts related to these words. Working in your groups you will have 5 minutes to draw as many connections between the two main concepts as possible.

For example, if your words were *apples* and *inflation* you would need to create a chain of words that connect concepts in the list made by another group in Step One. You can use any words but you get 1 point for each word you use from the list. Make as many chains as you can. The group that gets the longest chain wins.

Chain 1:



In this example, the chain is worth 9 points (1 point for each word that is underlined which has come from the list).

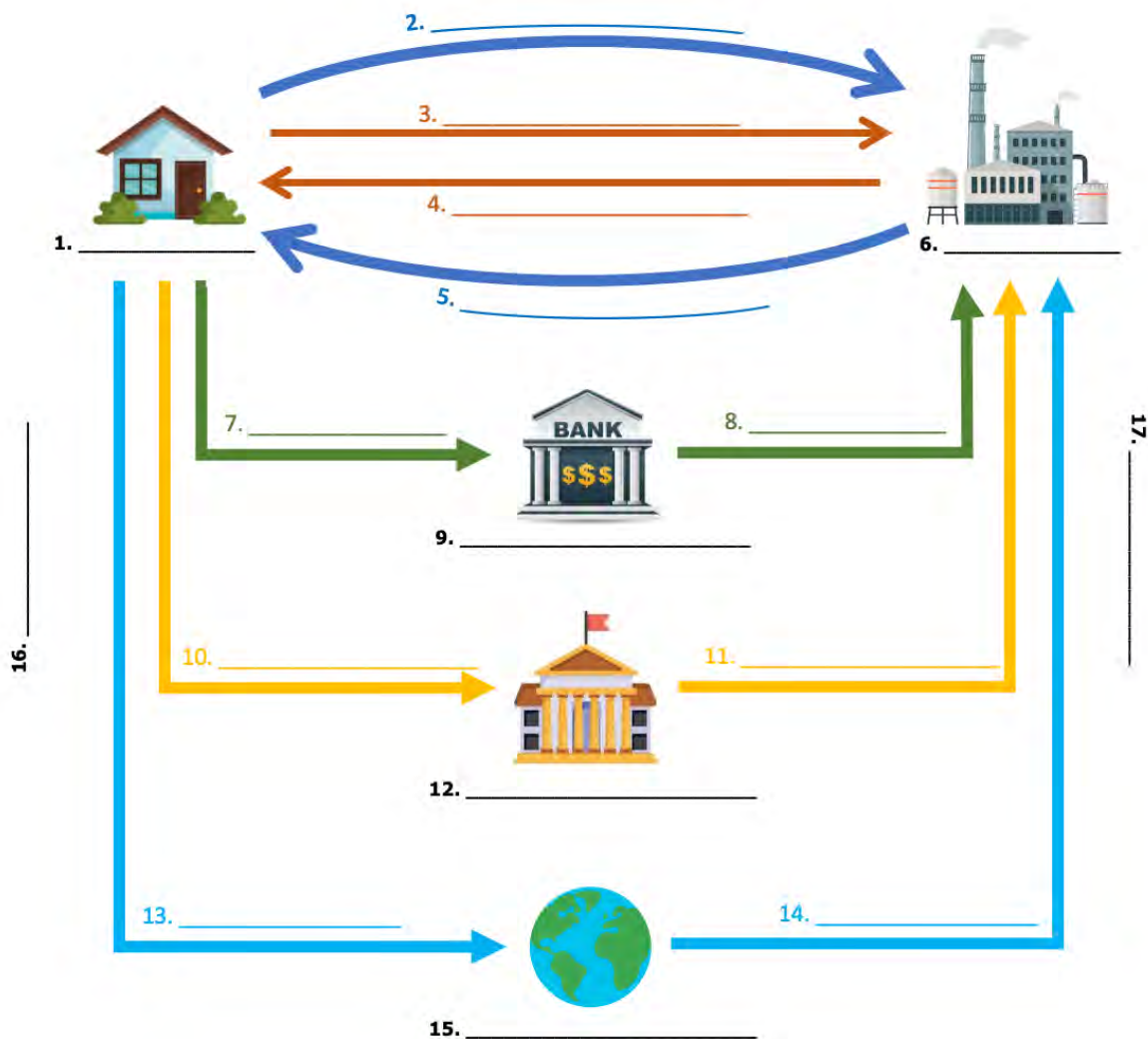
WORKSHEET 1.1b

The nature of the economy

The circular flow of income model

The circular flow of income model is a simple graphic tool that helps us understand how money moves in an open economy (one that is open to trading with other countries). It shows the relationship between different sectors of the economy, such as households, businesses, governments, financial, and overseas markets. This model also shows how money flows in and out of an economy (injections and leakages) and how this impacts the level of economic activity.

- Complete the diagram below to show the money flows between the different sectors in an economy.



- Explain why the formula $I + G + X = S + T + M$ represents a state of economic equilibrium.

Review: Part 2

Name: _____

Date: _____

Score: _____

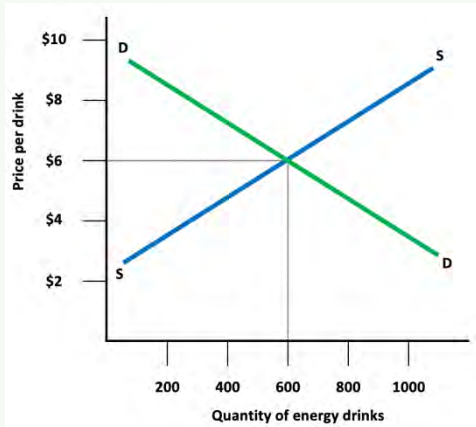
/20

Each question is worth one mark.

1. What term describes the branch of economics that studies decisions made by individuals and businesses.
.....

2. How are prices determined?
.....
.....

Use the graph below to answer questions 3-5.



3. What is the equilibrium price?

4. What happens to supply and demand when the price is set to \$4?
.....

5. Shade the graph to show where wastage would occur (or oversupply).

Answer questions 6 to 9 by determining what happens to price when there is a change to supply and demand.

- Price**
6. Supply ↑
7. Demand ↑
8. Supply ↓
9. Demand ↓

Answer questions 6 to 10 by determining if each scenario would increase supply or demand.

10. New technology reduces the cost of producing a good. S D
11. Increasing incomes. S D
12. An increase in popularity for a product. S D
13. The price of a goods is expected to rise. S D
14. Improved climatic conditions. S D

Answer questions 15 to 17 by determining if each statement is true or false.

15. Companies can list their shares in the financial market.
TRUE/FALSE
16. Jobs can be found in the labour market.
TRUE/FALSE
17. The retail market is where consumers can buy goods.
TRUE/FALSE
18. List items that indigenous Australians traded prior to colonisation.
.....
19. Select the negative externalities that might result from a new factory.

- Pollution Habitat destruction
 Loss of biodiversity Job creation
 Improvement in quality of life

20. Explain why governments might intervene in markets.
.....
.....

COMMERCE SENSE

2

THE ECONOMIC & BUSINESS ENVIRONMENT



 **TEACHER EDITION**

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WORKSHEET 1a

Vocabulary

1. Match each term to its correct definition.

Real income	Recession	Foreign debt	Inflation	Business cycle
Interest rates	Budget	Depreciation	Labour	Economy
Monetary policy	Consumer	Interdependence	Taxation	Exports

Term	Definition
(a) Exports	A good or service produced in one country but sold to a buyer from another country.
(b) Budget	An estimation of future revenue and expenses over a period of time.
(c) Monetary policy	An economic policy set by the Reserve Bank of Australia which involves setting the interest rate on overnight loans in the money market (also known as the cash rate). This policy has direct impact on economic activity, and the rate of inflation.
(d) Depreciation	The loss in value of an asset over time.
(e) Inflation	The general increase in the price of goods and services over time.
(f) Real income	Income that is adjusted to inflation that estimates the real purchasing power of money.
(g) Business cycle	The fluctuations in economic activity over time.
(h) Taxation	A mandated payment made to the government by individuals and firms.
(i) Foreign debt	The money a country owes to another country.
(j) Labour	The human effort required to produce goods and services in an economy.
(k) Consumer	A person who purchases goods and services.
(l) Recession	A period in the economic cycle which is characterised by sustained periods of low or negative growth in real GDP.
(m) Economy	A system by which a country organises production, distribution, trade, and the consumption of goods and services.
(n) Interdependence	When people or businesses rely on others to provide the goods and services that they are unable to produce for themselves.
(o) Interest rate	A term used to describe the cost of borrowing money. It is expressed as a percentage per annum.

/15

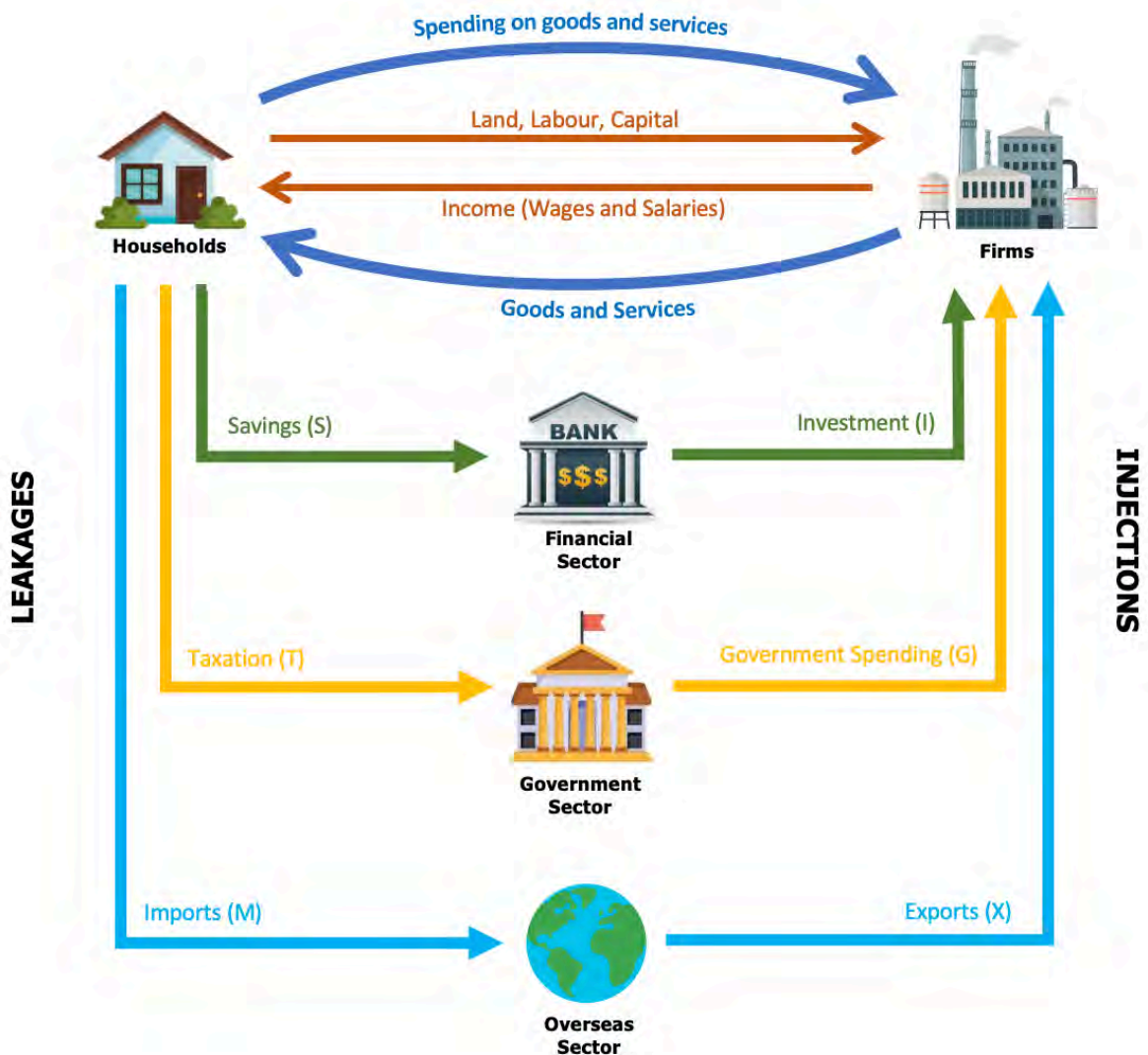
WORKSHEET 1.1b

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The circular flow of income model is a simple graphic tool that helps us understand how money moves in an open economy (one that is open to trading with other countries). It shows the relationship between different sectors of the economy, such as households, businesses, governments, financial, and overseas markets. This model also shows how money flows in and out of an economy (injections and leakages) and how this impacts the level of economic activity.

1. Complete the diagram below to show the money flows between the different sectors in an economy.

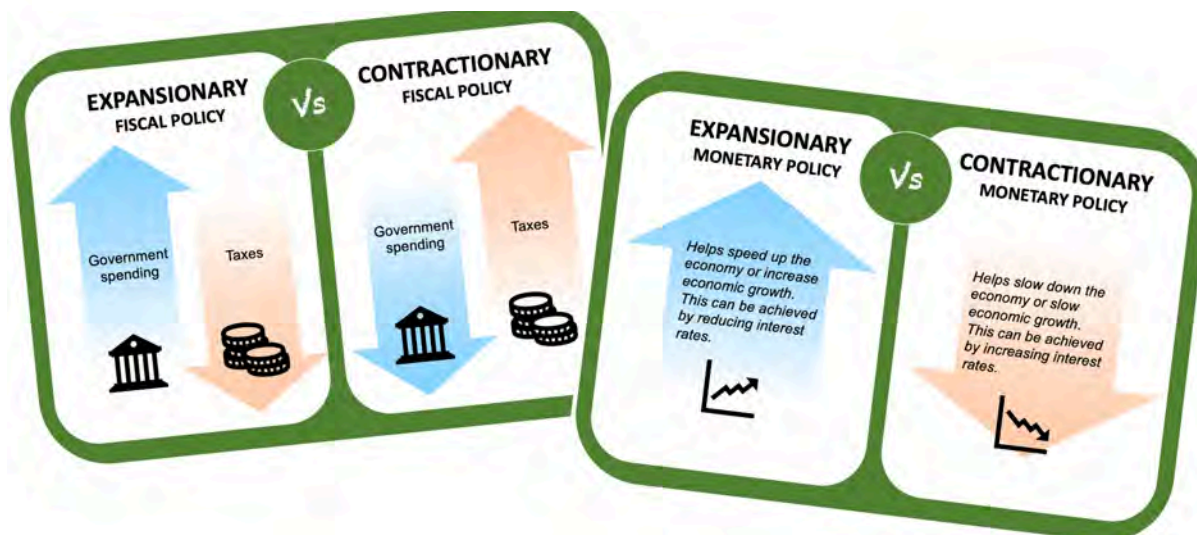


2. Explain why the formula $I + G + X = S + T + M$ represents a state of economic equilibrium.

This means that total leakages ($I+G+X$) and total injections ($S+T+M$) are equal, so the level of economic activity remains the same (i.e. is in equilibrium).

- Refer to the images below to describe the difference between expansionary and contractionary macroeconomic policies.

Expansionary policies are used to stimulate economic. Expansionary fiscal policy would see an increase in government spending and a reduction in tax, while expansionary monetary policy would see a decrease the cash rate in order to stimulate consumer spending. Conversely, contractionary policies aim to slow down inflation and amount of money circulating in an economy.



- Explain when in the business cycle expansionary and contractionary macroeconomic policies would be used.

Expansionary policies are used during troughs and downturns, whereas contractionary policies are used during peak periods.

- Imagine that you are a senior economist. Identify the most appropriate policy that you would recommend for each of the scenarios below. Refer to the images above and your knowledge of the business cycle to help you.

Scenario	Policy	Effect
The unemployment rate is increasing and hits 8%. The government announces a \$50 million investment to create new jobs in the building sector.	<input checked="" type="checkbox"/> Fiscal <input type="checkbox"/> Monetary	<input checked="" type="checkbox"/> Expansionary <input type="checkbox"/> Contractionary
Inflation is soaring and the RBA increases interest rates in an attempt to reduce consumer spending.	<input type="checkbox"/> Fiscal <input checked="" type="checkbox"/> Monetary	<input type="checkbox"/> Expansionary <input checked="" type="checkbox"/> Contractionary
Unemployment levels are low. Wages and inflation are increasing. The government announce increasing income tax in the next budget.	<input checked="" type="checkbox"/> Fiscal <input type="checkbox"/> Monetary	<input type="checkbox"/> Expansionary <input checked="" type="checkbox"/> Contractionary
Economic growth is slowing and the government announce a deficit budget.	<input checked="" type="checkbox"/> Fiscal <input type="checkbox"/> Monetary	<input checked="" type="checkbox"/> Expansionary <input type="checkbox"/> Contractionary
To ease cost of living pressure, the RBA reduces the cash rate.	<input type="checkbox"/> Fiscal <input checked="" type="checkbox"/> Monetary	<input checked="" type="checkbox"/> Expansionary <input type="checkbox"/> Contractionary

7. Use the analogy of money bags and purse strings to explain how money supply is affected by loose and tight monetary policy.

Money bags holding coins were kept closed by tightening the purse strings around them, making money more difficult to access. Conversely, loosening the purse strings opened up the money bag so that money was easier to access and spend. This is analogous to tightening and loosening monetary policy in an economy.



8. Economist Nicholas Gruen suggests that, when macroeconomic policy requires tightening, superannuation contributions could be increased and, conversely, when economic stimulus is required, superannuation contribution rates could be lowered. Discuss how this approach to managing inflation could benefit individuals.

Answers can include a focus on forced savings as a tool to control disposable income, which will benefit individuals more broadly compared to interest rates, which benefit banks.

9. Contrast the main difference presented in the economic theories of Lachlan Kerwood-McCall and Nicholas Gruen.

Gruen suggests adjusting compulsory superannuation repayments in lieu of changes to interest rates, whereas Kerwood-McCall puts forward an adjustable compulsory savings mechanism that will more broadly effect individuals.

10. The title of the article asks *Is there a better way to kill inflation than raising interest rates?* Justify one way that you believe inflation can be better managed. You can refer to ideas presented in the article or come up with your own theory to address this issue.

Things the federal government could do to try to lower inflation include:

1. Temporarily lift the amount employers/employees pay in superannuation for workers in substitution for some part of wage increases. This is a way people can build wealth rather than just paying more to banks.
2. Intervene in markets to cap or freeze prices in certain sectors. This will help to control prices.
3. Compel banks to pass on interest rate increases on savings accounts to encourage saving.
4. Put a super-profits tax on particular industries and save the proceeds or use them to subsidise those consumer goods experiencing inflationary prices.
5. Increase the Medicare levy or other taxes. This reduces money circulating in the economy while simultaneously benefiting Australians by reinvesting in public services.
6. Make it easier to switch providers like banks, insurers and utilities so that consumers can more readily adopt better deals.
7. Change competition laws to reduce the power that large corporations have.
8. Find ways to encourage improved productivity to reduce operating costs rather than increasing price to maintain profit margins.